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Town Hall
Trinity Road
Bootle
L20 7AE

Date: 11 March 2021
Our Ref:
Your Ref:

Please contact: Ruth Appleby
Contact Number: 0151 934 2181
e-mail: ruth.appleby@sefton.gov.uk

Dear Councillor

AUDIT AND GOVERNANCE COMMITTEE - WEDNESDAY 17TH MARCH, 2021

I refer to the agenda for the above meeting and now enclose the following report which was unavailable when the agenda was published.

Agenda No.	Item
4.	Statement of Accounts 2019/2020 (Pages 3 - 252) Report of the Executive Director of Corporate Resources and Customer Services

Yours sincerely,

Ruth Appleby

Democratic Services Officer

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Agenda Item 4

Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 17 March 2021
Subject:	Statement of Accounts 2019/2020		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Cabinet Member - Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

Summary:

To present the final audited 2019/2020 Statement of Accounts, including the Annual Governance Statement, for consideration and approval. In addition, the proposed "Letter of Representation" letter from Sefton to Ernst & Young LLP (EY) is attached for approval.

Recommendation(s):

The Audit and Governance Committee is asked to:

- (1) Approve the 2019/2020 Statement of Accounts;
- (2) Approve the Annual Governance Statement (Section 11 of the Statement of Accounts);
- (3) Note the comments of Ernst & Young LLP; and,
- (4) Approve the Letter of Representation and Authorise the Chair and the Executive Director of Corporate Resources and Customer Services to sign it on the Council's behalf.

Reasons for the Recommendation(s):

The Council, or nominated Committee charged with responsibility for Governance, must approve the Statement of Accounts, including the Annual Governance Statement. The Audit and Governance Committee has been delegated with this responsibility and is required to approve the audited Accounts for 2019/2020 prior to its publication.

The deadline for publication was 30 November 2020. However, the regulations allow for a delay in publication where the audit has not yet been completed. This report explains that there has been a delay in completing the audit for 2019/2020. The audit is now complete, so the Statement of Accounts is now being presented for approval.

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Alternative Options Considered and Rejected: (including any Risk Implications)
None

What will it cost and how will it be financed?

(A) Revenue Costs
None

(B) Capital Costs
None

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): None
Legal Implications: This report complies with legislation, particularly the requirements of the Accounts and Audit (England) Regulations 2015 as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.
Equality Implications: There are no equality implications.

Contribution to the Council's Core Purpose:

Protect the most vulnerable: Not applicable
Facilitate confident and resilient communities: Not applicable
Commission, broker and provide core services: Not applicable
Place – leadership and influencer: Not applicable
Drivers of change and reform: Not applicable
Facilitate sustainable economic prosperity: Not applicable
Greater income for social investment: Not applicable
Cleaner Greener: Not applicable

What consultations have taken place on the proposals and when?

(A) Internal Consultations

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The Executive Director of Corporate Resources and Customer Services is the author of this report (FD 6343/21).

The Head of Regulation and Compliance (LD 4444/21) has been consulted and has no comments on the report.

(B) External Consultations

None

Implementation Date for the Decision

Immediately following the Committee.

Contact Officer:	Paul Reilly
Telephone Number:	Tel: 0151 934 4106
Email Address:	paul.reilly@sefton.gov.uk

Appendices:

The following appendices are attached to this report:

Appendix A – Statement of Accounts 2019/2020

Appendix B – Executive Summary 2019/2020

Appendix C – Audit Results Report – Ernst & Young

Appendix D – Letter of Representation

Background Papers:

There are no background papers available for inspection.

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1. Background

- 1.1 Since 2010/2011 the Audit and Governance Committee is only required to approve the Statement of Accounts following the completion of the Audit. The draft Statement of Accounts was presented to this Committee in September 2020 to provide members with additional time to consider the key aspects of the accounts in advance of this meeting.
- 1.2 Since 2017/2018 approval has taken place at the special meeting of this Committee in July (approval and publication of the audited Statement of Accounts was required by 31 July). However, due to the impact of COVID-19 on the staffing resources of councils and external auditors, the deadline for approving and publishing the audited Statement of Accounts for 2019/2020 has been temporarily changed to 30 November 2020. Therefore, a special meeting of this committee was arranged in November 2020 to consider and approve the Statement of Accounts for 2019/2020.
- 1.3 As the completion of the audit of the Statement of Accounts had been delayed due to resource issues at our external auditors, EY LLP, the special meeting scheduled for 18th November 2020 was cancelled and the approval was then proposed to take place at the committee on 16th December 2020.
- 1.4 Sefton and EY agreed a workplan so that the final audited accounts could be presented to the December committee for approval. However, due to continued resource issues, there were some tasks still to be finalised, as well as internal reviews that needed to be undertaken by EY, that meant the audit wasn't completed until recently.
- 1.5 Although regulations require the publication of the Statement of Accounts for 2019/2020 by 30 November 2020, the same regulations allow for this to be delayed where the audit has yet to be concluded. This delay needs to be published on our website. The publication of the final Statement of Accounts needs to take place *“as soon as reasonably practicable after the receipt of any report from the auditor which contains the auditor's final findings from the audit which is issued before the conclusion of the audit”*.
- 1.6 At the time of writing this report, Ernst & Young (EY) have now completed the majority of the audit of the 2019/2020 Statement of Accounts with only a small number of items still to be completed. The report from EY on the financial statements (including formal opinion on the accounts) is discussed in Sections 4 and 5 (their report is attached as Appendix C).
- 1.7 As part of the formal process to approve the Accounts, the Committee is also required to authorise Sefton's "Letter of Representation" to EY. This basically acknowledges the Council's responsibilities in preparing the Accounts and confirms whether there have been any material changes to the financial circumstances contained in the Accounts that EY should be made aware of. This is considered further in Section 6 (draft letter is attached as Appendix B).
- 1.8 In addition, Section 2 discusses the content of the Statement of Accounts and highlights the presentational changes and additional disclosures that are included

in the 2018/2019 Statement. The approval of the Annual Governance Statement is considered in Section 3.

2 The Content of the Statement of Accounts

2.1 The 2019/2020 Statement of Accounts is an important document, which aims to provide clear information about the Authority's finances for the year and is intended to answer:

- What the Authority's services cost for the year?
- Where the money comes from to pay for these services?
- What were the Authority's assets and liabilities at the year-end?

2.2 On 28 February 2019, the Council approved a revenue budget for 2019/2020 of £220.212m which included £1.073m relating to the expenditure of Parish Councils.

2.3 At that time, it was anticipated that balances for non-school budgets would total £7.209m at 31 March 2019. As a result of an underspend of £0.330m in 2018/2019 the actual year-end balances position was revised to £7.539m. The 2019/2020 Budget assumed no use of general balances.

2.4 Overall, actual expenditure for 2019/2020 on General Fund services (excluding Schools' delegated expenditure) was £0.555m higher than the Base Estimates which has reduced General Fund Balances. The Authority's Non-School General Fund balances at 31 March 2020 shown in the Draft Statement of Accounts are therefore **£6.984m**.

2.5 The Statement of Accounts (attached as **Appendix A**) and the Executive Summary (attached as **Appendix B**) are also important in:-

- Demonstrating proper stewardship of public monies;
- Providing evidence of the quality and robustness of the Authority's financial systems and processes;
- Indicating that current financial performance, monitoring and the Medium-Term Financial Plan are integrated processes which will assist the Council in improving its financial standing;
- Providing the key financial information, which will enable future plans and decisions to be made on the basis of known facts and available financial resources; and
- Providing a key line of communication to stakeholders on the Council's current financial performance. The draft Statement of Accounts was available online on Sefton's website from the middle of August.

