ST. HELENS COUNCIL
STATEMENT OF ACCOUNTS
2016-2017

APPROVAL OF ACCOUNTS

I confirm that these Accounts were approved by the Audit and Governance Committee meeting held on 7 August 2017.

Chair of meeting approving the Accounts

Date: 7 August 2017

TABLE OF CONTENTS

NARRATIVE REPORT BY THE DEPUTY CHIEF EXECUTIVE & STRATEGIC DIRECTOR OF CORPORATE SERVICES

1. Introduction to the Narrative Report

This Narrative Report provides an overview of St. Helens Borough Council, including the key issues impacting on the Council and its accounts. It provides a summary of the Council's financial position as at 31 March 2017, and an outline of its wider performance, whilst going on to consider risk and the future. The Narrative Report is structured as follows:

- Introduction to St. Helens
- Key facts about St. Helens
- Council - political and management structure
- Council operating model – partnerships and strategic planning
- Operational environment
- Council financial summary and resource allocation 2016-2017
- Council performance summary 2016-2017
- Risk management
- Future outlook
- Conclusion

The Report also includes a brief explanation of the Financial Statements that follow.

2. Introduction to St. Helens

St. Helens Council is one of the 6 local Merseyside authorities that make up the Liverpool City Region. Situated strategically at the heart of the North West and central to the 'Northern Powerhouse,' the Borough also enjoys strong connections to Greater Manchester, Lancashire and Cheshire. An extensive road, rail and bus network provides excellent accessibility to and from St. Helens.

St. Helens covers an area of 135 square kilometres, of which approximately half is rural and half is urban. The Borough has a proud industrial heritage, built around its reputation as a centre for innovation in chemical production, pharmaceuticals and a world famous glass industry. Like many northern towns, the industries on which it once thrived have now largely declined. However, in recent years regeneration has brought about the positive transformation of many parts of the Borough, with the development of new businesses, housing, transport infrastructure and new green spaces. The Council's aspirations for the Borough remain high and the creation of additional economic growth remains a key priority if it is to succeed in its plans and deliver its ambitious vision of a future St. Helens.

3. Key Facts about St. Helens

St. Helens' demographics, the profile of its communities and its living environment are all critical factors that play a key role in influencing the range, shape and direction of services that the Council provides, in order for it to ensure that the needs of the local population are capable of being met.

ONS Mid-Year Population Estimates 2015 show that there are approximately 178,000 residents in St. Helens, a population that is expected to grow steadily over the next 10-20 years, although at a lesser rate than that predicted for the North West and England.

St. Helens' age profile is relatively old; with proportionally less people aged 0-16 and more people 65+ than there are nationally. It is also an ageing population with ONS Population Projections suggesting that numbers of residents in their 80's will nearly double, whilst numbers of residents in their 90's will nearly triple by 2037.

Relatively high levels of deprivation and inequality exist within the Borough. The Index of Multiple Deprivation ranks St. Helens as the 36th most deprived local authority in England out of 326. Nearly a quarter of all neighbourhoods within the Borough fall within the most 10% deprived of neighbourhoods nationally.

The health of the population is quite poor, with Census data showing that over 8% of people describe their health as bad or very bad. Statistics show that life expectancy for both males and females at 77.5 years and 81.2 years is significantly below national averages of 79.5 years (males) and 83.1 years (females).

Data suggests that the percentage of the population economically active has shown improvement in recent years (74.8%), but remains behind the regional (75.6%) and national average (77.8%). The unemployment rate at 5.2% is only marginally higher than the North West (5.1%) and national average (4.9%). However, the percentage of people claiming out of work benefits at 12.2% remains above the North West (10.3%) and national (8.6%) averages.

Residents' average gross weekly pay of £499 is similar to the North West average of £502, but lower than the national average of £545.

Housing affordability is an issue within the Borough with the average house price now 5.2 times the median gross annual earnings.

Crime rates within St. Helens compare favourably to neighbouring authorities and those in its most similar family comparator group.

For a detailed picture of St. Helens and its communities please visit: https://info4.sthelens.gov.uk

4. St. Helens Council

St. Helens Metropolitan Borough Council provides the full range of local authority services to the residents, businesses, schools and visitors to the Borough, either directly or through commissioning or partnership arrangements. The services delivered include care services for older people, vulnerable adults and people with disabilities, children's centres and early years' services, school support and improvement, support for children with special educational needs, fostering and adoption services, public health, waste and recycling, street cleansing, libraries, leisure services, licensing, housing and homelessness support, planning and development permissions, environmental health and trading standards, benefits administration, maintenance of highways, footpaths, parks and open spaces, and many more.

Political Structure
St. Helens has a total of 16 electoral wards and 48 ward Councillors. Following the last local elections in May 2016, the membership of St.Helens Council is:

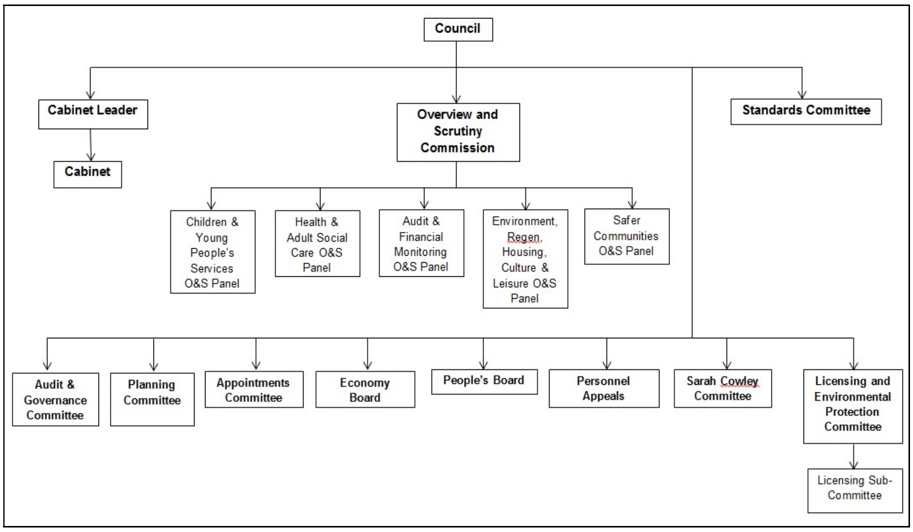
- 42 Labour Councillors
- 3 Liberal Democrat Councillors
- 3 Conservative Councillors

At Full Council, all Councillors meet to debate decisions on the Council's budget, constitution and policy framework. Full Council also elects a Leader with Executive powers selected from the elected Council as a whole.

In 2008, the Council adopted a Leader and Cabinet model as its political management structure. The Cabinet is the principal decision-making body of the Council. It is made up of the Leader and up to nine Councillors whom the Leader appoints as Portfolio Holders. Each Cabinet Member has responsibility for an individual Portfolio area, each of which relates to particular services and functions of the Council.

In addition, a series of regulatory committees, also appointed by Full Council, discharge specific Council functions, which are not the responsibilities of the Cabinet.

An Overview and Scrutiny Commission and a series of dedicated Overview and Scrutiny Panels exist to hold the Cabinet to account. Their role is to examine the policies, decisions and actions taken by the Cabinet, along with the overall performance of the Council. Where necessary, the Commission and its Panels are able to make recommendations for improvement and also have the power to call in decisions made by the Cabinet prior to implementation. Further information on the Council's political structure and processes is available within the Constitution.



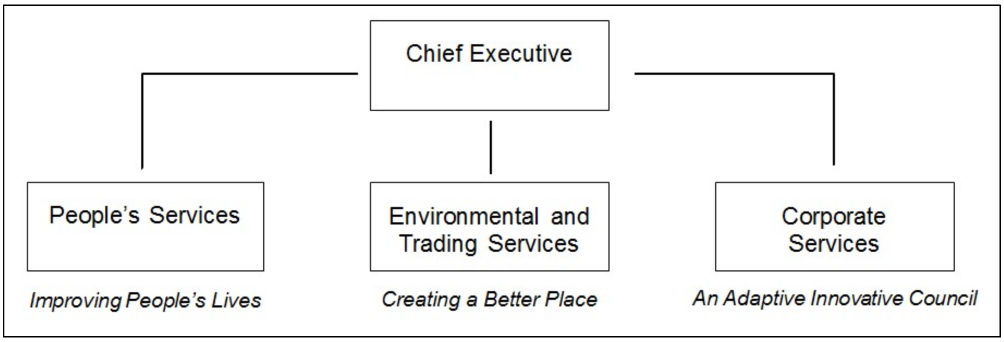
Management Structure
In November 2015 St.Helens Council approved a new corporate organisation structure in support of its programme of transformation and vision for 2020. The revised structure deleted a number of senior management posts, whilst making a small number of new

appointments to ensure that the Council has the requisite number of senior staff with the skills and knowledge to deliver its future ambitions. This structural streamlining created a number of efficiencies and resulted in a reduction in expenditure. The Council is now based around 3 departments led by a Senior Management Team comprising the Chief Executive and 3 Strategic Directors.

The People's Services Department provides a broad range of statutory and non-statutory services for children, young people and adults, covering social care, education, public health, libraries, housing and community safety.

Environmental and Trading Services Department provides a wide range of place based services including planning and economic development, environmental care, highways, leisure services and regulatory functions such as environmental health and trading standards.

Corporate Services Department provides a series of statutory functions and support services that add value and enable the effective running of the Council.



At April 2017, the Council had a total workforce of 3,115 people (excluding school based employees). As a result of the requirement to deliver significant savings and efficiencies, in the period June 2010 to March 2017, the workforce has reduced by over 30%, with the loss of 1,371 posts.

The Council is accredited with Investors in People Gold assessment reflecting the comprehensive and effective range of human resources policies, procedures and practices that have contributed to the Council's status of a resilient, well managed and high performing authority.

5. St. Helens Council Operating Model

<u>Partnerships</u>

The Council can demonstrate a long history of successful partnership working dating back to the founding of one of the country's first ever public/private sector partnerships in 1988. A number of partnerships have since continued to bring together public services, businesses, and the voluntary and community sector to work jointly to regenerate the Borough, create safer communities, improve health and wellbeing and deliver better outcomes for children, young people and adults.

National policy, increasing financial pressures and growing demand for services have recently led to the redefining of partnership working and the redevelopment of partnership structures, both at a regional level and beyond, as well as locally within St. Helens.

At a sub-regional level, along with 5 other local authorities, St. Helens is part of the Liverpool City Region Combined Authority, which was formally established on 1 April 2014. Its purpose is to facilitate greater economic growth across greater Merseyside and provide transparent and accountable strategic decision-making in support of economic development, transport, strategic housing, and employment and skills.

In November 2015, the Liverpool City Region formally agreed a devolution deal with Central Government which, along with agreement to choose a directly elected Mayor in May 2017 and the transfer of new powers and responsibilities from Whitehall, also included confirmation of £900 million of funding over a 30 year period. The Combined Authority and the Liverpool City Region devolution agreement are likely to have a significant influence on the future ability of Merseyside and St. Helens to create sustained economic growth. St. Helens Council will seek to maximise the opportunities that it brings both in the short and longer term.

At a district level in response to the significant challenges facing the Borough, there has also been a need to redefine ways of partnership working through a more collaborative approach and new models of integrated service delivery that are resilient and capable of delivering required outcomes.

Over the course of 2016-2017, the Council set out to lead a review of pre-existing partnership arrangements and established a new framework for collaboration.

As a result the revised Council structure is now supported by a People's Board, taking on the statutory responsibilities of the Health and Wellbeing Board and the Community Safety Partnership, and an Economy Board, established to drive forward economic growth within the Borough.

<u>Strategic Planning</u>

As an effective and well-managed Council, there is a long and well-established approach to strategic planning and financial planning within St. Helens Council. Over the course of 2016-2017 in working towards its 2020 vision, implementing its programme of change and agreeing its programme of future savings, the Council developed and agreed a revised Council Plan 2017-20.

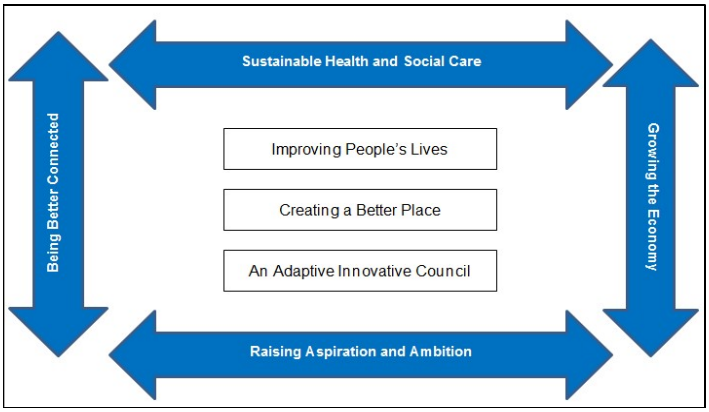
The plan defines a series of key principles, which underpin everything the Council does and is structured around 3 key aims, each with a series of revised council objectives

- Improving People's Lives
- Creating a Better Place
- An Adaptive Innovative Council

The Plan was approved as part of the Budget Strategy. It is the Plan objectives which drive the Council's service planning process, ensuring appropriate activity is undertaken to deliver its long-term vision and goals. Required outcomes are defined by robust performance indicators with challenging but deliverable targets commensurate with resources. The financial information system aligns with plans allowing close monitoring of budgets and service expenditure. The annual process of quality assurance and review of plans ensures a continued focus on the effectiveness of, and value for money of, Council services.

These revised Council objectives and associated actions will define the Council's contribution to the delivery of 4 borough-wide strategic objectives, which are integral to a

Community Plan that will set out the full extent of the partnership vision and aspiration for St. Helens.



6. Operational Environment

There are a number of external factors, presenting both challenges and opportunities, which continue to impact on Council Budgets and future service provision.

Since the Comprehensive Spending Review of 2010, ongoing cuts in government funding have resulted in significantly reduced budgets. St. Helens has been disproportionately affected seeing relative annual grant reductions far higher than many more affluent areas. Between 2010 and 2017 the Council has lost over £74 million of funding from its revenue support. The allocation of capital resource funding has also seen significant reductions. Looking ahead, the 2017 Local Government Financial Settlement confirmed the overall reduction in central resources to be £15.6 million for 2017-2020, leaving a requirement for the Council to find a further £20.6 million of savings over the coming three years.
On top of ongoing general grant reductions, a number of additional factors bring further financial risk and uncertainty to the Council

- The proposal for local authorities to retain 100% of business rates by 2020 carries significant risk as the Council becomes virtually self-sufficient and almost wholly reliant on local taxation and other fees and charges to raise its own revenue. From 2017-2018, the Council will participate in a Liverpool City Region Pilot, which guarantees no financial detriment to the Council beyond the Government's existing revenue support reductions and any additional potential loss of income through a reduction in business rate revenue. However, upon full implementation of the retention scheme, the financial risk increases as the Council alone bears the full budgetary implications of any business failures. The impact of the Business Rate revaluation from April 2017 is likely to compound the issue due to its potential to generate a significant number of new appeals.

- The still fragile state of the economy, heightened by general uncertainty around the impact of Brexit, may further affect the ability of the Council to raise and collect revenue, if it were to lead to reduced levels of economic activity and increased unemployment.

- The current Government's ongoing programme of austerity brings a continued reduction in specific funding streams (e.g. Public Health Grant), whilst the introduction of new legislation has seen an increase in the statutory responsibilities falling on local authorities. The potential for political change through the June 2017

General Election and the future policy direction of any incoming government raises further uncertainty.

- The introduction of the national living wage and the apprenticeship levy present further budgetary implications.

- The principal financial pressures stem from increasing demand for services. High numbers of children in care, those needing protection and growing numbers of children with special educational needs and disabilities have seen the need to fund significant additional service provision, whilst a growing frail and elderly population places further considerable financial pressure on the Council's duty to provide social care and support for the most vulnerable. The growing national crisis in social care was acknowledged by the Government with the introduction of a 3% Care Precept on Council Tax levels and the allocation of additional monies under the improved Better Care Fund. However, given St. Helens' demographic of a population ageing faster than many other authorities, the scale of demand on services and the time bound nature of the additional funding, the relief afforded is limited.

The risks and uncertainties outlined above are balanced to some degree by the development of new opportunities. In summary the high level opportunities can be defined as:

- The potential for increased economic growth through St. Helens' strategic position within an emergent Northern Powerhouse, its involvement in the Liverpool City Region and Combined Authority and the development of a local economic strategy.

- The opportunity for greater integration of services and collaborative working to address the challenges of cost and demand and bring about a sustainable health and care system capable of delivering improved community outcomes.

- The opportunity for smarter service provision and new ways of working that will drive further efficiency and cost reduction.

7. St. Helens Council Financial Summary and Resource Allocation

The following provides an overview of the key elements of the Council's finances over the period 2016-2017.

Revenue 2016-2017

The Government published its final local government finance settlement for 2016-2017 on 8 February 2016. It included indicative figures for a four year period, which effectively confirmed the Government's austerity plan would span a minimum of 10 years. The settlement confirmed a reduction in the Council's general grant of £8.9m for 2016-2017, with further indicative reductions of £15.9m over the following three years.

The Council once again made a Budget Simulator available to its residents as part of its budget setting and consultation process, and the original 2016-2017 budget was set in March 2016, with Council Tax levels increased by 3.99% when compared to 2015-2016. This increase included a 2% increase through a dedicated social care precept introduced by the government in an attempt to ease some of the pressures on social care.

A series of revisions to the original budget were made during the course of 2016-2017 in accordance with constitutional requirements, and regular finance and budget reports were presented to Cabinet and Council detailing the prevailing budgetary positions.

The principal revisions to the budget during the year included the following:

(i) The making of a £4.0m repayable contribution to the St Helens Clinical Commissioning Group to help ensure financial balance in 2016-2017 and form a basis for a sustainable integrated system in future years;

(ii) Additional funds of £3.0m were made available in year to support the People's Services Department to develop a revised approach in relation to Children's Services. This centred around the introduction of different financially sustainable models of social care and education to achieve improved outcomes for children and families. An additional £3.2m was allocated to a newly created Children's Priority Fund for potential future drawdown;

(iii) Investment of £0.4m to identify new models for integration between health and social care that will act to reduce and manage cost and demand on the system as a whole;

(iv) £0.6m funding to refresh the existing datacentre storage, computer and core datacentre networking infrastructure.

In addition, at its meeting on 1 March 2017, the Full Council agreed to transfer £5m of general balances to the Care Services Demand Fund. This was in recognition that the number and cost of Looked After Children remains very high when compared historically and to those of similar Councils. A strategy to address this in the medium term is being developed. However, non-recurrent funding is required to support this strategy in the more immediate term.

The table below provides detail of the revenue outturn position when compared to both the original and revised budgets:-

	Original Budget £000	Revised Budget £000	Actual £000	Variance £000
Service Directorate expenditure	103,616	111,782	111,305	(477)
Restructuring and equal pay provision costs	1,998	1,998	1,623	(375)
Levies	20,875	20,875	20,875	-
Treasury Management	7,111	6,854	6,249	(605)
Expenditure	133,600	141,509	140,052	(1,457)
Revenue Support Grant	(28,057)	(28,057)	(28,057)	-
Retained Non-Domestic Rates & Top-up receipts	(42,537)	(42,702)	(42,702)	-
Income from Council Tax	(62,462)	(62,461)	(62,462)	1
New Homes Bonus	(3,430)	(3,526)	(3,526)	-
Section 31 Grants	(1,445)	(1,445)	(1,526)	(81)
Income	(137,931)	(138,191)	(138,273)	(82)
Transfers to/(from) Earmarked Balances	4,331	1,343	1,088	(255)
Net Contribution (to)/from General Fund Balances	-	4,661	2,867	(1,794)

During 2015-2016 the Council made provision for the settlement of claims lodged in respect of Equal Pay based on a reasonable estimate of sums likely to fall due. 'Without prejudice' settlement discussions have continued throughout 2016-2017 and whilst the Council remains hopeful that the matter can be fully settled in the near future, there were no individual agreements during the year. As a consequence, the level of provision has been reviewed and increased by £0.6m to allow for a further period of accrued interest falling due and a review of previous assumptions.

The breakdown of Service Directorate outturn positions is as follows:

	£000 Outturn compared to revised estimate
People's Services Directorate	+1,352
Environmental & Trading Services Directorate	+639
Corporate Services Directorate	(2,468)
Total Service Directorate position	(477)

(i) Pressures in the People's Services Directorate were significant throughout the whole period, with the most challenging outturn positions being those in relation to Domiciliary Care for Adults (+£0.7m); Residential, Nursing and Supported Living for Adults (+£0.8m); and Leaving Care Services for Younger People (+£0.9m). Savings against budget were achieved in relation to Direct Payments to clients (£0.3m) and the Supporting People Programme (£0.3m), whilst additional Public Health Funding (£0.5m) was also utilised.

(ii) The challenging economic climate meant that Town Centre and general estates rental income were the single biggest pressures for the Environmental and Trading Services Directorate.

(iii) Significant savings against budget were recognised in the Corporate Services Directorate, with £1.0m arising from the early implementation of savings necessary to achieve a balanced budget in future years. Management of staffing premises and supplies and services budgets resulted in underspends of £0.7m, whilst the receipt of a YPO dividend in excess of £0.3m also contributed to this outturn position.

Reserves and Balances

As a result of this outturn position, General Fund Balances as at 31 March 2017 stood at £14.9m.

At its meeting on 1 March 2017, the Council agreed to a revised structure for other earmarked reserves, based principally around the themes of social care, growth, environment and transformation. A detailed list of Earmarked Reserves is shown in the Movement in Reserves Statement and the accompanying disclosure notes.

Capital 2016-2017

The Council spent £17.807m in 2016-2017 on capital items across a range of services:

Capital Programme Schemes	£m
Highways & Transportation Schemes	3.9
Schools Infrastructure	3.5
Ruskin Drive Sports Facilities	2.6
Disabled Facilities Grants	2.2
Brookfield Resource Centre	1.4
Vehicle Replacement	0.9
Other	3.3
TOTAL CAPITAL EXPENDITURE	17.8

Type of Funding	£m
Grants & Other Contributions	14.0
Capital Receipts	1.2
Revenue Contribution	1.1
Prudential Borrowing	1.5
TOTAL FUNDING	17.8

Retirement Benefits

The net liability for retirement benefits shown in the Balance Sheet is as follows:

	31 March 2016 £m	31 March 2017 £m	Change £m
Local Government Pension Scheme (LGPS)	219.4	284.8	65.4
Teachers' Pension Scheme (TPS)	25.8	24.4	(1.4)
TOTAL	245.2	309.2	64.0

The overall net liability for retirement benefits has increased materially during the 12 month period to 31 March 2017. The principal factors contributing to this net movement are:

(i) the significant and adverse movement in discount rates (which are a key component of the measurement of future scheme liabilities) during the 12 month period. These contrast with the significant favourable movements experienced in 2015-2016;

(ii) a notable increase in the value of plan assets as a consequence of enhanced investment returns;

(iii) a reduction in benefit obligations as a result of revised demographic assumptions; and

(iv) the results arising from the Actuarial Valuation of the Merseyside Pension Fund, whereby a full recalculation of the assets and liabilities attributable to each employer is made, as opposed to the approximate valuations provided between full valuations.

The Government has previously resolved to implement a fundamental structural change to public service pensions and the creation of a collective Northern Pool containing the Merseyside Pension Fund, Greater Manchester Pension Fund and West Yorkshire Pension Fund will seek to ensure good investment returns and enable asset classes to be accessed in a more cost-effective way.

The employer's contribution (rates and lump sums) for the three years commencing 1 April 2017 have now been determined arising from the 2016 Merseyside Pension Fund Actuarial Valuation and having regard to the Funding Strategy Statement as agreed by the Pensions Committee of 21 March 2017. This has resulted in:

(i) a single lump sum of £20.540m payable in April 2017. No lump sums fall as due in 2018-2019 and 2019-2020 under this arrangement; and

(ii) the following primary contribution rates required to meet the ongoing cost of benefits that will be built up:

- 2017-2018 13.8%
- 2018-2019 14.4%
- 2019-2020 14.9%

This approach supports the Administering Authority's long-term funding objective for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits as they fall due.

Borrowing

At 31 March 2017, the Council's level of borrowing was £73.4m, which is at a similar level to the previous year and remains considerably below the underlying need for borrowing, as a result of long-standing strategy decisions to use available resources to negate the need to incur additional borrowing.

This strategy also serves to reduce the Council's exposure to Treasury risk by reducing the levels of investments held. In keeping with previous years, no new borrowing was undertaken in 2016-2017, while no economic opportunity arose for rescheduling or repayment of existing debt.

8. St. Helens Council Performance Summary 2016-2017

During 2016-2017, the Council continued to implement a programme of organisational change and transformation to achieve its 2020 vision of being an adaptive and innovative organisation capable of improving the lives of local people and communities.

