

Knowsley Metropolitan Borough Council

Statement of Accounts for the year 2017/18



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NARRATIVE REPORT ON THE STATEMENT OF ACCOUNTS

1. INTRODUCTION

In preparing its annual Statement of Accounts, Knowsley Council adopts the relevant national and international accounting requirements. To comply with these accounting requirements, the Statement of Accounts is a long and complex document. This narrative report aims to help readers understand the Statement of Accounts. It explains the various accounting statements; provides a summary of the Council's overall financial position at 31 March 2018; and explains the most significant matters that are reported in the detailed Statements.

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

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

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

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

Your Comments

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

2. PURPOSE OF THE ACCOUNTING STATEMENTS

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

- What money was spent and received by the Council during the year.
 - The Comprehensive Income and Expenditure Statement shows the day-to-day revenue costs of providing services, and the income that Knowsley received from grants, fees and charges and Council Tax.
- What assets the Council holds, what the Council is owed and what the Council owes to others.
 - The Balance Sheet shows:
 - How much money is set aside in general balances, provisions and reserves;
 - How much money was spent on acquiring or improving assets (capital expenditure);

- How much money is owed to the Council (debtors) and by the Council (creditors); and,
- The Council's share of the Pensions Fund Liability.

3. THE ACCOUNTING STATEMENTS

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

Statement of Responsibilities: This sets out the financial responsibilities of Council Members and the Council's Chief Financial Officer – the Executive Director (Resources).

Main Financial Statements

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

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

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

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

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

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

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

4. FINANCIAL PERFORMANCE AGAINST SERVICE BUDGETS

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

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

The Council's Net Revenue Budget for 2017/18 was approved by the Council on 8 March 2017. Overall, a net expenditure budget of £142.559m was approved, funded by Retained Business Rates of £41.407m, Government "Top Up" Grant of £51.430m, other Government Grants of £3.334m and Council Tax receipts of £46.388m. Financial performance against approved service budgets has been monitored and reported to Members throughout the year.

Budget monitoring reports to the Cabinet during 2017/18 have focused on the key financial risk areas of Adult Social Care and Children's Services. A range of management actions were taken with a view to containing budget pressures within existing budgets. The Council's final outturn position against its 2017/18 Net Revenue Budget was reported to the Council's Cabinet on 21 June 2018. The report confirms that the first year of the Council's three-year budget has been managed well, and that the Council is in a good position to deliver the further savings agreed for 2018/19. At the final outturn stage there had been a significant improvement of £1.423m in the operational budget position, largely due to an improvement in the Adult Social Care deficit. The improvement meant that there was a total deficit of £0.356m against the Council's operational budgets at the end of 2017/18. The final outturn position also reflects the positive impact for the Council of participation in the Government's Pilot Scheme for 100% Business Rates Retention, with additional receipts of £2.4m being generated above the original budget.

The improvement in the operational position, combined with the gains from the Business Rates Retention Pilot Scheme, meant that £2.057m was available at the outturn stage for allocation on a one-off basis. These resources were set aside in the Council's reserves at 31 March 2018, and carried forward to be allocated as part of the ongoing financial strategy. On 21 June, the Cabinet agreed that £1.000m of these available one-off resources should be invested to improve provision for children in the Borough with Special Educational Needs and Disabilities.

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

5. REVIEW OF COUNCIL PERFORMANCE DURING THE YEAR

Key Local Data

KNOWSLEY KEY NUMBERS



148,000
Current Knowsley
Population



62,000
Number of
Knowsley Households



18
Green Flag
Accredited Parks



3,590
Businesses operating
in Knowsley



15%
of the Adult
Population that have
never used the Internet



23%
of residents have
Level 4 or higher
Qualifications



£548.20
Average Gross Weekly
Pay for those Working
In Knowsley

OUR PRIORITIES

Sustainable Budget Strategy



£101m
Government Cuts
Since 2010



£1m
Social Sector Fund to
enable community to
work better with the
council to provide
services for communities

Sustainable Children's Strategy



30%
Of children aged
under 5 are living
in Poverty



1 in 5
Children have
Special
Educational Needs

Improvement in Adult Social Care



3,000
Adults supported
by Knowsley
Adult Social Care



2,000
Residents are
predicted to have
Dementia by 2020

Business Growth, Jobs and Housing



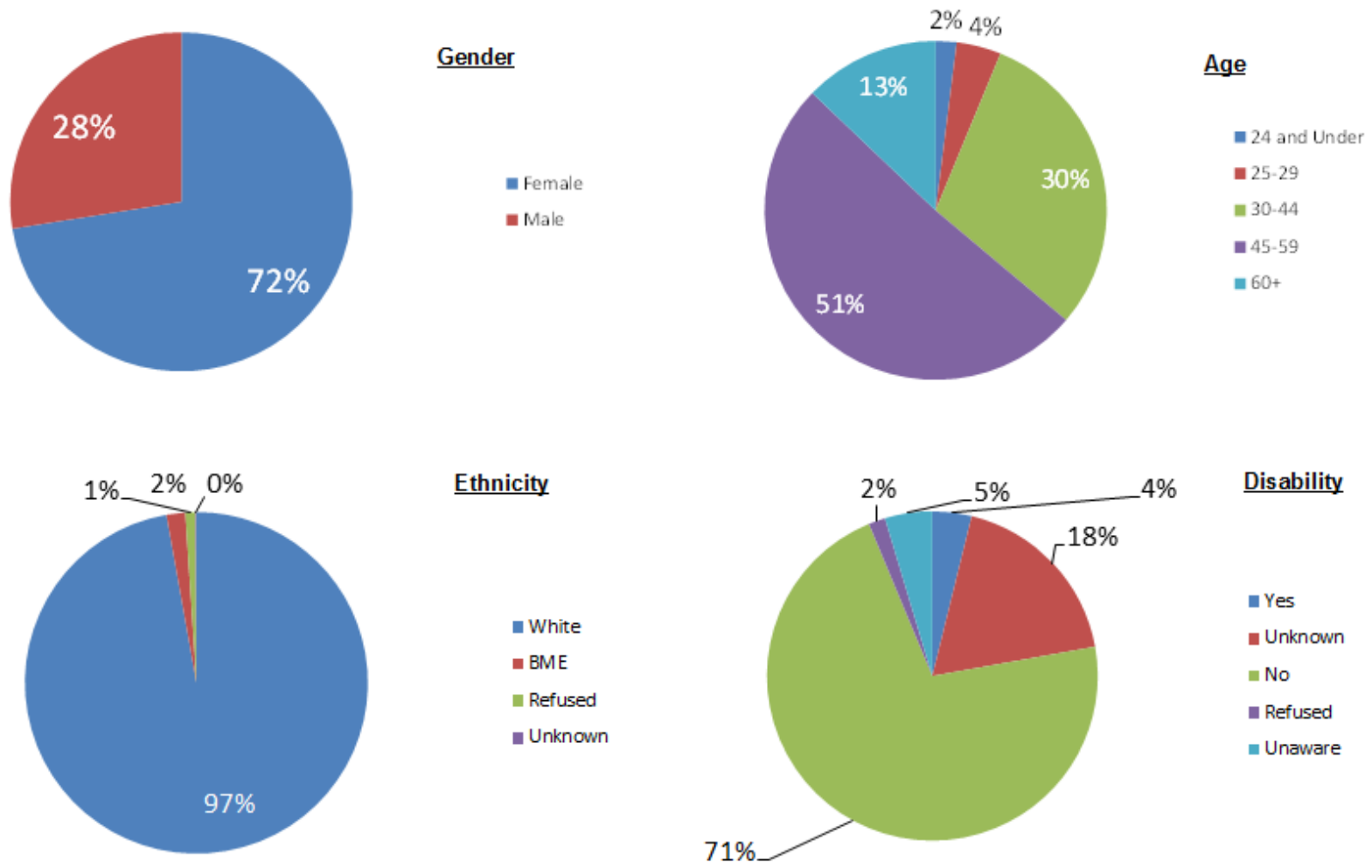
66,300
Jobs in
Knowsley



1,950
New Homes
have been built
since 2010

Key Council Data

Knowsley Council employs 2,636 people in both full and part time contracts. The charts below show the make-up of our non-school workforce. (Source: Knowsley Establishment Report, May 2018).



Key Priorities 2017/18

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

In 2017/18 the Council's Key priorities included:

- Maximise the Council's contribution to education in Knowsley – establishing an Education Commission and re-designing education services to drive forward the Council's ambitions for improving attainment in the Borough;
- Maximise the Council's contribution to the health and wellbeing of Knowsley residents – working in collaboration with our health partners to make decisions that are in the best interests of residents, transforming services so that people access the right support at the right time;
- Provide high quality and sustainable adult social care – supporting more people to live independent lives through a community assets programme, delivering our extra care housing strategy to meet the needs of our ageing population, and becoming a dementia friendly Borough by 2020;
- Accelerate business growth, jobs and new housing – supporting the long-term sustainability of the Borough of Knowsley by improving the conditions for businesses to prosper and increasing opportunities for people to work and live in Knowsley; and,
- Create a sustainable Borough – empowering residents to play an active role in their communities and doing things differently under our 'Better Together' principles, under-pinned by ensuring that the local authority not only makes savings to balance the budget but is also able to fund the investments required to deliver and achieve strategic priorities.

Progress against Strategic Objectives

Progress against the Council's Corporate Plan will be reported to the Cabinet in summer 2018 in the Corporate Plan Monitoring Report. The report confirms that significant progress was made during 2017/18 against each of the five strategic priorities. These included:

- Over the last 12-months, the pace of change and transformation in Education has increased. In particular, following the appointment of a dedicated Assistant Executive Director for Education, and the development of both an Education Strategy and a Special Educational Needs and Disabilities Strategy, the local authority has clearly set out its strategic vision for how it will contribute to improving outcomes for young people in Knowsley. In addition, there has been a successful bid for Strategic School Improvement Funding to underpin the work of the School Improvement Board. The funding will be used to focus on supporting children who are transitioning from primary school to secondary school, and will provide Pathway to Success Advisors in 18 of our schools to accelerate improvements.
- There have been significant developments in Adult Social Care in providing high quality and sustainable care. In particular there has been the introduction of a new model of domiciliary care (jointly developed with Liverpool and Sefton), the Care

Homes Improvement Strategy has been developed in partnership with the CCG, and new Extra Care housing developments have been opened (Maytree Court, The Withens and Westhead Avenue). A programme of Assistive Technology has been launched, which involves a fund of £1.1m to help keep people independent, and there has been a successful implementation of a fully integrated, multi-disciplinary Hospital Discharge pathway.

- In collaboration with health partners, the local authority has developed an Early Intervention and Prevention (EIP) programme of work. The long term outcomes for Early Intervention and Prevention will be that Knowsley residents will live healthy and independent lives for as long as possible and will be empowered to access the right help at the right time. EIP will reduce demand for services and the high costs relating to Adult Social Care and Health services. Early Intervention and Prevention will focus on transforming existing services to ensure that they are effective in terms of helping people to find alternative solutions that promote and maximise independence and rehabilitation and negate the need for formal social care assessment or statutory intervention where possible.
- Knowsley is showing the highest growth in Gross Value Added (GVA) per head of population across the whole of the UK since 1997 at 149%. Since the end of the recession (autumn 2009) Knowsley's increase in GVA is 26.8%, the fifth highest in the UK. The number of jobs in the Borough has increased significantly in the seven years since 2010 with approximately 11,000 net additional jobs in 2016 compared with 2010 (19.3% increase). Knowsley has also exceeded its Local Plan target of 450 net additional homes for 2017/18. Latest available data indicates that over 650 additional homes have been delivered in Knowsley during the last year, with significant additional development planned for future years.
- The Council has now achieved its ambitious target of 35% of customer transactions dealt with online 2017/18. This not only improves access to Council services for residents (online access is available for 24 hours a day and 365 days a year), but helps us to achieve significant efficiencies. We now have 21,000 residents with online accounts. During 2017/18, we processed more than 10,000 online evidence uploads and managed 92,000 enquiries online.
- Knowsley Better Together is about bringing people closer together to achieve more for Knowsley and its residents. Practically, this will be achieved through closer and better partnership working between the council, residents, businesses, the voluntary sector and other stakeholders to achieve better outcomes for Knowsley – and those who live, work, visit and invest here. As a council, we have committed to working in a way that embeds Knowsley Better Together in our day-to-day activities, through our Better Together principles. Examples of this way of working are already underway and include: launching a Knowsley Better Together fund for community groups to access funding; working with our partners to improve access to further education in Knowsley; developing a Local Offer for care leavers, in partnership with the care leavers, the council and local partners, helping them to prepare for adulthood and independent living; and Improving road safety around schools, working with schools, pupils, parents and local residents.

Service Recipient Feedback

Customer Feedback

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

Knowsley Local Account

The Local Account is an annual report which explains to residents how adult social care is doing in terms of supporting people in the local area. Local Accounts are important because they give information about how people are supported, where the Council and its partners are doing well and where they need to get better and improve going forward. The most recent Local Account 2018 contains a wealth of information and feedback over many different aspects of social care, including progress on priorities from the previous year's account, key performance information and areas for improvement.

The report highlights the progress against Knowsley's three year plan to Transform and Improve Adult Social Care and important projects to date. This is then followed by an update on priorities identified from the Local Account 2016 - of the 30 actions 18 were completed and 12 had progressed but not yet fully complete. Performance results aligned to the Adult Social Care Outcomes Framework (ASCOF) are included, headline figures include:

- Overall satisfaction with local adult care services in 2017/18 was 66.4%, this is a 5% increase on the previous financial year – satisfaction remains higher than the England average of 64.7%.
- 99% of residents accessing social care are now receiving direct payments or self-directed support.
- 82.2% of people say that the services they have used made them feel safer - this has increased from 81.6% in 2016/17.

Service planning

The Council continues to align budgets and performance management through the introduction of two-year Service and Budget plans, which set out for each service the level of performance to be achieved over the two year budget period. The performance of Council services is monitored by the use of balance scorecards which include information on finance, human resource information, and performance processes and outcomes.

Review of Strategic Risks

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

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

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

Good progress was made during 2017/18 enhancing organisational resilience arrangements. At the start of 2017/18 the Council had 35 strategic risks of which 7 were high, 20 were medium and 8 were low. At the end of the financial year the position is forecast to have changed to 40 strategic risks in total, 14 of which were high, with 21 medium and 5 low. The Council's direction of travel is positive with risks continuing to be managed effectively. This is a significant achievement given the significant resource constraints faced by the Council. Full details of progress in addressing the Council's strategic risks have been reported to the Council's management team during the year and will be reported formally to the Cabinet.

During 2018/19, the focus on the management of risk to the Authority's priorities will be maintained with a view to ensuring the effective use of resources, maximisation of opportunities, and continuation of service delivery, particularly in an environment of change both internally and externally.

6. THE COUNCIL'S ASSETS AND LIABILITIES

The Balance Sheet and the accompanying notes show the Council's financial position at the year end and reflect everything that the Council owes and is owed at that date. As a result of the Comprehensive Income and Expenditure Statement final position, the total General Fund balance at 31 March 2018 remained at £4.984m which is still in line with the Council's approved policy to provide a prudent financial safety-net for unforeseen events.