2.6 The Statement of Accounts includes a Narrative Report, which focuses on the most significant matters reported in the document. A brief explanation of each Section is also provided (highlighting what it is intended to show) to aid the understanding of the Accounts.

2.7 For 2019/2020 there have been no significant changes to how the Statement of Accounts are produced or presented.

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- 2.8 The statutory declaration by the Executive Director of Corporate Resources and Customer Services in the Statement represents his approval of the Accounts. Following approval of the Statement of Accounts by the Audit and Governance Committee, the Chair of the Committee will be required to sign the Accounts along with the external auditor completing their statutory certification in relation to his opinion on the financial statements.

3 Annual Governance Statement

- 3.1 The “Annual Governance Statement” is required to be presented with the Statement of Accounts. The statement is included as section 11 of the Council’s Accounts and needs to be formally accepted by this Committee.

4 Significant Accounting Matters / Corrected Misstatements

- 4.1 The EY Report to those charged with Governance is attached at **Appendix C**. It gives details of the significant audit and accounting matters to consider and the material misstatements identified as part of their audit work which have been corrected. These items are listed below, and more details will be found in the EY Report:

4.2 Areas of Audit Focus:

EY had four main areas of audit focus:

- Risk of fraud in revenue and expenditure recognition;
- Misstatements due to fraud or error (management override of controls);
- Risk of error in valuation of pension fund assets and liabilities in the Local Government Pension Scheme; and,
- Valuation of land and buildings.

No significant issues have been found by EY.

4.3 Unadjusted Differences:

The auditor of the Merseyside Pension Fund advised of an unadjusted error of a £16m overstatement in level 3 assets of the Fund. The Council’s share, at 10.5%, is £1.68m. As the Pension Fund assets have not been amended, and the Council share of the overstatement is not material, EY consider that the Council disclosures remain materially correct. EY have raised this issue as it is above their reporting threshold and officers have decided not to amend the financial statements for this difference.

4.4 Adjusted Differences:

The levy relating to the Transport Authority (£18.490m) was incorrectly disclosed under Other Service Expenses rather than Precepts and Levies within Note 5 to the financial statements. It should be noted that this adjustment has no impact on total expenditure or the Comprehensive Income and Expenditure Statement, and also has no impact on the General Fund position reported in paragraph 2.3.

- 4.5 A number of presentational and disclosure amendments have also been made to comply with requirements and to improve consistency and understanding.
- 4.6 The Statement of Accounts will need to be adjusted if any further items are identified by EY. These items will be reported verbally at the Committee meeting.

5 Ernst & Young's Report to those charged with Governance

- 5.1 The report covers the audit of the Statement of Accounts and Value for Money work undertaken by EY. Staff from EY will be present at the meeting to provide a brief summary of the issues contained in the report and to answer any questions Members may have.
- 5.2 With regard to the Accounts issues, these are discussed in Section 4 above. At the time of writing the report, EY had a small number of items to conclude; however, they anticipate that an unqualified opinion will be issued.
- 5.3 EY have a responsibility to carry out sufficient and relevant work in order to conclude on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. EY anticipate issuing an unqualified value for money conclusion which has been based on a local programme of audit work.
- 5.4 EY's report also makes recommendations in relation to weaknesses identified in internal control systems. Officers have considered the recommendations and the report includes their response to each issue.

6 Letter of Representation

- 6.1 The Council is required to provide a letter of representation to the Auditor at the conclusion of the audit. This acknowledges the Council's responsibilities in preparing the Accounts and provides the assurance to EY that no new information or decisions have been taken that would materially affect the Statement of Accounts for the year. Sefton's letter will be attached at **Appendix D**. No issues or decisions have been made / need to be disclosed. The letter has to be signed by the Chair of the Audit and Governance Committee and the Executive Director of Corporate Resources and Customer Services.

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STATEMENT OF ACCOUNTS 2019/2020

**As presented to the Audit and
Governance Committee on
17 March 2021**

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1 NARRATIVE REPORT**Introduction**

Sefton is a Metropolitan Borough Council, providing the full range of local authority services to the residents of Sefton. These services include planning, licensing, street cleansing, highways maintenance, and refuse collection, as well as safeguarding vulnerable children and helping older people retain their independence.

Located on the west coast of England between Liverpool in the south and Lancashire in the north / northwest, the Council covers the area from Bootle in the South, through Seaforth, Waterloo, Crosby, Thornton, Altcar, Ince Blundell, Lunt, Freshfield and Formby, up to and including Birkdale, Ainsdale, Southport and Crossens in the North. It also includes the areas of Maghull, Lydiate and parts of Melling and Aintree. It is responsible for providing services to approximately 276,000 residents, local businesses and industry.

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

The Council has continued to face significant financial challenges in 2019/2020. As a result of the Government's austerity program, the Council's core grant funding has been reduced year on year since 2010/2011. By 2019/2020 core Government grant funding had reduced by more than 50%. The Council has also seen a rise in demand for statutory services, most notably social care services provided to vulnerable adults and children.

As a result of the cuts in grant funding, local authorities are now more reliant on local sources of income such as Council Tax and Business Rates with the Council participating in the Liverpool City Region Business Rates Pilot scheme which has delivered around £3.0 million of additional income in 2019/2020.

In 2017, the Council agreed a three-year medium-term financial plan covering the period from 2017/2018 to 2019/2020. This plan identified the need to make a further £64 million of savings over this period, on top of the £169 million of savings that had already been made since 2010/2011. The impact of these savings requirements has required a radical change to the way that the Council operates and provides services. To facilitate this change, the Council undertook a major consultation exercise in 2016 to identify the areas that local residents thought the Council should prioritise for use of its resources (Sefton 2030 Vision and Council Core Purpose). The outcome of this consultation is summarised later in this document. The Council also invited the LGA to undertake a peer group review which was undertaken in September 2018.

In order to facilitate the changes required to meet the Council's future priorities, we have developed a Framework for Change program. This program covers four main strands, Economic Growth, Public Sector Reform, Service and Corporate Savings Options, and Strategic Investment. An overview of Framework for Change is also provided later in this document.

However, the current Coronavirus (COVID-19) crisis has had a significant impact on the provision of services and has reduced the level of funding that the Council can expect to raised funding through council tax, business rates, fees and charges. This has introduced a great deal of uncertainty about the Council's future funding in 2020/2021 and beyond.

Coronavirus (COVID-19)

The coronavirus pandemic has affected all our lives over the past few months resulting in a most complex set of circumstances. Protecting the health of our staff, members of our community, and visitors to our area, whilst continuing to provide vital services to the most vulnerable has been our priority during this crisis. We have done this in partnership with the Government, other local councils, partner agencies and businesses. We have also provided extensive communications to help our community deal with the effects of the pandemic and are planning for the recovery phase.

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Narrative

A presentation was made to the Cabinet members in June that summarised the Council's Response to COVID-19 in the first 3 months since the lock down was announced on 23 March 2020. Regular reports have been presented to Cabinet since.

The key points from that presentation are highlighted below:

Response Structures

In the first stages of response, the Council established a Strategic Coordination Group (SCG), chaired by the Chief Executive and comprising the Executive Leadership Team, Heads of Service, key specialists, representatives from each Council service area, and partner organisations such as the police and Clinical Commissioning Group (CCG).