In moving towards 2020, the Authority further built on its strengths as a well-managed, effective and efficient Council, at the heart of which are strong leadership and governance arrangements, supported by a robust approach to strategic planning and financial and performance management.

The Council's performance management framework in 2016-2017 has been driven by the objectives and key measures of success within the Council's key planning document, the Council Delivery Plan 2016-17.

Critical to the achievement of the Council's desired outcomes for both the organisation and the community, is the strong link that exists between budgets, service planning and delivery and performance targets. A proportionate, but comprehensive, set of performance indicators exists to measure progress against key objectives and operational areas. A review of measures and targets is conducted annually to ensure their ongoing relevance. Performance targets are set to be challenging, but realistic, and commensurate with the available level of resource. The process is subject to internal challenge and the range of measures and associated targets are formally approved by Cabinet and reviewed by Overview and Scrutiny.

Budget and Performance Monitoring is conducted monthly, with reports to Cabinet detailing analysis of spend against budgets, progress against service delivery and performance against targets. Commentary on action required to ensure budgets remain within allocated cash limits or to address any identified concerns in relation to performance or service delivery, is included within the reports. Reports are also reviewed by the Audit and Financial Monitoring Overview and Scrutiny Panel, allowing the opportunity for examination of any specific areas of underperformance or concern.

The provisional performance outturn at March 2017 indicates that 53% of the Council's performance measures reported to Cabinet over the course of 2016-2017 achieved or exceeded target. The Council's Performance Outturn report demonstrates areas of both strong performance against targets and progress in terms of service delivery across all portfolios. The report also highlights some areas in which the Council is not yet meeting ambitious targets and delivering its high aspirations. The full report is available within the Performance section of the Council website. A brief overview of some of the key points in relation to performance and delivery of strategic objectives is set out below.

Growth and the Economy:

- The Council established St. Helens Economy Board to develop and implement a local Economic Growth Strategy to ensure the alignment of economic development activity and growth within the Borough.

- Progress was made against a number of economic indicators. The percentage of people in employment increased to 71.3% within the Borough, narrowing the gap to the regional and national average. The numbers of people claiming out of work benefits continued a downward trend in line with regional and national reductions. The number of new business registrations showed an 18% increase on the previous year's data, exceeding the average national increase.

- The £4.7 million 'Ways to Work' programme commenced to further address worklessness in the Borough, particularly youth unemployment, aiming to engage over 3,700 people and create over 800 jobs.

- Permissions were granted during 2016-2017 for a number of significant commercial developments within the Borough, with proposed floor-space exceeding 55,000 sq. m. Work was also undertaken that is anticipated will lead to further permissions totalling in excess of 302,000 sq. m. in 2017.

- A total of 487 new houses were completed in 2016-2017, which although positive was below the core strategy target of 570.

- The new Local Plan preferred options was developed for consultation, setting out the Borough's proposed future planning priorities for the next 15 years and allocating sites for housing, employment, retail and green space development.

- The Council's Development Control Service was identified for the second year running as the joint-best Planning Authority in the country for the speed of determining major planning applications.

- Work commenced on a Town Centre Strategy to ensure development of the town centre becomes central to the Borough's offer for shopping, leisure and living. The number of town centre retail vacancies increased marginally on the previous year, reflecting the challenges facing the Council and retailers.

People's Services:

- Work commenced on the development of St. Helens Cares; a local health and care system to further drive the integration of health and care services, address the twin challenges of rising demand and cost, and deliver better outcomes for local people.

- Adult Social Care effectively provided personalised care and support to over 9,000 of the Borough's most vulnerable people in a challenging financial climate.

- Strong performance against the national Adult Social Care Outcomes Framework was maintained. Levels of satisfaction remain high and although a small number of indicators did not meet challenging local targets, performance generally continues to compare very favourably against regional and national benchmarks.

- Challenges continue in Children's Social Care, with increases in the number of children looked after and children in need. Demand pressures saw a number of other children's social care measures failing to meet target.

- The Council approved the additional investment of £3.2 million in a 'Children's Priority Fund' in order to take appropriate and effective action to improve the lives of children and young people. A revised model for Children's Social Work was established during the year and a number of initiatives were progressed, including an Early Help Service and Edge of Care Service to address performance and improve outcomes.

- The standard of schools as judged by Ofsted showed further improvement at both Primary and Secondary level. Attainment levels at Key Stage 2 have remained broadly in line with national averages. Attainment at Key Stage 4 remains a challenge and progress needs to improve, with performance below regional and national averages. Positively, there has been a reduction in the gap between attainment levels of vulnerable children and their peers.

- The performance in respect of Public Health measures reflects the challenges inherent within the health of the local population. Positively, there were further reductions in the number of teenage conceptions, a fall in alcohol related admissions to hospital, and reductions in mortality from cancer and circulatory diseases. However, a number of other measures failed to meet target, whilst remaining in the lower quartile of comparative performance.

- Performance pressures remained around a number of community safety indicators which did not meet target. However, crime rates generally remain below or around the average of comparator authorities. The performance of the Youth Offending Service remained strong.

Environmental Services:

- The Council's greenhouse gas emissions showed a further in-year reduction, with emissions now 30% lower than the baseline year of 2009-2010.

- Household recycling rates did not meet target and there was a small reduction in the rate from the previous year. The long-term trend still remains very positive, showing a near 10% increase over the past 5 years. Further work with the community is required to meet the Council's long-term target.

- Strong performance continued against a range of housing services indicators, including a reduction in the number of long-term empty properties, an increase in the number of vacant dwellings returned to occupation, support to address homelessness and assistance provided to address fuel poverty.

9. Risk Management

The Council's approach to risk management is fully embedded within its culture being an integral part of the Council's Governance Framework. A Risk Management Policy exists along with strong arrangements and processes for identifying, evaluating and managing risks to the delivery of the Council's strategic objectives. Strategic Directors lead on identifying risks in their respective areas and an electronic Corporate Risk Register exists to further identify the likelihood, potential impact and means of mitigation. Each risk has a mandatory review timeline linked to severity and likelihood and all risks are reviewed at least annually. There is a detailed process for continual reassessment of risk. The process is overseen by the Safety and Risk Management Group which meets quarterly and is chaired by the Deputy Chief Executive & Strategic Director of Corporate Services. The Risk Register is reported to Members via the Audit and Governance Committee and the Corporate Financial Report on a periodic basis. Key strategic risks within the Corporate Risk Register include:

- Failure to cope with sudden increases in service demand
- Failure to manage budget pressures
- Failure to provide strong governance
- Failure of key IT systems and services
- Failure to undertake effective workforce planning
- Failure to safeguard children and adults from significant harm
- Failure to effectively manage school improvement
- Failure to respond to emergency events

10. Future Outlook

Over a number of years on the back of considerable government funding cuts, the Council has continued to deliver significant savings, whilst managing to maintain the range and quality of essential services. However, as previously outlined, ongoing reductions in government financial support, changes to the way in which local government is funded and a number of additional external factors, see the Council facing unprecedented budgetary pressures and growing financial risks.

Looking ahead, in order to address its future challenges and continue to successfully meet the needs of the community, the Council will further develop and deliver its 2020 Vision, centred upon 3 key programmes of work:

- Growing the economy
- Developing a sustainable health and social care system
- Delivering a balanced budget whilst maintaining effectiveness

Growth in the local economy is essential to increasing local prosperity and the employment prospects of residents. However, with local authorities being incentivised by the Government to increase growth, economic development is also critical to ensuring that revenue secured through business rates is sufficient to effectively support Council finances to deliver essential services. The Council, together with the St. Helens Economy Board, will develop and deliver a Growth Strategy that will seek to promote the Borough, attract new business, and reinvigorate the Town Centre. A Growth Reserve has been created by the Council to support the revenue implications of delivering the strategy and investment through the use of Capital Receipts/borrowing is also proposed to assist delivery.

Modelling predicts that the system of health and care within St. Helens will suffer a budget gap of £101 million by 2020, including a £20 million gap for St. Helens Council. In order to address the challenges of cost and demand and improve future outcomes, the Council is leading on the development of St. Helens Cares; a sustainable health and care system to be delivered through the redesign and greater integration of services. Delivery is supported through the Council's creation of a dedicated Transformation Reserve.

Demand and cost pressure are also present within Children's Services and its transformation is a further key challenge. In response, the Council has created a Children's Services Reserve, the use of which will be to address the sustainability of services and develop a model of social care and education, which will help to ensure the best possible outcomes for children and families in the Borough.

The submission of a Council Efficiency Plan to the Secretary of State in October 2016, ensured the Council has guaranteed grant funding up to 2020. This has assisted the Council in the development of its medium-term financial strategy, and following widespread consultation with all stakeholders and interested parties, a programme of savings proposals to address the £20.6 million funding gap was agreed. Over the course of the next 2 years these proposals will be reviewed, developed and implemented in a responsible and targeted way. Further consultation will be undertaken on the impact of the savings programme on services and its implications for the community. The Council will continue to carry out reviews of specific service areas in support of its commitment to value for money and service improvement.

11. Conclusion

Over the course of 2016-2017, despite significant ongoing constraints, the Council has continued to respond to a challenging financial climate in a systematic and well planned way, achieving sizeable efficiencies and savings. Our latest External Audit report again provided an unqualified opinion on our financial statement and found that in all significant respects the Council had proper arrangements in place to secure economy, efficiency and effectiveness in the use of its resources.

The maintenance of a comparatively sound financial platform has minimised the impact of reductions in government budgets on front line services, allowing the Council to continue to invest and deliver strong performance and outcomes for the community.

However, pressures due to increased demand for services and the cost of their provision are growing, and the requirement to find a further £20.6 million over the coming three years has meant that difficult decisions have had to be taken. As we continue to prioritise our duty of care for the most vulnerable and focus on our statutory responsibilities, it is clear that the delivery of our savings programme will be hard felt by the wider community, impacting on the breadth of services we are able to provide and inevitably resulting in the loss of some discretionary services.

Although the challenges are great, our position as an effective well managed Council leaves us in a strong position to move forward. The Council has agreed a clear 2020 vision and programme of change; and by prioritising the greater integration of health and care services to manage cost and demand, whilst investing in growth and development, we will pursue our objective of establishing a long-term sustainable budget that will allow us to effectively meet the ongoing needs of the community.

I would like to thank all Members and Officers for the commitment shown in making 2016-2017 a successful year and express my gratitude to all colleagues who have contributed to the preparation of this document and for their support and dedication during the financial year.

Ian Roberts

IAN ROBERTS
Deputy Chief Executive & Strategic Director of Corporate Services

Explanation of the Financial Statements

The Statement of Accounts is prepared to demonstrate the Council's financial performance for the year ended 31 March 2017 and present its overall financial position at the end of that period. The core financial statements are included on pages 57 to 60 and are prepared to comply with the requirements of International Financial Reporting Standards. The statements are supplemented by a number of notes providing relevant additional information. The core financial statements are:

Movement in Reserves Statement
This statement shows the changes in reserves held by the Authority and splits them between those reserves which are available for the Council to spend or to reduce the Council Tax (usable reserves) and those created to reconcile the technical and statutory aspects of accounting (unusable reserves).

Comprehensive Income and Expenditure Statement (CIES)
This statement is fundamental to the understanding of the Authority's activities, in that it reports the net cost for the year of all the functions for which the Authority is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers.

Balance Sheet
This shows the Authority's financial position at the financial year-end, including the assets and liabilities employed in carrying out the Authority's functions and its balances and reserves.

Cash Flow Statement
This statement summarises the flows of cash arising from transactions with third parties for both revenue and capital purposes during the year and shows the changes to the Council's cash and 'cash equivalents' during the financial year.

In addition to the core financial statements, the Statement of Accounts includes the *Annual Governance Statement,* that serves to explain the effectiveness of the governance framework operating during the financial year and the statutory *Collection Fund Statement,* which shows the income received from Council Taxpayers and Non-Domestic Ratepayers and how this is distributed between St Helens Council, the Police & Crime Commissioner for Merseyside, Merseyside Fire & Rescue Authority and Central Government.

It is important to note that the detail included in the Statement of Accounts will differ from the Council's internal management reports (e.g. Corporate Financial Report). However, the Council's overall financial position e.g. balances and reserves will be the same.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST HELENS COUNCIL

We have audited the financial statements of St Helens Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Deputy Chief Executive & Strategic Director of Corporate Services and auditor

As explained more fully in the Statement of Responsibilities, the Deputy Chief Executive & Strategic Director of Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Deputy Chief Executive & Strategic Director of Corporate Services and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report, and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

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

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared are consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Respective responsibilities of the Authority and auditor

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

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2017. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Robin Baker

Robin Baker
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Royal Liver Building
Liverpool
L3 1PS

15 AUGUST 2017

STATEMENT OF MAIN PRINCIPLES, ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

GENERAL

The Statement of Accounts summarise the Authority's transactions for the financial year 2016-2017 and the position at the year-end 31 March 2017. The Authority is required to prepare an annual Statement of Account by *the Accounts and Audit Regulations 2015*, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17*, supported by International Financial Reporting Standards (IFRS).

The following accounting policies and estimation techniques have been adopted and they are consistent with the Council's overarching accounting concepts and, where appropriate, the relevant accounting standards.

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:

- Council Tax and Non-Domestic Rates income is accrued in accordance with the assessed liability for the period to 31 March;
- fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services;
- 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 are recorded as expenditure when the services are received rather than when the payments are made;
- interest payable on borrowings and receivable on investments are accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- where revenue and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected;
- Capital Receipts from non-current asset disposals are recorded on completion of the asset sale.

The one exception which merits comment occurs where no apportionment of wages' costs is made at 31 March where that date does not coincide with the end of the 'wages week'.

In accordance with IAS18 *Revenue Recognition*, revenue should be measured at the fair value of the amount payable or receivable. In practice, this is the amount that the Council has invoiced, or for which it has been invoiced.

ASSETS HELD FOR SALE – see Property, Plant and Equipment

CAPITAL RECEIPTS

Capital Receipts on non-current asset disposals are initially credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal, with a subsequent appropriation to the Usable Capital Receipts Reserve made via the Movement in Reserves Statement.

Usable Capital Receipts are classed as a Usable Reserve in the Balance Sheet.

CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents are represented by:

(i) cash-in-hand/cash overdrawn;
(ii) unpresented cheques or other unpresented methods of payment;
(iii) investments repayable on demand without penalty or change in value.

CHANGES IN ACCOUNTING POLICIES, ESTIMATIONS, ERRORS AND PRIOR PERIOD ADJUSTMENTS

Prior period adjustments may arise as a result of changes in accounting policies, to correct material errors or to provide a consistent representation of current and prior period activity/positions.

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

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

CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

(i) depreciation attributable to the assets used by the relevant service;

(ii) revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve (specific to the individual asset) against which they can be written off;

(iii) amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to cover these items. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (see "Redemption of Debt"). The items detailed above are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

CONTINGENT LIABILITIES – see Provisions and Contingent Liabilities

DEPRECIATION – see Property, Plant and Equipment

EMPLOYEE BENEFITS

(i) 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 and salaries, and paid annual leave for employees, and in accordance with IAS 19 *Employee Benefits* and the provisions of the Code, are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of accumulating compensated absences earned by employees but not taken before the year end, which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but reversed out through the Movement in Reserves Statement to the Accumulating Compensated Absences Adjustment Account.

The Authority undertakes an annual high level review of the variables and inputs that give rise to this accrual. Where this review indicates that the previous year accrual provides a materially correct position of the current benefits then a full exercise is not undertaken and no increase or reduction to that sum is made.

(ii) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the appropriate service 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.

(iii) Post-Employment Benefits

As part of the terms and conditions of employment of its Officers and other employees, the Authority offers retirement benefits to those individuals and participates in three Pension Plans:-

(i) the Local Government Pension Scheme (LGPS) for staff employed under NJC terms and conditions – this is a defined benefit plan where the Authority and the employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities investment assets. This plan is administered by the Merseyside Pension Fund;

(ii) the Teachers' Pension Scheme (TPS) for those employed under Teachers' terms and conditions, administered by Teachers' Pensions on behalf of the Department for Education. The TPS is a statutory scheme subject to the *Teachers' Pensions Regulations 1997 (as amended)*. It provides Teachers with defined benefits upon their retirement, and the Authority contributes towards the cost by making contributions based on a percentage of members' pensionable salaries;

(iii) the NHS Pension Scheme (NHSPS) for those Public Health staff who have compulsorily transferred from the PCT's as a result of the Council's Public Health responsibilities. The NHSPS is a statutory scheme administered by NHS pensions and provides its members with defined benefits upon retirement, with the Authority contributing based on specified percentages of members' pensionable pay.

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work/worked for the Authority. These benefits are related to a combination of pay and service.

However, the arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. In accordance with IAS 19 *Employee Benefits*, the schemes are therefore accounted for as if they were defined contribution schemes and, consequently, no liability for future payments of benefits is recognised in the Balance Sheet. The People's Services Directorate line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year and payments relating to the NHS scheme members.

The LGPS

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Merseyside Pension Fund attributable to the Authority are included in the Balance Sheet using the Projected Unit Credit actuarial cost method – an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees;

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds of currency and term appropriate to the currency and term of the scheme's liabilities;

- The assets of Merseyside Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value;

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

    - current service cost;
    - past service cost (including curtailments);
    - pensions administration expenses;
    - net interest expense (interest on plan assets and plan liabilities);
    - remeasurement gains and losses;
    - contributions paid to the Merseyside Pension Fund.

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. This is achieved via the Movement in Reserves Statement, by way of appropriations to/from the Pensions Reserve to remove the notional debits and credits for retirement benefits and to replace them with debits for the cash paid to the pension fund and pensioners (and any such amounts payable but unpaid at the balance sheet date).

Discretionary Benefits

The Authority 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. No such awards have been made for a number of years.

Pensions Reserve

The cost of providing pensions for employees is funded in accordance with the statutory requirements governing the particular pension plans in which the Authority participates. However, accounting for employees' pensions is in accordance with prevailing accounting standards, subject to any interpretations set out in the Code.

Where the payments made for the year in accordance with the Plan requirements do not match the Authority's recognised operating and finance costs for the same period, the recognised cost of pensions will not match the amount required to be raised in taxation. An appropriation to or from the pensions reserve, which equals the net difference is recognised through the Movement in Reserves Statement.

Remeasurement gains and losses during the year, which impact on the net surplus or deficit of the Fund, will also be subject to a corresponding appropriation to/from the Pensions Reserve.

FAIR VALUES

The Council measures some of its non-financial assets, such as surplus assets and investment properties at fair value at each reporting date. Fair value is 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 assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interests).

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

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 – inputs that are observable quoted prices in active markets. The most reliable fair value measurement;
- Level 2 – inputs that are observable either directly or indirectly and are traded in active markets (but do not qualify as Level 1) or no active market exists;
- Level 3 – unobservable inputs (no observable input exists), where there is little, if any, active market.

FINANCIAL INSTRUMENTS – ASSETS

All investments used by the Council are of the type whereby they are classed as 'Loans and Receivables' and are initially recognised on the basis of Fair Value, and subsequently accounted for using the Amortised Cost basis. In doing so, annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset, multiplied by the effective interest rate for the instrument. The interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

This Policy has been amended in relation to the preparation of the 2016-2017 Statement of Accounts – see Note 4 in relation to Changes in Accounting and Operational Policy.

FINANCIAL INSTRUMENTS – LIABILITIES

The provisions within the Code are derived from the same Accounting Standards as detailed in the policy on Financial Assets.

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure part of the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For all of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (adjusted for accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

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

GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments, or in arrears, government grants and third party contributions are recognised as due when there is reasonable assurance that the Council will comply with the conditions attached to the payments (if any) and that 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 acquired, using the grant or contribution, are required to be consumed by the recipient as specified or must otherwise 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 Revenue or Capital Grants Receipts in Advance. When conditions are satisfied, the grant or contribution is credited to the relevant line 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 Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

HERITAGE ASSETS

Heritage Assets are recognised and measured, including treatment of revaluation gains and losses, broadly in line with the Council's accounting policies on Property Plant and Equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets and these are detailed below.

The Council's Heritage Assets can be categorised into three different sub-groups:

- Fine art and museum collection;
- Civic regalia; and
- Statues and monuments.

Fine Art and Museum Collection

The Council's art collection is comprised of the paintings held by the Council on display within the Town Hall, those paintings held on display in the World of Glass, a number of sculptures that are displayed on various Council buildings and a collection of small value artefacts held as a museum collection at the World of Glass. The collection of artefacts, paintings and sculptures, which are located in a number of premises across the Borough, have been accessioned to or acquired by the Council and its predecessor Authorities.

The fine art collection held at the World of Glass and that held within the Council comprises of various types of paintings (oil, watercolour and pen and ink). Records of all paintings are stored on a database, a copy of which is held by the Council's Insurance Section. The paintings held within the Council's collection are included on the Balance Sheet and have been valued based on their insurance valuations. External valuations for the Council's fine art collection were carried out by Bonham and these have been used as the basis upon which to establish the value of individual items within the collection. There are over 300 items within the fine art collection.

The collection held at the World of Glass comprises of around 2,500 artefacts. The collection comprises of diverse items that have been deemed to be of historical interest. External valuations for these items have not been obtained for this collection on the grounds of materiality: as no individual items within the collection are deemed to have significant values it is believed that the cost of obtaining valuations would outweigh the benefit gained. An inventory of all items within the collection is maintained by the museum curator and a hard copy of this is retained within the Insurance Section.

The Council has a local history and archives library which contains a number of public records relating to local institutions which the National Archives deems to be records of national significance. In addition, the library houses a number of collections relating to St. Helens which includes correspondences, deeds and plans that are unique and are of historical importance. Whilst these collections are recognised to have local historical significance, they do not have a material value and for this reason have not been valued or included on the Balance Sheet.

Civic Regalia

The Council's civic regalia comprises of various mayoral chains and jewels, a mace and a variety of pieces of civic silverware. The value at which the civic regalia has been recognised in the Balance Sheet is based on the valuations obtained by the Insurance Section. Insurance valuations for these items were provided by Outhwaite and Litherland.

Statues and Monuments

The Council has a number of statues and monuments located across the Borough which fall to be recognised in the accounts as Heritage Assets. The most valuable items within this sub-category of Heritage Assets are the Saints Tribute statue and the Big Art Project: Dream. All material items classified as statues and monuments have been recognised at historic cost. This is deemed to be appropriate as this reflects the amount that has been spent on these assets since their construction.

No depreciation is charged on the Council's Heritage Assets, since the Council believes that the assets it currently holds as Heritage Assets will have infinite lives and as such any depreciation charge calculated would be immaterial.

INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority. Intangible assets are measured at cost and the balance is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement on a straight-line basis typically over a period of 5 years. These amortisation charges are not permitted to have an impact on the General Fund Balance and are reversed to the Capital Adjustment Account via the Movement in Reserves Statement.

INVENTORIES

Inventories are included in the Balance Sheet at the lower of actual cost and net realisable value. The cost of inventories is assigned using an average costing formula.

INVESTMENT PROPERTIES

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

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

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

JOINT ARRANGEMENTS

Joint Arrangements are arrangements in which two or more parties have joint control bound by a contract. A Joint Arrangement can be classified as:

(i) A Joint Venture

This is an arrangement under which two or more parties contractually agree to share control, such that decisions about activities of the entity require consent from all parties. Material interests in Joint Ventures would ordinarily necessitate the completion of group accounts using the equity method of consolidation.

(ii) A Joint Operation

This is an arrangement under which parties that have joint control have the rights to the assets and obligations for the liabilities relating to the arrangement. Under such arrangements the Council recognises the assets and liabilities it controls on the Balance Sheet and debits/credits the Comprehensive Income and Expenditure Statement for its proportion of any expenditure incurred/income received.

LEASES

Under the requirements of IAS 17 *Leases*, the Council is required to consider/review all its lease arrangements and apply the primary and secondary tests detailed in the standard to determine the extent to which the risks and rewards incidental to ownership lie with the lessor or lessee and therefore whether leases should be classified as operating or finance leases, with the subsequent accounting treatment being in accordance with the standard.

<u>Authority as Lessee – operating leases</u>

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service(s) benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

Authority as Lessor – operating leases

Where the Authority grants an operating lease over an item of Property, Plant or Equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement on a straight-line basis over the life of the lease.

OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to service segments in accordance with the Authority's arrangements for accountability and financial performance. In practice, the Authority operates and manages its corporate and support services separately under the control of the Deputy Chief Executive & Strategic Director of Corporate Services, and therefore these are shown separately as 'Corporate Services Directorate' on the face of the Comprehensive Income and Expenditure Statement.