Council Reserves

At 31 March 2018, the total of the Council's earmarked reserves was £26.741m (excluding those held by schools and reserves that the Council holds on behalf of other partners). The reserves include amounts which are held to help the Council phase in the impact of service savings that have been approved for implementation in 2017/18, and to manage unpredictable risks within the Council's Financial Strategy (for example future insurance claims, increases in superannuation costs or the costs of implementing future savings). The Council also sets money aside in earmarked reserves to pay for specific initiatives or spending commitments arising from decisions which (in many cases) were taken some time ago.

In line with the more challenging approach to one-off budgets which is now adopted by the Council, all reserves are kept under continual review with greater emphasis now placed on managing the risks within existing budgets in the relevant year. The Council also considers alternative approaches to funding the investments that have been identified in order to release one-off resources for re-allocation.

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

Borrowing and Investments

The Council's Treasury Management Strategy is based upon the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management in Local Authorities (the Treasury Management Code). Each year the Council approves its Treasury Management Strategy for the following year, and the Governance and Audit Committee is responsible for ensuring the effective review of the Treasury Management Strategy and performance during the year. The Treasury Management Strategy for 2017/18 was reported to the Committee on 16 January 2017 and was subsequently approved by the Council on 8 March 2017.

The authorised limit for external debt for the Council for 2017/18 was £320m. The actual level of outstanding long-term and short-term debt at the year-end totalled £252m (including £135m of liabilities related to the Council's Private finance Initiative schemes).

At 31 March 2018, the Council had £109.295m of long term borrowing (compared to £109.546m in 2016/17). This included £101.268m of loans from the Public Works Loans Board. Included in the balance is £1.727m relating to debt transferred on the local government reorganisation in 1974 and 1986. At 31 March 2018 the Council held cash and investments of £52.274m (the 2016/17 figure totalled £68.974m).

The Council paid £11.004m of interest and similar charges in year for its Private Finance Initiative schemes (2016/17 £11.364m) and a further £5.106m (2016/17 £5.063m) on its treasury management activities. The Council received £1.084m of interest and investment income during the year (2016/17 £1.183m).

The Council's bank overdraft facility amounts to £0.100m, but cash balances are monitored on a daily basis and investments adjusted to ensure any overdraft charges are minimised.

Capital Expenditure

All capital expenditure, and how the Council paid for it, is included within the Balance Sheet items and the accompanying notes. In 2017/18, the Council incurred significant capital expenditure on acquiring or improving Council buildings and other capital assets. This included the payment of grants to private tenants for disabled facilities in their homes (£2.688m); purchase of properties to enable the redevelopment of our town centres (£2.031m), construction of a Shakespeare North Theatre (£1.246m); and a wide ranging Highways Maintenance programme (£1.962m). The total amount of grant and other contributions that was spent during 2017/18 was £10.631m. There were also schemes totalling £1.172m which were funded by Council borrowing; a full analysis of this borrowing is given in the notes to the accounts.

Pension Fund Liability

The Balance Sheet also reflects the Council's participation in the Local Government Pension Scheme (administered by Merseyside Pension Fund). At the end of 2017/18 the Council's share of the overall Fund liability (excluding Teachers) was £315m – compared with £364m the previous year. During 2017/18, the Pension Fund's actuaries carried out a full revaluation of the Fund and changed some of the assumptions that they had previously used. One of the assumptions that was recalculated was the discount rate used which led to a large decrease in the value of the liability.

While the Accounts show the pension liability position at 31 March 2018, in reality the actual pension payments will not be made until many years into the future. Therefore in the short term the Council's share of the overall Fund liability has a significant negative impact on the

net worth of the Council. This will however be recovered, as the Council pays contributions into the Pension Fund at a rate which is calculated by the Fund's actuary to ensure that the position is balanced in the longer term based upon forecast movements in investment values and changes in actuarial assumptions.

7. MAJOR INFLUENCES ON THE 2017/18 ACCOUNTS

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

Financial Strategy for Managing the Cuts in Local Government Funding

As a result of continued cuts to Knowsley's funding, the Council has had to make cuts in its budget of over £100m since 2010. The Comprehensive Income and Expenditure Statement therefore reflects savings of £9.509m approved by the Council in recent budgets for implementation in 2017/18. Knowsley has been one of the hardest hit Councils in the country in terms of the Government's funding cuts, and has had to make big changes to the way in which it provides services – by changing the way we do things, cutting jobs, reducing the frequency of services and in some cases stopping doing things altogether.

The Government is planning to withdraw the majority of Knowsley's grant funding by 2020, so the Council has to do all it can to generate more income locally through Council Tax and Business Rates. Taking a positive approach to securing economic growth is the only way that the Council can continue to provide the services that residents rely on.

There are also new expenditure pressures being faced by the Council – and these are particularly significant in Adult Social Care where the cost and demand for services continues to increase. The Government has encouraged Councils to raise Council Tax in 2017/18 to cover the shortfall by setting an Adult Social Care Precept of 3%. While these additional resources will help, there will still be a significant budget shortfall in Social Care over the coming years. This is a national issue that councils will be unable to fund locally and requires a longer term Central Government funding solution.

Pension Fund

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

A major influence this year has been an increase in the discount rate (the rate used by the actuaries to estimate the future value of benefits). The discount rate is based on the expected return on assets, and as this is expected to remain low, the overall value of the Fund's net liability has decreased from £364.475m in 2016/17 to £314.655m in 2017/18.

As in previous years the Council has agreed with the Merseyside Pension Fund that the Council's employer contribution to the Fund can be managed more effectively by using cash balances to fund the payment of its past-deficit costs in one year rather than spreading them over three years. The Council's 2017/18 Comprehensive Income and Expenditure Statement therefore reflects an upfront payment of £28.820m within Council-wide expenditure. This was funded during 2017/18 by cash balances which will be replenished over the next two years from annual budgets set aside for this purpose.

Housing Land Disposal Programme

On 6 April 2016 the Cabinet approved the appointment of the preferred bidders for the six sites identified as part of Phase 2 of the Housing Land Disposal Programme. The total land value of these sites is £21.915m. The successful bidders are obliged to enter into a 250 or 300 year building lease. This is to ensure that the Council maintains control over the contactors to meet its aims and objectives and to provide a sufficient interest to secure funding.

The Government has indicated a number of areas of proposed legislation in response to the consultation, one of which would prohibit new residential long leases from being granted on houses, whether new build or on existing freehold houses. This legislation could potentially deter buyers from purchasing homes within Knowsley so after discussion with the developers, the Council has determined that all future sales to homeowners (under Phase 2 of the Programme) will be on a freehold basis. In addition, all existing long leaseholders (under Phase 1 of the Programme) will have the option to purchase the freehold interest – and it remains the Council's expectation that this will happen over the coming years. At this stage no transfers have taken place as occupants have been advised to wait until the Government produces relevant legislation clarifying the situation. Until such time the Council has not changed the accounting treatment that was previously adopted for Phase 1 in the 2016/17 Accounts.

As the properties in Phase 2 will now all be sold on a freehold basis, the land will eventually be disposed of from the Council's balance sheet and a capital receipt will be recognised over the coming years. The accounts reflect the difference between the Net Book Value of these sites (£21.637m) and the Land Value (£21.915m) as a revaluation of £0.278m at 31 March 2018. Although some of the leases have been signed during 2017/18, there have been no transfers of freehold so at this stage no land has been disposed of in the 2017/18 Balance Sheet.

During 2017/18, the Council actually received £8.455m in capital receipts however as there have been no transfers of freeholds the funding is held in the Capital Receipts Reserve on the Balance Sheet and will show as a gain on disposal within the Comprehensive Income and Expenditure Statement. A register of transfers of freehold will be maintained and land will be disposed of in accordance with this in subsequent financial years.

Academy Transfers

During 2017/18 three of the Council's Schools transferred to Academy status. The Council has granted 125 year leases of the property to the Academies and as a result the buildings will be removed from the Council's Balance Sheet. During 2017/18, the value of the assets removed from the Council's Balance Sheet was £1.820m.

James Duncan, CPFA
Executive Director (Resources)
27 July 2018

STATEMENT OF RESPONSIBILITIES

THE AUTHORITY'S RESPONSIBILITIES

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Executive Director (Resources);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and,
- arrange the approval of the Statement of Accounts by the Governance and Audit Committee.

THE EXECUTIVE DIRECTOR (RESOURCES)'S RESPONSIBILITIES

The Executive Director (Resources) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA)/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this Statement of Accounts, the Executive Director (Resources) has:

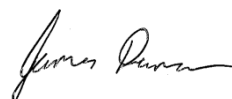
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and,
- complied with the Code of Practice.

The Executive Director (Resources) has also:

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

EXECUTIVE DIRECTOR (RESOURCES)'S STATEMENT

I certify that the Council's 2017/18 Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.



JAMES DUNCAN CPFA
Executive Director (Resources)
27 July 2018

STATEMENT OF THE CHAIRMAN OF THE GOVERNANCE COMMITTEE

I confirm on behalf of the Council that these accounts and the outcome of the audit of them were approved by the Governance Committee at its meeting on 30 July 2018.



COUNCILLOR A FLUTE
Chairperson of the Governance Committee
30 July 2018

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.

2016/17				2017/18		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000	Notes	£000	£000	£000
91,273	(39,665)	51,608	Adult Social Care	90,871	(49,798)	41,073
24,669	(1,272)	23,397	Children's Social Care	20,658	(1,455)	19,203
34,216	(20,852)	13,364	Council Wide	39,670	(19,575)	20,095
12,930	(3,352)	9,578	Customer and Employees	10,847	(3,518)	7,329
12,931	(8,668)	4,263	Early Help	14,308	(9,893)	4,415
8,697	(3,639)	5,058	Economic Development	9,017	(4,964)	4,053
14,940	(9,610)	5,330	Education Improvement and Inclusion Service	14,624	(9,568)	5,056
2,345	(1,319)	1,026	Environmental Health	2,122	(1,120)	1,002
80,466	(77,581)	2,885	Financial Management and Exchequer Services	75,919	(73,768)	2,151
3,841	(1,202)	2,639	Governance	3,266	(1,343)	1,923
28,306	(18,340)	9,966	Neighbourhoods	26,778	(19,372)	7,406
3,979	(1,812)	2,167	Policy and Partnerships	2,903	(1,585)	1,318
21,013	(15,978)	5,035	Public Health and Wellbeing	17,147	(15,196)	1,951
20,586	(7,667)	12,919	Regeneration and Housing	20,501	(8,226)	12,275
2,747	(982)	1,765	Safeguarding and Quality Assurance	1,888	(920)	968
124,899	(121,047)	3,852	Schools	110,815	(116,024)	(5,209)
487,838	(332,986)	154,852	Cost of Services	461,333	(336,325)	125,008
54,574	0	54,574	10 Other Operating Expenditure	19,448	(6,812)	12,636
47,968	(26,618)	21,350	11 Financing and Investment Income and Expenditure	24,798	(17,370)	7,428
0	(156,000)	(156,000)	12 Taxation and Non Specific Grant Income	0	(153,270)	(153,270)
590,380	(515,604)	74,775	(Surplus) or Deficit on Provision of Services	505,579	(513,777)	(8,198)
		(25,353)	25 (Surplus) or deficit on revaluation of Property, Plant and Equipment			(33,409)
		205	25 Impairment losses on non-current assets charged to the Revaluation Reserve			0
		(748)	25 (Surplus) or deficit on revaluation of available for sale financial assets			57
		72,260	44 Remeasurement of the net defined benefit liability / asset			(54,650)
		46,364	Other Comprehensive Income and Expenditure			(88,002)
		121,139	Total Comprehensive Income and Expenditure			(96,200)

The gross expenditure and gross income figures for 2016/17 have been restated to reflect a more accurate methodology in the treatment of transfers to/from earmarked reserves. The net expenditure figure has remained the same.

Movement in Reserves Statement

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2017	(4,984)	(44,925)	(49,909)	(449)	(2,466)	(52,823)	142,887	90,063
Movement in reserves during 2017/18								
(Surplus) or deficit on the provision of services	(8,198)		(8,198)			(8,198)		(8,198)
Other Comprehensive Income / Expenditure							(88,002)	(88,002)
Total Comprehensive Income and Expenditure	(8,198)	0	(8,198)			(8,198)	(88,002)	(96,200)
Adjustments between accounting basis and funding basis under regulations	21,657		21,657	(1,624)	974	21,006	(21,006)	0
Net (Increase) or Decrease before Transfers to Earmarked Reserves	13,459	0	13,459	(1,624)	974	12,808	(109,008)	(96,200)
Transfers to / from Earmarked Reserves	(13,459)	13,459	0			0	0	0
(Increase) or Decrease in 2017/18	0	13,459	13,459	(1,624)	974	12,808	(109,008)	(96,200)
Balance at 31 March 2018	(4,984)	(31,466)	(36,450)	(2,073)	(1,492)	(40,015)	33,879	(6,136)

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	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Un-applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2016	(4,984)	(53,439)	(58,423)	0	(2,431)	(60,855)	29,779	(31,076)
Movement in reserves during 2016/17								
(Surplus) or deficit on the provision of services	74,775		74,775			74,775		74,775
Other Comprehensive Income / Expenditure							46,364	46,364
Total Comprehensive Income and Expenditure	74,775	0	74,775			74,775	46,364	121,139
Adjustments between accounting basis and funding basis under regulations	(66,261)		(66,261)	(449)	(34)	(66,744)	66,744	0
Net (Increase) or Decrease before Transfers to Earmarked Reserves	8,515	0	8,515	(449)	(34)	8,031	113,108	121,139
Transfers to / from Earmarked Reserves	(8,515)	8,515	0			0	0	0
(Increase) or Decrease in 2016/17	0	8,515	8,515	(449)	(34)	8,031	113,108	121,139
Balance at 31 March 2017	(4,984)	(44,925)	(49,909)	(449)	(2,466)	(52,823)	142,887	90,063

Balance Sheet

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

31 March 2017				31 March 2018	
£000	Notes			£000	
442,708	13	Property, Plant and Equipment		494,360	
476	14	Heritage Assets		457	
66,735	15	Investment Property		36,131	
427	16	Intangible Assets		932	
21,113	17	Long Term Investments		21,916	
4,217	17	Long Term Debtors		303	
535,677		Long Term Assets		554,099	
24,072	17	Short-term Investments		16,053	
6,186	21	Assets Held for Sale		27,750	
534	18	Inventories		477	
24,818	19	Short Term Debtors		32,999	
23,790	20	Cash and Cash Equivalents		14,305	
79,401		Current Assets		91,584	
(12,902)	17	Short-Term Borrowing		(12,899)	
(45,222)	22	Short-Term Creditors		(44,739)	
(3,209)	23	Provisions		(1,041)	
(990)	36	Grants Receipts in Advance - Capital		(493)	
(62,323)		Current Liabilities		(59,172)	
(15,945)	23	Provisions		(21,513)	
(109,546)	17	Long Term Borrowing		(109,295)	
(517,327)	39/40/44	Other Long-Term Liabilities		(449,567)	
(642,818)		Long Term Liabilities		(580,375)	
(90,064)		Net Assets		6,136	
(52,823)	24	Usable Reserves		(40,015)	
142,887	25	Unusable Reserves		33,879	
90,064		Total Reserves		(6,136)	

Cash Flow Statement

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

2016/17		2017/18
£000		£000
74,775	Net (surplus) or deficit on the provision of services	(8,198)
(82,891)	Adjustment to surplus or deficit on the provision of services for noncash movements	2,261
11,004	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	16,886
2,888	Net cash flows from operating activities	10,948
(6,368)	Net cash flows from investing activities	(6,022)
(1,389)	Net cash flows from financing activities	4,559
(4,869)	Net (increase) or decrease in cash and cash equivalents	9,485
18,921	Cash and cash equivalents at the beginning of the reporting period	23,790
23,790	Cash and cash equivalents at the end of the reporting period	14,305