The SCG coordinated the Council's response in alignment with the Merseyside Local Resilience Forum (MRF), which has implemented established and well-rehearsed emergency planning governance arrangements to coordinate a multiagency response.

The Council receives, reviews and distributes daily updates from HM Government and various departments, including from the daily press conferences, to ensure immediate interpretation of national and regional guidance to inform and support response.

How the Council has responded

In the first three months since the lockdown was announced on 23 March 2020, the council has:

- Maintained core services e.g. social care, refuse collection, highways maintenance, public health, registrar services, planning, economic development and business support.
- Closed some services e.g. Libraries, Leisure Centres, Atkinson (Arts Centre and Theatre)
- Provided support to more than 3,000 clinically vulnerable shielding residents including emergency food support, basic care needs and delivery of medicines.
- Opened a virtual contact centre - available 7 days a week plus online emergency cover.
- Supported more than 100 care homes. Ensuring that vulnerable adults are safe. Including an immediate resource injection, daily calls to care homes, addressing concerns about future viability. Providing an integrated social work response to vulnerable residents.
- Ordered more than 2 million items of personal protective equipment.
- Supported schools and nurseries that have remained open to educate the children of key workers.
- Arranged temporary accommodation for 140 homeless households.
- Transitioned staff to home working where possible.
- Redeployed over 500 staff.
- Registered over 1,000 Sefton residents as volunteers, who along with Sefton Councillors have been actively involved in contacting over 3,000 households.
- Delivered in partnership the first mobile covid-19 testing centre in Cheshire and Merseyside, with more than 3,500 tests carried out and almost 1,000 lab-confirmed positive cases in Sefton.
- Paid almost £45 million of business support grants to more than 4,000 businesses.
- Reissued more than 1,500 business rate bills to ensure local businesses benefit from additional new business rate reliefs.
- Awarded more than £2.3million of COVID-19 council tax discounts to over 15,000 low income households.

Economic Impact

The economic impacts on Sefton has been immediate and severe with 27,700 jobs furloughed in the borough, and support being provided to 8,500 self-employed individuals, a substantial increase in those claiming Universal Credit (in excess of the Liverpool City Region average), with a disproportionate impact on the young. The true impact of the pandemic will not be known for several months, however, it is clear that the impact will be felt beyond the medium term and the demand for council services will increase while the

Impact on Council finances

As stated Covid-19 is expected to have an impact on both demand for existing services as well as demand for new services. Adult social care has been disproportionately affected by COVID-19, particularly in relation to the impact on care homes. Children's Services has also experienced and is forecast to continue to experience significant demand increases. This has led to a significant increase in the cost of service provision.

The pandemic is also expected to have an impact on the Councils income streams:

- Fees and charges for car parking, leisure facilities, and adult social care are expected to experience significant reductions as a result of the lockdown and subsequent social distancing rules.
- Business rates income is expected to reduce as businesses fail or struggle to make payments due to the impact of lockdown or reductions in orders and sales due to reduced demand post lockdown.
- Council tax income is expected to reduce as residents lose their jobs or struggle to make payments as a result of reductions in income. A significant increase in the number of residents claiming council tax support is anticipated.

It is anticipated that it will now be more difficult to achieve the savings targets set out in the Council's 'Framework for Change' programme.

The Government has made additional funding available to councils to assist in meeting some of the additional expenditure pressures. Sefton's share of the emergency funding has totalled £23.7m.

Our most forecast of the impact of Covid-19 on the Council's finances is summarised below:

	£'m
Forecast cost of responding the pandemic	17.0
Loss of income from fees and charges	16.1
Reduced Council Tax receipts	5.1
Reduced Business Rates receipts	4.7
Sub Total	42.9
Government Funding Received	(23.7)
Forecast Shortfall	19.2

Regular updates have been presented to Council Members throughout the year.

An overview of Sefton Council

Sefton Councillors in 2019/2020

The Council is composed of 66 councillors (three for each of the Borough's 22 wards), with one-third elected three years in every four. The political analysis of the councillors as at June 2020 is identified below: -

Labour	43
Liberal Democrats	12
Conservative	6
Independent	5

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

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

Management Structure

Councillors

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

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

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

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

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

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

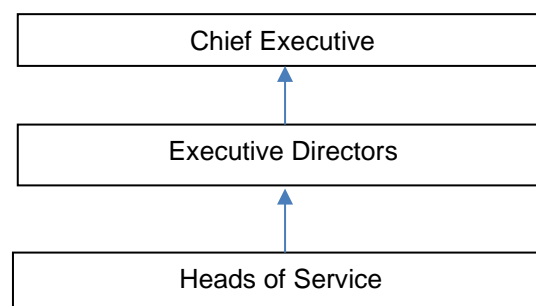
There is also the opportunity for the public to ask questions or submit petitions directly to the Council.

The Leader of the Labour Group, Councillor Ian Maher, is the Leader of the Council.

Strategic Management

The senior management structure aims to reflect the need for departments to collaboratively work together as 'One Council' and thereby maximise capacity and avoid duplication. In support of the politicians, the senior management structure is identified below. A review of management responsibilities was undertaken during 2019/20 and a revised structure was approved by Cabinet in December 2019.

The managers below form the Strategic Leadership Board.



Executive Directors: (1) Adult Social Care and Health, (2) Children's Social Care and Education, (3) Corporate Resources and Customer Services, (4) People, (5) Place, and (6) Without Portfolio Projects (temporary post that is externally funded).

Heads of Service: (1) Adult Social Care, (2) Children's Social Care, (3) Communities, (4) Commercial Development, (5) Economic Growth and Housing, (6) Education Excellence, (7) Highways and Public Protection, (8) Locality Services, (9) Public Health & Wellbeing, and (10) Strategic Support.

The changes to the Strategic Leadership Board have reduced the number of heads of service reporting directly to the Chief Executive. The changes are intended to provide for clearer reporting lines (with appropriate span of control) and concentration on key strategic areas.

Other Employees

At the end of 2019/2020 the Council employed 2,682 people (full time equivalents, excluding school-based employees). As part of the process to reduce costs to ensure a balanced budget, roles and responsibilities have changed and the number of employees has reduced considerably over recent years. Since 2010, when the austerity measures were imposed, the Council has reduced the number of full-time equivalent staff by 24%.

Sefton 2030 Vision and Council Core Purpose

In November 2016, the Council approved the Sefton 2030 Vision and the Council Core purpose. This was developed following an extensive consultation with residents, businesses and many visitors to the borough. In their thousands, these groups told the Council they want to be involved in planning the future, what matters to them and how all stakeholders need to work together to make the vision happen. The Vision will enable the Council and partners to demonstrate the connected thinking and action. It will also enable the Council to bring about meaningful and measurable plans with targets, timescales and a performance management framework.

In supporting the delivery of the Vision, the Council approved the following refined Core Purpose to articulate its role in delivering the 2030 vision.