PENSIONS – see Employee Benefits

PRIVATE FINANCE INITIATIVE (PFI)

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

The original recognition of these assets at fair value (based on the cost to purchase the Property, Plant and Equipment) was balanced by the recognition of a liability for amounts due to the operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet under PFI schemes will be subject to revaluation and depreciation 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 services received during the year – debited to the relevant services in the Comprehensive Income and Expenditure Statement;
- Finance cost – an interest charge is raised on the outstanding Balance Sheet liability and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The interest rate is calculated for the scheme so that the Balance Sheet liability is zero at the end of the contract. The interest rate applicable for the Authority's PFI scheme is 9.8897%;
- Contingent rent – increases in the amount to be paid for the property arising during the contract;
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI;
- Lifecycle replacement costs – are split between revenue and capital costs. Revenue lifecycle costs are debited to the relevant service in the Comprehensive Income and Expenditure Statement in the year in which they are incurred. Any capital lifecycle costs are debited to Property, Plant and Equipment to reflect enhancements to the PFI asset. In the early years of the scheme no lifecycle costs are incurred.

PROPERTY, PLANT AND EQUIPMENT

Recognition

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

In line with the requirements of IAS 16 *Property Plant and Equipment*, the Council recognises and accounts separately for any components where the value of the asset is of sufficient materiality and the component costs are significant in relation to the total cost of the asset.

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

Measurement

Assets are initially measured at cost, which includes:

- the purchase price; and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred while the asset is under construction.

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

- infrastructure, community assets and assets under construction – depreciated historical cost;
- school buildings – current value but due to their specialist nature depreciated replacement cost is used as an estimate of current value;
- surplus assets – the current value measurement is fair value which is estimated as the highest and best use from a market participant's perspective; and
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value EUV).

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

Where non-property assets have short useful lives or low values (or both), depreciated historical cost is used as a proxy for current 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 current value at the year end, which is, as a minimum, every 5 years. Revaluations are carried out as part of a rolling programme by a qualified internal Valuer, in accordance with guidance issued by the

Royal Institute of Chartered Surveyors (R.I.C.S.). The effective date of the revaluation is the date on which the revaluation was produced.

Key assumptions used in revaluing the assets include:

- good title can be shown and the properties are not subject to any unusual or onerous restrictions, encumbrances or outgoings;
- the land and properties are not contaminated;
- there are no prevailing environmental factors that would alter the valuations provided.

Increases in valuations are generally matched by credits to the Revaluation Reserve to recognise unrealised gains. In some circumstances, gains may 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, the appropriate accounting treatment is dependent on whether the asset has been previously revalued upwards and there is a corresponding gain on the Revaluation Reserve. Where there is a balance of revaluation gain for the asset in the Revaluation Reserve, then the carrying amount of the asset is written down against that balance (up to the amount of accumulated gains). Where there is no balance on the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

<u>Impairment</u>

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 an impairment loss is identified, the appropriate accounting treatment is dependent upon whether the asset has been previously revalued upwards and there is a corresponding gain on the Revaluation Reserve. Where there is a balance of revaluation gain for the asset in the Revaluation Reserve, then the carrying amount of the asset is written down against that balance (up to the amount of accumulated gains). Where there is no balance on the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Any subsequent reversal of impairment loss 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.

<u>Depreciation</u>

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 life (e.g. freehold land and certain Community Assets) and assets that are not yet available for use (assets under construction).

Depreciation on all Property, Plant and Equipment assets is calculated by allocating the asset value over the period expected to benefit from their use on a straight-line basis. All assets are assessed individually in relation to their asset lives for the purpose of calculating depreciation. Conditions relative to each asset are considered in arriving at this determination.

The Authority will apply component accounting (i.e. major components of the asset are depreciated over their respective estimated economic lives) to assets with a book value in excess of £5m where the impact of component accounting is considered material to the Financial Statements. The Council has adopted a policy in which assets are split into five component parts. The assets are split using standard percentages of the building. Each of the component categories have standard average lives, which are then used for the purpose of calculating the depreciation charge.

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

Assets Disposal and Non-Current Assets held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset held for Sale. The asset is revalued and 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 Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses 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 their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

Amounts received for a disposal of a non-current asset are categorised as capital receipts and credited to the Capital Receipts Reserve and then can be set aside either for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to this Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

PROVISIONS AND CONTINGENT LIABILITIES

The Council sets aside provisions for any liabilities of uncertain timing or amount that have been incurred in accordance with the requirements of the Code and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Provisions are disclosed as separate balance sheet items, whilst provisions for bad and doubtful debts are netted off the carrying amount of debtors.

Provisions are recognised when:

(i) the Authority has a legal or constructive obligation as a result of a past event;

(ii) it is probable that a transfer of economic benefits will be required to settle the obligation; and

(iii) a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority 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. Where it is considered that an individual provision is of sufficient materiality or interest, then it will be shown quite separately on the face of the Comprehensive Income and Expenditure Statement.

Where payments for expenditure are incurred to which the provision relates, they are charged direct to the provision carried in the Balance Sheet.

Provisions are reviewed at each Balance Sheet date to reflect the current best estimate, taking into account the risks and uncertainties surrounding the events. Where it is subsequently assessed that it becomes less than probable that a transfer of economic benefits will now be required (or a lower provision is required), the provision is reversed and credited back to the relevant service.

In contrast, Contingent Liabilities are not accrued in the accounting statements. They are disclosed by way of notes if there is:

(i) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority; or

(ii) a present obligation that arises from past events, but where it is not certain that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

REDEMPTION OF DEBT

Provision for the redemption of debt is made in accordance with the requirements contained in the *Local Authorities (Capital Finance and Accounting) Regulations 2008*. The Council calculates its annual revenue provision with reference to assumed lives of its assets. For borrowing incurred under the prudential arrangements (i.e. unsupported by Government funding), the charge is calculated on a straight line basis over the estimated life of the asset. For its PFI scheme and that element of the CFR that was prior to the prudential regime supported by Central Government, the Authority calculates a revenue provision using the annuity method. Whilst this calculation is still broadly based on a charge over the asset's life, the resultant profile for revenue provision is more closely aligned with the flow of economic benefit which, it is felt, is more appropriate for PFI schemes.

RESERVES

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Earmarked reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority.

The purpose and usage of each reserve is disclosed in notes accompanying the Core Statements.

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 Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

These items are generally grants and expenditure on assets not owned by the Authority.

SCHOOLS

The *Code of Practice on Local Authority Accounting the United Kingdom* confirms that the balance of control for local authority maintained schools (those categories of schools identified in the *Schools Standards and Framework Act 1998*) lies with the local authority. The Code stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority single entity financial statements. Therefore these schools' transactions, cash flows and balances are recognised in the financial statements as if they were transactions of the local authority.

School assets are recognised as a disposal from the Council's Balance Sheet on the date on which a relevant school converts to academy status, not on the date of any related announcement. Nor is any impairment recognised prior to the date of conversion.

TAX INCOME (COUNCIL TAX, NON-DOMESTIC RATES)

Non-Domestic Rates

The Council acts both as an agent (collecting Non-Domestic Rates on behalf of the Merseyside Fire & Rescue Authority and Central Government) and as a principal (collecting Non-Domestic Rates for itself). Non-Domestic Rates transactions and balances are therefore allocated between the Council, Merseyside Fire & Rescue Authority and Central Government, applying accepted agent and principal treatments as appropriate. Under the legislative framework for the Collection Fund, all three parties share proportionately the risks and rewards that the amount of Non-Domestic Rates collected could be more or less than predicted.

The Council participates in a Non-Domestic Rates pool with Warrington and Halton Borough Councils. Under the arrangements of this 'Mid-Mersey Pool' the Authority may benefit from the redistribution of levy savings that accrue to Warrington Borough Council as a result of the pools existence. Any sums received are recorded as part of the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement.

Council Tax

Similarly, the Council acts both as an agent (collecting Council Tax on behalf of the Police and Crime Commissioner for Merseyside and the Merseyside Fire & Rescue Authority) and as a principal (collecting Council Tax for itself). Council Tax transactions and balances are therefore allocated between the Council and the major preceptors, applying accepted agent and principal treatments as appropriate. Under the legislative framework for the Collection Fund, all three parties share proportionately the risks and rewards that the amount of Council Tax collected could be more or less than predicted.

The Council's proportionate share of both Non-Domestic Rates and Council Tax will be recognised in the Comprehensive Income and Expenditure Statement in the line Taxation & Non-Specific Grant Income. As a billing authority, the difference between the Non-Domestic Rates and Council Tax income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund, shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

For both Council Tax and Non-Domestic Rates, the Council's proportionate share of assets and liabilities (debtors, receipts in advance, provision for doubtful debt, etc.) are recognised individually within the Balance Sheet. The net asset/liability in relation to the other parties is shown as a single debtor/creditor figure, as appropriate.

VALUE ADDED TAX (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.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

(i) to make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this Authority, that Officer is the Deputy Chief Executive & Strategic Director of Corporate Services;

(ii) to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;

(iii) to approve the Statement of Accounts.

RESPONSIBILITIES OF THE DEPUTY CHIEF EXECUTIVE & STRATEGIC DIRECTOR OF CORPORATE SERVICES

The Deputy Chief Executive & Strategic Director of Corporate Services 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 of Practice').

In preparing this Statement of Accounts, the Deputy Chief Executive & Strategic Director of Corporate Services has:

(i) selected suitable accounting policies and then applied them consistently;

(ii) made judgements and estimates that were reasonable and prudent;

(iii) complied with the Code of Practice.

The Deputy Chief Executive & Strategic Director of Corporate Services has also:

(i) kept proper accounting records which were up-to-date;

(ii) taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATE

I certify that this Statement of Accounts gives a true and fair view of the financial position of St. Helens Council at 31 March 2017 and its income and expenditure for the year then ended. In doing so, I authorise the Statement for issue and confirm that it is this date up to which events after the Balance Sheet date have been considered in preparing the Statement.

Ian Roberts
Deputy Chief Executive &
Strategic Director of Corporate Services   Date: 7 August 2017

ANNUAL GOVERNANCE STATEMENT

2016-2017

1.0 Scope of Responsibility

1.1 St. Helens 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. The 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, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

1.3 The Council approved and adopted a Code of Corporate Governance in April 2017 based on the principles in the CIPFA /SOLACE Delivering Good Governance Framework 2016. A copy of the Code of Corporate Governance is held on the Council's website.

1.4 This statement explains how St. Helens Council complies with the Code and meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2015.

2.0 The Purpose of the Governance Framework

2.1 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and its activities through which it accounts to, engages with and leads our communities. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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 eliminate all risk of failure to achieve 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 identify and prioritise the risks to the achievement of the Council's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework at St. Helens Council has continued to operate and will remain subject to ongoing review in order to ensure its operational effectiveness in the future.

3.0 The Governance Framework

3.1 Overview

3.1.2 The following are the key strategic elements of the systems and processes that the Council has put in place which underpin the governance arrangements and how they meet the seven principles of effective governance as outlined in the CIPFA / SOLACE Delivering Good Governance in Local Government Framework.

3.2 Strategic Planning

3.2.1 The Council vision is articulated in the St Helens Plan 2015-18, which was developed by the Council and the wider partnership and stakeholders. The Plan contains our shared priorities for the Borough, and the actions that we will take to deliver our vision. The Plan has six primary aims and these are;

i. Healthy and Active People
ii. Skilled and Educated People
iii. Independent and Empowered People
iv. A Safer and Stronger Place
v. A Cleaner, Greener and Accessible Place
vi. A Thriving, Vibrant and Competitive Place

3.2.2 The Council also has a supplementary Delivery Plan for 2016/17 which defines the current operational climate and the key programmes of work necessary for transition to the revised operational model for the Council which is necessary to deliver strategic objectives and aspirational transformation.

3.3 Decision Making

3.3.1 The Council has adopted and approved a Constitution that establishes an efficient, transparent and accountable decision-making structure. Member and Officer roles are clearly defined within the Constitution.

3.3.2 The Cabinet is the main decision making Body. Meetings are open to the public except where personal or confidential matters are being discussed. It comprises the Leader of the Council and Cabinet which consists of 10 portfolios that hold responsibility for the delivery of the Council plan and its 3 key ambitions:

- Improving People's Lives,
- Creating a Better Place,
- and to be an Adaptive Innovative Council.

3.3.3 This is supported by an effective scheme of delegation which is well understood and adhered to. These arrangements are clearly established in the Constitution and supporting documents, including financial and contract procedure rules.

3.3.4 The Council has an appointed Monitoring Officer and Deputy Monitoring Officer whose primary function is to ensure that the Council operates in a lawful manner.

3.3.5 The Council has strong consultation and engagement mechanisms which enable the Council to understand the views, needs and preferences of all its stakeholders.

3.4 **Scrutiny**

3.4.1 The Council has an Overview and Scrutiny Commission and 5 Scrutiny Panels which are;

i. Audit and Financial Monitoring;
ii. Children and Young People's Services;
iii. Health and Adult Social Care;
iv. Environment, Regeneration, Housing, Culture and Leisure;
v. Safer Communities.

3.4.2 The Commission and Panels undertake an annual program of reviews of services and performance and have the authority to request Cabinet Members and officers to attend meetings. Health and other partners are also invited to attend to review performance. Scrutiny reports and recommendations are presented to Cabinet. The scrutiny function is supported by dedicated staff resources.

3.5 **Financial Management**

3.5.1 The Deputy Chief Executive/ Strategic Director of Corporate Services is the responsible Officer to the Council for the proper management of its financial affairs in order to meet the statutory requirements of Section 151 of the Local Government Act 1972, and complies with the requirements of the CIPFA 'Statement on the Role of the Chief Financial Officer in Local Government'.

3.5.2 Financial management is recognised as a strength in St. Helens and the Council's medium term financial strategy is aimed at maximising resources for priority areas, while minimising the burden on local taxpayers through the achievement of value for money.

3.6 **Codes of Conduct and Policies**

3.6.1 The Council has a Code of Conduct for both Officers and Members together with a range of supporting policies and procedures including: -

- Risk Management Strategy;
- Health and Safety;
- Equalities and Diversity;
- Finance;
- ICT and Information Management;
- Procurement;
- Declarations of Interests;
- Member / Officer relationships;
- Confidential Reporting (Whistleblowing)
- Code of Recommended Practice on Local Authority Publicity;
- Anti-fraud, Bribery and Corruption.

3.6.2 These policies and procedures are supported with an ongoing programme of training for Officers and Members providing coverage on a wide range of topics ensuring awareness on new and developing issues.

3.6.3 The Council's Standards Committee seeks to promote and maintain high standards of conduct of Council Members, and meets to discuss matters of ethical standards. The Monitoring Officer provides reports to the Standards Committee in relation to the operation of the Code of Conduct and the maintenance of high ethical standards.

3.6.4 The Council has effective arrangements in place to ensure it is able to meet its duties in relation to the Equality Act 2010 and the Council's Comprehensive Equality Policy through the impact assessment of decisions, services and employment

3.7 **Performance Management**

3.7.1 The Council's performance management systems ensure strong links between budgets, service delivery and performance targets. Performance indicators exist to cover organisational objectives and are regularly reviewed for relevance. Three-year targets, linked to the medium term Budget Strategy, are set annually and are approved by Cabinet.

3.7.2 Financial and service planning are integrated and joint financial and performance reporting ensures that resources are concentrated on achieving priority outcomes. Monthly meetings between the Deputy Chief Executive/ Strategic Director of Corporate Services and Strategic Directors of Departments are held to discuss budgets, progress against key performance measures, significant issues of service delivery and action required to address any identified concerns. Monthly Budget and Performance Monitoring Reports are presented to Cabinet and individual monthly performance briefings are provided for Cabinet Portfolio holders.

3.8 **Risk Management**

3.8.1 The Council has effective risk management arrangements with commitment from Members and Officers supported by staff training. Risk management is embedded in the culture and operation of the Council. The Corporate Risk Register identifies threats and risks to the achievement of strategic priorities. Service Plans also contain an assessment of the likelihood and impact of service level risk, along with control measures. The business continuity and disaster recovery arrangements are subject to frequent periodic review.

3.8.2 The Safety and Risk Management Forum is a strategic group chaired by the Deputy Chief Executive/ Strategic Director of Corporate Services and attended by the Strategic Directors of Services and Senior Officers together with Trade Union and Human Resources representation, to consider occupational health, organisational safety and risk management issues.

3.9 **Information Management**

3.9.1 The Council takes its Data Protection and Information Management responsibilities very seriously and has a corporate Information Management Group in place to ensure that standards, training and monitoring arrangements are robust and effective.

3.9.2 Information management policies governing how data is accessed and protected are regularly reviewed, and subject to consultation prior to amendments to reflect current and emerging practice.

3.9.3 Transparency guidelines are complied with and information is provided on the website on standard data sets and is subject to quality review.

3.9.4 Agendas and minutes are published on the website together with Delegated Executive Decisions and Administrative Decisions in accordance with the Council's Constitution

3.10 **Workforce Planning**

3.10.1 The Council recognises the benefits of having a committed, capable, skilled and diverse workforce. There is a requirement for workforce planning and the implications to be considered within departmental service plans.

3.10.2 The Council also places importance on the quality of its workforce, and has maintained its investment in the Investors In People (IIP) Gold Award accreditation.

3.10.3 The Council's appraisal system links individual targets and performance to corporate priorities and also informs the corporate training programme.

4. <u>Assurance</u>

4.1 The Audit and Governance Committee has a key role as the "body charged with governance" and its Terms of Reference set out the requirement to gain and monitor the necessary assurances in respect of the Council's control, governance, financial management and reporting framework.

4.2 Strategic Directors of the Council are required, on an annual basis, to provide documented assurance as to the adequacy and effectiveness of departmental management arrangements and controls.

4.3 The Council's complaints procedure is available to the community and complaints responses are closely monitored for quality and handling processes. The Council conducts surveys to assess the levels of satisfaction with its services and their accessibility, and feeds these into service reviews.

5. <u>The Primary Assurance Group</u>

5.1 The Council has an established Primary Assurance Group chaired by the Deputy Chief Executive/ Strategic Director of Corporate Services, and includes senior representatives with responsibilities covering all elements of the governance framework.

5.2 A detailed annual self-assessment of the governance arrangements based on the CIPFA/SOLACE guidance identifies any risks to the Council's ability to meet its objectives and drafts the Annual Governance Statement and Action Plan for approval by the Audit and Governance Committee.

5.3 The remit of the Primary Assurance Group includes:

- Evaluating the Council's internal control and governance framework using a robust evidence-based methodology;

- Consideration of assurances received from Strategic Directors;
- Review the internal audit outturn and identification of any significant internal control issues that have implications for the Annual Governance Statement;
- Identification of actions for improvement and monitoring of previous years' recommendations.

5.4 The self-assessment for 2016/17 has introduced wider issues of governance from the revised CIPFA / SOLACE guidance recognsising Councils' changing delivery mechanisms, and understandably this has resulted in a range of improvement actions to address the arising governance issues.

6.0 Review of Effectiveness of Governance

6.1 Governance Principles

6.1.1 The annual review of the effectiveness of governance has been undertaken against the updated seven principles within the revised CIPFA/SOLACE framework. A detailed body of evidence is contained within a database which identifies the Core Principles, expected and actual assurance mechanisms and actions for improvement.

The core principles of good governance are as follows

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

B. Ensuring openness and comprehensive stakeholder engagement.

C. Defining outcomes in terms of sustainable economic, social and environmental benefits.

D. Determining the interventions necessary to optimize the achievement of the intended outcomes.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.

F. Managing risks and performance through robust internal control and strong public financial management.

G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

6.1.2 During 2016/17 the Council has continued with its programme of organisational change and transformation in order to meet its future needs and aspirations and deliver the '2020 Vision for St. Helens'. This process is continually reviewed and any impact on the governance arrangements is considered as part of decision making.

6.2 Core Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

6.2.1 The Council's Constitution has been reviewed and updated during 2016/17 in order to ensure it is relevant and appropriate, and revisions have been approved by Council.

6.2.2 The Standards Committee has met as necessary throughout the year and continues to monitor the behaviour of elected members and address any areas for improvement.

6.2.3 Employees and members have had a revised training programme delivered on the Code of Conduct, this will be reviewed further in 17/18 with increased monitoring.

6.2.4 The Scrutiny Panels have delivered their programme of work including scrutiny of the budget process and all findings have been considered by Cabinet and responded to.

6.3 Core Principle B – Ensuring openness and comprehensive stakeholder engagement

6.3.1 Council plans and publications have been reviewed and the Delivery Plan for 2016/17 has established the organisational priorities and objectives which have been communicated to stakeholders.

6.3.2 A review of communications has been undertaken and additional staffing resources have been provided for Communications to ensure that communication and engagement methods are comprehensive and inclusive. This will be supported with a new Communications Strategy.

6.4 Core Principle C - Defining outcomes in terms of sustainable economic, social and environmental benefits

6.4.1 The Council's Vision for 2020 and long term ambitions have been defined and developed in terms of the strategic objectives:

- Growing the Economy
- Sustainable Health and Social care
- Raising Aspiration and Ambition
- Being better connected

6.4.2 Increased financial pressures and rising demand for services, particularly to protect and care for vulnerable adults and children and young people has led to existing partnership models of delivery being expanded to introduce new models of integrated service delivery that are resilient and capable of delivering outcomes.

6.5 Core Principle D - Determining the interventions necessary to optimize the achievement of the intended outcomes

6.5.1 The Budget Strategy and approved programme of budget savings have been developed to deliver a forward programme of further savings of £20.6m by 2020. Increasing financial pressures on the Health and Care system for the Borough affirm that a wider collective response is needed to overcome the challenges and meet community needs.

6.5.2 The 3 key elements of the work programmes to deliver this are:

- Delivering a balanced budget whilst maintaining effectiveness
- Development of the local health and care system, St Helens Cares
- Growing the economy

6.5.3 The consultation programme and decision making processes have been further enhanced to develop and monitor proposals for change.

6.6 Core Principle E – Developing the entity's capacity, including the capability of its leadership and the individuals within it

6.6.1 The new Council structure that was established during 2016/17 is supported by the new People's Board which has taken on the statutory responsibilities of the Health and Wellbeing Board and the Community Safety Partnership, and also a new Economy Board has been established which will drive economic growth within St. Helens.

6.6.2 The capacity to deliver this ambitious work programme whilst maintaining existing strengths in governance and financial management has been considered and further revisions to the organisational structure have been implemented to mitigate the risks of failure due to capacity.

6.7 Core Principle F – Managing risks and performance through robust internal control and strong public financial management

6.7.1 Risk management arrangements have been enhanced during the year with more dynamic updates and reporting to Officers and Members introduced to support the changing organisational needs.

6.7.2 The Internal Audit annual outturn report has confirmed that the internal control environment was operating effectively and that there were no significant issues of concern. A programme of audit recommendations to address system and operational weaknesses has been agreed and progress is monitored by the Audit and Governance Committee and Scrutiny.

6.7.3 The Council's arrangements for managing the risks of Fraud and Corruption have been reviewed and key policies updated to ensure compliance with the CIPFA Code of Practice.

6.8 Core Principle G – Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

6.8.1 The Audit and Governance Committee has also considered the Statement of Accounts, matters raised by the external auditor, risk management, and the arrangements for fraud, bribery and corruption.

6.8.2 The cycle of formal reporting of portfolio financial and performance information to Cabinet and Scrutiny was met, and all documents were published on the Council's website.

6.8.3 The Council's external auditors, Grant Thornton, concluded in their Annual Audit Management Letter that for the financial year 2015/16:

i. an unqualified opinion on our financial statements;
ii. an unqualified conclusion in respect of our arrangements for securing economy, efficiency and effectiveness in our use of resources;
iii. an unqualified opinion on our Whole of Government Accounts submission.

6.8.4 The Council was also subject to external statutory inspection from the Care Quality Commission for the Council's Supported Living Service and Brookfield Support Centre, both services were rated as 'Good' overall and 'Good' across the 5 assessment areas of safe, effective, caring, responsive and well-led.

6.8.5 Progress in respect of improvement plans related to previous Ofsted Inspections has continued to be reported to Cabinet in year.

7.0 Conclusion

7.1 It is our opinion, based on the self-assessment undertaken and the assurances provided above, that our systems of internal control and governance are fit for purpose and are in accordance with the framework.

7.2 On this basis we can report that whilst there are no significant governance issues that require addressing by the Council, enhancements to existing arrangements necessary to ensure full compliance and mitigate exposure of the Council have been identified and are documented in the Summary Action Plan appended to this report.

7.3 Actions from the 2015/16 Annual Governance Statement improvement plan have been successfully implemented in year, as have the improvement plans identified for Children and Young Peoples' services.

7.4 The Council continues to face unprecedented challenges and change. The reduction in budgets since 2010 of £74 million and the need to find £20.6 million additional savings, inevitably is leading to the prioritisation of statutory duties and whole scale service redesign.