Expenditure and Funding Analysis

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

Net Expenditure Chargeable to the General Fund Balance	2016/17		Net Expenditure in the Comprehensive Income and Expenditure Statement	2017/18		Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments			Adjustments		
£000	£000	£000	£000	£000	£000	£000
48,136	3,473	51,608	Adult Social Care	40,774	301	41,073
23,277	120	23,397	Children's Social Care	20,416	(1,213)	19,203
13,789	(425)	13,364	Council Wide	20,030	65	20,095
8,727	850	9,578	Customer and Employees	8,512	(1,183)	7,329
2,519	1,743	4,263	Early Help	5,142	(727)	4,415
(14,063)	19,120	5,058	Economic Development	17,852	(13,798)	4,053
(956)	6,286	5,330	Education Improvement and Inclusion Service	4,570	485	5,056
951	74	1,026	Environmental Health	1,282	(281)	1,002
2,701	184	2,885	Financial Management and Exchequer Services	3,043	(891)	2,151
2,549	89	2,639	Governance	2,329	(406)	1,923
8,388	1,579	9,966	Neighbourhoods	7,961	(555)	7,406
2,045	123	2,167	Policy and Partnerships	1,930	(612)	1,318
(1,724)	6,760	5,035	Public Health and Wellbeing	586	1,366	1,951
(4,116)	17,035	12,919	Regeneration and Housing	5,603	6,672	12,275
1,111	654	1,765	Safeguarding and Quality Assurance	1,346	(378)	968
(17,870)	21,711	3,852	Schools	(6,491)	1,281	(5,209)
75,464	79,376	154,852	Net Cost of Services	134,885	(9,874)	125,008
(66,950)	(13,115)	(80,077)	Other Income and Expenditure	(121,426)	(11,783)	(133,206)
8,514	66,261	74,775	(Surplus) or Deficit on Provision of Services	13,459	(21,657)	(8,198)
(58,423)			Opening Combined General Fund Balance	(49,909)		
8,514			Plus / less Surplus or Deficit on the General Fund Balance for the Year (Statutory basis)	13,459		
(49,909)			Closing Combined General Fund Balance	(36,450)		

Note 1 - Accounting Policies

A General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its overall financial position as at 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code), supported by International Financial Reporting Standards (IFRS).

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

B Accounting Concepts

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

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

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

- The qualitative characteristics of financial information
 - relevance
 - reliability
 - comparability
 - understandability
 - materiality
- Pervasive accounting concepts
 - accruals
 - going concern
 - primacy of legislative requirements

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

Materiality

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

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

Accruals of Income and Expenditure

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

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

Going Concern

The accounts are prepared on a going concern basis which assumes that the Council will continue in existence for the foreseeable future and that there is no intention to significantly reduce operations.

Primacy of Legislative Requirements

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

C Balances

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

D Cash and Cash Equivalents

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

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

E Changes in Accounting Policies and Estimates and Errors

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

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

Where the basis for measurement of an amount is uncertain, the Council will use a suitable estimation technique determined by the Executive Director (Resources). Where a reasonable estimate has been made, but is subsequently identified as being insufficiently accurate, the Executive Director (Resources) will amend the Accounts accordingly.

Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

F Charges to Revenue for Non-Current Assets

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

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

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

G Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

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

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

H Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those falling due wholly within 12 months after the end of the period in which the employees render the related service. These include items such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, and are recognised as an expense in services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

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

Post-Employment Benefits

Employees of the Authority are members of the following pension schemes:

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

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

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

The Local Government Pension Scheme

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

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

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

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

The change in the net pension's liability is analysed into five components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the Council Wide service line;
- net interest on the net defined benefit liability (asset) – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments;
- remeasurements – these comprise of the return on plan assets, excluding amounts included in the net interest on the net defined benefit liability (asset), and is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure. Remeasurements also include actuarial gains and losses which are the result of changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
- contributions paid to the fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

I Events After the Reporting Period

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

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

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

J Exceptional Items

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

K Financial Liabilities

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

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

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

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

Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

L Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

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

Available-for-sale Assets

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

or determinable payments (e.g. dividends), income is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

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

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

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

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

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

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

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

M Foreign Currency Translation

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

N Government Grants and Contributions

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

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

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

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

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

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

O Heritage Assets

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

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

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

P Internal Interest

Internal interest is paid to or received from certain accounts, such as school balances, and is included in the Comprehensive Income and Expenditure Statement as contributions to or from reserves. The interest is calculated on the basis of average monthly balances and the overall weighted average interest rate that the Council receives.

Q Intangible Assets

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

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

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

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

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

R Interests in Companies and Other Entities

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

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

S Inventories

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

T Investment Properties

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

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

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

U Joint Operations

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

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

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

V Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line

in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a Debtor in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

W Overheads and Support Services

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

X Property, Plant and Equipment

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Buildings and community assets – straight-line allocation over the useful life of the property as estimated by the valuer;
- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer; and
- infrastructure – straight-line allocation over 50 years.

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

Y Private Finance Initiative (PFI) and Similar Contracts

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

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

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

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

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

Z Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Provision for Back Pay Arising from Unequal Pay Claims

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

Contingent Liabilities

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

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

Contingent Assets

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

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

AA Reserves

In addition to its general balances, the Council also sets aside resources specifically for future policy developments, to cover contingencies or for specific areas of future risk. This allows the Council to manage the impact of its spending in a planned and prudent way. These resources are kept under review by the Executive Director (Resources) as part of ongoing budget monitoring processes, and outcomes are reported to the Cabinet throughout the year, so that decisions can be made on any reallocations.

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

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

AB Revenue Expenditure Funded from Capital under Statute

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

AC Schools

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

AD Value Added Tax

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

AE Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell 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 using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

Note 2 - Accounting Standards Issued, Not Adopted

Authorities are required to disclose information relating to the probable impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code of Practice. The main changes are detailed below:

IFRS 9 Financial Instruments

The Council will adopt IFRS 9 Financial Instruments with effect from 1 April 2018. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets.

The Council does not expect the reclassification changes to have a material impact upon the financial statements because the majority of its financial assets will retain the same measurement basis. To this end, on 1 April 2018 the Council irrevocably elected to present changes in the fair value of the following equity investments in other comprehensive income as permitted by the IFRS:

- M&G Global Dividend Fund;
- UBS Multi Asset Income Fund;
- Schroder Income Maximiser Fund; and
- CCLA LAMIT Property Fund.

The Council does not expect the impairment changes to have a material impact upon the financial statements because the impairment charge will be immaterial for its treasury management assets (eg bank deposits and bonds).

IFRS 15 Revenue from Contracts with Customers

This accounting standard presents new requirements for the recognition of revenue from contracts with customers and is not expected to have a material impact upon the financial statements.

IAS 7 Statement of Cash Flows

This accounting standard will potentially require some additional analysis of Cash Flows from Financing Activities in future years and is not expected to have a material impact upon the financial statements.

Note 3 - Critical Judgements in Applying Accounting Policies

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

Accounting for Schools

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

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

Private Finance Initiative Assets

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

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

Following the guidance given in the Code and the International Financial Reporting Interpretations Committee interpretation for service concession arrangements (IFRIC 12), the Council had previously concluded that the four Centres for Learning which are Community schools, the special educational needs school, and the street lighting and traffic signs should remain on the Balance Sheet. However, during 2013/14 three of the Centres for Learning transferred to Academy status and the Council has treated this transfer as a disposal for nil consideration on the Balance Sheet.

Group Accounts

The Council, where it has an interest in entities that would otherwise be regarded as subsidiaries, associates or joint ventures, is required to produce supplementary information in the form of summarised group accounts. On 1 April 2016, the Council created a new organisation (Volair Ltd) to deliver leisure services across the borough. Volair is a wholly owned subsidiary of the Council and a not for profit company. The assets, liabilities and cash flows of Volair are not considered material and as such group accounts have not been produced. From April 2016, the income and expenditure relating to leisure services are also not included in the Council's single entity accounts.

Valuation and Componentisation of Property, Plant and Equipment

Under the Code guidelines, each component of an item of Property, Plant and Equipment should be separately identified and depreciated where the cost is significant in relation to the total cost of the asset. Authorities are only required to follow these requirements where significant components of material items of Property, Plant and Equipment have been identified. The Council has determined that only assets or groups of assets with a value of above £100m will be considered for componentisation.

During 2017/18 the Council has transferred £46.708m of assets out of Investment Properties. Of this figure £22.536m is for land in relation to the Strategic Housing Land Disposal Programme and they have been transferred to Assets Held for Sale. The remaining transfers of £24.167m have been made into Surplus Assets. In previous years certain pieces of land have been held as Investment Properties as there was no firm plans for their use however the Council was not prepared to sell them at their current price. However, now these sites have been earmarked for future developments so it was not felt appropriate to hold them in Investment Properties and so they have been transferred to Surplus Assets until such time as they qualify to be classified as Assets Held for Sale.

Housing Land Disposal Programme

On 6 April 2016 the Cabinet approved the appointment of the preferred bidders for the six sites identified as part of Phase 2 of the Council's Housing Land Disposal Programme. During 2017/18 contracts were signed with the preferred bidder for the delivery of the programme totalling £22.536m. However as at 31 March 2018, no houses had been built and therefore the Council will retain the land on its Balance Sheet as Assets Held for Sale until the freehold has been transferred.

Note 4 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council Balance Sheet as at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Property, Plant and Equipment – assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance on them. If the useful life of assets is reduced then depreciation will increase and the carrying amount of the asset on the Balance Sheet will fall. As at 31 March 2018, the value of Property, Plant and Equipment held on the Balance Sheet is £494.361m.
- Pensions Liability – estimation of the net liability in relation to the Merseyside Pension Fund depends on a number of complex judgements determined by the Funds appointed actuaries. Changes in these assumptions can have a significant impact on the net liability. As at 31 March 2018, the total pension liability, including Teachers Pensions is £331.334m, however a 0.1% increase in the assumed discount rate would reduce the pension liability by £18.426m, and a 1 year increase in assumed life expectancy would increase the liability by £20.910m.

Note 5 - Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Executive Director (Resources) on 31 May 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 6a - Note to the Expenditure and Funding Analysis

	2017/18			
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
Adult Social Care	2,788	(2,487)	0	301
Children's Social Care	17	(1,230)	0	(1,213)
Council Wide	492	(427)	0	65
Customer and Employees	412	(1,595)	0	(1,183)
Early Help	138	(865)	0	(727)
Economic Development	(13,249)	(549)	0	(13,798)
Education Improvement and Inclusion Service	899	(414)	0	485
Environmental Health	11	(292)	0	(281)
Financial Management and Exchequer Services	0	(891)	0	(891)
Governance	0	(406)	0	(406)
Neighbourhoods	1,319	(1,874)	0	(555)
Policy and Partnerships	0	(612)	0	(612)
Public Health and Wellbeing	1,765	(399)	0	1,366
Regeneration and Housing	7,223	(551)	0	6,672
Safeguarding and Quality Assurance	0	(378)	0	(378)
Schools	5,479	(4,198)	0	1,281
Net Cost of Services	7,294	(17,168)	0	(9,874)
Other Income and Expenditure	(21,884)	8,688	1,413	(11,783)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	(14,590)	(8,480)	1,413	(21,657)

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

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the service line, and for:

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

Net Change for Pensions Adjustments

Net change for the removal of pension contributions and the additional of IAS19 Employee Benefits pension related expenditure and income:

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

Other Differences

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

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

Note 6b - Segmental Analysis of Income and Expenditure

Income and Expenditure on a segmental basis is analysed below:

	2017/18	
	Revenues from External Customers	Depreciation and Amortisation
	£000	£000
Adult Social Care	(13,288)	376
Children's Social Care	(34)	14
Council Wide	(2,256)	453
Customer and Employees	(2,127)	412
Early Help	(467)	138
Economic Development	(2,313)	842
Education Improvement and Inclusion Service	(323)	899
Environmental Health	(1,120)	11
Financial Management and Exchequer Services	(2,054)	0
Governance	(332)	0
Neighbourhoods	(7,776)	1,319
Policy and Partnerships	(1,000)	0
Public Health and Wellbeing	(166)	1,006
Regeneration and Housing	(3,889)	4,983
Safeguarding and Quality Assurance	(345)	0
Schools	(1,269)	1,386
Total Managed by Segments	(38,759)	11,839

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

Note 7 - Expenditure and Income Analysed by Nature

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

2016/17		2017/18
£000	Nature of Expenditure or Income	£000
(74,962)	Fees, charges and other service income	(79,841)
(14,112)	Support Service recharge income	(13,072)
(7,256)	Interest and investment income	(19,058)
(103,576)	Income from local taxation	(140,361)
(295,445)	Government grants and contributions	(255,897)
154,739	Employee benefits expenses	177,735
14,112	Support service recharge expenditure	13,072
277,960	Other service expenses	254,166
51,244	Depreciation, amortisation and impairment	18,498
26,859	Interest payments	24,798
19,603	Precepts and levies	18,560
14	Payments to Housing Capital Receipts Pool	14
25,595	Gain or loss on disposal of non-current assets	(6,812)
74,776	Surplus or Deficit for Year	(8,200)

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

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2017/2018	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	8,480			(8,480)
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	0			0
Council tax and NDR (transfers to or from the Collection Fund)	(3,615)			3,615
Holiday pay (transferred to the Accumulated Absences reserve)	326			(326)
Equal pay settlements (transferred to the Unequal Pay / Back Pay Account)	1,874			(1,874)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(1,540)		(6,694)	8,234
Total Adjustments to Revenue Resources	5,524	0	(6,694)	1,169
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	9,169	(9,169)		
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(34)	34		
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(14)	14		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	5,465			(5,465)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,546			(1,546)
Total Adjustments between Revenue and Capital Resources	16,132	(9,121)	0	(7,011)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		7,497		(7,497)
Application of capital grants to finance capital expenditure			7,668	(7,668)
Cash payments in relation to deferred capital receipts		0		0
Total Adjustments to Capital Resources	0	7,497	7,668	(15,164)
Other adjustments	0	0	0	0
Total Adjustments	21,657	(1,624)	974	(21,006)

2016/2017	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	(14,280)			14,280
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	5			(5)
Council tax and NDR (transfers to or from the Collection Fund)	5,731			(5,731)
Holiday pay (transferred to the Accumulated Absences reserve)	(321)			321
Equal pay settlements (transferred to the Unequal Pay / Back Pay Account)	1,596			(1,596)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(68,016)		(5,529)	73,545
Total Adjustments to Revenue Resources	(75,284)	0	(5,529)	80,813
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,512	(1,512)		
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	0		
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(14)	14		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	5,407			(5,407)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,118			(2,118)
Total Adjustments between Revenue and Capital Resources	9,023	(1,498)	0	(7,525)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		1,069		(1,069)
Application of capital grants to finance capital expenditure			5,495	(5,495)
Cash payments in relation to deferred capital receipts		(20)		20
Total Adjustments to Capital Resources	0	1,049	5,495	(6,544)
Other adjustments	0	0	0	0
Total Adjustments	(66,261)	(449)	(34)	66,744