- **Protect the most vulnerable:** i.e. those people who have complex care needs with no capacity to care for themselves and no other networks to support them. For those who are the most vulnerable we will have a helping role to play, we will challenge others to ensure we all protect the most vulnerable and where we need to, we will intervene to help improve lives.
- **Facilitate confident and resilient communities:** The Council will be less about doing things to and for residents and communities and more about creating the capacity and motivation for people to get involved, do it for themselves and help one another. We will create an environment in which residents are less reliant on public sector support and which have well developed and effective social support.
- **Commission, broker and provide core services:** The Council will directly deliver fewer services but will act as a broker and commissioner of services which meet the defined needs of communities, are person-centred and localised where possible. We will deliver services which can't be duplicated elsewhere or where we add value.
- **Place-leadership and influencer:** Making sure what we and what others do are in the best interests of Sefton and its residents and has a contributing role to the 2030 vision of the borough. This includes strong leadership and influencing partner organisations to work towards common goals and building pride in the borough.
- **Drivers of change and reform:** The Council will play a key role in leading change and reform to improve outcomes for Sefton residents and continuously improve the borough.
- **Facilitate sustainable economic prosperity:** That is, people having the level of money they need to take care of themselves and their family; creating the conditions where relatively low unemployment and high income prevail, leading to high purchasing power; and having enough money to invest in infrastructure.
- **Generate income for social reinvestment:** The Council will develop a commercial nature and look to what it can do either by itself or with others to generate income and profit that can be reinvested into delivering social purpose.
- **Cleaner and Greener:** The Council will work with others to maintain Sefton's natural beauty and ensure that its many assets provide a contribution to Sefton's economy, peoples wellbeing and the achievement of the 2030 Vision.

Governance / VFM / Risk

The Council is required to review its governance arrangements on an annual basis, along with its arrangements for achieving economy, efficiency and effectiveness, and ensuring it is identifying and managing risk effectively.

The annual review has been undertaken and the outcome of that review is reported in the annual governance statement (AGS) which is published as part of the statement of accounts. A copy of the AGS can be found in section 11 of this document

LGA Peer Group Review

In September 2018, a six-strong team of expert local government officers and councillors were invited in by the council and spent four days talking to over 140 staff, councillors of all parties, and public and private partners.

The peer review team considered five core themes; understanding local context and priority setting, leadership of place, financial planning and viability, organisational leadership and governance and capacity to deliver.

Throughout the review, they commented on how impressed they were by the energy, commitment and appetite for change held by the workforce which they felt put the council in a strong position to continue its transformation journey and effectively play its role in achieving the Sefton 2030 vision.

Their independent findings also praised the council for listening to and serving its communities well through a challenging period of austerity and highlighted the council's knowledge of Sefton.

They recognised Sefton's combined strong political and managerial leadership as a key driver of success in managing a 51% reduction in grant funding through effective budget planning.

In a full feedback report, the peer review team suggested some areas of improvement for the council to consider going forward, including prioritising the refresh of the core purpose, accelerating work on a local economic growth strategy and clearer parameters around commercialisation.

The Council's Cabinet agreed that their recommendations be accepted, and authorised officers to develop an associated action plan; this plan was agreed by Cabinet in January 2019. Since then a progress report and updated action plan has been considered and approved by Cabinet in March 2020.

The LGA will follow up the initial review with a visit within 18 months to 2 years to assess progress against their recommendations.

Framework for Change 2020 programme

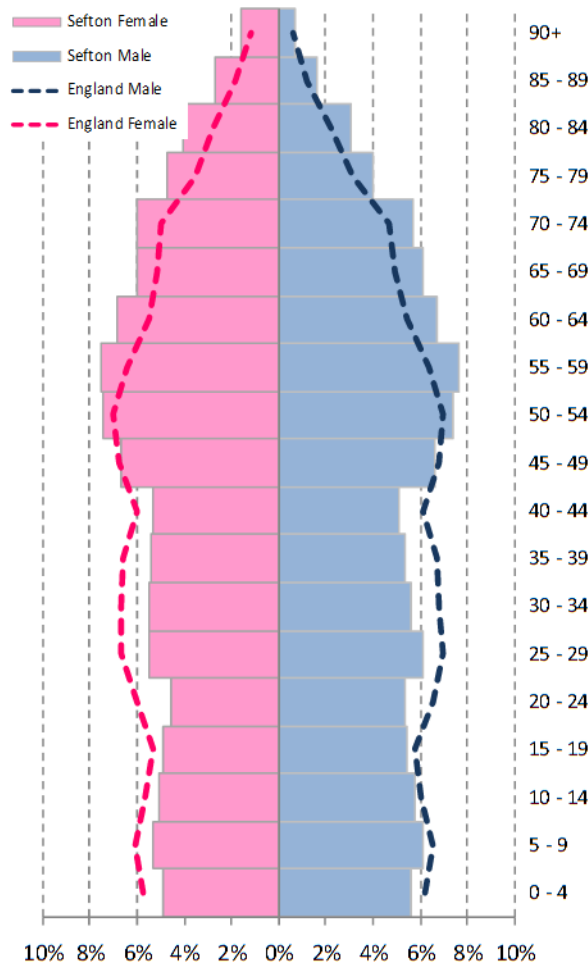
The Council approved a Framework for Change Programme as part of its budget setting process in March 2020. This is a comprehensive and ambitious programme that seeks to support the delivery of the Council's core purpose and vision for 2030. The programme is complex and spans a number of financial years to 2023. It aims to develop new ways of working that will improve efficiency and delivers a balanced and sustainable budget.

The Framework for Change 2020 programme is focussed on the following themes:

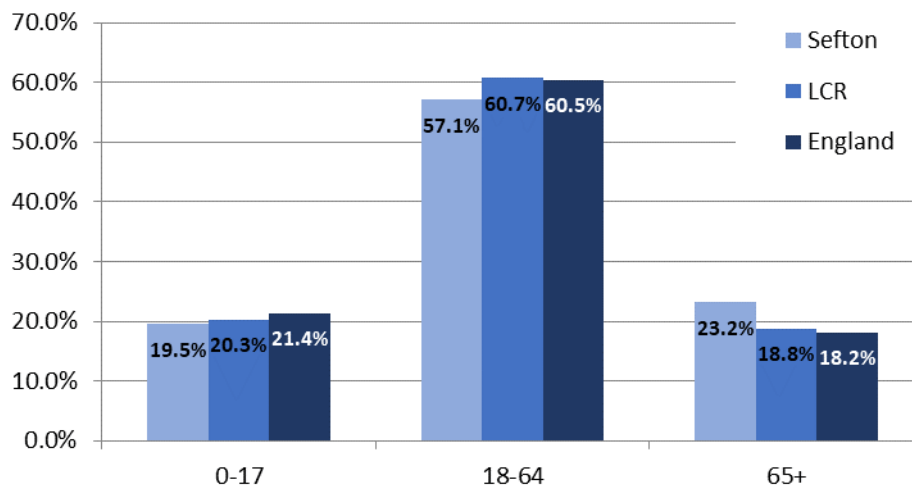
Theme	Workstreams
Council of 2023	<ul style="list-style-type: none"> - Service inputs and new operating models - New Ways of Working and Taking Advantage of Technology - Workforce Development - Organisation design across the Council
Demand Management	<ul style="list-style-type: none"> - Localities - further embedding early intervention and prevention - Children's Social Care – Delivering the Children's Plan - Adults' Social Care - Education Excellence - Special Educational Needs and Disability (SEND)
Economic Growth and Strategic Investment	<ul style="list-style-type: none"> - Town Centre Regeneration - Large Employment Sites - Strategic Transport Schemes - Coast Access Gateways; - Industry sector development; - Housing; - Employment and Skills; and - Investment

Age Profile of Sefton Residents

The age profile of residents is important to local authorities as it influences where / what services are provided. The latest Office for National Statistics Mid-Year Estimates for 2018 indicated that Sefton's total population was 275,985. The figures also showed that 23% of Sefton's residents are aged 65 and over; this is above the Liverpool City Region - LCR (19%) and national average (18%). Sefton is ranked 79th out of 326 local authorities for the rate of residents aged 65 or over. The high proportion of older residents has an impact on the level of resources that the Authority requires for elderly care provision. Sefton is in the highest 25% of Local Authorities for the proportions of elderly residents across the country.