7.5 Increasing demand pressures compound this issue within the public service systems as a whole. The revised integrated approach to service delivery and partnership working have been established within our plans and governance arrangements as the means of meeting the level of change required.

7.6 The revised Governance framework is timely and has been welcomed to identify the strengthened arrangements to address new methods of partnership working, mitigate financial risks, and support service redesign and economic growth.

7.7 Opportunities also exist with our role in supporting the delivery of the Liverpool City Region devolution deal as part of the Combined Authority arrangements.

7.8 The Council has a strong track record of promoting and maintaining high standards of behaviour and remains committed to seeking continuous improvement to review and strengthen the control, risk and governance environment wherever appropriate.

Signed: __________________________ **Date: 7 August 2017**
Chief Executive

Signed: __________________________ **Date: 7 August 2017**
Leader of the Council

APPENDIX 1

Self-Assessment Action Plan 2016/17

Assurance Ref.	Assurance	Action	Lead Officer	Target Completion Date
Core Principle - Behaving with Integrity, demonstrating strong commitment to ethical values and respecting the rule of the law				
A1.1	Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.	To complete the review of the induction system.	Head of Human Resources, Head of Governance	31^{st} March 2018
A1.4	Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they operate effectively.	To complete the review of the Complaints Policy.	Head of Finance, Head of Governance, Head of Human Resources	30^{th} June 2017
A2.2	Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation.	Review of the online training to enable better monitoring by managers.	Head of Human Resources	30^{th} September 2017
A2.3	Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.	Appraisal process and staff appointments to be reviewed regarding incorporation of ethical behaviours.	Head of Human Resources	31^{st} March 2018
A2.4	Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation.	To verify that contracts with external providers clarify ethical values.	Head of Finance	30^{th} September 2017

Assurance Ref.	Assurance	Action	Lead Officer	Target Completion Date
Core Principle - Ensuring openness and comprehensive stakeholder engagement				
B1.4	Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/course of action.	To review the effectiveness of the current consultation and engagement processes.	Deputy Chief Executive/Strategic Director of Corporate Resources, Head of Corporate Communications	30th September 2017
B2.1	Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.	Revised organisational Communications Strategy to be developed.	Head of Corporate Communications	30th June 2017
B2.2	Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.	To review the completeness and effectiveness of the Partnerships Database.	Deputy Chief Executive/Strategic Director of Corporate Resources, Head of Corporate Communications	30th September 2017
B2.3	Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement.	To develop a revised Communications Strategy.	Head of Corporate Communications	30th June 2017
Core Principle - Defining outcomes in terms of sustainable economic, social and environmental benefits				
C1.1	Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions.	To produce a three year Council Plan. To produce a Borough Plan and formally agree its vision and strategic objectives, along with timescales for production.	Deputy Chief Executive/Strategic Director of Corporate Services, Performance, Strategy and Information Manager	30th June 2017

Assurance Ref.	Assurance	Action	Lead Officer	Target Completion Date
C1.2	Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.	Currently a gap in community engagement and involvement. To be addressed through the revised Communication Strategy. All 17/18 service plans to be completed and subject to quality review.	Deputy Chief Executive/Strategic Director of Corporate Services, Performance, Strategy and Information Manager, Head of Corporate Communications	30th June 2017
C1.5	Managing service users' expectations effectively with regard to determining priorities and making the best use of resources available.	Communications and Consultation Plan to address.	Deputy Chief Executive/Strategic Director of Corporate Services, Performance, Strategy and Information Manager, Head of Corporate Communications	30th September 2017
Core Principle - Determining the interventions necessary to optimise the achievement of the intended outcomes				
D2.3	Considering and monitoring risks facing each partner when working collaboratively including shared risks.	To review risk processes for partnership working. Particular programmes with partners, e.g. St Helens Cares will consider appropriate risk share/gain share agreements.	Deputy Chief Executive/Strategic Director of Corporate Services, Head of Finance, Assistant Director Vision and Change	30th September 2017
D2.6	Ensuring capacity exists to generate the information required to review service quality regularly.	Service Plan System to be reviewed and improved.	Deputy Chief Executive/Strategic Director of Corporate Services, Performance, Strategy and Information Manager	30th September 2017
D2.7	Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan.	To consider methods of achieving greater alignment.	Deputy Chief Executive/Strategic Director of Corporate Services, Performance, Strategy and Information Manager	30th September 2017

Assurance Ref.	Assurance	Action	Lead Officer	Target Completion Date
Core Principle - Developing the entity's capacity, including the capability of its leadership and the individuals within it				
E2.1	Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in their relationship and that a shared understanding of roles and objectives is maintained.	To confirm that current arrangements are operating effectively.	Deputy Chief Executive/Strategic Director of Corporate Services, Head of Governance	30th September 2017
Core Principle - Managing risk and performance through robust internal control and strong public financial management				
F4.1	Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.	ICO Undertaking and Action Plan to be reviewed.	Head of Finance	30th June 2017
F4.2	Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.	Confirm the arrangements for the Accountable Care Management System.	Head of Finance, Assistant Director Vision and Change	30th September 2017
Core Principle - Implementing good practices in transparency, reporting and audit to deliver effective accountability				
G1.1	Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.	To review the standards of reports to ensure that they meet clarity standards.	Deputy Chief Executive/Strategic Director of Corporate Services	30th September 2017

Assurance Ref.	Assurance	Action	Lead Officer	Target Completion Date
G2.3	Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for Improvement and evidence to demonstrate good governance (Annual Governance Statement)	Revised Code of Corporate Governance to be approved by Council.	Primary Assurance Group	30th April 2017

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 other reserves. The Statement shows how the movements in year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts statutorily chargeable against council tax for the year.

NOTES		General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000
	Notes	7	8	9		6	
	Balance at 31 March 2015	73,239	30,710	7,754	111,703	23,526	135,229
Movement in Reserves during 2015-2016							
CIES	Total Comprehensive Income and Expenditure	(32,103)	-	-	(32,103)	39,840	7,737
5	Adjustments between accounting basis and funding basis under Regulations	32,958	(1,291)	1,282	32,949	(32,949)	-
	Net Increase/(Decrease)	855	(1,291)	1,282	846	6,891	7,737
	Balance at 31 March 2016 carried forward	74,094	29,419	9,036	112,549	30,417	142,966
Movement in Reserves during 2016-2017							
CIES	Total Comprehensive Income and Expenditure	(17,277)	-	-	(17,277)	(32,425)	(49,702)
5	Adjustments between accounting basis and funding basis under Regulations	14,118	(443)	(637)	13,038	(13,038)	-
	Net Increase/(Decrease)	(3,159)	(443)	(637)	(4,239)	(45,463)	(49,702)
	Balance at 31 March 2017 carried forward	70,935	28,976	8,399	108,310	(15,046)	93,264

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.

NOTES	2015-2016 Restated Gross Expenditure	2015-2016 Restated Gross Income	2015-2016 Restated Net Expenditure		2016-2017 Gross Expenditure	2016-2017 Gross Income	2016-2017 Net Expenditure
	£000	£000	£000		£000	£000	£000
	263,337	(188,160)	75,177	People's Services Directorate	273,232	(189,507)	83,725
	51,762	(15,772)	35,990	Environmental and Trading Services Directorate	53,468	(17,142)	36,326
	95,201	(74,643)	20,558	Corporate Services Directorate	84,324	(70,755)	13,569
3,37	10,204	-	10,204	Provision for Equal Pay	572	-	572
15, 16	420,504	(278,575)	141,929	**COST OF SERVICES**	411,596	(277,404)	134,192
12			23,641	Other Operating Expenditure			20,999
13			17,440	Financing and Investment Income and Expenditure			11,811
14			(150,907)	Taxation and Non-Specific Grant Income			(149,725)
15			32,103	**(SURPLUS) OR DEFICIT ON PROVISION OF SERVICES**			17,277
			(10,146)	(Surplus) or Deficit on Revaluation of Non-current Assets			(18,610)
11			(29,694)	Remeasurement (Gains)/Losses on Pension Assets/Liabilities			51,035
			(39,840)	**OTHER COMPREHENSIVE INCOME AND EXPENDITURE**			32,425
			(7,737)	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**			49,702

This Statement was prepared on the basis of the Council's Directorate Structure following the introduction of new reporting requirements, per *The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17*. This has necessitated a restatement of comparative 2015-2016 figures in the revised format.
Figures for the Corporate Services Directorate include those costs that are classed as non-distributed costs within the *CIPFA Service Reporting Code of Practice for Local Authorities 2016/17.*

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. The second category of reserves is those that the Authority is not able to use to provide services (unusable reserves). Unusable reserves include:

(i) reserves that hold unrealised gains and losses, particularly in relation to the revaluation of Property, Plant and Equipment;

(ii) adjustment accounts that absorb the difference between proper accounting practices and the requirements of statutory arrangements for funding expenditure.

NOTES	31 March 2016 £000		31 March 2017 £000
25, 26	389,871	Property, Plant and Equipment	408,322
27	3,191	Heritage Assets	3,191
28	20,384	Investment Property	19,578
29	1,368	Intangible Assets	1,043
30	25	Long Term Investments	10,024
31	12,606	Long Term Debtors	13,671
	427,445	**Long Term Assets**	455,829
30	98,108	Short Term Investments	80,501
33	3,377	Assets held for Sale	2,389
34	17,646	Short Term Debtors	20,456
	441	Inventories	563
39	24,398	Cash and Cash Equivalents	16,184
	143,970	**Current Assets**	120,093
35	(1,117)	Short Term Borrowing	(1,106)
4(b)(ii),36	(37,103)	Short Term Creditors	(40,247)
16	(1,438)	Capital Grants Receipts in Advance	(1,177)
16	(6,076)	Revenue Grants Receipts in Advance	(3,916)
37	(14,631)	Provisions	(15,939)
	(60,365)	**Current Liabilities**	(62,385)
11	(245,161)	Pensions Liability	(309,201)
16	-	Capital Grants Receipts in Advance	-
16	(6,809)	Revenue Grants Receipts in Advance	(5,283)
35	(73,351)	Long Term Borrowing	(73,344)
37	(5,789)	Provisions	(5,756)
38	(36,974)	Other Long Term Liabilities	(26,689)
	(368,084)	**Long Term Liabilities**	(420,273)
	142,966	**Net Assets**	93,264
		Financed by:	
MIRS	112,549	Usable Reserves	108,310
6	30,417	Unusable Reserves	(15,046)
	142,966	**Total Reserves**	93,264

In preparing this Statement, events up 7 August 2017 have been considered. This is the date when the Deputy Chief Executive & Strategic Director of Corporate Services authorised the Statement for issue.

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period.

NOTES	2015-2016 Restated £000		2016-2017 £000
CIES	(32,103)	Net Surplus or (Deficit) on the Provision of Services	(17,277)
42	45,768	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	15,025
43	(106)	Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	1,282
44	13,559	Net Cash Flows from Operating Activities	(970)
45	(4,868)	Investing Activities	(7,715)
46	315	Financing Activities	471
	9,006	Net Increase or (Decrease) in Cash and Cash Equivalents	(8,214)
	15,392	Cash and Cash Equivalents at the start of the Reporting Period	24,398
39(d)	24,398	Cash and Cash Equivalents at the end of the Reporting Period	16,184

INDEX OF NOTES TO THE 'CORE' FINANCIAL STATEMENTS 2016-2017

EXPENDITURE AND FUNDING ANALYSIS NOTE

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax, Non-Domestic Rates and other income) by the Authority in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's Directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2015-2016				2016-2017		
Net Expenditure chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis* £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
64,192	10,985	75,177	People's Services Directorate	76,168	7,557	83,725
19,923	16,067	35,990	Environmental & Trading Services Directorate	26,037	10,289	36,326
18,881	1,677	20,558	Corporate Services Directorate	12,721	848	13,569
10,204	-	10,204	Provision for Equal Pay	572	-	572
113,200	28,729	141,929	Net Cost of Services	115,498	18,694	134,192
(114,055)	4,229	(109,826)	Other Income and Expenditure	(112,339)	(4,576)	(116,915)
(855)	32,958	32,103	(Surplus) or Deficit on Provision of Services	3,159	14,118	17,277

(73,239)	-	-	Opening General Fund Reserves at 1 April	(74,094)	-	-
(855)	-	-	Less / Plus Surplus or (Deficit)on General Fund in Year	3,159	-	-
(74,094)	-	-	Closing General Fund Reserves at 31 March	(70,935)	-	-

* See accompanying note for further detail relating to these adjustments.

Details of the Council's expenditure and income analysed by nature is detailed in Note 15.

NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts:

2015-2016					2016-2017			
Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other Differences £000	Total Adjustments £000		Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
8,456	2,777	(248)	10,985	People's Services Directorate	6,498	1,997	(938)	7,557
14,025	2,042	-	16,067	Environmental & Trading Services Directorate	8,891	1,398	-	10,289
403	1,274	-	1,677	Corporate Services Directorate	150	698	-	848
22,884	6,093	(248)	28,729	Net Cost of Services	15,539	4,093	(938)	18,694
(11,439)	8,681	6,987	4,229	Other Income and Expenditure	(14,143)	8,910	657	(4,576)
11,445	14,774	6,739	32,958	Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	1,396	13,003	(281)	14,118

This analysis provides further detail of those items that are chargeable to the General Fund that are not chargeable to the Comprehensive Income and Expenditure Statement and vice versa (such as depreciation and the current service cost in relation to pensions) and the removal of transactions which are only chargeable under statutory provisions (such as charges to services for the financing of capital investment and employer's pensions contributions).

These adjustments will include a number of those included in the Adjustments between Accounting Basis and Funding Basis in the Movement in Reserves Statement, which are further explained in Note 5.

NOTES TO THE 'CORE' FINANCIAL STATEMENTS

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

The *CIPFA Code of Practice on Local Authority Accounting* (the Code) requires disclosure of information related to the anticipated impact of changes in accounting standards that have been issued, but not yet adopted. The 2016/17 Code incorporated several changes to accounting standards that were to apply from 1 April 2016 - the most significant being that the *CIPFA Code of Practice on the Highways Network Asset (HNA Code),* previously the *Code of Practice on Transport Infrastructure Assets* (the Infrastructure Code) would take effect from 1 April 2016 and be applied prospectively from 2016-2017.

Under the Infrastructure Code a new class of asset, Highways Network Asset, were to be established and measured at depreciated replacement cost. The new class of asset would have seven components: carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land, with the creation of the new Highways Network Asset requiring a transfer of assets from the existing Infrastructure Asset category and resulting in a significant revaluation gain due to the change from depreciated historic cost to depreciated replacement cost.

Subsequently, at its meeting on 8 March 2017 the CIPFA/LASAAC Code Board decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities and issued an important statement on 10 March 2017. The Board decided that, currently and in particular in the absence of central support for key elements of the valuation, the benefits of implementation were outweighed by the costs of implementation for local authorities. The Board determined that it will give further consideration to this issue only if provided with clear evidence that benefits outweigh costs for local authorities.

There are no amendments to International Financial Reporting Standards applying from 1 April 2017 that are expected to have a material impact on the Council's accounts.

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies, 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 detailed below. Critical estimation uncertainties are described in Note 3.

Funding

The Government has taken an unprecedented step of offering a 'guaranteed' minimum four-year Revenue Support Grant (RSG) settlement up to 2019-2020 for any Council that wished to accept. The Government stated intent of the offer includes its assessment that this would help local authorities prepare for the move to a more self-sufficient resource base by 2020 and provide better funding certainty and stability for the sector, to enable more proactive planning of service delivery and support strategic collaboration with local partners. Barring exceptional circumstances and subject to the normal statutory consultation process for the local government finance settlement, the government expects the amounts contained in the offer to be those presented to Parliament each year. In making the offer the government also provided confirmation that the new burdens doctrine operates outside of the settlement process.

The Council resolved to accept the offer on the basis that it would appear to provide some previously absent certainty, in that the RSG funding received would not be less than outlined previously and would not be subject to the yearly process determining the local government finance settlement. The Council submitted an Efficiency Plan to government in support of its acceptance and on 16 November 2016 received confirmation that the Authority is now formally on the multi-year settlement and can expect to receive the allocations published as part of the 2016-2017 local government finance settlement in 2017-2018, 2018-2019 and 2019-2020.

Notwithstanding this, other significant items of funding uncertainty will continue to exist – arising principally from the move to 100% Business Rate retention, the government Fair Funding Review, the impact of the 2017 Business Rates revaluation, the impact of the exit from the European Union, and the policy direction of an incoming government following the General Election of 8 June 2017.

However, having regard to all these matters, the Authority has determined that this uncertainty does not present a significant risk to the Council's ability to operate as a going concern.

Leases

The Council has examined its significant leases to determine whether they should be classified as operational or finance leases. In certain instances the application of IAS17 tests for the assessment of lease transactions are not conclusive and the Council has used its judgement in determining whether or not the lease is a finance or operating lease.

As part of the review of leases and arrangements that may be deemed to contain a lease, the Council's PFI arrangement has been considered and deemed to have an implied finance lease within the agreement. In calculating the finance lease, the Council has estimated the interest rate implicit within the lease to calculate the interest and principal repayment schedule.

Investment Properties

Investment properties have been categorised as such, based on careful consideration of the criteria for recognition identified in *IAS40 Investment Property*. As a result, the Council has determined that it holds assets with a value of £19.6m that it judges are held for capital appreciation or for the generation of investment income, or both.

Schools

In determining the accounting treatment to be applied to the various types of school within the Borough, the Council has had due regard to the application of IFRS 10, which means that for the purposes of the accounts, maintained schools (all schools excluding academies and free schools) are treated as entities for the purpose of assessing control. This assessment has indicated that the balance of control of these entities lies with the local authority and that, therefore, the income and expenditure assets and liabilities and reserves of these schools are recognised within the single entity accounts of the local authority.

In respect of the recognition of schools' land and buildings and equipment assets, these should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for that type of property. To this end, the Council recognises schools' land and buildings on its Balance Sheet where it has direct ownership of the assets, there is formal agreement or evidence that the rights of ownership have been transferred, or that these are no longer substantive.

The Council has undertaken an assessment of the different types of maintained schools within the Borough to determine the arrangements in place and the appropriate accounting treatment to be applied to the schools' land and buildings. The assessment has been based on a composition of information obtained in respect of legal title and information provided by the relevant dioceses. On the basis of this assessment, a judgement has been formed on each of the schools and a conclusion reached that only those land and building assets in respect of community schools should be included on the Council's Balance Sheet. For all of the voluntary controlled and aided schools within the Borough, legal title for the schools rests with the relevant diocese and in all instances no formal agreements exist between the school and the diocese which would indicate a transfer of rights and obligations. As such, all schools are occupied under a 'mere licence' and therefore it is judged that the land and building should not be included on the Council's Balance Sheet.

Joint Arrangements

During 2013-2014, the Council entered into an arrangement with Langtree Group to regenerate the former Parkside Colliery site. A limited liability partnership was established as the vehicle through which the site would be acquired, developed and the necessary planning permissions obtained to allow the site to be used for business, thus achieving the Council's aim of economic development and job creation.

This arrangement has been assessed under the relevant accounting standards to determine how this should be accounted for within the Council's accounts. Based on this assessment it has been determined that this arrangement falls to be classified as a joint venture which would ordinarily necessitate the completion of group accounting statements. Having reviewed the companies' financial statements, it has been determined that, on the grounds of materiality, group accounting statements are not required for 2016-2017. To this end, the Council's interest of £6.7m in the company continues to be reflected within the Council's single entity accounts as a long-term debtor (see Note 31). Further detail about the Council's interest in the joint venture is included with the Related Parties (see Note 22).

The Council is party to two Section 75 Arrangements with the St Helens Clinical Commissioning Group (CCG); a pooled budget in respect of Continuing Health Care assessments and a pooled budget covering the Better Care Fund. Both arrangements have been assessed under the relevant accounting standards and it has been determined that they fall to be classified as joint operations, which require that the Council account for the assets and liabilities it controls on its Balance Sheet, together with its elements of income and expenditure within the Comprehensive Income and Expenditure Statement.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Balance Sheet, where there is a risk of material adjustment in the forthcoming financial year, are as follows:

Debtors
The Council makes provision for bad and doubtful debts on the basis of historic collection rates, experience, and any specific circumstances that may apply to any of its individual material sums due. However, pressures arising from the current economic climate and changes to benefits may result in a deterioration in collection rates. Should that be the case, additional impairment of the doubtful debts may be required.

Pensions Liability
The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts 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 Council with expert advice about the assumptions to be applied. Further detail on the assumptions used is provided in Note 11 to the Core Financial Statements.

Equal Pay Provision
The Council has included a provision of £10.8m for the settlement of claims lodged against the Council in respect of Equal Pay. The Council has made a provision for the settlement of claims based on the number of claims received and estimates of the claims received. Additional narrative on provisions is included in Note 37.

Other Provisions
Notwithstanding the fact that the Insurance provision is based on a consultancy opinion, which combines a scientific modelling process and expert advice, it may be that the prevailing economic, environmental or physical conditions give rise to more claims against the Authority than have been built into the assumption model. If this should occur, then increases to future provisions will be required.

Furthermore, the change in the 'Ogden Discount' Rate from 20 March 2017 (the rate applied to determine compensation payments to personal injury claimants who have suffered life changing injuries) may also require increases in the provision, dependent upon the number of such claims in the future.

Public Finance Initiative (PFI)
In estimating the future payments to be made to the PFI contractor through the unitary charge, the Council has assumed that increases in RPI over the life of the contract will remain constant at 2.5%. Whilst it is acknowledged that the current rate of inflation is running below this level, it is believed that it is appropriate to maintain this rate of inflation over the long term, as this is broadly in line with the level of inflation that the Bank of England seeks to maintain over the longer term and which it seeks to achieve through its powers to set interest rates.

Non-Domestic Rates
On 1 April 2013 the Government introduced the Non-Domestic Rates Retention Scheme, under which Local Authorities are directly impacted from successful appeals against Non-Domestic rates by ratepayers. Although the rates retention scheme only became operational from the start of 2013-2014, the Council is liable to meet 49% of the financial impact of any outstanding appeals against both the 2005 and 2010 Rating Lists. A provision has therefore been created to meet the cost to the Council of these backdated appeals. The estimate has been calculated based on an analysis of information provided by the Valuation Office Agency detailing all appeal transactions (settled and outstanding) relating to the 2005 and 2010 list. Utilising the data on settled appeals, average success and rateable value

reductions have been calculated and applied to the appeals outstanding to arrive at an annual reduction in rateable value, which has been converted into a cash figure for the provision. There is a significant risk to future receipts posed by the levels of these outstanding appeals, as well as the uncertainty around the future level of appeals following the April 2017 rating revaluation.

In 2017-2018, the Authority will be part of the Liverpool City Region 100% Business Rate Retention Pilot, resulting in an increase in Business Rates income for 2017-2018, which will be offset by a subsequent reduction in Revenue Support Grant and improved Better Care Funding received. The principle of “no financial detriment” applies to the pilot, whereby the Authority is guaranteed to receive no less funding, in aggregate, than it would have received were it not in the pilot. However, the longer term financial implications of 100% Business Rate Retention are unknown at this stage.

Fair Value Measurement

Where the fair values of assets and liabilities cannot be measured using Level 1 inputs, fair value must be calculated using valuation techniques. Where possible the inputs to these valuation techniques are based on observable data but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. Changes in the assumptions used could affect the fair values of the Authority’s assets and liabilities. Where Level 1 inputs are not available, the Authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value.

4. CHANGES IN ACCOUNTING AND OPERATIONAL POLICY AND OTHER SIGNIFICANT MATTERS CONSIDERED IN PRODUCING THE 2016-2017 STATEMENT OF ACCOUNTS

(a) Changes in Accounting Policy

In previous periods the Council has made loans to other parties at less than market rates (soft loans). There are two types of arrangements undertaken by the Council which have fallen to be classified as soft loans: Housing loans and Residential Care deferred payments.

The Housing loans were offered to provide financial assistance to owners and occupiers within the private rented and owner occupied sectors to improve the quality of privately-owned homes for those most in need. Financial assistance was made available following a detailed assessment of client circumstances, including finances, medical conditions and health impact of housing conditions.

Deferred payments have arisen as a consequence of the Council entering into agreements with clients in relation to specific Social Care services, as permitted by S22 of the Health and Social Services and Social Security Adjudication Act 1983.

When these transactions have previously been made, a loss has been recorded in the Comprehensive Income and Expenditure Statement for the present value of interest that it was estimated would be foregone over the life of the liability, resulting in a lower amortised cost than the outstanding principal. Thereafter, interest has been credited at a higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that there should be no impact on the Council Taxpayer arising from these accounting transactions, and a transfer to or from the Financial Instruments Adjustment Account (via the Movement in Reserves Statement) has achieved this requirement.