Note 9 - Transfers to/from Earmarked Reserves

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

	Balance at 1 April 2016	Transfers In 2016/17	Transfers Out 2016/17	Balance at 31 March 2017	Transfers In 2017/18	Transfers Out 2017/18	Balance at 31 March 2018
	£000	£000	£000	£000	£000	£000	£000
General Fund Reserves:							
Approved Budget Investments	(19,913)	(4,201)	9,446	(14,668)	(7,554)	7,790	(14,432)
Service Commitments	(6,541)	(3,806)	4,337	(6,011)	(6,300)	2,409	(9,902)
Budget Strategy Reserve	(9,084)	(586)	4,982	(4,689)	(3,808)	3,838	(4,659)
Workforce Remodelling	(786)	(4,274)	2,441	(2,619)	(104)	1,445	(1,278)
Centres for Learning	(3,427)	(37,364)	34,227	(6,564)	(30,827)	28,887	(8,504)
Insurance Fund	(1,381)	0	20	(1,361)	0	20	(1,341)
Street Lighting PFI	(3,840)	(306)	565	(3,580)	(77)	381	(3,276)
Stockbridge Village Regeneration	(30)	0	3	(27)	(1)	0	(28)
School Balances	(8,235)	(2,846)	5,800	(5,281)	(3,703)	4,339	(4,645)
Youth Employment Gateway	(202)	0	77	(125)	0	87	(38)
Pension Past Deficit Cost Payment	0	0	0	0	0	16,636	16,636
Total General Fund	(53,439)	(53,384)	61,899	(44,925)	(52,374)	65,832	(31,466)

Notes

- (a) The Approved Budget Investments, Service Commitments, Budget Strategy Reserve and the Workforce Remodelling Reserve are funding for the future financial commitments of the Council's services.
- (b) Centre's For Learning Reserve - Sinking fund to finance the costs of the new Centres for Learning across the Borough.
- (c) Insurance fund - Contributions to offset the cost of future insurance claims.
- (d) Street Lighting PFI - Contributions to development work on the street lighting private finance initiative scheme.
- (e) Stockbridge Village regeneration - To fund development work associated with the redevelopment of Stockbridge Village.
- (f) School Balances - Balances held on delegated budgets to fund future schools expenditure.
- (g) Youth Employment Gateway - Grant funding allocated to the Liverpool City Region and held by the Council as Accountable Body.
- (h) Pension Past Deficit Cost - During 2017/18, the Council pre-paid its past deficit costs for the years 2017/18 to 2019/20. This amounted to £28.820m and has been funded during 2017/18 by use of reserves. Over the next two years these reserves will be replenished from budgets set aside for this purpose.

Note 10 - Other Operating Expenditure

2016/17		2017/18
£000		£000
1,005	Precepts	1,096
18,598	Levies	17,464
14	Payments to the Government Housing Capital Receipts Pool	14
7,190	Gains/losses on the Disposal of Non-Current Assets	(8,633)
18,405	Loss on Transfer of School Assets to Academies	1,820
9,362	Other	875
54,574	Total Other Operating Expenditure	12,636

Note 11 - Financing and Investment Income and Expenditure

2016/17		2017/18
£000		£000
16,491	Interest payable and similar charges	16,110
10,368	Net interest on the net defined benefit liability (asset)	8,688
(1,183)	Interest receivable and similar income	(1,084)
(4,326)	Income and expenditure in relation to investment properties and changes in their fair value	(16,286)
21,350	Total	7,428

Note 12 - Taxation and Non-Specific Grant Income

2016/17		2017/18
£000		£000
(44,445)	Council tax income	(47,800)
(59,131)	Non-domestic rates income and expenditure	(92,561)
(43,855)	Non-ringfenced government grants	(6,313)
(8,569)	Capital grants and contributions	(6,596)
(156,000)	Total	(153,270)

Note 13 - Property, Plant and Equipment

Movements to 31 March 2018

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
at 1 April 2017	304,859	61,811	231,917	8,410	72	0	607,069
Additions	2,964	2,804	5,024	506	745	1,257	13,300
Revaluation increases/(decreases) recognised in the Revaluation Reserve	32,824	0	0	0	585	0	33,409
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(5,121)	0	0	0	0	0	(5,121)
Derecognition – disposals	(1,820)	0	0	0	0	0	(1,820)
Reclassifications and transfer	5	0	0	0	24,167	0	24,172
at 31 March 2018	333,711	64,615	236,941	8,916	25,569	1,257	671,009
Accumulated Depreciation and Impairment							
at 1 April 2017	(62,531)	(55,591)	(44,981)	(1,187)	(72)	0	(164,362)
Depreciation charge	(4,880)	(1,519)	(5,073)	(160)	(12)	0	(11,644)
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(643)	0	0	0	0	0	(643)
at 31 March 2018	(68,054)	(57,110)	(50,054)	(1,347)	(84)	0	(176,649)
Net Book Value							
at 31 March 2018	265,657	7,505	186,887	7,569	25,485	1,257	494,360
at 31 March 2017	242,328	6,220	186,937	7,223	0	0	442,708

Movements to 31 March 2017

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

Property, Plant and Equipment Revaluations

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus Assets	Total
	£000	£000	£000	£000	£000
Carried at historical cost	16,452	7,505	6,047	0	30,004
Valued at current value as at:					
31/03/2018	74,702	0	149	25,485	100,336
31/03/2017	88,941	0	958	0	89,899
31/03/2016	78,258	0	0	0	78,258
31/03/2015	7,242	0	0	0	7,242
31/03/2014	62	0	415	0	477
Total Cost or Valuation	265,657	7,505	7,569	25,485	306,216

Capital Commitments

At 31 March 2018, the Council had committed a number of construction or enhancement of Property, Plant and Equipment in 2018/19 and future years. The major schemes that are included in the Council's approved Capital Programme are:

Scheme	Purpose	Expected Period	£000
Shakespeare North Playhouse	Shakespeare North Playhouse is a £24.8m construction project. The building will comprise a 350-seat reproduction Jacobean theatre , teaching facilities for the study of Shakespearean performance, facilities for an education, schools and community programme, an Exhibition and Education Centre; and a café and bar serving theatre audiences as well as the public.	2018/19 and 2019/20	23,010
Playing Pitches Improvement & Public Realm	The investment of the capital receipts from the disposal of the playing field element of various schools across Knowsley. The capital receipt raised from the sale of the various school sites will go towards improving the sports and public realm provision at specific schools as approved by the Secretary of State for Education.	2018/19, 2019/20 and 2020/21	10,793
Decent Homes for All	Financial Assistance to Owner Occupiers to bring their homes to the Decent Homes Standard by Housing Renewal, Energy Efficiency and Disabled Facilities works. In addition, to allow people to minimise their fuel bills or to have their home adapted to cater for a disability and allow them to remain in their home, if that is their wish.	2018/19	3,763
Building Rationalisation and Co-Location Programme	The purpose of the investment is to address a significant number of the known backlog repairs across the Council's operational property estate such as boiler replacements, fire alarm systems, electrical installations which have become out of life and / or unsafe, minor building fabric improvements and fire safety improvements.	2018/19 and 2019/20	2,360

Scheme	Purpose	Expected Period	£000
Replacement Vehicles	The fleet replacement programme establishes the considered optimum vehicle life of a new vehicle in order to help ensure that fleet items are replaced at the right time and not retained beyond their normal economic life span. This provides a managed fleet profile that meets the needs of the business whilst helping to ensure the safety and reliability of the fleet and minimising fleet downtime and associated maintenance costs.	2018/19	2,301
School and Children's Centre Maintenance	This Programme assures the condition of schools and children's centres building stock. Adequate maintenance supports the raising of standards of achievement of pupils by ensuring that teaching and learning takes place in suitable environments.	2018/19, 2019/20 and 2020/21	2,203
Bowring Park Restoration	Refurbishment of Coach House, Stables Block and other heritage features at Bowring Park and development, installation of interpretation material. Improvements to access road, pathways, car park and other park infrastructure. To restore and preserve heritage features and increase use of the site.	2018/19 and 2019/20	2,135
Knowsley Business Park Access & Connectivity Improvements	A series of enhancements to movement and access, together with the promotion of gateway and key corridor development sites to facilitate a positive image of the park.	2018/19	1,517
Strategic Highway Network	Structural maintenance of the carriageways and bridges and schemes aimed at improving the management and control of traffic (both within and through the borough) with signals and signs.	2018/19	1,471
Prescot Townscape Heritage Initiative	This programme enables the repair, restoration, and, where required, conversion of vacant floor space at certain historic buildings within Prescot Town Centre Conservation Area in order to enhance the character, appearance and vitality of the conservation area. The programme has been deemed necessary by the Council and Heritage Lottery Fund in order to bring a number of historic buildings to a good state of repair and to full use.	2018/19	1,393

Note 14 - Heritage Assets

2017/18	Public Art	Total
	£000	£000
Opening Balance	476	476
Depreciation	(20)	(20)
Closing Balance	456	456

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

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

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

During 2015/16 further Public artwork pieces were commissioned as part of the Kirkby town centre regeneration programme.

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

Note 15 - Investment Properties

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

31 March 2017		31 March 2018
£000		£000
	Investment Property Income and Expenditure	
(2,507)	Rental income from investment property	(2,701)
676	Direct operating expenses from investment property	611
(1,831)	Net (gain)/loss	(2,090)

31 March 2017		31 March 2018
Non-Current		Non-Current
£000	Investment Properties Movements in Year	£000
61,248	Opening Balance	66,735
	Additions:	
0	Purchases	826
1,840	Subsequent expenditure	1,082
(164)	Disposals	(651)
2,659	Net gains/losses from fair value adjustments	14,847
	Transfers:	
1,152	to/from Property Plant and Equipment	(46,708)
66,735	Balance at the end of the year	36,131

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

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

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

Note 16 - Intangible Assets

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

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

31st March 2017			31st March 2018		
Internally Generated Assets	Other Assets	Total	Internally Generated Assets	Other Assets	Total
£000	£000	£000	£000	£000	£000
Balance at start of year:					
98	9,387	9,485	98	9,584	9,682
					Gross carrying amounts
12	439	451	2	425	427
Additions:					
0	197	197	0	700	700
					Purchases
(10)	(211)	(221)	(2)	(193)	(195)
					Amortisation for the period
2	425	427	0	932	932
Comprising:					
98	9,584	9,682	98	10,284	10,382
					Gross carrying amounts
(96)	(9,159)	(9,255)	(98)	(9,352)	(9,450)
					Accumulated amortisation
2	425	427	0	932	932
Total					

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.195m charged to revenue in 2017/18 was charged to the Information Technology cost centre and then absorbed as an overhead across all the service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

Note 17 - Financial Instruments

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

Financial Liabilities

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

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

- long-term loans from the Public works Loan Board (PWLB) and commercial lenders
- short-term loans from other local authorities
- bank overdraft;
- finance leases
- Private Finance Initiative (PFI) contracts; and
- Trade payables for goods and services received.

The Council does not hold any derivative financial liabilities.

Financial Assets

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

Loans and receivables:

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

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

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

Financial Instruments

	Long-term 31 March 2017 £000	Long-term 31 March 2018 £000	Current 31 March 2017 £000	Current 31 March 2018 £000
Investments				
Loans and receivables	2,516	2,503	24,072	15,016
Available-for-sale financial assets	18,597	19,413	0	1,037
Total investments	21,113	21,916	24,072	16,053
Debtors				
Loans and receivables	4,217	303	0	1,020
Other	0	0	0	31,979
Total included in Debtors	4,217	303	0	32,999
Borrowings				
Financial liabilities at amortised cost	(109,546)	(109,295)	(12,902)	(12,899)
Total included in Borrowings	(109,546)	(109,295)	(12,902)	(12,899)
Other Long Term Liabilities				
PFI and finance lease liabilities	(134,905)	(130,275)		
Total other long term liabilities	(244,451)	(239,570)		
Creditors				
Financial liabilities carried at contract amount			0	(44,739)
Other	0	0	0	0
Total Creditors	0	0	0	(44,739)

Income, Expense, Gains and Losses

	2018				
	Financial Liabilities: measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available-for-sale assets	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£000	£000	£000	£000	£000
Interest expense	16,001	0	0	0	16,001
Total expense in Surplus or Deficit on the Provision of Services	16,001	0	0	0	16,001
Interest income	-	(277)	(800)	0	(1,077)
Total income in Surplus or Deficit on the Provision of Services	0	(277)	(800)	0	(1,077)
Gains on revaluation	-	-	(1,964)	-	(1,964)
Losses on revaluation	-	-	31	-	31
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	0	-	0
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	(1,933)	-	(1,933)
Net (gain)/loss for the year	16,001	(277)	(2,733)	0	12,991

2017

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

The interest expense excludes statutory transferred debt interest of (and therefore differs from the figure reported in Comprehensive Income and Expenditure Statement by) £0.109m in 2017/18 (£0.119m in 2016/17).

The interest income excludes statutory transferred debt interest of (and therefore differs from the figure reported in Comprehensive Income and Expenditure Statement by) 0.006m in 2017/18 (£0.007m in 2016/17).

There was a net gain on revaluation of the Councils Available for Sale Assets of £1.933m in 2017/18 which is discussed below in Fair Value of Assets and Liabilities – Available for Sale.

Note 17b - Fair Value of Assets and Liabilities

Financial assets classified as available for sale assets and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most of these assets, including bonds, money market funds and pooled funds, the fair value being taken from the market price. The fair value of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31st March 2018.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2018, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options. Lenders’ options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March 2018.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including cash, money market funds, call accounts, trade payables and receivables is assumed to be a reasonable approximation to the carrying amount.

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

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

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

The fair values calculated are as follows:

Fair Value of Assets and Liabilities

		31 March 2017		31 March 2018	
	Fair Value Level	Carrying Amount £000m	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities held at amortised cost					
LOBO fixed loans	2	11,090	18,931	11,090	18,226
PWLB fixed loans	2	102,732	156,523	102,724	150,398
Market Long Term loans	2	6,406	10,823	6,406	10,448
PFI & Finance Leases	2	139,905	216,751	134,904	201,575
Liabilities for which fair value is not disclosed					
Trade payables (Creditors)		45,221	45,221	44,739	44,739
		<u>305,354</u>	<u>448,249</u>	<u>299,863</u>	<u>425,386</u>
Financial Assets held at fair value (available for sale assets)					
Cash Equivalents	1	16,324	16,324	5,819	5,819
Long term (Bonds and Fund Managers)	1	18,597	18,597	19,413	19,413
Short term (Bond)	1	0	0	1,037	1,037
Financial Assets held at amortised cost					
Cash Equivalents	2 (Note i)	10,512	10,512	13,053	13,053
Long term deposits	2 (Note i)	2,518	2,518	2,503	2,811
Short term deposits	2 (Note i)	24,070	24,070	15,016	15,016
	n/a				
Trade Receivables (Debtors)		29,035	29,095	33,302	33,302
		<u>101,056</u>	<u>101,116</u>	<u>90,143</u>	<u>90,451</u>

Note i) Fair Value Level 2 calculations do not apply to short term instruments as the Council deems their carrying amount to be a reasonable approximation of their fair value. Trade receivables includes a debtor in relation to the Councils Local Authority Mortgage scheme which has been calculated using level 2 fair values. The Council deems all other trade receivables carrying amounts to be a reasonable approximation of their fair value.

Cash balances of £3.047m (overdrawn) on 31 March 2017 and £4.567m (overdrawn) on 31 March 2018 have been excluded from the above table.