Comparison of Sefton's Age Profile to LCR & England (2018)



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At 23%, Sefton has the 7th highest proportion of over 65's across the 39 North West local authorities and is the 5th highest amongst the comparator authorities (The Chartered Institute of Public Finance & Accountancy's assessment of those authorities with social characteristics most closely aligned to Sefton) of which there are 16 (including Sefton).

Sefton has the 51st highest proportion aged 85 and over residents across England and is the 5th highest in the North West, at 3% of the overall population, again higher than the LCR and national proportions of 2%. Sefton has the 4th highest proportion of 85 and overs when compared to its comparator authorities.

The number of residents over 65 is projected to increase steadily between 2018 and 2043. For males, the increase is projected to be 36% (28,132 to 26,617) and an increase for females of 31% (35,900 to 46,938). This means an overall 65+ population increase of 36% rising from 62,600 in 2016 to 85,000 by 2037.

Greatest increases are amongst those aged 85 and above with an overall increase of 73% (9,309 to 16,134). The male over 85 population rising by 104% (3,146 to 6,418) between 2018 and 2043. For females, the increase is projected to be 58% (6,163 to 9,716).

The rate of increase in the over 65 population of 33% compared to overall population increases of just 6% means that by 2043 approximately one in three Sefton residents will be age 65 or over.

Projected reductions in working age population (16 to 65-year olds) of 3% compared to increases in the over 65 population will mean the proportion of the adult population of the borough that is of pensionable age will be 29% by 2043, compared to 23% in 2018.

Source: Mid-Year Population Estimates 2018 / Population Projections 2018

Performance information

Core Funding

Business Rate Retention: Sefton is part of the Liverpool City Region 100% pilot scheme agreement. This allows the authority to retain 99% of locally raised business rates, with the remaining 1% being passed to the Merseyside Fire and Rescue Service. The Council has retained an additional £2.956m of business rate growth in 2019/20 as a result of its participation in the pilot scheme. The Government has previously announced that local authorities would move to 75% their business rates retention by 2020/21. This has since been postponed until beyond 2021/22. This move is intended to be revenue neutral with local authority's top-ups and tariffs adjusted to accommodate the change. The move to a lower level of business rate retention could reduce the level of funding retained by the Council in future years. The Council billed £72.035m of business rates charges in 2019/20 (net of reliefs) and of which £70.843m (98.2%) was collected in the year.

Council Tax: The Council increased its council tax band D charge by £45.59 (2.99%) in 2019/20. At the same time the council tax base increased by 1,137.8 band D equivalents (+1.37%). No additional adult social care precept was raised in the year as the Council had utilised the maximum increase in the precept in both 2017/2018 and 2018/2019. These changes raised an additional £5.568m in 2019/20 (excluding precepts). The Council billed £161.656m of council tax charges in 2019/20 (including precepts) of which £154.877m (95.8%) was collected in the year.

Government Grant Funding: The Government's Austerity programme has resulted in significant reductions in core grant funding. The level of Sefton's Core Grant funding will have reduced by more than 50% between 2010/2011 and 2019/2020. During 2019/2020, Sefton's core grant funding including Settlement Funding Assessment, New Homes Bonus, Improved Better Care Fund, Winter Pressures Grant and Social Care Support Grant was reduced by £1.732m (1.8%).

Future Funding: In September 2019, the Chancellor announced a one-year Spending Round (SR 2019) that set out the funding envelope for Government Departments for 2020/21. Consequently, the local government finance settlement was announced in February 2020 covered only one year and included a significant amount of one-off funding. This leaves Sefton's future funding levels uncertain and makes medium-term financial planning difficult. The Covid-19 crisis has increased the financial pressures on both national and local government with the resulting economic downturn placing even more uncertainty on finances. The BREXIT transition period is due to end on 31 December 2020 adds even greater uncertainty over future funding levels.

Economy

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

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

Latest available key data on the Sefton economy

- The unemployment rate in Sefton in between January to December 2019 was 3.4%, the fourteenth lowest rate out of the North West Local Authorities and is lower than the regional and national average (4.1% and 3.9% respectively). Compared to the previous year the number of unemployed people in Sefton has increased by approximately 500 people yet is still one of the lowest levels since available records began in 2004.
- The economic activity rate in Sefton is 76.9%, lower than the 78.9% seen across Great Britain
- There are currently 129,000 Sefton residents in employment (74.8% employment rate).
- In 2018, the average full-time earnings for Sefton residents is £555 per week, or £28,891 per annum, 5.3% lower than the Great British average.
- The National Living Wage increased to £8.72 per hour in April 2020 for over-25s only.
- 53.4% of residents are educated to NVQ Level 3 or above.
- Sefton’s Rank of Average Score in the Indices of Multiple Deprivation (IMD) 2019 was 89th out of 317 local authorities (317 being the least deprived).
- There are 38 Sefton LSOA’s (Lower Super Output Area – used in census collection) in the most deprived 10% of LSOAs across England.
 - Seven of the 38 LSOA’s are in the most deprived 1% of LSOA’s nationally, six are in Linacre Ward; the other is in Derby Ward.
- 50 out of 189 LSOAs have a deprivation score less than in 2015 indicating that deprivation has reduced in the area. Meaning nearly three quarters of the areas have an increased deprivation score, indicating they have become more deprived.
- Sefton is ranked 89th out of 317 local authorities for deprivation affecting Children and 72nd for deprivation affecting Older people in 2019.
- 31 LSOA’s across Sefton fall in to the most deprived 10% areas for children, with 31 being in the most deprived 10% for older people.
 - Five of the 31 fall within the top 1% of deprived areas nationally for children (located in Linacre – 3, Derby -1 and Litherland -1 wards). One LSOA is in the top 1% of deprived areas in England for older people (located in Debry ward).
- 80 of Sefton LSOA’s have seen the child related deprivation score (and therefore the deprivation affecting children) increase from 2015 to 2019, with 97 Sefton LSOA’s seeing increases in older people related deprivation.

Source: ONS Annual Population Survey January to December 2019, ONS Annual Survey of Hours and Earnings – Residents Analysis 2019, IMD 2015/19

Social Care

Sefton’s Adult Social Care dealt with over 28,200 contacts during 2019/20, 49% of these related to new clients.

At some stage during 2019/20 Adult Social Care supported approximately 6,354 clients in long-term residential, nursing, or community settings.

Information or advice, or direct / indirect support services were provided to approximately 1,790 carers by Sefton’s Adult Social Care during 2019/20

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Within Sefton, 752 older person service users (aged 65+) per 100,000 population, were admitted to rest or nursing home placements in 2019/20 compared to 710 per 100,000 regionally

At the 31st March 2019 there were 2,203 Children in Need, a rate of 409 per 10,000 population, considerably higher than that of England (334). At the same time 260 children were subject to a Child Protection Plan which was 48 per 10,000 population again higher than the national figure (44). With 527 children recorded as Looked After as at 31st March 2019, as with Children in Need and Child Protection Plans, the Looked after Children rate is considerably higher than that seen nationally (98 compared to 65 per 10,000 children)

Phase 2 of the Sefton Turnaround Programme was completed on 31st March 2020. The target of 2,130 families was reached with the cohort being 'turned around' meaning that the LA could draw down funding from the government of £1,000 per family. This generated £2,130,000 worth of funding to support interventions provided by Social Workers to support families. Phase 3 (also known as 'Extension Year') commenced on 1st April 2020 and is due to end on 31st March 2021. The target is to turn 490 families round within the timeframe which will generate £490,000 of funding. In addition to the Turnaround Programme, there has also been a successful project based around Knife and Youth Crime. The LA were able to gain £500,000 to support schools and voluntary organisations including SWACA, YKids, Venus and Light2Light to tackle knife and youth crime accordingly. Representatives from the MHCLG visited the LA in March 2020 and were satisfied that Sefton were approaching the subject appropriately and with confidence. This programme ended on 31st March 2020. However, there will be a 12 month monitoring process after this date to examine impact and effect.