A revision to the Accounting Policy has been made during the year on the basis that:

(i) No housing advances have been made for a number of years;
(ii) Charges raised against a client's property in relation to deferred payments are statutory in nature;
(iii) It is difficult to estimate the most appropriate interest rate to be used to arrive at a fair value measurement;
(iv) Given their nature, it is equally difficult to estimate the life of the loans on an individual basis;
(v) The 'soft loan adjustments' are not material.

The revision to the policy results in principal amounts being classed as a long-term debtor at par and without any 'soft loan adjustment'. In doing so, the value of previous adjustments, as held in the Financial Instruments Adjustment Account, have been written out via the Movement in Reserves Statement.

(b) Revision to Cash Flow Statement and related Notes

In the course of preparing the 2016-2017 Statement, it has been identified that a revision is necessary to comparative 2015-2016 figures arising from the mis-classification of certain transactions in the 2015-2016 Cash Flow Statement. Further detail is provided in the tables below.

(i) Cash Flow Statement:

	2015-2016 original £000	2015-2016 Restated £000
Net Surplus or (Deficit) on the Provision of Services	(32,103)	(32,103)
Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	45,768	45,768
Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	(3,103)	(106)
Net Cash Flows from Operating Activities	10,562	13,559
Investing Activities	(1,871)	(4,868)
Financing Activities	315	315
Net Increase or (Decrease) in Cash and Cash Equivalents	9,006	9,006
Cash and Cash Equivalents at the start of the Reporting Period	15,392	15,392
Cash and Cash Equivalents at the end of the Reporting Period	24,398	24,398

(ii) Note 43 – Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:

	2015-2016 original £000	2015-2016 restated £000
Proceeds from the Sale of Non-Current Assets	(1,738)	(1,738)
Revenue Expenditure Funded by Capital Under Statute	-	2,997
Investment Properties Rental Income	(1,365)	(1,365)
TOTAL CASH OUTFLOWS	(3,103)	(106)

(iii) Note 44 – Net Cashflow from operating activities:

	2015-2016 original £000	2015-2016 restated £000
Cash Outflows		
Cash Paid to and on Behalf of Employees	(149,256)	(139,052)
Housing Benefit Paid Out	(70,402)	(70,402)
Precepts Paid	(294)	(294)
Payments to the Capital Receipts Pool	(1)	(1)
Cash Paid to Suppliers of Goods and Services	(120,646)	(130,850)
Interest Paid	(4,724)	(7,258)
Other Payments for Operating Activities	(67,136)	(64,139)
TOTAL CASH OUTFLOWS	(412,459)	(411,996)
Cash Inflows		
Taxation	82,948	82,948
Grants	288,202	290,736
Sales of Goods and Rendering of Services	31,446	31,446
Interest Received	1,660	1,660
Other Receipts from Operating Activities	18,765	18,765
TOTAL CASH INFLOWS	423,021	425,555
NET CASH FLOW FROM OPERATING ACTIVITIES	10,562	13,559

(iv) Note 45 – investing activities:

	2015-2016 original £000	2015-2016 restated £000
Cash Outflows		
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(10,748)	(10,748)
Purchase of Short-Term and Long-Term Investments	(3,731)	(3,731)
Other Payments for Investing Activities	(3,149)	(6,146)
TOTAL CASH OUTFLOWS	(17,628)	(20,625)
Cash Inflows		
Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	1,901	1,901
Proceeds from Sale of Short-Term and Long-Term Investments	-	-
Other Receipts from Investing Activities	13,856	13,856
TOTAL CASH INFLOWS	15,757	15,757
NET CASH FLOW FROM OPERATING ACTIVITIES	(1,871)	(4,868)

(c) Other significant matters considered in producing the 2016-2017 Statement of Accounts

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 has introduced new formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement, alongside the introduction of the new Expenditure and Funding Analysis as a result of the CIPFA *Telling the Story* review of the presentation of local authority financial statements.

Under the revised Code, the service analysis on the face of the Comprehensive Income and Expenditure Statement must be based on the organisational structure under which the Authority operates and manages its services.

The statement has consequently been prepared on the basis of the Council Directorate structure, being that upon which the Council designs and implements its Budget Strategy and reports in relation to its Budget and Performance Monitoring:

(i) People's Services Directorate

(ii) Environmental & Trading Services Directorate

(iii) Corporate Services Directorate

In doing so, the cost of overheads and support services are reported based upon where Directorate responsibility for their operation and management lies, as opposed to those services ultimately benefitting from the supply or service.

5. 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.

2016-2017	Usable Reserves General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account (Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement):				
Charges for Depreciation and Impairment of Non-Current Assets	14,201	-	-	(14,201)
Revaluation losses on Property, Plant and Equipment	922	-	-	(922)
Movement in the fair value of Assets held for Sale	-	-	-	-
Movements in the fair value of Investment Properties	973	-	-	(973)
Amortisation of Intangible Assets	405	-	-	(405)
Capital Grants and Contributions applied credited to the Comprehensive Income and Expenditure Statement	(8,249)	-	-	8,249
Revenue expenditure funded from capital under Statute	3,399	-	-	(3,399)
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	186	-	-	(186)
Other items debited or credited to the Comprehensive Income and Expenditure Statement	11	-	-	(11)
Adjustments involving the Capital Adjustment Account (Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement):				
Provision for the repayment of debt	(2,528)	-	-	2,528
Capital expenditure charged against the General Fund balance	(1,138)	-	-	1,138
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(5,070)	-	5,070	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(5,707)	5,707
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(743)	337	-	406
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(1,218)	-	1,218
Amount of Deferred Capital Receipts and Long Term Debtors received	-	438	-	(438)

2016-2017	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments involving the Financial Instruments Adjustment Account: Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(996)	-	-	996
Adjustments involving the Pensions Reserve: Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	13,004	-	-	(13,004)
Adjustments involving the Collection Fund Adjustment Account: Amount by which Council Tax income and Non-Domestic Rates credited to the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulations	(259)	-	-	259
Total Adjustments 2016-2017	14,118	(443)	(637)	(13,038)

2015-2016 Comparative Figures	Usable Reserves General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account (Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement):				
Charges for Depreciation and Impairment of Non-Current Assets	16,221	-	-	(16,221)
Revaluation losses on Property, Plant and Equipment	6,258	-	-	(6,258)
Movement in the fair value of Assets held for Sale	-	-	-	-
Movements in the fair value of Investment Properties	7,045	-	-	(7,045)
Amortisation of Intangible Assets	394	-	-	(394)
Capital Grants and Contributions applied credited to the Comprehensive Income and Expenditure Statement	(6,948)	-	-	6,948
Revenue expenditure funded from capital under Statute	2,997	-	-	(2,997)
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	2,031	-	-	(2,031)
Other items debited or credited to the Comprehensive Income and Expenditure Statement	11	-	-	(11)
Adjustments involving the Capital Adjustment Account (Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement):				
Provision for the repayment of debt	(2,731)	-	-	2,731
Capital expenditure charged against the General Fund balance	(727)	-	-	727
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(4,323)	-	4,323	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(3,041)	3,041
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,739)	1,402	-	337
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(3,191)	-	3,191
Amount of Deferred Capital Receipts and Long Term Debtors received	-	499	-	(499)
Transfer from the Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	1	(1)	-	-

2015-2016 Comparative Figures	Usable Reserves General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Financial Instruments Adjustment Account: Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(228)	-	-	228
Adjustments involving the Pensions Reserve: Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	14,775	-	-	(14,775)
Adjustments involving the Collection Fund Adjustment Account: Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulations	(79)	-	-	79
Adjustment involving the Accumulating Compensated Absence Adjustment 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	-	-	-	-
Total Adjustments 2015-2016	32,958	(1,291)	1,282	(32,949)

6. UNUSABLE RESERVES

31 March 2016 £000		Movements in year 2016-2017 £000	31 March 2017 £000
67,811	Revaluation Reserve (a)	17,348	85,159
211,797	Capital Adjustment Account (b)	(97)	211,700
(1,835)	Financial Instruments Adjustment Account (c)	996	(839)
(245,161)	Pensions Reserve (d)	(64,039)	(309,200)
1,178	Collection Fund Adjustment Account (e)	259	1,437
337	Deferred Capital Receipts (f)	70	407
(3,710)	Accumulating Compensated Absences Adjustment Account (g)	-	(3,710)
30,417	TOTAL	(45,463)	(15,046)

(a) Revaluation Reserve

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

- re-valued 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.

2015-2016			2016-2017	
£000	£000		£000	£000
	60,186	Balance brought forward at 1 April		67,811
13,153		Upward Revaluation of Assets	19,405	
(4,184)		Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/ Deficit on the Provision of Services	(795)	
	8,969	Surplus or Deficit on Revaluation of Non-Current Assets not posted to the Surplus or Deficit on the Provision of Services		18,610
(1,059)		Difference between Fair Value Depreciation and Historical Cost Depreciation	(1,262)	
(285)		Accumulated Gains on Assets Sold, Disposed or Decommissioned	-	
	(1,344)	Amount written off to the Capital Adjustment Account		(1,262)
	67,811	Balance carried forward at 31 March		85,159

(b) 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.

2015-2016 £000		2016-2017 £000
227,726	Balance brought forward at 1 April	211,797
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(16,221)	- Charges for Depreciation and Impairment of Non-Current Assets	(14,201)
(6,258)	- Revaluation losses on Property, Plant and Equipment	(922)
(394)	- Amortisation of Intangible Assets	(405)
(2,997)	- Revenue expenditure funded from capital under Statute	(3,399)
(2,031)	- 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	(186)
(11)	- Other Items	(11)
1,344	Adjusting amounts written out of the Revaluation Reserve	1,262
	Capital financing applied in the Year	
3,191	- Use of the Capital Receipts Reserve to finance new capital expenditure	1,218
5,051	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	5,822
1,897	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Finance Revenue expenditure financed by capital under statute	2,427
3,041	- Application of grants to capital financing from the Capital Grants Unapplied Account	5,707
2,731	- Provision for the financing of capital investment charged against General Fund balances	2,528
727	- Capital expenditure charged against General Fund balances	1,138
(7,045)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(973)
(131)	Long Term Debtors and Loan Repayments	(102)
	Other Adjustments	
1,177	- Derecognised assets	-
211,797	Balance carried forward at 31 March	211,700

(c) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing difference 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. Similar principles apply to the credits relating to discounts earned on the early redemption of loans.

2015-2016			2016-2017	
£000	£000		£000	£000
		Premiums on Early Debt Redemption		
(1,355)		Balance brought forward at 1 April	(1,121)	
234		Proportion of premiums incurred in previous years charged against the General Fund balance in accordance with statutory requirements	212	
	(1,121)			(909)
		Discounts on Early Debt Redemption		
480		Balance brought forward at 1 April	224	
(256)		Proportion of discounts incurred in previous years credited against the General Fund balance in accordance with statutory requirements	(154)	
	224			70
		Soft Loans		
(1,187)		Balance brought forward at 1 April	(938)	
249		Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement differ from finance costs chargeable in accordance with Regulations	938	
	(938)			-
	(1,835)	Balance carried forward at 31 March		(839)

(d) 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.

2015-2016 £000		2016-2017 £000
(260,081)	Balance brought forward at 1 April	(245,161)
29,695	Re-measurement (Gains)/Losses on Pension Assets/Liabilities	(51,035)
(28,287)	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	(26,768)
13,512	Employer's pensions contributions and direct payments to pensioners payable in year	13,764
(245,161)	Balance carried forward at 31 March	(309,200)

(e) Collection Fund Adjustment Account

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

2015-2016 £000		2016-2017 £000
1,099	Balance brought forward at 1 April	1,178
180	Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(20)
(101)	Amount by which Non-Domestic Rates income credited to the Comprehensive Income and Expenditure Statement is different from Non-Domestic Rates income calculated for the year in accordance with statutory requirements	279
1,178	Balance carried forward at 31 March	1,437

(f) Deferred Capital Receipts

These represent capital income to be received in the future, when disposals have taken place, and deferred payments have been agreed. They relate exclusively to receipts due under the Preserved Right to Buy agreement.

(g) Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment 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.

2015-2016 £000		2016-2017 £000
(3,710)	Balance brought forward at 1 April	(3,710)
-	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	-
(3,710)	Balance carried forward at 31 March	(3,710)

7. GENERAL FUND RESERVES

31 March 2016 £000		Movements in Year 2016-2017 £000	31 March 2017 £000
4,990	Insurance Fund	3	4,993
2,172	Service Development	91	2,263
21,650	Service Modernisation	(1,959)	19,691
3,000	Care Services Transitional Demand Fund	2,000	5,000
163	School Improvement Initiatives Fund	-	163
399	Special Educational Needs Reserve	(66)	333
-	Children's Priority Fund	3,193	3,193
944	Commuted Sums	30	974
524	Borough Wide Employment Initiatives Fund	(214)	310
1,672	Business Development Fund	(334)	1,338
942	Town Centre Improvement Fund	(265)	677
498	Economic Regeneration Fund	(178)	320
1,162	Pension Liability Reduction Reserve	-	1,162
784	Welfare Assistance Fund	(37)	747
1,500	Essential Equipment Replacement Fund	(836)	664
429	Councillor Improvement Fund	10	439
3,760	Waste Management Development Fund	(63)	3,697
44,589	Sub-Total	1,375	45,964
973	NW Regional Leaders Board	(35)	938
10,780	Schools Balances	(1,632)	9,148
17,752	Unallocated General Fund Balances	(2,867)	14,885
74,094	TOTAL	(3,159)	70,935

At the meeting on 1 March 2017, the Council approved a revised structure for earmarked reserves, principally around the themes of adults and children's social care, economic growth and transformation. The balances at 31 March 2017 for the new reserves are detailed in the following table.

	31 March 2017 £000
Insurance Fund (a)	4,993
Transformation Reserve (b)	21,954
Children's Service Reserve (c)	8,689
Growth Reserve (d)	3,619
Essential Equipment Replacement Fund (e)	2,573
Councillor Improvement Fund (f)	439
Waste Management Development Fund (g)	3,697
Sub-Total	45,964
NW Regional Leaders Board (h)	938
Schools Balances (i)	9,148
Unallocated General Fund Balances (j)	14,885
TOTAL	70,935

(a) The Insurance Fund Reserve has been established to be used to offset any uninsured losses that may occur and to cover any additional liabilities arising from the run-off of Municipal Mutual Insurance (MMI) – see note 41.

(b) The Transformation Reserve is primarily to support the integration of Primary Health and Social Care. In addition, the fund can also be accessed by other services undergoing fundamental change in service delivery and requiring project management and/or specialist activities to achieve new operating models, improved performance and enhanced outcomes.

(c) The Children’s Service Reserve is to support changes in the delivery of Children's Services in the Borough, promoting a model of Social Care and Education which will both help to ensure the sustainability of Children’s Services and the safety of children, whilst ensuring the best possible outcomes for Children and Families.

(d) The Growth Reserve is to support the delivery of developments which would enhance the economic growth of the Borough attracting new business and employment opportunities and, in addition, secure the long-term viability of St Helens Town Centre.

(e) The Essential Equipment Replacement Fund is to provide for the replacement of equipment where the cost of replacement or the failure to replace would have a direct impact of the delivery of essential services. In addition, the fund can be utilised to ensure Council IT is refreshed with the latest advancements in technology to support the vision of an adaptive innovative Council fit for modern day working.

(f) The Councillor Improvement Fund allows local Councillors to respond to local needs and provides funding for eligible projects.

(g) The Waste Management Development Fund has been established subsequent to the receipt of monies from Merseyside Recycling and Waste Authority and will be used to deliver actions in support of the Joint Recycling and Waste Management Strategy (JRWMS).

(h) Balances held as Accountable Body to the North West Regional Leaders Board.

(i) Balances held by Governors under delegated scheme arrangements, whereby such balances are committed to be spent on the Education service.

(j) General balances are held to protect the Council’s financial position from unforeseen events. The Council undertakes frequent risk assessments to determine the adequacy of levels.

8. CAPITAL RECEIPTS RESERVE

Useable capital receipts are generally available to finance capital investment or to repay borrowing in future years. The Reserve may be analysed as follows:-

2015-2016 £000		2016-2017 £000
30,710	Balance brought forward at 1 April	29,419
	Amounts received in Year	
1,402	- Asset Sales and Grant Repayment	337
366	- Preserved Right to Buy Receipts	336
133	- Repaid loans and advances	102
(1)	Transferred to finance Housing Pooled Capital Receipts	-
(3,191)	Amounts applied to finance new capital investment in year	(1,218)
29,419	Balance carried forward at 31 March	28,976

9. UNAPPLIED CAPITAL GRANTS

These are capital grants and contributions that have not been used to finance capital expenditure, and for which there are no conditions attached to their usage.

31 March 2016 £000		31 March 2017 £000
5,116	Department for Education Grants	6,427
1,609	Department of Health Grants	238
2,311	Other Grants and Contributions	1,734
9,036	TOTAL	8,399

10. SCHOOLS BUDGET FUNDED BY DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by monies provided by the Department for Education in the form of Dedicated Schools Grant (DSG). An element of DSG is recouped to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the *School Finance (England) Regulations 2011*. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

2015-2016				2016-2017		
Central Expenditure £000	Individual Schools Budget £000	Total £000		Central Expenditure £000	Individual Schools Budget £000	Total £000
17,372	111,772	129,144	Final DSG before Academy recoupment	17,604	111,625	129,229
-	(13,094)	(13,094)	Academy figure recouped	-	(13,672)	(13,672)
17,372	98,678	116,050	Total DSG after Academy recoupment	17,604	97,953	115,557
4,538	266	4,804	Brought forward at 1 April	3,475	144	3,619
21,910	98,944	120,854	Agreed budgeted distribution	21,079	98,097	119,176
(366)	(480)	(846)	In-year adjustments	-	(480)	(480)
21,544	98,464	120,008	Final budgeted distribution	21,079	97,617	118,696
18,069	98,320	116,389	Actual expenditure	18,590	97,564	116,154
3,475	144	3,619	Carry forward at 31 March	2,489	53	2,542

11. PENSIONS

(a) Transactions Accounted for Under Defined Contribution Plan Arrangements

The pensions cost reported in the Cost of Services in relation to:

(i) the Teachers Pension Scheme (TPS); and

(ii) those Public Health staff who were compulsorily transferred from the Primary Care Trusts and retained access to the NHS Pension Scheme (NHSPS)

are equal to the employer's contribution payable to the Scheme in the accounting period as summarised below:

2015-2016			2016-2017	
TPS	NHSPS		TPS	NHSPS
7.48	0.10	Employer Contribution (£m)	7.90	0.09
16.48%*	14.3%	Employer Contribution Rate	16.48%	14.3%

* Rate effective from September 2015. Previous rate of 14.1% applied before this date.

Any surplus or deficit in these Plans may affect the amount of future contributions payable. Sums payable in 2017-2018 are expected to be similar to those of 2016-2017.

(b) Transactions relating to Retirement Benefits

The following transactions have been made in the Surplus or Deficit on Provision of Services (Comprehensive Income and Expenditure Statement) during the year to comply with the reporting requirements relating to defined benefits:-

2015-2016			2016-2017	
TPS £000	LGPS £000		TPS £000	LGPS £000
		Cost of Services		
-	18,315	Current service cost	-	17,015
-	1,291	(Gains)/losses on settlements & curtailments	-	843
		Other Operating Expenditure		
-	374	Pension Administration Expenses	-	380
		Financing and Investment Income and Expenditure		
828	7,479	Net interest expense	843	7,687
828	27,459	Total Post-Employment Benefits charged to Surplus or Deficit on Provision of Services	843	25,925

The following transactions are then recognised in the Movement in Reserves Statement as adjustments between the accounting basis and funding basis under Regulations:

TPS £000	LGPS £000		TPS £000	LGPS £000
(828)	(27,459)	Reversal of net charges made to the Surplus of Deficit on the Provision of Services	(843)	(25,925)
-	11,446	Employers contributions payable to scheme	-	11,758
2,066	-	Retirement benefits payable to pensioners	2,006	-
2,066	11,446	Total Charged to the General Fund Balance	2,006	11,758

(c) Pension Assets and Liabilities recognised in the Balance Sheet

2015-2016			2016-2017	
TPS £000	LGPS £000		TPS £000	LGPS £000
25,794	780,548	Benefit obligation at end of the period	24,410	957,361
-	(561,180)	Fair Value of plan assets at end of the period	-	(672,571)
25,794	219,368	Deficit as at 31 March	24,410	284,790

The overall liability for retirement benefits has increased materially during the 12-month period to 31 March 2017. A number of factors have contributed to this movement:

(i) the adverse movement in discount rates (which are a key component of the measurement of future scheme liabilities) during the 12-month period. These contrast with the significant favourable movements experienced in 2015-2016;

(ii) the better than expected performance of the financial assets of the fund during the financial year, which has assisted in partially offsetting some of the increase in liabilities;

(iii) the results arising from the Actuarial Valuation of the Merseyside Pension Fund – this necessitates a full recalculation of the assets and liabilities attributable to each employer, as opposed to the approximate valuations provided between full valuations; and

(iv) a decrease in the life expectancy assumptions which are used to calculate the level of future scheme liabilities.

(d) Reconciliation of the Movement in the Fair Value of Scheme (Plan) Assets

As disclosed in the Accounting Policies, there are no assets to cover the Teachers' added years' liabilities. The movement in assets relating to the LGPS is provided in the following table:

2015-2016 £000		2016-2017 £000
567,186	Balance brought forward at 1 April	561,180
18,568	Interest on plan assets	20,072
(374)	Pension administration expenses	(380)
(15,157)	Re measurement gains and (losses)	98,941
11,446	Employer contributions	11,758
4,701	Member contributions	4,770
(25,190)	Benefits paid	(23,770)
561,180	Balance carried forward at 31 March	672,571

The assets as at 31 March comprised:

2015-2016					2016-2017			
Quoted £000	Unquoted £000	Total £000	% of Total		Quoted £000	Unquoted £000	Total £000	% of Total
				Equities				
121,376	-	121,376	22%	UK	139,994	-	139,994	21%
169,294	-	169,294	30%	Global	220,704	-	220,704	33%
				Bonds				
25,750	-	25,750	4%	UK Government	26,903	-	26,903	4%
13,594	-	13,594	2%	UK Corporate	16,814	-	16,814	2%
49,795	-	49,795	9%	UK Index Linked	59,859	-	59,859	9%
				Property				
-	32,164	32,164	6%	UK Direct Property	-	31,611	31,611	5%
2,296	8,906	11,202	2%	UK Managed Property	2,018	8,071	10,089	1%
-	6,613	6,613	1%	Global Managed Property	-	10,761	10,761	2%
				Private Equity				
108	20,611	20,719	4%	UK	67	22,867	22,934	3%
-	18,050	18,050	3%	Global	-	23,540	23,540	4%
				Cash				
19,291	-	19,291	3%	All	22,867	-	22,867	3%
				Other				
1,421	3,032	4,453	1%	Hedge Funds UK	-	4,910	4,910	1%
-	15,151	15,151	3%	Hedge Funds Global	-	16,411	16,411	2%
-	11,274	11,274	2%	Infrastructure UK	673	13,384	14,057	2%
2,263	7,232	9,495	2%	Infrastructure Global	202	13,250	13,452	2%
9,716	16,011	25,727	5%	Opportunities UK	10,694	16,613	27,307	4%
754	6,478	7,232	1%	Opportunities Global	2,354	8,004	10,358	2%
415,658	145,522	561,180	100%	TOTAL	503,149	169,422	672,571	100%

(e) Reconciliation of Present Value of Scheme Liabilities (Defined Benefits Obligations)

The liabilities show the commitments that the Authority, in the long run, is estimated to have to pay to cover its pensions-related obligations:

2015-2016				2016-2017		
TPS £000	LGPS Funded £000	LGPS Unfunded £000		TPS £000	LGPS Funded £000	LGPS Unfunded £000
27,733	787,727	11,807	Balance brought forward at 1 April	25,794	769,649	10,899
-	18,315	-	Current service cost	-	17,015	-
828	25,673	374	Interest on pension liabilities	843	27,382	377
-	1,291	-	Curtailments	-	843	-
-	4,701	-	Member contributions	-	4,770	-
			Re-measurement (gains) and losses:			
-	-	-	(i) Experience (gains) and losses	(1,540)	(32,644)	(743)
-	-	-	(ii) (Gains) and losses arising from changes in demographic assumptions	(1,253)	(11,154)	(203)
(701)	(43,773)	(377)	(iii) (Gains) and losses arising from changes in financial assumptions	2,572	193,187	1,753
(2,066)	(24,285)	(905)	Benefits paid	(2,006)	(22,890)	(880)
25,794	769,649	10,899	Balance carried forward at 31 March	24,410	946,158	11,203

The LGPS unfunded obligations represent additional benefits awarded upon early retirement. No such awards have been made for a number of years and the sums disclosed represent historic decisions.