Financial liabilities

Lender Offer Borrower Option (LOBO)

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

Public Works Loan Board (PWLB)

The fair value is greater than the carrying amount because the Council's Public Works Loan Board portfolio includes a number of fixed rate loans where interest payable is greater than the rates available for similar loans at the balance sheet date. The Public Works Loan Board's alternative calculations, based on the rates relevant to the premature repayment of loans, show the fair value of loans outstanding as at 31 March 2018 is £178.736m. This represents a variance of £28.338m when compared to the valuations above, prepared using rates available for new loans.

Market Long Term Loans

The fair value is higher than the carrying amount because the Council's Market Long Term loan has an interest rate payable that is higher than the rates available for a similar loan at the balance sheet date.

Private Finance Initiatives (PFI)

The fair value is higher because the implicit interest rate on the Council's PFI contracts is higher than current long term interest rates. PFI rates also include an element to cover the risks around construction, which is no longer present.

Financial Assets

Financial assets held at amortised costs

The carrying amounts of all the Council's short term deposits and cash equivalents are deemed to be a reasonable approximation of the fair value.

The Council's long term deposit has a fair value higher than the carrying amount because the interest rate received is higher than the rate available for a similar investment on the balance sheet date. £0.003m of investments held in 3.5% Treasury Stock is also included here.

Available for Sale

Available for sale assets are carried in the balance sheet at their fair value of £26.269m. The equivalent amortised cost of the Council's Available for Sale Assets is £24.336m. The fair value is higher than the amortised cost by £1.933m because the yields achieved on the Council's bonds and most fund manager investments are higher than the yields of equivalent bonds at the balance sheet date.

Trade Receivables - Local Authority Mortgage Scheme Indemnity Deposit

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

The £1m indemnity deposit in Lloyds TSB bank plc is therefore shown as a Short Term Debtor in the Balance Sheet at 31 March 2018 and included within Trade Receivables in the above Fair Value table.

Note 18 - Inventories

	Consumable Stores	
	2016/17	2017/18
	£000	£000
Balance outstanding at start of year	530	534
Purchases	3,402	3,602
Recognised as an expense in the year	(3,398)	(3,659)
Balance Outstanding at Year End	534	477

Note 19 - Debtors

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

31 March 2017		31 March 2018
£000		£000
3,942	Central Government Bodies	5,819
1,506	Other Local Authorities	3,388
1,921	NHS Bodies	4,842
6	Public Corporations and Trading Funds	0
17,444	Other Entities and Individuals	18,950
24,818	Total Debtors	32,999

Each line is presented net of allowance for non-collection. As at 31 March 2018 the total allowance for non-collection was £12.215m (£9.289m at 31 March 2017).

Note 20 - Cash and Cash Equivalents

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

31 March 2017		31 March 2018
£000		£000
(3,046)	Cash and Bank balances	(4,567)
26,836	Short Term Deposits	18,873
23,790	Total Cash and Cash Equivalents	14,305

Note 21 - Assets Held for Sale

Current		Current
31 March 2017		31 March 2018
£000		£000
19,126	Balance outstanding at start of year	6,186
153	Additions	440
	Assets newly classified as held for sale:	
3,311	- Property Plant and Equipment	22,536
(1,376)	Revaluation losses	(536)
0	Revaluation gains	618
(7,986)	Impairment losses	(958)
(7,041)	Assets sold	(537)
6,186	Balance Outstanding year end	27,750

Note 22 - Creditors

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

31 March 2017		31 March 2018
£000		£000
(19,025)	Central Government Bodies	(12,648)
(624)	Other Local Authorities	(1,303)
(2,299)	NHS Bodies	(4,443)
(5)	Public Corporations and Trading Funds	(3)
(23,269)	Other Entities and Individuals	(26,342)
(45,222)	Total Creditors	(44,739)

Note 23 - Provisions

A number of provisions have been set aside at 31 March 2018 to cover the following liabilities:

Current Provisions

2017/18	Equal Pay Back Pay	Respite Provision	Collection Fund - Business Rates Appeals	Other	Total
	£000	£000	£000	£000	£000
Opening Balance	(250)	(23)	(2,802)	(135)	(3,209)
Increase in provision during year	0	0	(2,859)	(27)	(2,886)
Utilised during year	31	11	4,963	50	5,054
Closing Balance	(219)	(12)	(698)	(112)	(1,041)

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

Long Term Provisions

2017/18

	Collection Fund - Business Rates Appeals	Insurance	Equal Pay Back Pay	Public Health Property Costs	Street Lighting PFI	Impact on General Fund of Collection Fund Deficit	Land Charges Fees	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance	(1,868)	(6,161)	(5,292)	(869)	(1,190)	(549)	0	(16)	(15,945)
Increase in provision during year	(6,421)	(1,344)	0	0	(183)	(2,055)	0	0	(10,003)
Utilised during year	0	1,629	1,873	869	64	0	0	0	4,435
Closing Balance	(8,289)	(5,876)	(3,419)	0	(1,309)	(2,604)	0	(16)	(21,513)

2016/17

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

Detail of Provisions

Business Rates Appeals (Collection Fund):

Under the Business Rates Retention System the cost of all potential backdated appeals expected to be incurred in the current and future years falls in full on the Collection Fund. Knowsley's 99% share (49% prior to 2017/18) of this cost is estimated at £8.986m and is provided for within the Collection Fund, and therefore reflected in the consolidated Balance Sheet.

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

Equal Pay Act (Amendment) Regulations 2003: As in previous years, the 2017/18 Statement of Accounts reflects the recommended accounting practice for compensation claims under the Equal Pay Act (Amendment) Regulations 2003 in relation to equal pay for work of equal value. Following the completion of negotiations between the Council, the Single Status Trade Unions (UNISON, UNITE and GMB) and their solicitors, agreement has been reached regarding the principles for settling legitimate equal pay claims enabling a more accurate estimate of the total maximum liability for these claims (including Schools) to be made.

2016/17	Total Provisions	2017/18
£000		£000
(21,262)	Opening Balance	(19,155)
(4,595)	Increase in provision during year	(12,888)
6,702	Utilised during year	9,490
0	Other movements	0
(19,155)	Closing Balance	(22,553)

Note 24 - Usable Reserves

Capital Receipts Reserve

31 March 2017		31 March 2018	
£000		£000	
0	Balance 1 April	(449)	
(1,512)	Capital Receipts in year	(9,169)	
(20)	Deferred Receipts realised	0	
14	Capital Receipts Pooled	14	
0	Transfer to revenue reserves to cover disposal costs	34	
1,069	Capital Receipts used for financing	7,497	
(449)	Balance 31 March	(2,073)	

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

Capital Grants Unapplied

31 March 2017		31 March 2018	
£000		£000	
(2,431)	Balance 1 April	(2,466)	
(5,529)	Capital grants recognised in year	(6,694)	
5,495	Capital grants and contributions applied	7,668	
(2,466)	Balance 31 March	(1,492)	

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

Note 25 - Unusable Reserves

31 March 2017		31 March 2018
£000		£000
(83,621)	Revaluation Reserve	(115,539)
(1,990)	Available for Sale Financial Instruments Reserve	(1,933)
(153,215)	Capital Adjustment Account	(168,647)
0	Financial Instruments Adjustment Account	0
382,422	Pension Reserve	319,292
0	Deferred Capital Receipts Reserve	0
(6,669)	Collection Fund Adjustment Account	(3,054)
3,448	Unequal Pay Back Pay Account	1,574
2,512	Accumulated Absences Account	2,186
142,887	Total	33,879

Revaluation Reserve

31 March 2017		31 March 2018
£000		£000
(70,575)	Balance 1 April	(83,621)
(30,743)	Upward revaluation of assets	(35,070)
5,595	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	1,661
(25,148)	Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services	(33,409)
1,027	Difference between fair value depreciation and historical cost depreciation	1,490
11,075	Accumulated gains on assets sold or scrapped	0
12,103	Amount written off to the Capital Adjustment Account	1,490
(83,621)	Balance 31 March	(115,539)

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

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

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

Available for Sale Financial Instruments Reserve

31 March 2017		31 March 2018	
£000		£000	
(1,242)	Balance 1 April	(1,990)	
(748)	Upward revaluation of investments	(154)	
0	Downward revaluation of investments not charged to the Surplus or Deficit on the Provision of Services	211	
(1,990)	Balance 31 March	(1,933)	

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

Capital Adjustment Account

31 March 2017 £000		31 March 2018 £000
(197,824)	Balance 1 April	(153,215)
22,313	Charges for depreciation and impairment of non-current assets	13,182
28,710	Revaluation losses on non-current assets	5,121
221	Amortisation of intangible assets	195
3,213	Revenue expenditure funded from capital under statute	4,539
27,284	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	3,008
81,740	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	26,044
(12,103)	Adjusting Amounts written out of the Revaluation Reserve	(1,490)
69,637	Net written out amount of the cost of non-current assets consumed in the year	24,554
(1,069)	Use of Capital Receipts Reserve to finance new capital expenditure	(7,497)
(11,031)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(10,631)
(5,407)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(5,465)
(2,118)	Capital expenditure charged against the General Fund and HRA balances	(1,546)
(19,625)	Capital financing applied in year:	(25,139)
(2,659)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(14,847)
(2,745)	Other movements	0
(153,215)	Balance 31 March	(168,647)

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

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

Financial Instruments Adjustment Account

31 March 2017 £000		31 March 2018 £000
5	Balance 1 April	0
(5)	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	0
(5)	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	0
0	Balance 31 March	0

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

Pension Reserve

31 March 2017 £000		31 March 2018 £000
295,882	Balance 1 April	382,422
72,260	Remeasurements of the net defined benefit (liability)/asset	(54,650)
28,103	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	33,363
(13,823)	Employer's pensions contributions and direct payments to pensioners payable in the year	(41,843)
382,422	Balance 31 March	319,292

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes the employer’s contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Deferred Capital Receipts Reserve

31 March 2017		31 March 2018
£000		£000
(20)	Balance 1 April	0
20	Transfer to the Capital Receipts Reserve upon receipt of cash	0
0	Balance 31 March	0

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

Collection Fund Adjustment Account

31 March 2017		31 March 2018
£000		£000
(938)	Balance 1 April	(6,669)
(5,731)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	3,615
(6,669)	Balance 31 March	(3,054)

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

Unequal Pay Back Pay Account

31 March 2017 £000		31 March 2018 £000
2,299	Balance 1 April	3,448
(1,303)	Increase in provision for back pay in relation to Equal Pay cases	(1,843)
(293)	Cash settlements paid in the year	(31)
(1,596)	Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(1,874)
2,745	Other movements	0
3,448	Balance 31 March	1,574

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

Accumulated Absences Account

31 March 2017 £000		31 March 2018 £000
2,191	Balance 1 April	2,512
(2,192)	Settlement or cancellation of accrual made at the end of the preceding year	(2,512)
2,513	Amounts accrued at the end of the current year	2,186
321	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	(326)
2,512	Balance 31 March	2,186

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

Note 26 - Cash Flow from Operating Activities

The cash flows for operating activities included the following items:

The cash flows for operating activities include the following items:

31 March 2017		31 March 2018
£000		£000
(1,163)	Interest received	(1,182)
16,523	Interest paid	16,114
(342)	Dividends received	(317)
15,018	Total	14,615

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

31 March 2017		31 March 2018
£000		£000
(12,285)	Depreciation	(11,664)
(30,751)	Impairment and downward valuations	(6,639)
(221)	Amortisation	(195)
0	(Increase)/decrease in impairment for bad debts	0
10,061	(Increase)/decrease in creditors	(4,227)
(7,246)	Increase/(decrease) in debtors	8,123
4	Increase/(decrease) in inventories	(58)
(14,280)	Movement in pension liability	8,480
(35,270)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(3,008)
7,097	Other non-cash movements charged to the surplus or deficit on provision of services	11,448
(82,891)	Total	2,261

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

31 March 2017		31 March 2018
£000		£000
923	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	1,121
1,512	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	9,169
8,569	Any other items for which the cash effects are investing or financing cash flows	6,596
11,004	Total	16,886

Note 27 - Cash Flow from Investing Activities

The cash flows for investment activities included the following items:

31 March 2017		31 March 2018
£000		£000
12,065	Purchase of property, plant and equipment, investment property and intangible assets	16,348
33,085	Purchase of short-term and long-term investments	28,570
0	Other payments for investing activities	0
(1,531)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(9,169)
(43,603)	Proceeds from short-term and long-term investments	(33,591)
(6,384)	Other receipts from investing activities	(8,180)
(6,368)	Net cash flows from investing activities	(6,022)

Note 28 - Cash Flow from Financing Activities

31 March 2017		31 March 2018
£000		£000
0	Cash receipts of short-term and long-term borrowing	(8,500)
(908)	Other receipts from financing activities	(4,869)
4,776	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	4,784
1,252	Repayments of short-term and long-term borrowing	8,751
(6,509)	Other payments for financing activities	4,393
(1,389)	Net cash flows from financing activities	4,559

Note 29 - Trading Operations

The Council operates several trading operations, whereby services are provided to users on the basis of an agreed charge, for example, a quoted price, a service level agreement or a schedule of rates. Trading accounts are maintained for such activities in order to record the income and expenditure for the services provided by the Trading Operation. Details of the significant Trading Operations of the Council are set out in the table below.

2016/17	Building Cleaning	2017/18
£000		£000
(4,008)	Income	(4,126)
3,616	Expenditure	3,780
(393)	Net (Surplus) / Deficit for Year	(346)

2016/17	Highways	2017/18
£000		£000
(65)	Income	(84)
304	Expenditure	414
239	Net (Surplus) / Deficit for Year	330

2016/17	Licensing	2017/18
£000		£000
(805)	Income	(744)
637	Expenditure	737
(169)	Net (Surplus) / Deficit for Year	(7)

2016/17	School Meals	2017/18
£000		£000
(6,387)	Income	(6,796)
5,626	Expenditure	5,767
(762)	Net (Surplus) / Deficit for Year	(1,029)

2016/17	Transport	2017/18
£000		£000
(2,391)	Income	(2,495)
1,729	Expenditure	1,860
(662)	Net (Surplus) / Deficit for Year	(635)

2016/17	Trading Operations Total Income and Expenditure:	2017/18
£000		£000
(13,657)	Income	(14,245)
11,910	Expenditure	12,557
(1,747)	Net (Surplus) / Deficit for Year	(1,688)

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

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

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

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

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

Note 30 - Agency Services

There were no significant transactions in 2017/18.