[Sources: ASCOF - Pages 1C(1A) - 1G - 2A (2), SALT ASCFR Activity and reference, Characteristics of children in need: 2018 to 2019, Children looked after in England including adoption: 2018 to 2019, Turnaround Families Database]

Tourism

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

Southport has hotels, attractions, restaurants and pubs, with the oldest cast iron pier in the UK stretching across Southport beach. It is rumoured that Napoleon re-modelled certain parts of Paris based on his knowledge of Southport during his stay in the town back in the mid-19th century. Southport also hosts a superb events programme including the annual Air Show, Fireworks Championship and Flower Show while Sefton is also home of the Grand National.

There are many world class golf courses within Sefton, Royal Birkdale regularly hosts The Open while Hillside Golf club has recently hosted The British Masters. The area's reputation for golf is known nationwide and is known as "England's Golfing Capital" due to the number and variety of top-quality courses. This attracts visitors from across the UK and many from the United States, Europe and Japan.

Technology / Systems

The Council is now in the second year of a five-year partnership agreement with Agilisys Ltd for the provision of IT services to the Council. This agreement has enabled the Council to reduce the annual costs of ICT services, and it will also allow the Council to benefit from the innovation and best practice which Agilisys has implemented for other local authorities.

Sefton Council has implemented an ambitious ICT Transformation Programme, which has seen the deployment of new and upgraded end user devices to officers, the introduction of collaboration software such as Office 365, SharePoint and Skype for Business, and the initial migration of a number of systems and data to cloud hosting. This programme supports the Council's plans for agile working, and the reduction and rationalisation of the Council's office accommodation.

Councillors have been issued with new mobile devices and technology which allows them to conduct their duties more efficiently by granting access to key information and electronic communication with citizens whilst on the move. This has resulted in a reduction in the use of paper and printing for Council meeting documentation.

The Council is also looking to rationalise its use of systems to leverage use of existing investments, deploy better integration between systems and reduce the overall spend in this area.

The Council continues to improve and develop its digital offering to customers. Work is underway to update and refresh the Council website, and the deployment of a new digital Customer Experience platform is in progress, which will increase and enhance self-service on a variety of services 24 hours a day.

The Council is actively exploring the design and implementation of assistive living technology which will allow older and/or vulnerable adults to live independently at home.

Financial Overview

Revenue Budget Process / Council Tax

The ongoing Government austerity programme means that further significant budget reductions (£64.408m) were required through 2017/2018 into 2019/2020. The Council agreed that identifying budget reductions over all three years (rather than just considering each year in isolation), would be the most effective way of planning / implementing the required savings. Specific options to contribute to the budget shortfall in 2019/2020 were identified, including a 2.99% increase in Council Tax (there was no increase for the Adult Social Care Precept). Councillors were reminded that the use of one-off resources should only occur in setting a robust financial plan when there is a clear short-term requirement and that these are not used to avoid making budget savings.

Not all the approved savings to 2019/2020 were achieved by March 2020. In addition, the Council experienced significant budget pressures in some service areas, particularly Children's Social Care, Home to School Transport and Locality Services. However, the Council did identify underspending in other areas as well as implementing various mitigating actions during the year. This has enabled the outturn position to be a net overspend of £0.555m.

Financial risks up to 2019/2020

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

The budget proposals made to date contain some risks, given the extent and the impact of the £233m savings Sefton will have faced to March 2020. The Council has been made aware of the consultations conducted since 2011 in determining the equality impact and risks of the reductions and reconfigurations of services. All options require close monitoring of implementation and delivery and any non-achievement reported and corrected in a timely way.

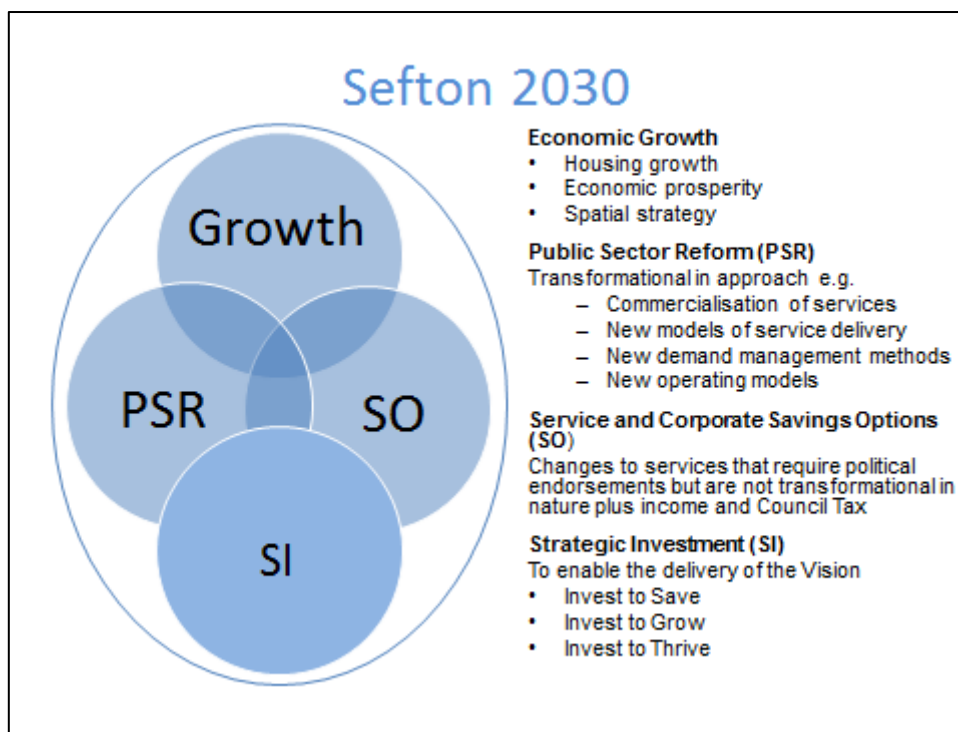
The 2017/2018 to 2019/2020 period represent the eighth to tenth successive years of budget reductions for Sefton Council and has required more challenging solutions to achieve a balanced budget for 2019/2020, the final year of the three-year financial plan.

Delivering a further £64m savings on top of the £169m achieved to March 2017 has had a significant impact on the delivery of Council services. In developing the approach to delivering these savings it was important to balance the delivery of savings with the protection of those services which contribute the most to the delivery of the Vision and Core Purpose.

Achieving the ambitions of Sefton 2030 also requires the Council to be financially sustainable, to ensure services align with the core purpose and that the Council works with partners to achieve better outcomes.