(f) Actuarial Assumptions

Defined benefit obligations have been assessed on an actuarial basis using the Projected Unit Credit actuarial cost method, an estimate of the pensions that will be payable in future years, dependent on assumptions about mortality rates, salary levels, etc. This assessment, along with an assessment of the return on plan assets, has been undertaken by Mercer Limited, an independent firm of actuaries based on the latest full valuation of the scheme. The main assumptions used in their calculations are:-

31 March 2016		31 March 2017
	Base Assumptions:	
2.0%	Rate of CPI inflation	2.3%
3.5%	Rate of increase in salaries	3.8%
2.0%	Rate of increase in pensions	2.3%
3.6%	Rate of discounting plan liabilities	2.5%
50%	Proportion of employees opting to take a commuted lump sum	50%
	Mortality Assumptions:	
24.9 years	Life expectancy of male future pensioner aged 65 in 20 years time	24.9 years
28.2 years	Life expectancy of female future pensioner aged 65 in 20 years time	27.7 years
22.5 years	Life expectancy of male current pensioner aged 65	21.9 years
25.4 years	Life expectancy of female current pensioner aged 65	24.7 years

The sensitivity analysis below has been provided by Mercer Limited, and shows the illustrative impact of marginal changes to the assumptions used in relation to the long-term discount rate, inflation and life expectancy.

	Using assumptions above £000	Illustrative +0.1 p.a. discount rate £000	Illustrative +0.1% p.a. inflation £000	Illustrative + 1 year life expectancy £000	Illustrative +0.1% p.a. pay growth £000
Liabilities – TPS	24,411	24,198	24,626	25,357	24,411
Liabilities – LGPS	957,361	940,541	974,482	976,360	961,196
Assets – LGPS	(672,571)	(672,571)	(672,571)	(672,571)	(672,571)
Deficit/(Surplus)	309,201	292,168	326,537	329,146	313,036

(g) Additional Pensions Information

The net liability of £309.201m has a significant impact on the net worth of the Authority as recorded in the Balance Sheet.

In the June 2010 Budget, the Government announced that it had created a Public Services Pension Commission to undertake a “fundamental structural review of public service pensions”, including the LGPS. The Commission, headed by Lord Hutton, issued a report which included recommendations to the Government for the future design of public service pension schemes.

Legislation introduced in the form of the *Public Service Pensions Act 2013* provided the framework for redesign/reform. Revisions to schemes included the introduction of tiered member contributions; pension benefits linked to scheme participants’ career average earnings rather than to final salary; linkage of the retirement age to the State Pension Age; and increasing the average contributions to be made by scheme members.

LGPS2014 was launched on 1 April 2014, whilst changes to the Teachers’ and NHS Pension Schemes came into effect in April 2015.

During 2015 the Government invited LGPS administering authorities to come forward with proposals to invest their assets through pools of at least £25 billion to achieve cost savings and benefits of scale. On 15 July 2016, the Greater Manchester Pension Fund, West Yorkshire Pension Fund and Merseyside Pension Fund submitted to Government the progress they had made in forming a Collective Asset Pool, known as the Northern Pool. Negotiations have been had with Government and implementation is schedule for 2017.

During 2017, the Merseyside Pension Fund provided details of the outcome of the Triennial Valuation 2016, including those employer contribution rates and lump sum payments required for the three years commencing 1 April 2017. These rates were calculated having regard to the revised Funding Strategy Statement, as agreed by the Pensions Committee at its meeting held in March 2017.

These rates support the Administering Authority’s long term funding objective for the Fund to achieve, and then maintain, sufficient assets to cover 100% of projected accrued liabilities (the “funding target”), with an average deficit recovery period of 19 years for the Fund as a whole, which is 3 years shorter than the average recovery period from the previous valuation.

The Funding Strategy applies to the whole of the fund, with the stated objective of achieving a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as thy fall due.

At an individual authority level, it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford. Employers may also elect to make prepayments of contributions which could result in a cash saving over the valuation certificate period – the Council has opted to do so on the basis that it will offer better value for money and reduce exposure to credit risk. The Council will consequently pay a sum of £20.540m in 2017-2018 in relation to deficit contributions. The Fund did provide the Council with an alternative option of continuing to pay deficit contributions on an annual basis and the indicative sums that would be payable were approximately £1.33m higher, in aggregate.

The relative allocation of assets and liabilities within the fund to each employer reflects the specific membership, experience and past history of each employer. This bespoke strategic benchmark is subject to formal review every three years through the triennial valuation. However, it can be subject to interim review if there are significant changes to the investment environment or liability profile. The next triennial valuation is scheduled for 2019.

Employer pension contributions forecast for 2017-2018 are:

(i) LGPS funded – £10.502m in relation to the future service funding rate – a contribution rate applied to future pensionable pay and which has been set at 13.8% for 2017-2018;

(ii) LGPS funded – a fixed sum of £20.540m payable in April 2017 in relation to the past service deficit, arising from the Actuarial Review 2016;

(ii) LGPS unfunded – similar sums to those incurred in 2016-2017;

(iii) TPS unfunded – similar sums to those incurred in 2016-2017.

The weighted average duration of the defined benefit obligation for scheme members is 18 years.

12. OTHER OPERATING EXPENDITURE

2015-2016 £000		2016-2017 £000
294	Parish Council Precepts	300
14,450	Liverpool City Region Combined Authority Levy	13,425
89	Environment Agency Levy	91
8,140	Merseyside Recycling and Waste Authority Levy	7,359
1	Payments to the Government Housing Capital Receipts Pool	-
293	(Gains)/Losses on the Disposal of Non-Current Assets	(556)
374	Pension Administration Expenses	380
23,641	TOTAL	20,999

13. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2015-2016 £000		2016-2017 £000
4,951	Interest Payable and Similar Charges	4,899
2,534	PFI Interest Payable	2,473
(2,534)	PFI Grant Applied	(2,473)
(18,568)	Pensions Interest on plan assets (see Note 11e)	(20,072)
26,875	Interest on pensions liabilities (see Note 11d)	28,602
(1,498)	Interest Receivable and Similar Income	(1,217)
5,680	Income and Expenditure in relation to Investment Properties and changes in their fair value (see Note 28)	(401)
17,440	TOTAL	11,811

14. TAXATION AND NON-SPECIFIC GRANT INCOME

2015-2016 £000		2016-2017 £000
(59,233)	Council Tax Income	(62,742)
(23,628)	Retained Non-Domestic Rates	(24,669)
(68,046)	Grants and Contributions (see Note 16)	(62,314)
(150,907)	TOTAL	(149,725)

15. EXPENDITURE AND INCOME ANALYSED BY NATURE

The Council's Income and Expenditure is analysed as follows:

	2015-2016 £000	2016-2017 £000
Expenditure		
Employee Expenses	186,492	177,229
Other Service Expenses	209,171	216,185
Support Service Recharges	63,011	64,553
Depreciation, Amortisation, Impairment & Revaluation	29,929	16,512
Interest Payments	34,360	35,974
Precepts and Levies	22,972	21,175
Payment to Housing Capital Receipts Pool	1	-
(Gain) / Loss on Disposals of Non-Current Assets	294	(557)
Total Expenditure	**546,230**	**531,071**
Income		
Fees, Charges and Other service Income	(50,026)	(52,864)
Support Service Recharge Income	(63,011)	(64,553)
Interest and Investment Income	(22,600)	(23,762)
Income from Council Tax and Retained Non-Domestic Rates	(82,861)	(87,410)
Government Grants	(295,629)	(285,205)
Total Income	**(514,127)**	**(513,794)**
(Surplus) or Deficit on the Provision of Services	**32,103**	**17,277**

16. GRANT INCOME

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement during the period:

2015-2016 £000	Credited to Taxation and Non-Specific Grant Income	2016-2017 £000
	Total Formula Grant	
36,085	Revenue Support Grant	28,057
17,997	Non-Domestic Rates Top Up Grant	18,147
	General Government Grants	
2,722	New Homes Bonus (including returned funding)	3,526
1,826	Section 31 Grant	1,526
42	Local Support Services Grant	-
	Capital Grants and Contributions	
3,339	Department for Education	4,598
536	Department of Health	185
2,419	Department for Transport	143
1,547	Liverpool City Region Combined Authority	4,066
1,533	Other Grants and Contributions	1,900
	Other Contributions	
-	Business Rates Mid-Mersey Pool	166
68,046	TOTAL	62,314

2015-2016 £000	Credited to Services	2016-2017 £000
116,311	Dedicated Schools Grant	116,193
70,527	Housing Benefit Subsidy Grant	66,361
1,307	Housing Benefit/Localised Council Tax Support Admin Subsidy	1,157
1,906	Universal Free School Meals for Infants Grant	1,786
4,312	School Sixth Form Funding	3,994
8,868	Pupil Premium Grant	8,811
2,482	Education Services Grant	2,210
14,131	Public Health Grant	14,953
1,014	Care Act (implementation, assessments and deferred payments)	-
11,568	Better Care Fund	11,564
4,033	Health Authority Contributions	4,048
1,262	Merseyside Recycling & Waste Authority – Recycling Credits	1,323
727	PFI Credits	797
1,262	Disabled Facilities Grant	1,995
476	Discretionary Housing Payments Contribution	530
594	Troubled Families Grant	835
941	Independent Living Fund Grant	1,191
5,320	Other Grants and Contributions	6,200
247,041	TOTAL	243,948

The Council has received a number of grants and contributions that have conditions attached to them. These have not yet been recognised as income and will only be credited to the Comprehensive Income and Expenditure Statement once all conditions are met. The balances at the year-end are as follows:

31 March 2016 £000	**Capital Grants Receipts in Advance**	31 March 2017 £000
452	Schools Capital Grants	349
790	Better Bus Fund	600
196	Other Grants and Contributions	228
1,438	TOTAL	1,177

31 March 2016			31 March 2017	
Short Term £000	Long Term £000	**Revenue Grants Receipts in Advance**	Short Term £000	Long Term £000
1,271	2,348	Dedicated Schools Grant	984	1,558
689	-	Public Health Grant	751	-
642	426	Troubled Families Grant	555	386
206	-	Pupil Premium Grant	199	-
2,127	-	Housing Benefit Subsidy Grant	641	-
165	317	Health Authority Contributions	16	317
-	3,718	Section 38/106 Contributions	-	2,922
449	-	Youth Employment Gateway Grant	246	100
527	-	Other Grants and Contributions	524	-
6,076	6,809	TOTAL	3,916	5,283

17. TRADING ACCOUNTS

There are a number of services that the Authority undertakes with the public or with other third parties and may, accordingly, be assessed as being 'trading operations'. For the purposes of this note, activity undertaken on behalf of schools (who have a choice as to which service provider they will use) is included. The most significant of these being:-

2015-2016 Internal Turnover £000	2015-2016 School Turnover £000	2015-2016 Other 'External Parties' Turnover £000	2015-2016 Surplus/ (Deficit) £000		2016-2017 Internal Turnover £000	2016-2017 School Turnover £000	2016-2017 Other 'External Parties' Turnover £000	2016-2017 Surplus/ (Deficit) £000
-	5,607	-	-	Catering	-	5,849	-	-
305	1,290	241	-	Cleaning	303	1,369	254	-
302	1,190	1	-	Caretaking	229	1,252	2	-
2,264	294	108	-	Grounds Maintenance	2,482	307	89	-
588	205	24	-	Security Services	629	203	28	-
-	-	651	(78)	Markets	-	-	640	(97)

18. NATIONAL HEALTH SERVICE ACT 2006 POOLED FUNDS

The Council has entered into a pooled budget arrangement with St. Helens Clinical Commissioning Group (CCG). The pooled budget was established to make Continuing Health Care (CHC) assessments and the payment process more efficient and effective. Practically, this has been achieved by establishing a joint CHC team consisting of officers from both the Council and the CCG, and through utilising the Adult Social Care and Health Contracts Team to formulate all contracts for providers of CHC and joint funded care.

The Council is the host of this arrangement, which is governed by a Section 75 agreement which was approved by the Health and Wellbeing Board. The pool was introduced on 1 July 2014 with the partners' contributions being split 30% from the Council and 70% from the

CCG. With effect from 2015-2016, the arrangement became a true pool arrangement with the year-end being split in line with the partners' contributions.

During the course of 2016-2017, the Council agreed to provide a £4.0m repayable contribution to the CCG to help ensure financial balance in the year and to form the basis for a sustainable integrated system in future years. This was achieved in practical terms by a revision to the respective partner splits for 2016-2017 and beyond.

The table summarises the income and expenditure of the pooled budget.

2015-2016				2016-2017		
St. Helens Council £000	St. Helens CCG £000	Total Pool £000		St. Helens Council £000	St. Helens CCG £000	Total Pool £000
(7,283)	(16,928)	(24,211)	Funding Provided	(11,226)	(14,364)	(25,590)
8,307	17,980	26,287	Expenditure 2016-2017	12,571	16,454	29,025
1,024	1,052	2,076	Net (surplus)/deficit arising	1,345	2,090	3,435

In addition, the Council operates a Better Care Fund (BCF) in partnership with the CCG, which creates a local single pooled budget to incentivise the NHS and local government to work more closely together around people, placing their well-being as the focus of health and care services. Locally, the primary aims of the fund are:-

- Supporting independence in the community by place-based activity;
- Reducing non-elective admissions and reducing residential admissions by providing the right care and support within the community; and
- Facilitating earlier hospital discharge.

Joint arrangements of this type are permitted under Section 75 of the National Health Service Act 2006.

BCF expenditure for 2016-2017 is detailed below:

2015-2016				2016-2017		
Local Authority £000	CCG £000	Total £000	Source of Funding	Local Authority £000	CCG £000	Total £000
-	-	-	Local Authority	-	-	-
-	14,184	14,184	CCG	-	14,378	14,378
-	14,184	14,184	Total Fund	-	14,378	14,378
			Expenditure by Scheme			
5,685	-	5,685	Personalised Support/Care at Home	5,685	-	5,685
1,150	922	2,072	Reablement Services	1,150	985	2,135
1,633	-	1,633	Support for Carers	1,613	-	1,613
780	-	780	Improved Healthcare Services to Care Homes	780	-	780
706	-	706	7-Day Working	706	-	706
390	21	411	Assistive Technologies	389	22	411
410	-	410	Intermediate Care Services	410	-	410
328	76	404	Integrated Care Teams	285	76	361
485	202	687	Other	485	396	881
11,567	1,221	12,788	Total Spend	11,503	1,479	12,982

In line with the approved BCF Plan 2016-2017 and the requirements of NHS England, the partners set aside a value to reflect risk-sharing of £1.396m to be considered for utilisation on a range of proposals subject to NEL (non-elective) performance targets being met in line with the reported activity.

The agreed targets were not met and therefore this funding was subsequently utilised on enabling the CCG to support the funding of hospital services in order to meet the costs of, for example, non-elective activity which is the key service area in which payment for performance would be measured. This was an agreed approach with partners, subject to the performance targets not being met and risk evaluation being undertaken.

In addition to the revenue funding, capital funding of £2.180m was contributed by the Council through the Disabled Facilities Grant.

In addition to the formal pooled budget arrangement, the Council has two separate integrated provision arrangements with St Helens CCG that are registered with the Department of Health:

(i) Integrated Adults Services Commissioning
(ii) Intermediate Care – Reablement and Rapid Response

19. LEASING

The Authority as Lessee – Operating Leases

The Authority uses various types of vehicles and computer equipment under terms of operating leases. The Authority also currently leases a small number of buildings/sites under operating lease terms. The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £0.855m. .

The Authority had no expenditure on contingent rents or sub-leases in 2016-2017, nor did the Authority receive any income from sub-lease arrangements.

The future minimum lease payments due under non-cancellable leases in future years are shown in the following table:

31 March 2016 £000		31 March 2017 £000
833	Not later than one year	801
1,809	Later than one year and not later than five years	1,817
3,555	Later than five years	3,110
6,197	TOTAL	5,728

The Authority as Lessor – Operating Leases

The Authority has a number of properties leased out under operating leases for investment/ commercial purposes. The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2016 £000		31 March 2017 £000
908	Not later than one year	893
1,877	Later than one year and not later than five years	1,789
41,334	Later than five years	42,382
44,119	TOTAL	45,064

The minimum lease payments receivable, shown in the table, do not include potential future income from The Hardshaw Centre/Church Square commercial properties, as payments are made to the Authority as a percentage of profit rather than a fixed annual lease payment. The Authority received £0.716m rental income in 2016-2017 on these properties (£0.806m in 2015-2016).

20. OFFICERS' REMUNERATION IN EXCESS OF £50,000

(i) The number of employees receiving remuneration in excess of £50,000 is as follows:-

No. of Employees employed by the Council 2015-2016	No. of which are Employees employed by School Governing Bodies 2015-2016	Remuneration	No. of Employees employed by the Council 2016-2017	No. of which are Employees employed by School Governing Bodies 2016-2017
60	18	£50,000-£54,999	66	14
32	12	£55,000-£59,999	35	14
26	15	£60,000-£64,999	29	14
17	2	£65,000-£69,999	16	5
13	3	£70,000-£74,999	18	1
8	1	£75,000 - £79,999	3	1
4	-	£80,000 - £84,999	4	-
-	-	£85,000 - £89,999	-	-
1	-	£90,000 - £94,999	3	1
1	-	£95,000-£99,999	2	1
-	-	£100,000-£104,999	-	-
1	1	£105,000-£109,999	-	-
1	-	£110,000-£114,999	2	-
1	-	£115,000-£119,999	-	-
1	-	£120,000-£199,999	-	-

The table includes employees whose basic remuneration for 2016-2017 was below £50,000, but whose total remuneration for the year exceeds £50,000 as a result of redundancy payments made. The table excludes those Senior Employees for whom further detail is provided at (ii).

(ii) The remuneration of senior employees, defined as those members of the Strategic Directors' Group and those individuals holding statutory posts, is detailed below.

2015-2016			2016-2017	
Salary £000	Employer's Pension Contribution £000	Senior Employee	Salary £000	Employer's Pension Contribution £000
140	18	Chief Executive – Mike Palin	141	19
110	14	Deputy Chief Executive & Strategic Director of Corporate Services	116	15
110	14	Strategic Director of People's Services*	120	16
112	14	Strategic Director of Environmental and Trading Services	113	15
100	13	Assistant Chief Executive (Legal and Administrative Services)**	34	4
-	-	Head of Governance and City Region Liaison	84	11

* The Strategic Director of People's Services undertook the role of Recovery Director for St Helens Clinical Commissioning Group (CCG) during the year. The additional responsibilities carried a honorarium of £8k for the year.

** The Assistant Chief Executive (Legal and Administrative Services) left the employment of the Council in July 2016. This post has been deleted and redundancy pay of £54k was due as a result of this decision. The postholder also held the statutory post of Monitoring Officer, which is now held by the Head of Governance and City Region Liaison, who is included in the table for 2016-2017.

21. MEMBERS' ALLOWANCES & EXPENSES

The following sums were paid to Members of the Council by way of expense/allowance during the year:

Period	Allowances due to Members £000
2015-2016	576
2016-2017	604

22. RELATED PARTY TRANSACTIONS

(a) Central 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). Details of the material transactions with Government Departments are included in the Cash Flow Statement and in Notes 34 (Debtors), 36 (Creditors) and the various Notes relating to Grants.

(b) Members of the Council have direct control over financial and operational policies of the Council, and governance arrangements exist to ensure that the decision-making processes contain provision for declarations of interest where appropriate. Various

Strategic Directors and Members serve as Council representatives on bodies that are in receipt of Council funding, such as Citizens Advice Bureau and World of Glass. Contributions totaling £0.300m were made to the World of Glass in 2016-2017 (£0.315m 2015-2016). The Council has member representation on the Board. The Council has processes in place to ensure that relevant interests are declared as appropriate.

Further detail relating to Members' Allowances is included in Note 21.

(c) Other bodies that could be classified as related parties include the following:

(i) Police and Crime Commissioner for Merseyside (see Collection Fund)
(ii) Merseyside Fire and Rescue Authority (see Collection Fund)
(iii) Merseyside Pension Fund (see Note 11)
(iv) Merseyside Recycling and Waste Authority (see Notes 12 and 16)
(v) Liverpool City Region Combined Authority (see Notes 12 and 16)

(d) The Council has a Joint Venture with Langtree Property Partners (Langtree Newton LLP), which was established to acquire and regenerate the former Parkside Colliery site. The Partnership Board has been constituted on a 50/50 basis with both parties providing £1.5m equity and loan stock each. The Council has made a £4.5m interest-bearing loan to the company to fund the acquisition of the site. The Council holds 3 of the 6 positions on the Joint Venture Board.

For 2016-2017, the company's results showed a loss of £0.400m and net assets of £4.456m.

23. AUDIT FEES

The Council incurred the following fees relating to external audit and inspection:-

2015-2016 £000		2016-2017 £000
105	Fees payable to the appointed auditors with regard to external audit services carried out by the appointed auditor	105
17	Fees payable to the appointed auditors for the certification of grant claims and returns	18

No other fees were payable in respect of statutory inspection or for the provision of other audit services.

24. EXIT PACKAGES

As part of its ongoing Budget Strategy, the Council will continue to undertake service reviews in order to ensure that its financial position remains sustainable. This is likely to result in future termination benefits arising as formal, detailed, plans materialise. The number of exit packages relating to Council employees, together with the total cost per band and the total cost of compulsory redundancies and other departures are set out in the following table:

Exit Package Cost Band	No. of Compulsory Redundancies		No. of other Departures agreed		Total No. of Exit Packages by Cost Band		Total Cost of Exit Packages in each Band	
	15-16	16-17	15-16	16-17	15-16	16-17	15-16 £000	16-17 £000
£0-£20,000	16	11	39	17	55	28	513	195
£20,001-£40,000	1	1	10	9	11	10	280	277
£40,001-£60,000	-	-	5	6	5	6	243	305
£60,001-£80,000	-	-	4	3	4	3	295	193
£80,001-£100,000	-	-	4	1	4	1	359	96
£100,001-£120,000	-	-	3	-	3	-	331	-
£120,001-£140,000	-	-	-	1	-	1	-	123
£240,001-£260,000	-	-	-	1	-	1	-	248
TOTAL	17	12	65	38	82	50	2,021	1,437

25. PROPERTY, PLANT AND EQUIPMENT

The detailed movement in gross valuations and asset depreciation is included in the following tables.

(a) Movements in 2016-2017

	Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Valuation - Balance b/fwd at 1 April 2016	210,185	24,319	208,641	13,010	6,133	962	463,250
Additions	2,187	2,362	5,062	104	127	4,486	14,328
Revaluations recognised in the Revaluation Reserve	11,551	-	-	-	888	-	12,439
Revaluations recognised in the Surplus/Deficit on the Provision of Services	(1,372)	-	(26)	-	(10)	-	(1,408)
De-recognition – Sales and Disposals	-	-	-	-	-	-	-
De-recognition – Assets with Nil Net Book Value	-	(3,554)	-	-	-	-	(3,554)
Assets re-classified (to)/from Assets Held for Sale/ Investment Properties	(403)	-	-	-	988	-	585
Other re-classifications	-	-	-	-	-	-	-
Valuation - Balance c/fwd at 31 March 2017	222,148	23,127	213,677	13,114	8,126	5,448	485,640
Depreciation - Balance b/fwd at 1 April 2016	7,744	13,753	51,882	-	-	-	73,379
Depreciation Charge	5,651	3,253	5,297	-	-	-	14,201
Written out to the Revaluation Reserve	(6,171)	-	-	-	-	-	(6,171)
Written out to the Surplus/Deficit on the Provision of Services	(487)	-	-	-	-	-	(487)
De-recognition – Sales and Disposals	-	-	-	-	-	-	-
De-recognition – Assets with Nil Net Book Value	-	(3,554)	-	-	-	-	(3,554)
Assets re-classified (to)/from Assets Held for Sale/ Investment Properties	(50)	-	-	-	-	-	(50)
Other re-classifications	-	-	-	-	-	-	-
Depreciation - Balance c/fwd at 31 March 2017	6,687	13,452	57,179	-	-	-	77,318
Net carrying value at 31 March 2017	215,461	9,675	156,498	13,114	8,126	5,448	408,322

(b) Comparative Movements in 2015-2016

	Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Valuation – Balance b/fwd at 1 April 2015	218,725	26,482	202,345	12,715	4,644	123	465,034
Additions	2,213	1,310	6,296	170	-	839	10,828
Revaluations recognised in the Revaluation Reserve	1,486	-	-	-	(344)	-	1,142
Revaluations recognised in the Surplus/Deficit on the Provision of Services	(2,815)	(4)	-	(22)	(6,762)	-	(9,603)
De-recognition – Sales and Disposals	(117)	-	-	-	(70)	-	(187)
De-recognition – Assets with Nil Net Book Value	-	(3,469)	-	-	-	-	(3,469)
De-recognition – other	-	-	-	-	(232)	-	(232)
Assets reclassified (to)/from Assets Held for Sale/ Investment Properties	(120)	-	-	13	(156)	-	(263)
Other reclassifications	(9,187)	-	-	134	9,053	-	-
Valuation – Balance c/fwd at 31 March 2016	210,185	24,319	208,641	13,010	6,133	962	463,250
Depreciation – Balance b/fwd at 1 April 2015	13,370	13,407	46,751	-	90	-	73,618
Depreciation Charge	7,027	4,063	5,131	-	-	-	16,221
Written out to the Revaluation Reserve	(7,712)	-	-	-	-	-	(7,712)
Written out to the Surplus/Deficit on the Provision of Services	(2,519)	-	-	-	(1,309)	-	(3,828)
De-recognition – Sales and Disposals	(3)	-	-	-	-	-	(3)
De-recognition – Assets with Nil Net Book Value	-	(3,469)	-	-	-	-	(3,469)
Assets reclassified (to)/from Assets Held for Sale/ Investment Properties	(39)	-	-	-	-	-	(39)
Other re-classifications	(1,219)	-	-	-	1,219	-	-
Other movements in Depreciation and Impairment	(1,161)	(248)	-	-	-	-	(1,409)
Depreciation – Balance c/fwd at 31 March 2016	7,744	13,753	51,882	-	-	-	73,379
Net carrying value at 31 March 2016	202,441	10,566	156,759	13,010	6,133	962	389,871

(c) Revaluations

The table below shows the profile of valuations for the Council's asset base that is not carried at historic cost.