Note 31 - Pooled Budgets

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

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

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

2016/17	Mental Health, Community Support Services and Adults with Learning Disabilities	2017/18
£000		£000
(21,453)	Authority Funding	(21,795)
(10,745)	Partner Funding	(12,540)
(32,198)	Total Pooled Funding	(34,335)
23,575	Authority Expenditure	23,817
11,633	Partner Expenditure	13,370
35,208	Expenditure	37,187
3,010	Net (Surplus)/Deficit on the Pooled Budget	2,852
2,122	Authority Share of the Net (Surplus) / Deficit	2,022

In addition, the Council operates a Better Care Fund (BCF) in partnership with the Clinical Commissioning Group, which creates a local single pooled budget to incentivise the NHS and local Government to work more closely together around people, placing their well-being as the focus of health and care services. During 2017/18, £11.341m of BCF was used to fund the above pools. The Council contribution to this was £7.918m with the Clinical Commissioning Groups’ element being £3.423m

Note 32 - Members’ Allowances

31 March 2017		31 March 2018
£'000		£'000
593	Salaries	657
593	Total Members’ Allowances	657

Note 33 - Officers' Remuneration

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

		Salary, Fees and Allowances	Pension Contribution	Total	Costs recovered by the Council	Actual cost of Post
		£0	£0	£0	£0	£0
Chief Executive - M Harden - (Note 1)	2017/18	163,216	48,502	211,718	0	211,718
	2016/17	161,600	41,208	202,808	0	202,808
Assistant Chief Executive	2017/18	107,450	31,930	139,380	0	139,380
	2016/17	103,020	26,270	129,290	0	129,290
Executive Director (Place)	2017/18	110,860	32,942	143,802	0	143,802
	2016/17	106,386	27,128	133,514	0	133,514
Executive Director (Resources) - (Note 2)	2017/18	107,450	31,930	139,380	0	139,380
	2016/17	103,020	26,270	129,290	0	129,290
Executive Director (Children) - (Note 3)	2017/18	103,795	31,334	135,129	0	135,129
	2016/17	113,120	28,846	141,966	0	141,966
Executive Director (Health and Wellbeing) - (Note 4)	2017/18	4,755	1,352	6,107	0	6,107
	2016/17	0	0	0	0	0
Assistant Executive Director (Economic Growth) - (Note 5)	2017/18	110,839	32,937	143,776	81,161	62,615
	2016/17	95,294	24,300	119,594	0	119,594
Assistant Executive Director (Policy and Partnerships) - (Note 6)	2017/18	98,850	29,374	128,224	106,385	21,839
	2016/17	95,294	24,300	119,594	0	119,594
Assistant Executive Director (Public Health) - (Note 7)	2017/18	98,848	29,374	128,222	64,111	64,111
	2016/17	95,294	24,300	119,594	59,797	59,797
Assistant Executive Director (Neighbourhoods) - (Note 8)	2017/18	98,848	29,374	128,222	0	128,222
	2016/17	97,869	24,957	122,826	0	122,826

Note 33 - Officers' Remuneration (continued)

		Salary, Fees and Allowances	Pension Contribution	Total	Costs recovered by the Council	Actual cost of Post
		£0	£0	£0	£0	£0
Assistant Executive Director (Customer and Employees)	2017/18	98,848	29,374	128,222	0	128,222
	2016/17	95,295	24,300	119,595	0	119,595
Assistant Executive Director (Children's Social Care)	2017/18	91,044	27,055	118,099	0	118,099
	2016/17	87,567	22,330	109,897	0	109,897
Assistant Executive Director (Early Help)	2017/18	91,044	27,055	118,099	0	118,099
	2016/17	87,567	22,330	109,897	0	109,897
Assistant Executive Director (Governance) - (Note 9)	2017/18	91,044	27,055	118,099	0	118,099
	2016/17	87,567	22,330	109,897	0	109,897
Assistant Executive Director (Adult Social Care) - (Note 10)	2017/18	84,819	25,243	110,062	0	110,062
	2016/17	85,760	21,904	107,664	0	107,664
Assistant Executive Director (Regeneration and Housing) - (Note 11)	2017/18	61,505	18,277	79,782	0	79,782
	2016/17	95,294	24,300	119,594	0	119,594
Assistant Executive Director (Safeguarding and Quality Assurance) - (Note 12)	2017/18	57,661	17,135	74,796	0	74,796
	2016/17	97,869	24,957	122,826	0	122,826
Assistant Executive Director (Education) - (Note 13)	2017/18	22,111	6,571	28,682	0	28,682
	2016/17	0	0	0	0	0
Total	2017/18	1,602,987	476,814	2,079,801	251,657	1,828,144
	2016/17	1,607,816	410,030	2,017,846	59,797	1,958,049

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

The Council's annual Pay Policy Statement (approved by the Council on 8 March 2017 sets out the roles of the Council's senior managers. This includes all of the Council's statutory chief officers in accordance with the Local Government and Housing Act 1989 and the Localism Act 2011.

1. The Chief Executive of the Council also fulfils the statutory role of Head of the Paid Service as set out in the Local Government and Housing Act 1989.
2. The Executive Director (Resources) also fulfils the statutory role of Chief Finance Officer as set out in the Local Government Act 1972.
3. The Executive Director (Children) also fulfils the statutory role of Director of Children's Services as set out in the Children's Act 2004. The former post-holder left the Council on 3 December 2017. A new post-holder was appointed on an interim basis on 20 November 2017 and was made permanent on 15 March 2018. The amount shown above represents the combined remuneration of two post-holders during 2017/18.
4. The Executive Director (Health and Wellbeing) post was established in June 2017 and was held vacant until the current post-holder was appointed on 15 March 2018. The post now fulfils the statutory responsibility of Director of Social Services as set out in the Local Authority Social Services Act 1970.
5. The Assistant Executive Director (Economic Growth) post- holder was seconded to the Liverpool City Region for the period April 2017 - October 2017. The remuneration for this period (£81,161) was fully recovered by the Council.
6. The Assistant Executive Director (Policy and Partnerships) was seconded on a full time basis to the Liverpool City Region on 24 July 2017. The remuneration for this period (£106,355) was fully recovered by the Council.
7. The Assistant Executive Director (Public Health and Wellbeing) also fulfils the statutory responsibility of Director of Public Health as set out in the Health and Social Care Act 2012. The post-holder also undertakes the same role on behalf of Sefton MBC, and 50% of the remuneration in 2017/18 (£64,111) was fully recovered by the Council.
8. The Assistant Executive Director (Neighbourhoods) also fulfils the statutory responsibility of Scrutiny Officer as set out in the Local Government Act 2000.
9. The Assistant Executive Director (Governance) also fulfils the statutory responsibility of Monitoring Officer for the Authority as set out in the Local Government and Housing Act 1989.

10. The Assistant Executive Director (Adult Social Care) post has been vacant since 14 March 2018.
11. The Assistant Executive Director (Regeneration and Housing) post was deleted on 15 November 2017. The functions were transferred to the redesignated post of Assistant Executive Director (Economic Growth).
12. The Assistant Executive Director (Safeguarding and Quality Assurance) post has been deleted with effect from 15 March 2018.
13. The Assistant Executive Director (Education) is a new post established from 1 January 2018.

Officer Remuneration

	Number of Employees	
	2016/17	2017/18
£50,001 to £55,000	48	48
£55,001 to £60,000	48	40
£60,001 to £65,000	29	46
£65,001 to £70,000	28	20
£70,001 to £75,000	16	17
£75,001 to £80,000	15	20
£80,001 to £85,000	2	0
£85,001 to £90,000	7	2
£90,001 to £95,000	0	4
£95,001 to £100,000	8	5
£100,001 to £105,000	2	0
£105,001 to £110,000	1	2
£110,001 to £115,000	1	2
£115,001 to £120,000	0	0
£120,001 to £125,000	0	0
£155,001 to £160,000	0	0
£160,001 to £165,000	1	1
Total	206	207

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

Exit Packages

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0-£20,000	8	20	76	110	84	130	500,798	622,003
£20,001 - £40,000	0	2	9	13	9	15	255,508	408,164
£40,001 - £60,000	0	0	3	7	3	7	140,209	336,476
£60,001 - £80,000	0	0	2	1	2	1	138,255	64,931
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	5	3	5	3	607,077	416,124
£150,001 to £200,000	0	0	3	0	3	0	496,174	0
£200,001 to £250,000	0	0	1	0	1	0	229,266	0
£250,001 to £300,000	0	0	1	0	1	0	272,089	0
Total	8	22	100	134	108	156	2,639,377	1,847,698

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

Note 34 - External Audit Costs

From 1 April 2015, KPMG LLP were appointed the external auditors of the Council. In 2017/18, Knowsley MBC incurred the following fees relating to external audit and inspection:

2016/17		2017/18
£000		£000
111	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	111
14	Fees payable in respect of other services provided by external auditors during the year	13
125	Total	124

Note 35 - Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). The Dedicated Schools Grant is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2013. The Schools Budget includes elements for a range of educational services provided on an authority wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of the Dedicated Schools Grant receivable for 2017/18 are shown in the following table.

Notes	DSG Receivable for 2017/18	Central Expenditure £000	Individual Schools Budget £000	Total £000
A	Final DSG for year before Academies recoupment			115,319
B	Academy figure recouped for year			(27,135)
C	Total DSG after academy recoupment			88,184
D	Plus: Brought forward from previous year			151
E	Less: Carry forward to following year (agreed in advance)			0
F	Agreed initial budgeted distribution in year	17,954	70,381	88,335
G	In year adjustments	(152)	152	0
H	Final budget distribution for year	17,802	70,533	88,335
I	Less: Actual central expenditure	(17,867)		(17,867)
J	Less: Actual ISB deployed to schools		(70,533)	(70,533)
K	Plus: Local Authority contribution for year	0	0	0
L	Carry forward to 2018/19	(65)	0	(65)

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

A: Final DSG figure before any amount has been recouped from the authority excluding the January 2018 early years block adjustment.

B: Figure recouped from the authority in 2017/18 by the DfE for the conversion of maintained schools into academies.

C: Total figure after academy recoupment for 2017/18.

D: Figure brought forward from 2016/17 should be as agreed with the Department.

E: Any amount which the authority decided after consultation with the schools forum to carry forward to 2018/19 rather than distribute in 2017/18

F: Budgeted distribution of DSG, adjusted for carry-forward, as agreed with the schools forum.

G: Changes to the initial distribution

H: Budgeted distribution of DSG as at the end of the financial year.

I: Actual amount of central expenditure items in 2017/18

J: Amount of ISB actually distributed to schools

K: Any contribution from the local authority in 2017/18 which will have the effect of substituting for DSG in funding the Schools Budget.

L: Carry-forward to 2018/19

Note 36 - Grant Income**Grant Income Credited to Taxation and non-specific Grant Income and Expenditure**

31 March 2017		31 March 2018
£000		£000
(41,043)	Revenue Support Grant	0
(2,812)	Non-Ringfenced Grant	(6,313)
(2,449)	Department for Transport	(2,875)
(1,277)	Education Funding Agency	(1,243)
(3,739)	Local Sustainability Transport Fund / Sustainable Transport Enhancement Package	(1,233)
(1,104)	Other	(1,245)
(52,425)	Total	(12,909)

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement during 2017/18:

Credited to Services

31 March 2017		31 March 2018
£000		£000
(91,637)	Dedicated Schools Grant	(88,404)
(72,887)	Housing Benefit Rebates Grant	(69,294)
(23,157)	Private Finance Initiative Subsidy	(23,157)
(17,899)	Public Health Grant	(17,627)
(13,248)	Better Care Fund	(13,683)
(8,485)	Pupil Premium	(7,938)
(1,623)	Education Services Grant	(459)
(1,030)	Skills Funding Agency	(1,136)
(1,122)	Education Funding Agency	(1,198)
(1,302)	Benefit Verification Framework / Fraud Incentive / Tax Credits	(1,202)
(2,078)	Disabled Facilities Grant	(2,269)
(1,017)	Universal Infant School Meals	(1,485)
(747)	Stronger Families	(893)
0	Improved Better Care Fund	(6,166)
(148)	Lottery	(71)
(459)	PE Grant	(692)
(358)	Youth Justice Board	(359)
(899)	European Funding	(1,748)
(800)	Independent Living Fund	(1,069)
(4,125)	Other	(4,138)
(243,020)	Total	(242,988)

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

Grants Receipts in Advance (Capital Grants) - Current Liabilities

31 March 2017		31 March 2018
£000		£000
(944)	Standards Fund	(493)
(45)	Other	0
(990)	Total	(493)

Note 37 - Related Parties

The Council is required to disclose material transactions with related parties. Related parties are individuals or organisations that have the potential to control or influence the Council or be controlled or influenced by the Council. The following identifies the Council's related party transactions during 2017/18:

Central Government

The Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates and provides funding in the form of grants. Grant receipts outstanding at 31 March 2018 are shown in Note 22 (Short term Creditors) and Note 36 (Capital Grants Receipts in Advance).

Subsidiary and Associated Companies

Details of the Council's interests in companies are set out in Note 1 to the Accounts.

Other Public Bodies

- Knowsley Clinical Commissioning Group

The Council established a partnership agreement with Knowsley Primary Care Trust during 2004/05 using powers originally under Section 31 of the Health Act 1999 (see Note 31 to the Accounts) and then under section 75 of the NHS Act 2006. These partnership arrangements remained in place until the abolition of the Primary Care Trust on 31st March 2013. A revised Section 75 agreement has since been put in place between the Council and Knowsley Clinical Commissioning Group with effect from 1 April 2013, and is subject to annual revision and update to reflect changes such as the inclusion of the Better Care Fund and Improved Better Care Fund. The latest Section 75 Agreement was revised with a two period from 1 April 2016.
- Pension Fund

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

- Knowsley Housing Trust
The Board of Knowsley Housing Trust includes three Council Members who have expressed an interest. Transactions to Knowsley Housing Trust consisted of £4.288m in payments (£4.915m in 2016/17) and £0.586m in receipts (£0.813m in 2016/17). At 31 March 2018 outstanding debtors totalled £0.034m (£0.028m at 31 March 2017) and no creditors (£0.036m at 31 March 2017).

Transactions relating to Other Public Bodies also included:

- Merseytravel £0.122m (£0.274m in 2016/17)
The Board included three Council Members out of a total of four Members who have expressed an interest. At 31 March 2018 outstanding debtors totalled £0.020m (£0.092m at 31 March 2017) and creditors totalled £0.019m (£0.013m at 31 March 2017).
- Police and Crime Commissioner for Merseyside £0.101m (£0.164m in 2016/17)
The Board included one Council Member who has expressed an interest. At 31 March 2018 there were no outstanding debtors (£0.295m at 31 March 2017) and no creditors (no creditors at 31 March 2017).
- Merseyside Fire Authority £0.431m (£0.395m in 2016/17)
The Board included two Council Members out of the four Members who have expressed an interest. At 31 March 2018 there were no outstanding debtors (£0.086m at 31 March 2017) and no creditors (£0.222m at 31 March 2017).
- Liverpool City Region Combined Authority £0.028m (£0.518m in 2016/17)
The Board includes two Council Members out of the 12 Members who have expressed an interest. At 31 March 2018 outstanding debtors totalled £2.019m (no debtors at 31 March 2017) and no creditors (no creditors at 31 March 2017).
- Merseyside Recycling and Waste Authority
The Board included one Council Member. Apart from the Levy, there were no other transactions. At 31 March 2018 outstanding debtors totalled £0.001m (£0.036m at 31 March 2017) and no creditors (no creditors at 31 March 2017).
- Wirral MBC £2.382m (£4.368m in 2016/17)
One Council Member has expressed an interest. At 31 March 2018 outstanding debtors totalled £0.006m (no debtors at 31 March 2017) and creditors totalled £0.580m (£0.037m at 31 March 2017).

Members' and Officers' Interests

Members of the Council have direct control over the Council's financial and operational policies. During 2017/18, works and services totalling £6.643m were commissioned from organisations in which eight Members and one Officer had an interest. Contracts were entered into in full compliance with the Council's Constitution. Payments and grants totalling £55.667m were paid to housing associations, hospital trusts, and voluntary organisations, in which there were 161 expressions of interest from Members and one Officer. In all cases, the relevant Members have declared their interest and taken no part in any prejudicial discussion or decision relating to the transactions.