In order to meet this challenge, the Council has developed a 'Framework for Change' which is comprised of the following 4 pillars which will help the Council deliver against its stated objectives including financial sustainability. These are:

- Economic Growth;
- Public Sector Reform;
- Service delivery options; and
- Strategic Investment



Each of these themes will contribute towards delivering the Sefton 2030 Vision and a financially sustainable Council.

Revenue Financial Performance of the Council 2019/2020

Non-School General Fund Net Expenditure

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

On 28 February 2019, the Council approved a revenue budget for 2019/2020 of £220.212m, which included £1.073m relating to the expenditure of Parish Councils. At that time, it was anticipated that balances for non-school budgets would total £7.209m at 31 March 2019. As a result of an underspend of £0.330m in 2018/2019 the anticipated year-end balances position was revised to £7.539m. The 2019/2020 Budget assumed no use of general balances.

Overall, actual expenditure for 2019/2020 on General Fund services (excluding Schools' delegated expenditure) was £0.555m higher than the Base Estimates which has reduced General Fund Balances.

The Authority's reported Non-School General Fund balances at 31 March 2020 are therefore £6.984m as shown in the following table:

Non-School General Fund Balances	£m
Actual Non-School General Fund Balances at 31 March 2019	-7.539
Less underspend in comparison to the 2018/2019 Base Estimate:	0.555
Actual Non-School General Fund Balances at 31 March 2020	-6.984

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

Net Revenue Expenditure	Budget	Net Expenditure Chargeable to General Fund Balances (per EFA)	Adjustments for Internal Recharges / Earmarked Reserves	Outturn Expenditure against Budget for Monitoring Purposes	Variance
	£m	£m	£m	£m	£m
Services					
Strategic Management	3.082	1.015	1.894	2.909	-0.173
Strategic Support Unit	2.696	3.040	-0.467	2.573	-0.123
Adult Social Care	95.778	92.302	3.405	95.707	-0.071
Children's Social Care	33.251	36.141	1.071	37.212	3.961
Communities	19.457	19.480	-0.153	19.327	-0.130
Corporate Resources	6.855	25.047	-18.627	6.420	-0.435
Economic Growth & Housing	5.967	4.886	1.125	6.011	0.044
Education Excellence	9.652	9.815	0.283	10.098	0.446
Education Excellence - Schools	0.000	4.819	-4.819	0.000	0.000
Health and Wellbeing	18.060	15.625	2.186	17.811	-0.249
Highways & Public Protection	11.039	5.879	4.877	10.756	-0.283
Locality Services	13.680	13.823	0.199	14.022	0.342
Other Services	3.122	2.388	0.746	3.134	0.012
Total Service Net Expenditure	222.639	234.260	-8.280	225.980	3.341
Corporate Items	3.323	-2.088	2.867	0.779	-2.544
Levies	34.156	34.156	-	34.156	-
Parish Precepts	1.073	1.073	-	1.073	-
Total Net Expenditure	261.191	267.401	-5.413	261.988	0.797
Financed by:					
Council Tax Payers	-134.095	-134.095	-	-134.095	-
Business Rates Top-Up	-19.628	-19.628	-	-19.628	-
Retained Business Rates	-66.489	-66.489	-	-66.489	-
General Government Grants	-40.979	-50.158	8.937	-41.221	-0.242
Total Financing	-261.191	-270.370	8.937	-261.433	-0.242
Amount Funded from / contributed to (-) General Balances	0.000	-2.969	3.524	0.555	0.555

Note: The total of the figures shown above for Other Services and Corporate Items are categorised differently in the Expenditure & Funding Analysis (total of Corporate Unallocated Costs and Financing and Investment Income & Expenditure)

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

- Strategic Support Unit – responsible for effective strategic and operational business decisions and undertaking effective evidence-based commissioning
- Communities – Services include amenities and support for local neighbourhoods, youths, libraries and arts, sports and families.

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

The main variances relate to four key areas:

Children's Social Care: The overspend of £3.961m relates to increased demand for Children's social care services. In line with all other local authorities, the number of looked after children has increased throughout the year resulting in significantly higher costs.

Education Excellence: The overspend of £0.446m mainly relates to increased demand for Home to School Transport.

Corporate Items: A variance of -£2.544m mainly due to a review of Council Earmarked Reserves and other one-off items and mitigating actions implemented to support the budget pressures within services.

Schools

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

The DSG was overspent by £2.773m in 2019/2020. This comprised an overspend of £2.584m across Individual Schools' delegated budgets, and an increase in the level of DSG school funds held by the Local Authority during 2019/2020 in respect of the Supply Teachers scheme (£0.128m) and the Business Rates scheme (£0.061m). Movements in Schools' balances during 2018/2019 can be summarised as follows:

Schools' Balances	£m
Schools' balances as at 1 April 2018	-13.596
Overspend on Schools' Delegated Budgets	2.773
Schools' balances at 31 March 2019	-10.823

The Council's Centrally Retained DSG reserves are separate to its Maintained Schools' balances. These are in respect of Schools' Central Support services; Early Years (non-schools) provision and High Needs (non-schools) provision. The net opening balance of these reserves, as at 1 April 2019, was a deficit of £0.230m. During 2019/20, this deficit has grown considerably, mostly due to the significant overspending of High Needs. This has taken the reserves into a net deficit position of £4.385m (see below).

Centrally Retained DSG Balances	1 April 2019	Movement 2018/2019	31 March 2020
	£m	£m	£m
Schools Block	-0.375	-0.169	-0.544
Early Years Block	-0.338	-0.167	-0.505
High Needs Block	0.943	4.491	5.434
	0.230	4.155	4.385

DfE permit Local Authorities to carry forward a deficit on their DSG Centrally Retained balances, without any obligations on behalf of Local Authorities to support a deficit position out of non-school Council balances. This position on the earmarking of Centrally Retained DSG Balances in 2019/2020 is a result of the statutory requirements introduced for 2020/21.

They DfE have offered to work more closely and in cooperation with Local Authorities, to support them in trying to reduce spending, particularly across High Needs, where most Authorities have been struggling to manage. The first requirement will be for the Authority to have plans to balance their in-year spending. They will still be required to provide evidence, at the DfE's request, that overspending issues have been reported regularly to Schools Forum; and that measures are in place to arrest the situation, at least, over a three-year period. It has been acknowledged that the full recovery

of accumulated deficits however, may not be possible, even over many years, and it is not certain at this stage, whether the DfE may consider, on a case by case basis, some extra funding, to write down some, or all, of their accumulated deficits in this respect.

With the review of High Needs underway, and the actions being taken as explained above, together with the increased settlement for High Needs funding in 2021/22, work will continue to bring expenditure in line with the budget available and then start to repay the existing deficit so as to reduce the financial risk to the Council.

Capital Strategy / Programme 2019/2020

The Capital Programme Capital Allocation 2019/2020 report was approved by Council on 28 February 2019. As part of Central Government's austerity measures the capital grants previously available to local authorities have reduced year on year. As a result, the previous flexibility afforded to councils to establish a single capital pot from which capital and investment decisions could be made has been eliminated. The three remaining grant allocations received by the Council are in respect of schools, transport and social care (i.e. Better Care Fund) and due to the funding conditions of these grants are utilised within the relevant services.

Capital requirements that reflect the councils Framework for Change programme are considered by the Strategic Capital Investment Group (SCIG). SCIG consists of Cabinet members and its purpose is to review and assess capital funding plans. Recommendations are made to Cabinet and Council for a Capital Investment Plan.