	Land and Buildings £000	Vehicles, Plant and Equipment £000	Surplus Assets £000
Valued at fair value			
31 March 2017	104,397	2,361	4,805
31 March 2016	40,153	1,307	2,296
31 March 2015	38,445	2,345	37
31 March 2014	17,005	5,901	-
31 March 2013	19,792	3,199	988
Prior to 31 March 2013	2,356	8,014	-
TOTAL	222,148	23,127	8,126

26. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

Rainford High Technology College PFI Scheme

In December 2010, the Council entered into a PFI contract with Environments for Learning to design, build, finance and operate Rainford High Technology College. 2011-2012 was the first year of a 27-year PFI contract for the construction, maintenance and operation of the Rainford High Technology College. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fees payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to demolish and rebuild and refurbish the school and to maintain it to a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the facility. The school and any plant and equipment installed will transfer to the Council at the end of the contract term for nil consideration. The Council only has the right to terminate the contract if it compensates the contractor in full for costs incurred, including the repayment of any of the contractor's outstanding debt attributable to the contract. There have been no changes to the arrangement over the year.

The school is presently aiming to convert to an Academy on 1 September 2017.

Analysis of Payments

The Council makes an agreed payment each year in respect of its PFI arrangement and these are detailed in the table below. All payments under the PFI agreement are linked in part to Retail Price Index inflation and can be reduced if the contractor fails to meet the availability and performance standards in any year, but which is otherwise fixed. Future RPI has been assumed to increase at a rate of 2.5% per annum. Lifecycle replacement costs have been included in the service charges element of the table below.

	Payments for Services £000	Repayment of Capital £000	Interest £000	Total £000
Within one year	1,204	543	2,417	4,164
Payable within 2-5 years	5,481	2,434	9,109	17,024
Payable within 6-10 years	8,447	3,884	9,847	22,178
Payable within 11-15 years	9,478	6,140	7,679	23,297
Payable within 16-20 years	11,112	9,366	4,085	24,563
Payable within 21-25 years	1,631	2,071	205	3,907
TOTAL	37,353	24,438	33,342	95,133

Over the life of the PFI project, the Council will receive government grant of £87.8m.

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 the 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 detailed below.

2015-2016 £000		2016-2017 £000
25,627	Balance brought forward at 1 April	25,010
-	Capital expenditure incurred in year	-
(617)	Payments during the year	(572)
25,010	Balance carried forward at 31 March	24,438

27. HERITAGE ASSETS

	Art Collection	Civic Regalia	Statues and Monuments	Total Heritage Assets
	£000	£000	£000	£000
Balance b/fwd at 1 April 2015	1,725	179	1,625	3,529
Acquisitions during the year	-	-	26	26
Revaluation/Impairment	(479)	115	-	(364)
Balance at 31 March 2016 carried forward	1,246	294	1,651	3,191
Acquisitions during the year	-	-	-	-
Revaluation/Impairment	-	-	-	-
Balance at 31 March 2017 carried forward	1,246	294	1,651	3,191

There have been no asset acquisitions, disposals, revaluations or impairments during the course of 2016-2017.

28. INVESTMENT PROPERTY

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

2015-2016 £000		2016-2017 £000
(1,459)	Rental income from Investment Properties	(1,430)
94	Direct operating expenses arising from Investment Properties	56
(1,365)	Net (Income)/Expenditure	(1,374)

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

The Authority has no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancement.

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

2015-2016 £000		2016-2017 £000
24,440	Balance brought forward at 1 April	20,384
(268)	Disposals	(186)
(7,045)	Net Gains/(Losses) from Fair Value adjustments	(973)
3,257	Transfer (to)/from Property, Plant and Equipment and Assets Held for Sale	353
20,384	Balance carried forward at 31 March	19,578

Fair Value Hierarchy

All the Council's investment property assets have been assessed as Level 3 for valuation purposes. An explanation of the different fair value levels is included within the Council's statement of main accounting principles.

Valuation Techniques used to determine Level 3 Fair Values for Investment Properties

The fair value of investment properties has been measured using the Income Method of Valuation. The Council's valuers have completed desktop valuations, taking account of the following factors: existing lease terms and rentals from tenancy schedules, independent research into market evidence, including market rentals and yields, and then adjusted these to reflect the nature of each business tenancy or void and the covenant strength for existing tenants. There has been no change in the valuation techniques used during the year for investment properties.

Highest and Best Use of Investment Properties

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is deemed to be their current use.

Valuation Process for Investment Properties

The fair value of the Authority's investment property is measured annually at each reporting date. All valuations are carried out internally in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

29. INTANGIBLE ASSETS

2015-2016				2016-2017		
Gross Carrying Amount £000	Accumulative Amortisation £000	Net Carrying Amount £000		Gross Carrying Amount £000	Accumulative Amortisation £000	Net Carrying Amount £000
3,073	(1,364)	1,709	Balance brought forward at 1 April	3,126	(1,758)	1,368
53	-	53	Additions in year	80	-	80
-	(394)	(394)	Amortised/Disposed in year	-	(405)	(405)
-	-	-	Derecognition of assets wholly amortised	(423)	423	-
3,126	(1,758)	1,368	Balance carried forward at 31 March	2,783	(1,740)	1,043

30. SHORT & LONG-TERM INVESTMENTS

2015-2016				2016-2017		
Principal £000	Accrued Interest £000	Total £000		Principal £000	Accrued Interest £000	Total £000
97,495	613	98,108	Short-Term Investments	80,000	501	80,501
25	-	25	Long-Term Investments	10,024	-	10,024
97,520	613	98,133	TOTAL	90,024	501	90,525

31. LONG-TERM DEBTORS

Balance at 31 March 2016 £000	Soft Loan Adjustment to Fair Value £000	Fair Value 31 March 2016 £000		New Loans £000	Repaid & Other in Year Movement £000	Balance at 31 March 2017 £000
2,944	(612)	2,332	Improvement Loans *	-	(66)	2,878
1,051	(153)	898	Housing Innovation Loans *	-	(46)	1,005
16	-	16	Housing Associations	-	-	16
2,295	(173)	2,122	Social Care Deferred Payments *	904	(872)	2,327
1,000	-	1,000	Local Authority Mortgage Scheme	-	-	1,000
6,468	-	6,468	Langtree Joint Venture	210	-	6,678
13,774	(938)	12,836	SUB-TOTAL	1,114	(984)	13,904
(230)	-	(230)	Less Provision for Bad Debts	**(3)**	**-**	**(233)**
13,544	(938)	12,606	TOTAL	1,114	(984)	13,671

* See Note 4(a) in relation to revisions to the accounting policy in respect of 'soft loan adjustments'.

32. CAPITAL EXPENDITURE AND FINANCING

(a) Capital Financing Requirement

The total amount of expenditure financed by capital resource 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

- a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

2015-2016 £000		2016-2017 £000
152,351	Opening Capital Financing Requirement	149,620
	Capital Investment	
10,857	Property, Plant and Equipment	14,328
53	Intangible Assets	80
2,997	Revenue Expenditure funded from Capital under Statute	3,399
	Sources of Finance	
(3,191)	Capital Receipts	(1,218)
(9,989)	Government Grants and Other Contributions	(13,956)
	Sums set aside from Revenue	
(727)	Direct Revenue Contributions	(1,138)
(2,731)	Revenue Provision for repayment of borrowing and other long-term liabilities	(2,528)
149,620	Closing Capital Financing Requirement	148,587
	Explanation of Movements in Year	
-	Underlying need to borrow arising from capital investment	1,495
(2,731)	Revenue provision for repayment of borrowing and other long-term liabilities	(2,528)
(2,731)	Increase/(Decrease) in Capital Financing Requirement	(1,033)

(b) Capital Commitments

At 31 March 2017, the Authority had entered into a number of contracts for the construction or enhancement of property, plant and equipment, which in 2017-2018 is budgeted to cost £3.6m. The major contractual commitments are £1.5m in relation to the Council's schools infrastructure, £0.6m for the completion of sports facilities at Ruskin Drive and £0.6m investment in street lighting.

33. ASSETS HELD FOR SALE

2015-2016 £000		2016-2017 £000
7,990	Balance brought forward at 1 April	3,377
(3,033)	Assets classified (to)/from Property, Plant and Equipment & Investment Properties	(988)
(1,580)	Assets Sold	-
3,377	Balance carried forward at 31 March	2,389

34. SHORT-TERM DEBTORS

31 March 2016 £000		31 March 2017 £000
1,035	VAT	1,241
379	Other Government Grants and Contributions	1,505
176	Former Council Tenants	171
8,953	Council Taxpayers *	9,550
2,190	Non-Domestic Ratepayers *	2,452
668	Other Local Authorities	256
218	Police & Crime Commissioner *	165
98	Merseyside Fire & Rescue Authority *	74
4,079	Housing Benefits	3,983
35	Employees	9
808	NHS Bodies	354
-	Merseyside Recycling and Waste Authority	2,967
9,313	Sundry	9,570
27,952	Gross Debtors	32,297
	Less: Provision for Bad Debts:	
(5,137)	Council Tax *	(6,061)
(1,302)	Non-Domestic Rates *	(1,985)
(2,688)	Overpaid Housing Benefit	(2,527)
(176)	Former Council Tenants	(171)
(1,003)	Other	(1,097)
(10,306)	Total Provision for Bad Debts	(11,841)
17,646	Net Debtors	20,456

* Council Tax/Non-Domestic Rates related transactions. See Note 1 to the Collection Fund.

35. SHORT AND LONG-TERM BORROWING

Under the Code, balances relating to financial instruments should be shown as current or long-term depending on when amounts are payable or receivable. Accrued interest in respect of the Authority's Public Works Loan Board (PWLB) and market loans are separated from the principal sums as these are payable within 12 months and therefore should be treated as current liabilities.

(a) Analysis of Short-Term Borrowing by Type

2015-2016				2016-2017		
Principal £000	Accrued Interest £000	Total £000		Principal £000	Accrued Interest £000	Total £000
6	795	801	PWLB	7	785	792
-	316	316	Market Loans	-	314	314
6	1,111	1,117	TOTAL	7	1,099	1,106

(b) Analysis of Long-Term Borrowing by Type

Principal 31 March 2016 £000		Principal 31 March 2017 £000
50,351	PWLB	50,344
23,000	Market Loans	23,000
73,351	TOTAL	73,344

(c) Analysis of Long-Term Borrowing by Maturity Period

Principal 31 March 2016 £000		Principal 31 March 2017 £000
6	Between one and two years	8
3,682	Between two and five years	3,690
14,594	Five to fifteen years	14,577
4,281	Fifteen to twenty five years	4,281
32,788	Twenty five to fifty years	32,788
18,000	Over fifty years	18,000
73,351	TOTAL	73,344

36. SHORT-TERM CREDITORS

31 March 2016 £000		31 March 2017 £000
4,369	NDR Agency Arrangement*	5,551
1,960	Local Government Pension Scheme	1,498
1,064	Teachers' Pension Scheme	1,115
2,559	Tax and National Insurance	2,995
211	Government Departments	159
1,165	Council Taxpayers - prepayments and credits*	1,239
855	Other Local Authorities	1,094
3,883	Employees	3,774
2,700	NHS Bodies	3,126
80	Merseyside Fire & Rescue Authority*	110
718	Non-Domestic Ratepayers – prepayments and credits*	773
17,539	Sundry	18,813
37,103	TOTAL	40,247

* Council Tax/Non-Domestic Rates related transactions. See Note 1 to the Collection Fund.

37. PROVISIONS

	31 March 2016 £000	Expenditure Charged to Provision in Year £000	Increase/ (Decrease) in Provision £000	31 March 2017 £000
Provision for Non-Domestic Rates Appeals (a)	3,914	(701)	1,377	4,590
Provision for Equal Pay (b)	10,204	-	572	10,776
Ordinary Residence (c)	475	-	98	573
Property Search Fees (d)	37	(31)	(6)	-
Short Term	14,630	(732)	2,041	15,939
Insurance (e)	5,789	(1,171)	1,138	5,756
Long Term	5,789	(1,171)	1,138	5,756
TOTAL	20,419	(1,903)	3,179	21,695

(a) The Council has made a provision for Non-Domestic Rates appeals based on

(i) an estimate of the likely level of successful appeals; and
(ii) an estimated reduction in rateable value for those non-domestic rates appeals outstanding against the 2005 and 2010 Valuation Lists as at 31 March 2017.

(b) A large number of claims were brought against the Council under the Equal Pay Act 1970 and associated Regulations, and in October 2015 the Employment Tribunal found in favour of the claimants. Consequently, the Council developed a model to assess the likely cost of claims and continues to review the model until final settlement is agreed. A provision has been set aside to settle the claims based on the model. The Council has recently issued 'without prejudice' settlement offers and COT3 agreements to the unions' solicitors for them to issue to the claimants, and awaits formal response.

(c) The Council is currently involved in a legal process to determine the responsible body for costs associated with two service users and, without prejudice, has set aside a provision for care costs associated with these Ordinary Residence claims.

(d) The costs associated with litigation brought against the Council in respect of Property Search Fees were settled during the year.

(e) The Council determines its insurance as part of its Risk Management process and organises cover from both external providers and its own self-insurance fund. The balance of the fund is regularly assessed for its adequacy. In the case of its combined (Public and Employers) liability provision, a consultancy opinion on size is commissioned on a frequent basis. The review of combined liability indicates that an appropriate provision for this area is £5.582m. An analysis of the other insurances shows that a provision of £0.174m is required.

38. OTHER LONG-TERM LIABILITIES

These consist of liabilities which are (re)payable over a period of time and are analysed as follows:

31 March 2016 £000		31 March 2017 £000
639	Commuted Sums and Contractor Bonds	581
2,766	Merseyside Residual Body Debt	2,213
9,131	Merseyside Recycling and Waste Authority Investments	-
24,438	Rainford High PFI	23,895
36,974	TOTAL	26,689

39. FINANCIAL INSTRUMENTS

(a) Categories of Financial Instruments

The following table details the categories of financial instruments carried in the Balance Sheet:

31 March 2016			31 March 2017	
Current £000	Long Term £000		Current £000	Long Term £000
		Investments		
97,495	25	Loans and Receivables	80,000	10,024
24,398	-	Cash and Cash Equivalents	16,184	-
613	-	Accrued Interest on Loans and Receivables	501	-
		Debtors		
11,212	12,606	Financial Assets carried at Contract Amounts	13,514	13,671
133,718	12,631	Total Financial Assets	110,199	23,695
		Borrowings		
(6)	(73,351)	Financial Liabilities at Amortised Cost	(7)	(73,344)
(1,111)	-	Accrued Interest on Liabilities at Amortised Cost	(1,099)	-
		Other Long-Term Liabilities		
-	(24,438)	PFI		(23,895)
		Creditors		
(28,002)	-	Financial Liabilities carried at Contract Amount	(26,807)	-
(29,119)	(97,789)	Total Financial Liabilities	(27,913)	(97,239)

(b) Income, Expense, Gains and Losses

The table below outlines the income and expense that have been credited/charged to the Comprehensive Income and Expenditure Statement in relation to financial instruments:-

2015-2016			2016-2017	
Financial Liabilities £000	Financial Assets £000		Financial Liabilities £000	Financial Assets £000
(4,951)	-	Interest Expense	(4,899)	-
-	1,498	Interest Income	-	1,217
(4,951)	1,498	Net Income/(Expense) for the Year	(4,899)	1,217

Interest payments of £2.473m were made in respect of the PFI scheme in the year. However, this cost was met through PFI grant.

(c) Fair Values of Assets and Liabilities

The Council's financial liabilities and financial assets are represented by loans and receivables and long-term debtors which are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instrument (Level 2 inputs) using the following assumptions:

- For loans from the Public Works Loan Board (PWLB), premature repayment rates from the PWLB have been applied to provide the fair value under the PWLB debt redemption procedures;
- For non-PWLB loans, prevailing market rates have been applied to provide the fair value;
- For loans receivable, prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment has been recognised;
- Where an instrument has a maturity of less than 12 months or is a trade receivable or payable, then the fair value is taken to be the carrying amount or billed amount;
- The fair value of the PFI scheme has been calculated by applying the PWLB annuity rate for new loans to the outstanding liability at the Balance Sheet date.

The fair values of the Financial Liabilities are detailed below:

2015-2016			2016-2017	
Carrying Amount £000*	Fair Value £000		Carrying Amount £000*	Fair Value £000
51,152	94,342	PWLB Loans	51,136	100,133
23,316	29,742	Market Loans	23,314	35,718
25,010	52,312	PFI Liability	24,438	47,351
99,478	176,396	TOTAL	98,888	183,202

* Carrying values include accrued interest

The fair value of the Council's financial liabilities is more than the carrying amount, because the Council's portfolio of loans includes a number of fixed rate loans where the interest rates payable are higher than the rates available for similar loans at the Balance Sheet date. The fair value of the PWLB loans of £100.133m measures the economic effect of the terms agreed with the PWLB compared with the estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which have been assumed as the PWLB redemption rates. The difference between the carrying amount and fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

The Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB certainty interest rate. A supplementary measure of fair value is to compare these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £51.136m would be valued at £86.997m. If the Council were to redeem its PWLB debt early, a charge of £50.025m would be payable.

The difference between the fair value and the carrying value of loans would only crystallise if the Council sought to terminate its arrangements and, as to the extent that the Council would not seek to voluntarily terminate loans on which premiums would be incurred, this figure should be considered notional. It should also be noted that the market loans contain Lender Option Borrower Option (LOBO) loans, whereby, at specified intervals, there are options on both the part of the Council and the Lender in relation to rates applicable to the residual terms of the loans. The

Council is free to repay the loans, in full, and without penalty if it is not agreeable with any revised options proposed by the Lender.

2015-2016			2016-2017	
Carrying Amount £000*	Fair Value £000		Carrying Amount £000*	Fair Value £000
98,108	98,276	Loans and Receivables	90,501	90,589
25	25	Loans and Receivables – Stock	24	24
24,398	24,398	Cash and Cash Equivalents	16,184	16,184
122,531	122,699	TOTAL	106,709	106,797

* Carrying values include accrued interest

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

(d) Cash and Cash Equivalents

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

2015-2016 £000		2016-2017 £000
(3,078)	Cash overdrawn and unpresented cheques	(2,820)
21	Petty Cash	19
27,455	Bank Call Accounts	18,985
24,398	Total Cash and Cash Equivalents	16,184

(e) Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks, and its overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Financial Risk Management is the responsibility of the Deputy Chief Executive & Strategic Director of Corporate Services and, through full adoption of CIPFA's *Treasury Management in the Public Services: Code of Practice,* the Council has policies and processes in place to control key financial instrument related risks. Under the policies approved by the Council in the annual Treasury Management Strategy, and through its associated Treasury Management Practices (TMP's), the Council has in place written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Exposure to credit risk is managed through the Council's Counterparty lending list, which places limits on the value and duration over which investments can be made with approved counterparties to minimise the risk of loss. The counterparty list comprises of institutions that are rated independently by FITCH and meet specific rating requirements. The detailed minimum lending requirements for counterparties are outlined in the annual Treasury Management Strategy.

As detailed in the Council's Treasury Management Strategy, the Council's counterparty list is regularly monitored and is updated for any adverse movements in financial institutions' ratings. Such is the robustness of the Council's criteria for approving investments, that a reduction in an institution's outlook from stable would lead to its removal from the counterparty list.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £109m cannot be assessed generally, as the risk of any institution failing to make interest payments or repay principal sums will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2017 that this was likely to crystallise.

The following table summarises the Council's exposure to credit risk at the Balance Sheet date, analysed by credit ratings as they were at the time of making the investment. Figures shown represent the actual investment made and therefore exclude accrued interest. They also include that part of Cash and Cash Equivalents that is represented by sums held in Bank Call Accounts:

31 March 2016 £000	Institution	Rating	31 March 2017 £000
12,110	Part Nationalised Institutions	AA+	13,615
2,500	Local Authorities	AA+	-
15,340	Banks	AA-F1+	370
55,000	Banks	A F1	40,000
20,000	Banks	A+F1	30,000
10,000	Building Societies	A F1	10,000
10,000	Building Society	A-F1	15,000
25	PFI Loan Stock	N/A	24
124,975	TOTAL		109,009

The exposure highlighted in the table above reflects all investments held by the Council, which includes any sums managed on behalf of Merseyside Recycling & Waste Authority (MRWA). An agreement exists whereby the credit risk in respect of investments held is shared between the Council and MRWA in proportion to respective cash positions.

The Council does not generally allow credit for customers, such that the sum for customers reflects the debtors the Council has with other Authorities and other bodies. Based on the information held within the Council's debtor system, £2.414m was past the Council's standard invoicing period of 14 days at 31 March 2017 (£2.480m at 31 March 2016). The past due amounts are analysed in the table below.

31 March 2016 £000		31 March 2017 £000
770	Less than one month	493
183	One to three months	549
131	Three to four months	52
423	Four months to one year	260
973	Over one year	1,060
2,480	TOTAL	2,414

The figures above are gross sums due. Provision for doubtful debt is made separately.

Liquidity Risk
The Council has a comprehensive cash flow management system that seeks to ensure that sufficient liquid funds are available if needed. At the present time, the Council has ready access to borrowing from the PWLB, so there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Market Risk
The Council is exposed to an amount of risk in terms of its exposure to interest rate movements on its investments and, to a lesser extent, on its borrowings. For example, a rise in interest rates would have the following effects:-

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

Borrowings and investments are not carried at fair value, so nominal gains and losses on fixed rate borrowings and loans would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in the interest payable or receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. The Council is risk averse and seeks to minimise exposure arising from its treasury activities and does not undertake any unnecessary borrowing or investment activity. The Council seeks to manage its interest rate risk by constantly reviewing the ratio of borrowing and investments between fixed and variable interest rates.

The table below shows the impact on existing investments and borrowings had interest rates been 1% higher with all other variables being held constant:

2015-2016			2016-2017	
Loans and Receivables £000	Financial Liabilities £000		Loans and Receivables £000	Financial Liabilities £000
122,674	124,084	Fair Values at 31 March	106,773	135,851
123,901	110,354	Fair Values + 1%	107,841	122,502

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

Price Risk
The Council does not invest in any instruments whereby it would be exposed to price risk arising from movements in market prices.

Foreign Exchange Risk
The Council does not have financial assets or liabilities denominated in foreign currencies and thus, have no exposure to loss arising from movements in exchange rates.

40. TRUST FUNDS

The Council administered 9 Trust Funds during the year which, in the main, consist of legacies left by individuals and are used mainly for educational, cultural and leisure purposes. The value of these Trust Funds at the Balance Sheet date was £0.300m.

41. CONTINGENT LIABILITIES

MMI

The Council's previous insurers, Municipal Mutual Insurance (MMI), have now ceased to trade and exist solely to discharge its obligations under policies previously issued. These responsibilities relate mainly to legal liability claims that typically take significant periods to finalise. In the event of MMI's insolvency during the period, local authority policyholders have agreed to enter into a scheme of agreement under which there are claw-back provisions on claims payments made by MMI after the implementation of the scheme. The scheme of arrangement was triggered on 13 November 2012 and consequently the administrators, Ernst & Young, advised that an initial levy of 15% was required to achieve a solvent run-off of the company. During 2013-2014, the Council made a payment of £664k to the scheme administrators to dispense its obligation to meet the 15% levy. On 16 March 2016, the Council received confirmation that, due to continuing high levels of claims against the company, the scheme administrator had proposed an increase in the levy from 15% to 25% and a reduction in the payment percentage to 75%, which was approved by the scheme creditors committee. The Council made provision for the additional levy within the accounts for 2015-2016. The scheme administrators have indicated that there will be further reviews of the level of levy required to achieve a solvent run-off of the company and, therefore, there is still a possibility that further claw-back will be required.