Note 38 - Capital Expenditure and Capital Financing

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

Capital Expenditure and Capital Financing

31 March 2017		31 March 2018
£000		£000
284,042	Opening Capital Financing Requirement	279,695
	Capital Investment:	
12,621	Property Plant and Equipment	13,300
1,840	Investment Property	1,908
197	Intangible Assets	700
153	Assets Held for Sale	440
3,213	Revenue Expenditure Funded from Capital Under Statute	4,539
(2,745)	Other Capital Expenditure	0
15,278	Total Capital Spending	20,887
	Sources of Finance:	
(1,069)	Capital receipts	(7,497)
(11,031)	Government Grants and other contributions	(10,631)
	Sums set aside from revenue:	
(2,118)	- Direct revenue contributions	(1,546)
(5,407)	- Minimum revenue provision	(5,465)
(19,625)	Total Sources of Finance	(25,139)
279,695	Closing Capital Financing Requirement	275,443

Explanation of movements in year

31 March 2017		31 March 2018
£000		£000
(4,347)	Increase in underlying need to borrow (unsupported by government financial assistance)	(4,252)
(4,347)	Increase/(decrease) in Capital Financing Requirement	(4,252)

Note 39 - Leases

Finance Leases

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

Authority as Lessee - Finance Leases

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

31 March 2017		31 March 2018
£'000		£'000
384	Vehicles, Plant, Furniture, Equipment and Other	288
384	Total	288

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

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

31 March 2017		31 March 2018
£'000		£'000
	Finance lease liabilities (net present value of minimum lease payments):	
(80)	- current	(96)
(208)	- non-current	(112)
(99)	Finance costs payable in future years	(50)
(387)	Minimum lease payments	(258)

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

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

Minimum Lease Payments		Finance Lease Liabilities	
31 March 2017	31 March 2018	31 March 2017	31 March 2018
£'000	£'000	£'000	£'000
(129)	(129)	(80)	(96)
(258)	(129)	(208)	(112)
(387)	(258)	(287)	(208)
	Total		

Note 40 - Service Concession Arrangements

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

Movement in PFI Assets

2017/18	Centres for Learning	Street Lighting	Total
	£000	£000	£000
Cost or Valuation			
at 1 April 2017	41,675	48,354	90,029
Additions	99	0	99
Revaluation increases/(decreases) recognised in the Revaluation Reserve	13,421	0	13,421
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,792)	0	(2,792)
at 31 March 2018	52,403	48,354	100,757
Accumulated Depreciation and Impairment			
at 1 April 2017	(4,371)	(16,987)	(21,358)
Depreciation charge	(742)	(668)	(1,411)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(99)	0	(99)
at 31 March 2018	(5,212)	(17,655)	(22,868)
Net Book Value			
at 31 March 2018	47,191	30,698	77,889
at 1 April 2017	37,304	31,367	68,671

**Movement in PFI Assets
2016/17**

	Centres for Learning	Street Lighting	Total
	£000	£000	£000
Cost or Valuation			
at 1 April 2016	58,601	48,354	106,955
Additions	1	0	1
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0
at 31 March 2017	41,675	48,354	90,029
Accumulated Depreciation and Impairment			
at 1 April 2016	(3,290)	(16,319)	(19,608)
Depreciation charge	(1,082)	(668)	(1,750)
at 31 March 2017	(4,371)	(16,987)	(21,358)
Net Book Value			
at 31 March 2017	37,304	31,367	68,671
at 1 April 2016	55,312	32,035	87,347

a) Centres for Learning / Primary Learning Centre

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

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

Assets held under PFI arrangements

Four of the total seven Centres for Learning were Council owned and these Centres were included in the Council's Balance Sheet. However, during 2013/14 three of these Centres for Learning transferred to Academy status and the Council treated this transfer as a disposal for nil consideration on the Balance Sheet. The Centres for Learning that are voluntary aided have not been included on the Council's Balance Sheet on the basis that Liverpool Archdiocese has legal ownership of the land and of the residual interest at the end of the agreement. Bluebell Park Primary Learning Centre is Council owned and therefore the fixed asset figures in the Balance Sheet include the following values.

b) Street Lighting

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

Movement in PFI Liabilities

2017/18	Centres for Learning	Street Lighting	Total
	£000	£000	£000
Balance outstanding at start of year	(109,426)	(29,976)	(139,402)
Payments during the year	4,118	586	4,704
	(105,308)	(29,390)	(134,698)

Balance outstanding at year-end

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

Balance outstanding at year-end

Value of liabilities under PFI arrangements

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

Payments due under PFI schemes - 2017/18

Reimbursement of Capital Expenditure	Centres for Learning	Street Lighting	Total
	£000	£000	£000
Payable within one year	(3,875)	(660)	(4,535)
Payable within two to five years	(18,490)	(3,533)	(22,023)
Payable within six to ten years	(31,153)	(6,707)	(37,860)
Payable within eleven to fifteen years	(38,097)	(8,400)	(46,497)
Payable within sixteen to twenty years	(13,693)	(10,090)	(23,783)
Total	(105,308)	(29,390)	(134,698)

Interest	Centres for Learning	Street Lighting	Total
	£000	£000	£000
Payable within one year	(7,952)	(2,699)	(10,651)
Payable within two to five years	(28,673)	(10,067)	(38,740)
Payable within six to ten years	(26,681)	(10,231)	(36,912)
Payable within eleven to fifteen years	(13,660)	(6,994)	(20,654)
Payable within sixteen to twenty years	(1,051)	(1,681)	(2,732)
Total	(78,017)	(31,672)	(109,689)

Payment for Services	Centres for Learning	Street Lighting	Total
	£000	£000	£000
Payable within one year	(4,998)	(1,575)	(6,573)
Payable within two to five years	(19,833)	(6,763)	(26,596)
Payable within six to ten years	(25,284)	(9,981)	(35,265)
Payable within eleven to fifteen years	(30,743)	(13,252)	(43,995)
Payable within sixteen to twenty years	(8,590)	(8,349)	(16,939)
Total	(89,448)	(39,920)	(129,368)

Note 41 - Impairment Losses

The Council's approach to impairment of assets is set out in the Council's accounting policies. The amounts that have been recognised as charges to cost of service are £1.863m (£1.031m in 2016/17).

Note 42 - Termination Benefits

The Council terminated the contracts of 156 employees during 2017/18, incurring liabilities of £1.848m (£2.639m in 2016/17). The payments were made to officers who left the employment of the Council to enable the Council to realise the approved budget savings.

Note 43 - Pension Schemes Accounted for as Defined Contribution Schemes

The Council participates in the following pension schemes:

Local Government Pension Scheme

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

The transactions that are included in the 2017/18 Comprehensive Income and Expenditure Statement in respect of the Council's pensions scheme are set out in the following table, based upon information provided to the Council by the Pension Fund's independent actuary. The cost of retirement benefits is shown in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge to be met in the year is based on the amounts set by the Pension Fund, so the real cost of accrued retirement benefits is reversed out of the accounts as indicated in the Movement in Reserves Statement.

Teachers Pension Scheme

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

NHS Pension Scheme

From 1 April 2013, Public Health responsibilities transferred from primary care trusts to local authorities. NHS staff have also transferred to the Council who have maintained their membership in the NHS Pension Scheme. The Scheme provides specified benefits and the Council contributes towards the cost by making contributions based on a percentage of the members' pensionable salaries. The scheme is an unfunded defined benefit scheme but the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of the Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2017/18 the Council paid £0.103m to the NHS Pension Scheme in respect of former NHS staff retirement benefits (£0.119m in 2016/17).

2016/17		2017/18	
LGPS	Teachers Additional Unfunded Pensions	LGPS	Teachers Additional Unfunded Pensions
£000	£000	£000	£000
(27,508)	(595)	(32,932)	(431)
	Reversal of net charges made to the Surplus or Deficit on the Provision of Services		
	Actual amount charged against the general fund balance for pensions in the year:		
12,373	1,450	40,442	1,401
	Employers' contributions payable to scheme		

2016/17		Pensions Assets and Liabilities Recognised in the Balance Sheet		2017/18	
LGPS	Teachers Additional Unfunded Pensions	LGPS	Teachers Additional Unfunded Pensions	LGPS	Teachers Additional Unfunded Pensions
£000	£000	£000	£000	£000	£000
(1,058,843)	(17,947)	(1,044,699)	(16,679)	(1,044,699)	(16,679)
	Present value of the defined obligation				
694,368	0	742,086	0	742,086	0
	Fair value of plan assets				
(364,475)	(17,947)	(302,613)	(16,679)	(302,613)	(16,679)
	Value of Assets / (Liabilities)				
0	0	0	0	0	0
	Other movements in the (liability) / asset				
(364,475)	(17,947)	(302,613)	(16,679)	(302,613)	(16,679)
	Net (liability) / asset arising from the defined benefit obligation				

2016/17		Movement in the Value of Scheme Assets		2017/18	
		Teachers Additional Unfunded Pensions			
LGPS	£000	£000		LGPS	£000
573,080		0	Opening fair value of scheme assets	694,368	0
20,432		0	Interest income	17,933	0
			Re-measurement gain / (loss):		
111,923		0	- The return on plan assets, excluding the amount included in the net interest expense	12,077	0
12,373		1,450	Contributions from employer	40,442	1,401
4,661		0	Contributions from employees into the scheme	4,728	0
(28,101)		(1,450)	Benefits / transfers paid	(27,108)	(1,401)
0		0	Administration expenses	(354)	0
694,368		0	Closing value of scheme assets	742,086	0

2016/17		Movements in the Fair Value of Scheme Liabilities		2017/18	
		Teachers Additional Unfunded Pensions			
LGPS	£000	£000		LGPS	£000
(850,743)		(18,219)	Opening balance at 1 April	(1,058,843)	(17,947)
(15,524)		0	Current service cost	(23,788)	0
(30,205)		(595)	Interest cost	(26,190)	(431)
(4,661)		0	Contributions from scheme participants	(4,728)	0
			Re-measurement gains and losses:		
23,965		0	- Actuarial gains / (losses) - experience	0	0
12,563		960	- Actuarial gains / (losses) from changes in demographic assumptions	0	0
(220,128)		(1,922)	- Actuarial gains / (losses) from changes in financial assumptions	42,275	298
0		379	- Other	0	0
0		0	Past service cost	(101)	0
(2,211)		0	Gains / (losses) on curtailments	(432)	0
28,101		1,450	Benefits / transfers paid	27,108	1,401
(1,058,843)		(17,947)	Balance as at 31 March	(1,044,699)	(16,679)

LGPS - Pension Scheme - Assets comprised of:
Fair value of scheme assets

2016/17			2017/18			
Quoted	Unquoted	Total		Quoted	Unquoted	Total
£000	£000	£000		£000	£000	£000
Equities						
144,533	0	144,533	UK	156,359	0	156,359
227,857	0	227,857	Global	234,870	0	234,870
372,390	0	372,390	Subtotal Equities	391,229	0	391,229
Bonds						
27,775	0	27,775	UK Government	26,641	0	26,641
17,359	0	17,359	UK Corporate	32,132	0	32,132
61,799	0	61,799	UK Index Linked	60,183	0	60,183
106,933	0	106,933	Subtotal Bonds	118,956	0	118,956
Property						
2,083	32,635	34,718	UK Direct Property	1,410	43,115	44,525
0	8,332	8,332	UK Property Managed	0	11,205	11,205
0	11,110	11,110	Global Property Managed	0	10,389	10,389
2,083	52,077	54,160	Subtotal Property	1,410	64,709	66,119
Alternatives						
69	23,609	23,678	UK Private Equity	74	24,415	24,489
0	24,303	24,303	Global Private Equity	0	23,227	23,227
0	5,069	5,069	UK Hedge Funds	0	3,785	3,785
0	16,943	16,943	Global Hedge Funds	0	19,443	19,443
208	13,679	13,887	Global Infrastructure	0	14,619	14,619
694	13,818	14,512	UK Infrastructure	816	17,513	18,329
11,040	17,151	28,191	UK Opportunities	9,944	18,849	28,793
2,430	8,263	10,693	Global Opportunities	4,230	9,053	13,283
14,441	122,835	137,276	Subtotal Alternatives	15,064	130,904	145,968
Cash						
23,609	0	23,609	Cash Instruments	19,814	0	19,814
23,609	0	23,609	Subtotal Cash	19,814	0	19,814
519,456	174,912	694,368	Total Assets	546,473	195,613	742,086

The significant assumptions used by the actuary have been:

2016/17	LGPS	2017/18
Mortality assumptions		
Longevity at retirement for current pensioners		
21.9	Men	22.0
24.7	Women	24.8
Longevity at retirement for future pensioners		
24.9	Men	25.0
27.7	Women	27.8
Other assumptions		
2%	Rate of inflation	2.1%
3.5%	Rate of increase in salaries	3.6%
2%	Rate of increase in pensions	2.2%
3.6%	Rate for discounting scheme liabilities	2.6%

Impact of assumptions on the obligation:

Assumption	LGPS	Increase by 0.1% £000
Longevity		20,910
Rate of inflation		18,757
Rate of increase in salaries		3,003
Rate of increase in pensions		0
Rate for discounting scheme liabilities		(18,426)

The significant assumptions used by the actuary have been:

2016/17	Teachers Additional Unfunded Pensions	2017/18
Mortality assumptions		
Longevity at retirement for current pensioners		
13.1	Men	22.0
15.6	Women	25.0
Longevity at retirement for future pensioners		
0.0	Men	0.0
0.0	Women	0.0
Other assumptions		
2.3%	Rate of inflation	2.1%
0%	Rate of increase in salaries	0%
2.3%	Rate of increase in pensions	2.2%
2.5%	Rate for discounting scheme liabilities	2.6%

Impact of assumptions on the obligation:

Increase by 1%	Teachers Additional Unfunded Pensions Assumption	Decrease by 1%
£000		£000
638	Longevity	0
148	Rate of inflation	0
0	Rate of increase in salaries	0
0	Rate of increase in pensions	0
(147)	Rate for discounting scheme liabilities	0

Note 45 - Contingent Liabilities

There are no significant contingent liabilities at 31 March 2018. In particular:

- there is no significant pending or threatened litigation; and,
- there are no material commitments or contractual issues.

Note 46 - Contingent Assets

The Council had no contingent assets as at 31 March 2018.

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

The Council complies with CIPFA's Code of Practice on Treasury Management and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in December 2017).

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

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

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

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

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other Local Authorities, Police and Crime Commissioners and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

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

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

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

“denotes relative status within major categories.

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

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

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

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

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

Fitch’s viability rating aaa denotes the highest fundamental credit quality and f denotes the lowest i.e. an opinion of failure. An added “+” or “-” may be appended to a rating to denote relative status within major rating categories. The lowest Fitch Viability rating the Council used at the balance sheet date was “a-” that denotes a high fundamental credit quality.

Fitch’s support ratings reflect the agency’s view on the likelihood that a financial institution will receive extraordinary support, in case of need, to prevent it defaulting on its senior obligations. Extraordinary support typically comes from one of two sources: the rated entity’s shareholders (institutional support) or the national authorities of the country where it is domiciled (sovereign support). However, in some circumstances support ratings may also reflect potential support from other sources, e.g. international financial institutions, regional governments or expected acquirers of the rated entity. A scale of 1-5 is used where 1 indicates a bank where there is an extremely high probability of external support and 5 is where external support, although possible, cannot be relied upon. The lowest Fitch support rating the Council had used at the balance sheet date was 5.

The Council’s maximum exposure to credit risk in relation to its investments of £56.841m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council’s deposits, but there was no evidence at the 31 March 2018 that this was likely to happen.

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

Counterparty Category	Criteria					Maximum Investment & Duration per Institution / Group on 31 March 2018	Total Exposure 31 March 2018 (per balance sheet) £000	
	Country Long Term Rating	Fitch Long Term Rating	Fitch Short Term Rating	Fitch Viability Rating	Fitch Support Rating			
UK Banks	UK AA	A	F1	a	2	£10m / up to 6 months	10,000	
UK Banks	UK AA	A	F1	a	5	£10m/ up to 100 days	4,000	
Money Market (Luxembourg)	LX AAA	AAA					£10m/up to 12 months	5,695
UK Covered Bond	UK AA	A-	F1	a-	5	Max period and amount to be agreed with Advisor prior to investing	1,037	
UK Merchant Bank	UK AA	A	F1	a	5	£1m/up to 6 months	1,000	
Corporate Bond	UK AA	AA					Max period and amount to be agreed with Advisor prior to investing	3,843
Supernational Bond	AAA	Not applicable					£10m / max period to be agreed with Advisor prior to investing	4,867
UK Fixed deposit	UK AA	Not applicable					£2.5m/up to 5 years	2,500
Fund Managers	UK AA	Not applicable					max period to be agreed with Advisor prior to investing	10,703
Other Local Authorities	UK AA	Not applicable					£20m/up to 12 months	13,000
UK Treasury Stock	Not applicable						Not applicable	3
Total Exposure to Credit Risk from Investments at 31 March 2018							56,648	
Accrued interest at 31 March 2018							193	
Total Exposure to Credit Risk including accrued interest at 31 March 2018							56,841	

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

	Amount at 31 March 2018 (carrying amount of contractually based debtors) £000	Historical Experience of default %	Historical Experience adjusted for market conditions at 31 March 2018 %	Estimated Maximum exposure to default and uncollectability £000
Total Investments (per previous table)	56,841	0	0	0
Mortgagors	11	0	0	0
LAMS Debtor	1,000	0	0	0
Employee Related Debtors	91	0	0	0
Other Debtors	12,882	13.71	32.31	4,162
Total	70,825			4,162

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

On 31 March 2018 the Council held 10 mortgage accounts. The arrears on these accounts totalled £0.014m. The value of the mortgagee’s home is secured as collateral against the default risk. Cases with arrears exceeding three months are routinely monitored, and the Council uses a specialist Loan and Mortgages Administrative Service to manage the accounts and recover arrears.

On 31 March 2018 the Local Authority Mortgage Scheme (LAMS) had provided assistance through the provision of indemnity to enable 51 mortgages. Of the £1m indemnity fund available £0.905m has been taken up. The scheme closed to new mortgage applicants in July 2016. As this scheme has been a success with so few mortgage defaults nationally it has been confirmed that Knowsley’s £1m indemnity fund will be returned in full in 2018/19.

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

Other debtors at 31 March 2018 include £10.906m of contractually based other entities and individuals, £1.880m of contractually based other local authority debtors and £0.096m of contractually based housing association debtors.

On 31 March 2018 £8.889m of the total sundry debtor balance outstanding is past its due date for payment. The past due amount can be analysed by age as follows:

	£000
Less than one month	3,644
Two to six months	3,429
Six months to one year	382
More than one year	1,444
	8,899

The Council has a clearly documented credit policy setting out the Council-wide responsibilities to minimise the risk to the Council of income that cannot be collected, or is difficult to collect. Debt is managed centrally with system-based recovery routines and overdue letter cycles. All available recovery methods are utilised including telephone collection, external collection agents, bankruptcy and charging orders where appropriate. A comprehensive analysis of all outstanding debt is undertaken, and collection performance monitored and reported to senior management, on a monthly basis throughout the year.

The Council makes a provision for past due debtors based on the actual collection performance of previous years and according to the perceived level of risk associated with those debtors. All activities are supported by written procedures and policies including a Debt Recovery Strategy, Write-Off Policy and Partnership Working Agreement with Legal Services.

Liquidity Risk

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

Maturity Period of Fixed Rate Borrowing	Upper limit of Fixed Rate Borrowing to mature in each period	Public	Lender Offer	Long Term Loans at 31 March 2018	Temporary Loans Maturity at 31 March 2018	Total Maturity at 31 March 2018	Actual %
		Works Loan Board Maturity at 31 March 2018	Borrower Option Maturity at 31 March 2018				Maturity of Fixed Rate Borrowing at 31 March 2018
		£000	£000	£000	£000	£000	2018
Under 12 months	30%	1,456	11,090	106	0	12,652	11
1-2 years	20%	5	0	0	0	5	0
2-5 years	50%	1,163	0	0	0	1,163	0
5-10 years	80%	3,076	0	0	0	3,076	3
10 years and above	100%	97,023	0	6,300	0	103,323	86
		102,723	11,090	6,406	-	120,219	

Transferred debt has been excluded from the above table as it is not a contractual obligation. The debt was created through local government reorganisation in 1974 and 1986 and administered by other local authorities on behalf of the Council.

The Council had £11.090m of “Lender’s offer, borrower’s option” (LOBO) loans where the lender has the option to propose an increase in the rate payable once the loan falls out of the fixed rate period and becomes “callable” on a semi-annual basis. Of the £11.090m LOBO’s shown in the fixed rate maturity period of under 12 months, the Council has a LOBO with a principal balance of £6m that became callable from 25 November 2013 and a LOBO with a principal balance of £5m that became callable from 8 September 2015.

If a LOBO is called and the rate changed by the Lender, the Council will have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay this loan. The maturity date is therefore uncertain but the Council shows all LOBO's in the maturity period that their fixed period ends to ensure sufficient funds are available to repay the loans if called.

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

Market Risk

Interest Rate Risk

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

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

Investments classed as “loans and receivables” and loans borrowed are not carried on the Balance Sheet at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. Changes in interest payable and receivable on variable rate borrowings and investments would be posted to the Surplus or Deficit on the Provision of Services. However, the Council did not hold any variable rate borrowing as at 31 March 2018. Movements in the fair value of fixed rate investments classed as “available for sale” would be reflected in Other Comprehensive Income and Expenditure if realised.

The Council has a number of strategies for managing interest rate risk. The treasury management strategy is to aim to keep a maximum of 50% of borrowings in variable rate loans. At 31 March 2018, the Council had no exposure to variable rate borrowing. The treasury management team receives professional advice and has a strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

If all interest rates had been 1% higher on 31 March 2018 with all other variables held constant, the financial effect would be as follows:

	£000
Decrease in fair value of fixed rate investment assets (no impact on Comprehensive Income and Expenditure)	80
Decrease in fair value of available for sale financial assets (no impact on Comprehensive Income and Expenditure)	697
Decrease in fair value of fixed rate borrowings liabilities (no impact on Comprehensive Income and Expenditure)	31,642

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

Currency Exchange Risk

On the balance sheet date The Council held approximately £0.211m financial assets and £0.004m liabilities denominated in Euro's. The Council does not consider it is exposed to any significant risk of adverse movements in the currency exchange rate.

Price risk

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

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. The risk is limited by the Council's maximum exposure to property investments of £7m.

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

Note 49 - Trust Funds

Capital Value of Fund 2016/17	Other Funds	Capital Value of Fund 2017/18
£000		£000
829	King George V Playing Fields	830
43	Huyton Distress Fund	0
0	Charles McGhee	0
16	Fred Curran	0
18	Mayors Charity	18
11	Other	10
917	Total	858

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

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

Huyton Distress Fund - Long standing trust fund – for hardship cases within the area of Huyton. During 2017/18 this Trust Fund was transferred to the Community Foundations for Lancashire and Merseyside to administer who will actively promote its use.

Fred Curran - Established in 1990 – to provide funding assistance for disabled athletes who reside in the borough relevant to training for and participation in Special Olympics. During 2017/18 this Trust Fund was transferred to the Community Foundations for Lancashire and Merseyside to administer who will actively promote its use.

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

Collection Fund

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

31 March 2017			31 March 2018			
Business Rates £000	Council Tax £000	Total £000	Collection Fund	Business Rates £000	Council Tax £000	Total £000
INCOME:						
	(53,703)	(53,703)	Council Tax Receivable		(57,417)	(57,417)
(44,850)		(44,850)	Business Rates Receivable	(47,492)		(47,492)
0	0	0	Transitional Protection Payments Receivable	(363)	0	(363)
(44,850)	(53,703)	(98,553)	Total amounts to be credited	(47,855)	(57,417)	(105,272)
EXPENDITURE:						
Apportionment of Previous Year Surplus/Deficit:						
(5,343)		(5,343)	Central Government	1,702		1,702
(5,236)	413	(4,823)	Knowsley MBC	1,668	207	1,875
(107)	23	(84)	Merseyside Fire and Rescue Authority	34	11	45
0	52	52	Police and Crime Commissioner for Merseyside	0	25	25
Precepts, demands and shares:						
20,635		20,635	Central Government	0		0
20,222	44,238	64,460	Knowsley MBC	44,449	47,483	91,932
413	2,432	2,845	Merseyside Fire and Rescue Authority	449	2,535	2,984
0	5,432	5,432	Police and Crime Commissioner for Merseyside	0	5,659	5,659
Charges to Collection Fund:						
0	1,358	1,358	Increase/(decrease) in allowance for impairment	328	1,370	1,698
1,953		1,953	Increase/(decrease) in allowance for appeals	4,561		4,561
55		55	Transitional Protection Payments Payable	0		0
143		143	Charge to General Fund for allowable collection costs for non-domestic rates	144		144
32,734	53,947	86,681	Total amounts to be debited	53,336	57,290	110,626
(12,117)	244	(11,873)	(Surplus)/Deficit arising during the year	5,481	(126)	5,354
(1,069)	(487)	(1,555)	(Surplus)/Deficit b/f at 1 April 2017	(13,186)	(243)	(13,428)
(13,186)	(243)	(13,428)	(Surplus)/Deficit c/f at 31 March 2018	(7,705)	(369)	(8,074)

Notes to the Collection Fund**Note 1 - Council Tax**

Most dwellings within the Borough are subject to council tax and each dwelling is allocated to one of eight bands according to its open market capital value at 1 April 1991. Each band is then converted to a “Band D equivalent” to establish the tax base, with individual charges being calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the tax base.

The tax base for 2017/18 was 34,097 (33,364 in 2016/17). The tax base was approved at the Council meeting on 25 January 2017 and was calculated as follows:

Council Tax Income**2017/18**

Band	Valuation band limits £	Calculated no of dwellings	Ratio to band D	Equated No of dwellings	
		No		No	
A	Upto and including - 40,000	37,520	6/9	25,013	
B	40,001 - 52,000	13,732	7/9	10,680	
C	52,001 - 68,000	9,017	8/9	8,015	
D	68,001 - 88,000	3,983	9/9	3,983	
E	88,001 - 120,000	1,602	11/9	1,958	
F	120,001 - 160,000	282	13/9	407	
G	160,001 - 320,000	128	15/9	213	
H	More than - 320,001	17	18/9	34	
				Adjustment	(16,206)
				Council tax base	<u>34,097</u>

2016/17

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

Collection Fund surpluses (or deficits) declared by the billing authority in relation to council tax are apportioned (or proportionately charged) to the relevant precepting bodies in the subsequent financial year. For Knowsley, the council tax precepting bodies are the Police

and Crime Commissioner for Merseyside (PCCM) and the Merseyside Fire and Rescue Authority (MFRA).

The Council has a statutory requirement to prepare an estimate each January of the surplus or deficit on council tax expected to arise at the end of the financial year. In January 2017 it was estimated that there would be a £0.243m council tax surplus on the Collection Fund (£0.487m surplus in January 2016) and therefore this would be due back to the preceptors in 2017/18.

Note 2 - Business Rates

The Council collects business rates for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. For 2017/18 the total rateable value at the year end is £110.7m (£104.2 in 2016/17). The national multipliers for 2017/18 were 46.6p for qualifying small businesses, with the standard multiplier being 47.9p for all other businesses (48.4p and 49.7p respectively in 2016/17).

Under the Business Rates Retention Pilot Scheme, introduced across the Liverpool City Region in 2017/18, Knowsley retains 99% of its collectable business rates with the remaining 1% being paid to the Merseyside Fire and Rescue Authority (MFRA). Previously Knowsley retained 49% and Central Government retained the other 50%, and hence any apportionment of prior year balances will still be in these proportions.

The business rates shares payable for 2017/18 were estimated before the start of the financial year as £44.449m to Knowsley and £0.449m to MFRA. These sums have been paid in 2017/18 and charged to the Collection Fund in year. The actual income from business ratepayers for 2017/18 was £47.492m (£44.850m in 2016/17).

In addition to the local management of business rates, authorities are expected to finance successful appeals made by ratepayers in respect of rateable values as defined by the VOA and hence business rates outstanding at 31 March 2018. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion to the precepting shares. The total successful prior year appeals awarded and charged to the provision during 2017/18 was £5.013m, with a further increase to the provision of £4.561m, leaving a total of £9.077m at 31 March 2018 to cover future payments for those appeals still pending. Knowsley's 99% share of the provision (£8.986m) is included in its consolidated balance sheet.

The forecast Business Rates Collection Fund in-year deficit of £2.076m (as declared in January 2018 as part of the Council's 2018/19 NNDR1 return to the Government) was primarily based on expectations for the need to set aside additional funds in the Collection Fund provision for appeals to cover likely increases in such costs following the release of the VOA's 2017 rateable value listing. This forecast proved to be accurate in determining the final outturn position for 2017/18.

In 2018/19 Knowsley's General Fund will be charged with 99% of the declared in-year deficit. The Council has therefore created a provision of £2.055m in its General Fund to recognise this liability.

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

Conclusion on Knowsley Metropolitan Borough Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Glossary

AAA FITCH RATING

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

AA FITCH RATING

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

A FITCH RATING

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

ACCOUNTING PERIOD

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

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

ASSET

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

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

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

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

BORROWING

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL PROGRAMME

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

CAPITAL RECEIPT

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

CIPFA

The Chartered Institute of Public Finance and Accountancy

COLLECTION FUND

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

COMMUNITY ASSETS

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONSISTENCY

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:

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

CREDITOR

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

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

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

DEFINED BENEFIT PENSION SCHEME

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

DEPRECIATION

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

DISCRETIONARY BENEFITS (PENSIONS)

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

EQUITY

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

EVENTS AFTER THE BALANCE SHEET DATE

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

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

FINANCE LEASE

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

HOUSING BENEFITS

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

IMPAIRMENT

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

INTEREST COST (PENSIONS)

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

INVESTMENTS (PENSION FUND)

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

LIABILITY

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

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

LIQUID RESOURCES

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market.

LONG-TERM CONTRACT

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

MATERIALITY

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

MINIMUM REVENUE PROVISION (MRP)

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

NET BOOK VALUE

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

NET DEBT

The Authority's borrowings less cash and liquid resources.

NON-DOMESTIC RATES (NDR)

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

NON-OPERATIONAL ASSETS

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

OPERATING LEASE

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

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST (PENSIONS)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

PENSION SCHEME LIABILITIES

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

PRECEPT

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

PRIOR YEAR ADJUSTMENT

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

PROVISION

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

PUBLIC WORKS LOAN BOARD (PWLB)

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

RATEABLE VALUE

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

RELATED PARTIES

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

RELATED PARTY TRANSACTIONS

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

REMUNERATION

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

RESERVES

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

RESIDUAL VALUE

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

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

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

REVENUE SUPPORT GRANT

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

STOCKS

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

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

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

USEFUL ECONOMIC LIFE (UEL)

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