Non-Domestic Rates Appeals

The Council has made a provision for costs potentially arising from successful appeals by Non-Domestic Ratepayers against the rateable values applied to their business properties. Provision is based on an assessment of those appeals lodged against the 2005 and 2010 lists. There are significant uncertainties as to what the ultimate effect of these backdated appeals will be and there is also a risk that, following the production of the 2017 Valuation List and changes to businesses' rateable values, further speculative appeals, both national and local, could be lodged with the Valuation Office Agency which may negatively impact on the Council's financial position.

NHS Applications for Mandatory Charitable Relief from Non-Domestic Rates

In January 2016, the Council received requests for mandatory charitable relief from an agent acting on behalf of NHS Trusts. The request for relief was based upon a legal opinion obtained from a QC which concluded that, on balance, Foundation Trusts are established for charitable purposes and, as such, amount to charities for rating purposes. The acceptance or otherwise of the applications has not yet been decided and the outcome of this matter is likely to be settled through the courts. If the position put forward by the agent acting on behalf of the NHS Trusts was successfully argued in the courts, then this would require the Council to grant backdated charitable relief. Based on the applications made to the Council, it is calculated that the cost of allowing backdated mandatory charitable relief would be £3.969m. Under Non-Domestic Rates Retention for the period to 31 March 2017, the Council would be liable for 49% of this cost (£1.945m).

Equal Pay

The Council has made a provision for the settlement of claims lodged against the Council in respect of Equal Pay based on the number of claims and utilising a model to estimate the cost of the claims. As at May 2017, the Council has issued to the unions' legal representatives 'without prejudice' offers to settle the ongoing dispute. However, as final settlement has not been agreed, there is a possibility that the final value may be more or less than the estimated value, with the risk to the Council being that the provision may have been underestimated.

42. CASH FLOW STATEMENT – ADJUSTMENTS TO NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS

2015-2016 £000		2016-2017 £000
	Non-current assets and assets held for sale:	
16,221	Depreciation	14,201
394	Amortisation	405
13,314	Impairments and Downward Valuations	1,906
2,032	Carrying amounts of Non-current Assets and Non-current Assets held for sale, sold or de-recognised	186
	Current assets and current liabilities:	
(2,861)	Movement in Creditors	2,073
(1,058)	Movement in Debtors	(1,260)
1,802	Movement in Bad Debts Provision	1,540
(31)	Movement in Inventories	(122)
14,775	Movement in Pension Liability charged / credited to the Comprehensive Income and Expenditure Statement	13,004
(11,271)	**Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement**	(13,319)
12,451	**Other non-cash items charged to the net surplus or deficit on the provision of services**	(3,589)
45,768	TOTAL	15,025

43. CASH FLOW STATEMENT – ADJUSTMENTS FOR ITEMS INCLUDED IN THE NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES THAT ARE INVESTING AND FINANCING ACTIVITIES

2015-2016 Restated £000		2016-2017 £000
(1,738)	Proceeds from the Sale of Non-Current Assets	(743)
2,997	Revenue Expenditure Funded from Capital Under Statute	3,399
(1,365)	Investment Properties Rental Income	(1,374)
(106)	TOTAL	1,282

44. CASH FLOW STATEMENT – NET CASHFLOW FROM OPERATING ACTIVITIES

2015-2016 Restated £000		2016-2017 £000
	Cash Outflows	
(139,052)	Cash Paid to and on Behalf of Employees	(137,976)
(70,402)	Housing Benefit Paid Out	(66,319)
(294)	Precepts Paid	(300)
(1)	Payments to the Capital Receipts Pool	-
(130,850)	Cash Paid to Suppliers of Goods and Services	(139,656)
(7,258)	Interest Paid	(7,371)
(64,139)	Other Payments for Operating Activities	(65,967)
(411,996)	TOTAL CASH OUTFLOWS	(417,589)
	Cash Inflows	
82,948	Taxation	88,287
290,736	Grants	271,924
31,446	Sales of Goods and Rendering of Services	33,975
1,660	Interest Received	1,276
18,765	Other Receipts from Operating Activities	21,157
425,555	TOTAL CASH INFLOWS	416,619
13,559	NET CASH FLOW FROM OPERATING ACTIVITIES	(970)

45. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2015-2016 Restated £000		2016-2017 £000
	Cash Outflows	
(10,748)	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(14,827)
(3,731)	Purchase of Short-Term and Long-Term Investments	7,609
(6,146)	Other Payments for Investing Activities	(12,532)
(20,625)	TOTAL CASH OUTFLOWS	(19,750)
	Cash Inflows	
1,901	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	775
-	Proceeds from Sale of Short-Term and Long-Term Investments	-
13,856	Other Receipts from Investing Activities	11,260
15,757	TOTAL CASH INFLOWS	12,035
(4,868)	NET CASH FLOW FROM INVESTING ACTIVITIES	(7,715)

46. CASH FLOW STATEMENT - FINANCING ACTIVITIES

2015-2016 £000		2016-2017 £000
	Cash Outflows	
(896)	Repayments of Short-Term and Long-Term Borrowings	(838)
	Cash Inflows	
1,211	Other Receipts from Financing Activities	1,309
315	NET CASH FLOW FROM FINANCING ACTIVITIES	471

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

The Collection Fund is a statutory account introduced under the Local Government Finance Act 1988. *The Code of Practice on Local Authority Accounting* requires the inclusion of a separate Income and Expenditure Account for the Collection Fund.

NOTES	2015-2016 Council Tax £000	2015-2016 Non-Domestic Rates £000		2016-2017 Council Tax £000	2016-2017 Non-Domestic Rates £000
			INCOME		
2,3	71,935		Income from Council Taxpayers	75,733	
		52,541	Income from Business Ratepayers		55,397
5	(894)	(514)	Contribution to/(from) previous year's Estimated Collection Fund Deficit/(Surplus)	(899)	-
	71,041	52,027	TOTAL INCOME	74,834	55,397
			EXPENDITURE		
			Precepts and Demands		
	58,301	23,478	- St. Helens Council	62,005	24,390
	7,634	-	- Police & Crime Commissioner for Merseyside	7,962	-
	3,417	479	- Merseyside Fire and Rescue Authority	3,565	498
	-	23,957	- Central Government	-	24,888
	-	199	Non-Domestic Rates Cost of Collection	-	197
			Movement in Bad and Doubtful Debts		
	1,447	341	- Provisions	1,077	1,393
	29	516	- Write-Offs	252	655
	-	3,263	Provision for Appeals	-	2,807
	70,828	52,233	TOTAL EXPENDITURE	74,861	54,828
1	213	(206)	Movement on Fund Balance	(27)	569
1,4	960	598	Surplus/(Deficit) Balance brought forward	1,173	392
1,4	1,173	392	Surplus/(Deficit) Balance carried forward	1,146	961

A separate Collection Fund Balance Sheet is not mandatory. Assets and liabilities are consolidated with other accounts of the Authority (see Balance Sheet in the Core Financial Statements). However, Note 1 to the Collection Fund is included to provide a better understanding of the debtor and creditor relationships in relation to both Council Tax and Non-Domestic Rates.

NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

1. MEMORANDUM COLLECTION FUND BALANCE SHEETS

(i) Non-Domestic Rates

2015-2016					2016-2017			
Total £000	Central Government £000	St Helens Council £000	Fire & Rescue £000		Total £000	Central Government £000	St Helens Council £000	Fire & Rescue £000
4,470	2,235	2,190	45	Non-Domestic Rate Arrears	5,004	2,502	2,452	50
(2,657)	(1,329)	(1,302)	(26)	Provision for Bad Debt	(4,051)	(2,025)	(1,985)	(41)
(7,989)	(3,995)	(3,914)	(80)	Provision for Appeals	(9,366)	(4,683)	(4,589)	(94)
(1,465)	(732)	(718)	(15)	Prepaid Non-Domestic Rates	(1,578)	(789)	(773)	(16)
(392)	(196)	(192)	(4)	Collection Fund (Surplus)/Deficit	(961)	(480)	(471)	(10)
(352)	(352)	-	-	Transitional Protection Payment	(75)	(75)	-	-
8,385	4,369	3,936	80	Cash	11,027	5,550	5,366	111
-	-	-	-	TOTAL	-	-	-	-

(ii) Council Tax

2015-2016					2016-2017			
Total £000	St Helens Council £000	Police £000	Fire & Rescue £000		Total £000	St Helens Council £000	Police £000	Fire & Rescue £000
10,650	8,953	1,172	525	Council Tax Arrears	11,325	9,550	1,226	549
(6,110)	(5,137)	(672)	(301)	Provision for Bad Debt	(7,187)	(6,061)	(778)	(348)
(1,386)	(1,165)	(153)	(68)	Prepaid Council Tax	(1,469)	(1,239)	(159)	(71)
(1,173)	(986)	(129)	(58)	Collection Fund (Surplus)/Deficit	(1,146)	(966)	(124)	(56)
(1,981)	(1,665)	(218)	(98)	Cash	(1,523)	(1,284)	(165)	(74)
-	-	-	-	TOTAL	-	-	-	-

2. INCOME FROM COUNCIL TAX

Calculation of the Council Tax Base

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of Band D dwellings).

The Council Tax base for 2016-2017 was 48,904 (47,808 in 2015-2016) calculated as follows:-

Band	Estimated No. of Taxable Properties after Discounts	Ratio	Band D Equivalent Dwellings
A	36,913	$^{6}/_{9}$	24,609
B	17,933	$^{7}/_{9}$	13,948
C	14,803	$^{8}/_{9}$	13,158
D	6,461	$^{9}/_{9}$	6,461
E	3,324	$^{11}/_{9}$	4,063
F	1,578	$^{13}/_{9}$	2,280
G	549	$^{15}/_{9}$	915
H	36	$^{18}/_{9}$	72
	81,597		65,506
Less: Anticipated changes during the year for successful appeals against valuation banding, new properties, demolitions, disabled persons relief and exempt properties			(6,746)
Less: Local Council Tax Support Discount			(8,857)
			49,903
Less: Adjustment for collection rates			(999)
TOTAL Band D Equivalent			48,904

The average Council Tax for Band D dwellings for the Council and major precepting authorities was £1,497.45.

3. INCOME FROM NON-DOMESTIC RATEPAYERS

The Council collects Non-Domestic Rates for its area based on local rateable values multiplied by a uniform rate set by Central Government. Prior to 2013-2014, the total amount collected after allowing for deductions and certain reliefs were paid over to a central pool managed by Central Government. With the introduction of the local Non-Domestic Rate Retention scheme from 1 April 2013, the Council has, to date, retained a pre-determined share of all locally raised rates (in St. Helens' case 49%) with the remainder distributed to Central Government (50%) and the Fire & Rescue Authority (1%).

2015-2016		2016-2017
£130.9m	NDR Rateable Value for the area	£130.2m
49.3 pence	Standard NDR Multiplier	49.7 pence
48.0 pence	Small Business Rate Relief Multiplier	48.4 pence

4. DISTRIBUTION OF COLLECTION FUND BALANCE

The Collection Fund balance is shared by the Council, the major Precepting Authorities and Central Government as follows:

2015-2016			2016-2017	
Council Tax £000	Non-Domestic Rates £000		Council Tax £000	Non-Domestic Rates £000
986	192	St. Helens Council	966	471
129	-	Police & Crime Commissioner for Merseyside	124	-
58	4	Merseyside Fire & Rescue Authority	56	10
-	196	Central Government	-	480
1,173	392	TOTAL	1,146	961

5. CONTRIBUTION TO/(FROM) PREVIOUS YEAR'S ESTIMATED COLLECTION FUND DEFICIT/(SURPLUS)

These estimates are statutorily calculated on 15 January each year and must be used in calculating budget requirement:

2015-2016 £000	COUNCIL TAX	2016-2017 £000
(751)	St. Helens Council	(756)
(99)	Police & Crime Commissioner for Merseyside	(99)
(44)	Merseyside Fire & Rescue Authority	(44)
(894)	TOTAL	(899)

2015-2016 £000	NON-DOMESTIC RATES	2016-2017 £000
(257)	St. Helens Council	-
(252)	Merseyside Fire & Rescue Authority	-
(5)	Central Government	-
(514)	TOTAL	-

GLOSSARY OF FINANCIAL TERMS

ACCOUNTING POLICIES
Those specific principles, bases, conventions, rules and practices applied that specify how the effects of transactions and other events are to be reflected in its financial statements through:

(i) recognising;
(ii) selecting measurement bases for; and
(iii) presenting assets, liabilities, gains, losses and changes to reserves.

ACCRUALS
The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

AGENT/AGENCY
Where the Authority is acting as an intermediary, as opposed to on its own behalf.

AMORTISATION
The accounting technique of recognising a cost or item of income in the Comprehensive Income and Expenditure Statement or the Movement in Reserves Statement 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.

AMORTISED COST
A method of determining the Balance Sheet carrying amount and periodic charges to the Comprehensive Income and Expenditure Statement of a financial instrument based on the expected cash flows of that instrument.

CAPITAL EXPENDITURE
Expenditure on the acquisition or enhancement of a non-current asset or capital advances and loans to other individuals or other third parties.

CAPITAL FINANCING REQUIREMENT (CFR)
Introduced as a result of the Prudential Framework for Capital Accounting and measures the underlying need of the Authority to borrow for expenditure of a capital nature.

CAPITAL RECEIPTS
The proceeds from the sale of capital assets or repayment of capital advances which, subject to various limitations (e.g. Pooling obligations contained in the Local Government Act 2003) can be used to finance Capital Expenditure, invested, or to repay outstanding debt on assets originally financed through borrowing.

CARRYING AMOUNT
The amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

CASH EQUIVALENTS
Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

CASH FLOWS
Inflows and outflows of cash and cash equivalents.

COLLECTION FUND
The Collection Fund is a separate statutory fund under the provisions of the Local Government Finance Act 1988. It shows the transactions in relation to non-domestic rates, any residual Community Charge and the Council Tax, and illustrates the way in which these have been distributed to precepting Authorities and the General Fund.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)
CIPFA is the leading professional accountancy body for public services, and uniquely among the professional accounting bodies in the UK, CIPFA has responsibility for setting accounting standards, for a significant part of the economy, namely Local Government.

COMMUNITY ASSETS
Assets that the Local Authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples include parks and public open spaces.

CONDITIONS
Stipulations that specify that the future economic benefits or service potential in an asset are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

CONTINGENT LIABILITY
A condition which 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.

COUNCIL TAX
A property based tax levied on all domestic properties in the Borough. The banding (and resultant sums due) are based on independent assessed property values. The Council sets levels of Council Tax on an annual basis under relevant statutory provisions.

CREDITORS
Financial liabilities arising from the contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied.

CREDIT RISK
The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party.

CURRENT REPLACEMENT COST
The cost the Authority would incur to acquire the asset on the reporting date.

CURRENT SERVICE COST (PENSIONS)
The increase in the present value of liabilities resulting from employee service in the period.

CURTAILMENT (PENSIONS)
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 plan so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DEBTORS
Financial assets arising from the obligation to a future cash receipt for goods or services or other benefits that have been delivered or provided.

DEDICATED SCHOOLS GRANT (DSG)
The Council's expenditure on Schools is funded by grant monies provided by the Department for Education (DfE) in the form of the Dedicated Schools Grant (DSG).

DSG is a ring-fenced grant that can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services, provided 'centrally', on an Authority-wide basis and also for the Individual Schools Budget, which is divided into a budget share for each School.

This specific grant is credited to the People's Service Directorate line within Net Cost of Services in the Comprehensive Income and Expenditure Statement.

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

DEFINED CONTRIBUTION PLAN
A pension or other retirement benefit plan 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 fund does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DEPRECIATED REPLACEMENT COST (DRC)
A method of valuation which provides the current cost of replacing an asset with its modern equivalent less deductions for all physical deterioration and all relevant forms of obsolescence.

DEPRECIATION
The measure of the wearing out, consumption or other reduction in the useful life of a non-current asset over its useful economic life.

DISCRETIONARY BENEFITS
Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Authority's discretionary powers.

ESTIMATION TECHNIQUES
The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes to reserves.

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.

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.

FINANCIAL INSTRUMENT
A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term covers both financial assets and financial liabilities and includes both the most straightforward financial assets such as trade receivables (debtors) and trade payables (creditors) and the most complex ones such as derivatives. Typical financial instruments are:-

(i) Liabilities

- Trade payables
- Borrowings
- Financial Guarantees

(ii) Assets

- Bank deposits
- Trade receivables
- Loans receivable
- Investments

Amounts relating to Council Tax, Non-Domestic Rates, Government Grants etc., are outside the scope of the accounting provisions as they are statutory issues, not arising from contracts.

FINANCE LEASE
A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee, with the asset then recognised the lessee's Balance Sheet.

FINANCING ACTIVITIES
Activities that result in changes to the size and composition of the principal, received from or repaid to external providers of finance.

GENERAL FUND
The primary revenue account which records the cost of providing the majority of the Council's services.

GOING CONCERN
An assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS AND CONTRIBUTIONS
Assistance in the form of cash or transfers of resources to an Authority in return for past or future compliance with certain conditions relating to the operation of activities of the Authority.

HERITAGE ASSETS
The Heritage Assets are assets that are held by the Council principally for their contribution to knowledge, understanding and appreciation of the Borough's history and/or culture.

HISTORICAL COST
Deemed to be the carrying amount of an asset as at 1 April 2007 or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment (if applicable).

IAS19
This International Accounting Standard (IAS) is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

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

INFRASTRUCTURE ASSETS
A class of non-current assets that are inalienable. Examples of infrastructure assets are bridges, roads and footpaths.

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 e.g. software licences.

INTEGRATED PROVISION
An arrangement permissible under the Health Act 1999 and National Health Service Act 2006 that allows partner organisations, including Local Authorities, Primary Care Trusts and NHS Trusts to work within one management structure, and in doing so increasing the ability to join up services and provide seamless services for service users.

INTEREST ON PLAN ASSETS (PENSIONS)
The annual investment return on the fund assets based on an average of the expected long-term return.

INTEREST ON PLAN LIABILITIES (PENSIONS)
The expected increase during the period in the present value of liabilities as the benefits move one year closer to being paid.

INVENTORIES
The amount of unused or unconsumed stocks held in expectation of future use or resale.

INVESTING ACTIVITIES
The acquisition and disposal of long-term assets and other investments not included in cash equivalents.

LIQUIDITY RISK
The possibility that one party will be unable to raise funds to meet its commitments associated with financial instruments.

MARKET RISK
The possibility that the value of a financial instrument will fluctuate because of changes in interest rates, market prices, foreign currency exchange rates, etc.

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.

MATERIAL/MATERIALITY
Omissions or mis-statements are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the size of the omission or mis-statement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

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

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, with distribution made in accordance with rules governing the Non-Domestic Rates retention scheme.

NON-CURRENT ASSETS
Assets that yield benefits to the Local Authority and the services it provides for a period of more than one year.

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

OPERATING ACTIVITIES
Activities of the Authority that are not investing or financing activities.

OPERATING LEASES
A lease that does not transfer substantially all of the risks and rewards of ownership of a non-current asset to the lessee. The asset is recognised on the lessor's Balance Sheet.

Expenditure financed by operating leasing does not count against capital allocations.

PAST SERVICE COST/GAIN (PENSIONS)
The increase or reduction in the present value of liabilities arising from decisions in the period whose effect relates to years of service earned in earlier periods.

PLAN LIABILITIES (or PLAN DEFINED BENEFIT OBLIGATIONS)
The liabilities of a defined benefit plan for outgoings due after the valuation date. Plan liabilities measured using the projected unit credit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

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 levied by one public authority on the Council in order to finance its net expenditure. The precept is then collected on the preceptor's behalf by the Council by adding the precept to its own Council Tax and paying over the appropriate cash collected.

PRESERVED RIGHT TO BUY AGREEMENT
An agreement with Helena Housing made at the time of the full transfer of the Council's housing stock to Helena in July 2002. The conditions are such that the Council is entitled to a percentage share of subsequent 'Right to Buy' sales made by Helena to qualifying tenants. The sum paid to the Council under this agreement must be classed as a Capital Receipt.

PRICE RISK
The risk that the value of financial instruments will fluctuate as a result of changes in market prices.

PROJECTED UNIT CREDIT (ACTUARIAL COST) METHOD
An accrued benefits valuation method in which the plan's liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the plan liabilities at the valuation date relate to:-

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

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

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

Under this method, the current service cost will increase as members of the plan approach retirement.

PROVISIONS
A liability of uncertain timing or amount.

REFCUS (REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE)
Expenditure that is classified as revenue in accordance with proper accounting practices, but which statute determines may be financed by Capital sources of funding.

RELATED PARTIES
Related parties are those individuals and entities that the Council either has the potential to influence or control (or be influenced or controlled by). Related include central government, other bodies' precepting or levying demands on the Council Tax, its members and its chief officers.

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.

RE-MEASUREMENT (PENSIONS)
The changes in estimated assets and liabilities, assessed by the actuary and arising because:

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

(ii) the actuarial assumptions have changed.

REMUNERATION
The *Accounts and Audit Regulations 2011* require the disclosure of amounts paid to Officers and define remuneration as:-

> '……..all amounts paid to or receivable by a person, and includes sums due by way of expense allowance (so far as those sums are chargeable to United Kingdom income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash.'

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 EXPENDITURE
This is money spent on the day-to-day running costs of providing services and includes salaries, goods and services. It is usually of a constantly recurring nature and produces no permanent asset.

SENIOR EMPLOYEES
Senior employees are defined under the Local Government and Housing Act 1989, however within St. Helens this is deemed to be the Strategic Directors, the Chief Executive and the person designated as the statutory Monitoring Officer of the Council.

SERVICE REPORTING CODE OF PRACTICE (SeRCOP)
A CIPFA Code established to modernise the system of Local Authority accounting and financial reporting to ensure that it meets the changing needs of modern Local Government.

SeRCOP establishes 'proper practice' with regard to consistent financial reporting below the Statement of Accounts level and is given statutory force in England.

SETTLEMENT (PENSIONS)
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.

SOFT LOAN
A loan that is made (for policy reasons, or other) below prevailing market rates, including any interest free loans. Commonly, such loans are to individuals or voluntary organisations in pursuance of locally defined priorities.

The fair value of such a loan is less than the amount of cash lent, and in accordance with accounting standards the fair value must be calculated as the present value of all estimated future cash receipts discounted by using the prevailing market rate of interest for a similar instrument and for an organisation/individual with a similar credit rating.

SPECIFIC GOVERNMENT GRANTS
These are designed to aid particular services and may be revenue or capital in nature. They typically have specified conditions attached to them such that they may only be used to fund expenditure which is incurred in pursuit of defined objectives.

TERMINATION BENEFITS
Amounts 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.

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

OTHER INFORMATION AVAILABLE

The Council website contains a whole host of up-to-date information on the activities of the Council and its partners (www.sthelens.gov.uk). This includes, but is not limited to, electronic versions of the documents detailed below.

Budget Book

Detailing the Council's budget (revenue and capital).

St. Helens Council Delivery Plan

St. Helens First

A copy of this free community magazine is distributed to all homes in the Borough three times per year. Inside you will find all the latest Council news and updates, key information about services, interesting features, a guide to exciting events for the months ahead, and much more besides.

Council Tax Information Leaflet

This is issued annually with the Council Tax demand note to explain the Council Tax, Non-Domestic Rates and the finances of the Authority.

Council Minutes

Reference copies are kept in the Central Library or you can access online at https://www.sthelens.gov.uk/councilcommittees

If you experience any difficulty in obtaining any of the above or would like further details, please contact Ian Roberts, Deputy Chief Executive & Strategic Director of Corporate Services, Town Hall, St Helens, WA10 1HP.

Alternatively, you can contact the Council's Contact Centre:

By telephone (01744 676789) during the following hours:

- Monday to Friday 8.00 a.m. to 6.00 p.m.
- Saturday 10.00 a.m. to 2.00 p.m.

Minicom: 01744 671671

In person at the offices in Wesley House, Corporation Street, St. Helens, WA10 1HF during the following hours:

- Monday to Friday 9.00 a.m. to 5.00 p.m.

By e-mail (contactcentre@sthelens.gov.uk)

Or via our online form (see www.sthelens.gov.uk/contact-us/)

Public Inspection of Accounts

Each year there is a specific time when the public may inspect the accounts. A public notice appears at least two weeks beforehand in the local press giving details of dates and times.