Capital expenditure is principally funded from four areas:

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

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

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

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

The Capital Programme 2019/2020 report highlighted Government grant funding for 2019/2020 of £5.157m for schools, £5.944m for transport and £3.939m for Better Care Fund, giving a total grant allocation of £15.040m. Of the £5.157m for schools, £0.365m was ring-fenced Devolved Formula Capital Grant, £0.206m High Need Special Educational Needs and Disability Grant, £1.714m Capital Maintenance Grant and £2.872m Basic Needs Grant. Of the £5.944m for transport, £0.990m was the Local Integrated Transport Block Grant, £2.298m was the Highway Maintenance Block Grant, £0.300m was the Additional Key Route Network Grant and £2.356m was the SIF Local Growth Fund Key Route Network A59 Grant.

Capital Expenditure in 2019/2020

In 2019/2020 the Authority spent £25.175m on capital projects. Examples of some of the major areas of spend include expenditure on, Liverpool City Region M58 Junction 1 (£6.004m), Highways Carriageway maintenance (£2.890m), Highways Integrated schemes (£2.739m), Schools programme (£3.596m) and Adult Social Care Disabled Facilities Grant (£1.662m).

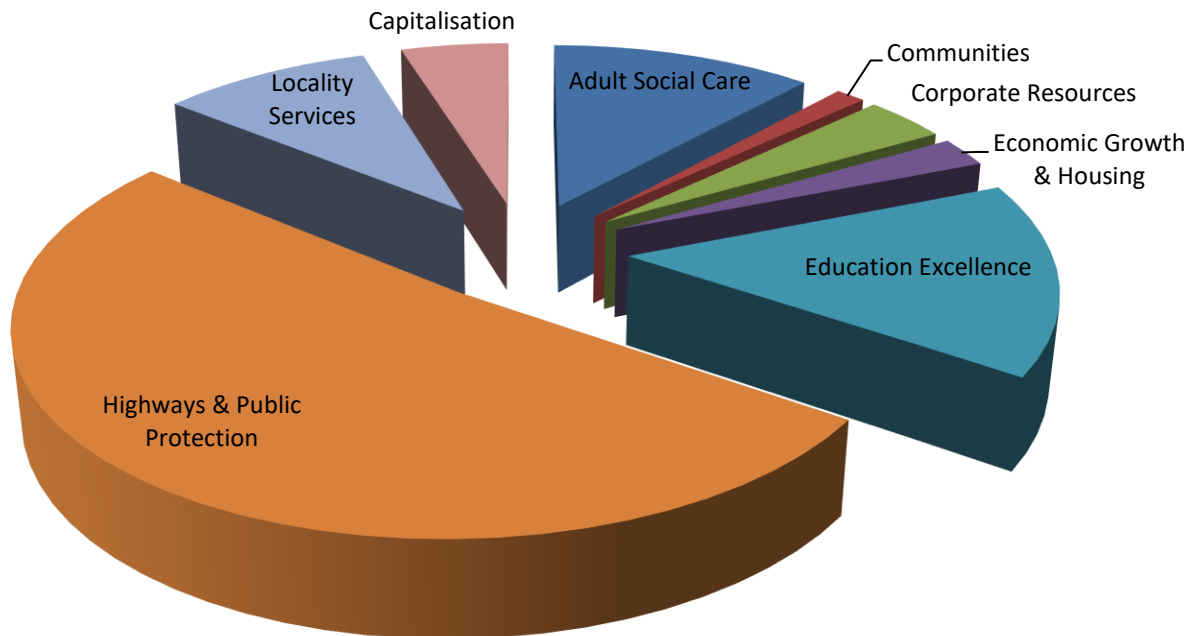
The analysis of capital spending (by departmental categories) and its financing is summarised below-

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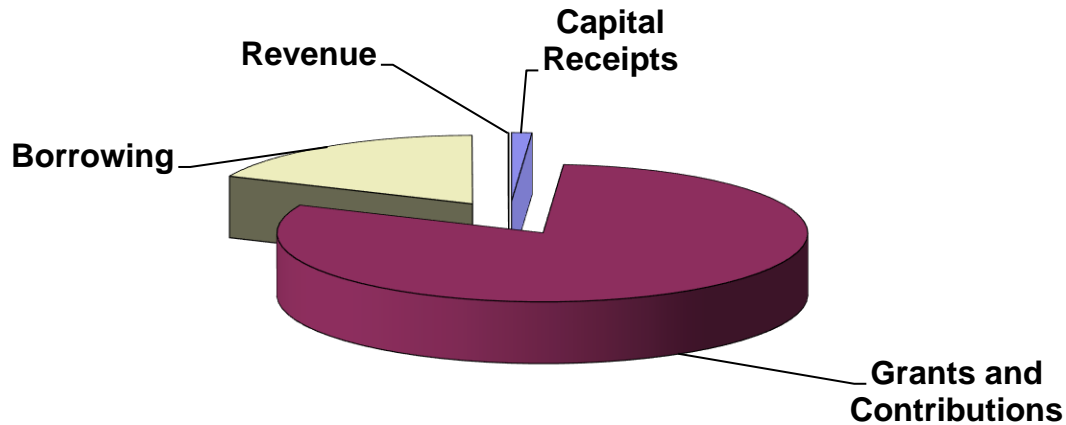
Sefton's Capital Expenditure for 2019/2020

	<u>£m</u>	<u>%</u>
Adult Social Care	2.730	11
Communities	0.308	1
Corporate Resources	0.857	3
Economic Growth & Housing	0.558	2
Education Excellence	3.596	14
Highways & Public Protection	12.004	48
Locality Services	2.186	9
Capitalisation	2.936	12
	<u>25.175</u>	<u>100</u>



Financing of Sefton's 2019/2020 Capital Expenditure

<u>Source of Finance</u>	<u>£m</u>	<u>%</u>
Capital Receipts	0.310	1
Grants and Contributions	20.240	81
Revenue	0.010	0
Prudential Borrowing	4.615	18
	<u>25.175</u>	<u>100</u>



Total capital expenditure consists of additions to fixed assets of £15.924m (Property, Plant and Equipment - £15.895m, Investment Properties - £0.029m,) and revenue expenditure funded from capital under statute of £9.251m.

An explanation of the Financial Statements

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

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

Wherever possible the contents have been written in plain English and technical terms have been used sparingly. Where the use of technical terms has been unavoidable, a simple explanation has been included in the Glossary (see pages 161 to 168).

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

The Statement was certified by the Executive Director of Corporate Resources and Customer Services on 10 March 2021.

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

(a) Comprehensive Income and Expenditure Statement (page 27)

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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

(b) Movement in Reserves Statement (page 29)

This statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

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(c) Balance Sheet (pages 31 - 32)

The Balance Sheet shows the value as at 31 March 2020 of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves, and any statutory limitations on their use. The second category of reserves are those that the Authority is not able to use to provide services.

(d) Cash Flow Statement (page 33)

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

(e) Notes to the Financial Statements - Expenditure and Funding Analysis (page 35 - 36)

This analysis shows how annual expenditure is used and funded from resources (government grants, rents, 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 directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

(f) Other Notes to the Financial Statements (pages 37 - 114)

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

(g) Collection Fund (pages 115 - 118)

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

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

(h) Group Accounts (pages 119 – 132)

This section incorporates the accounts of both Sefton and its wholly owned subsidiary, Sefton New Directions Limited, to provide details of the Council's financial activities as a Group. During 2018/2019 Sefton (ACS) Development Company Limited, a company limited by shares and wholly owned by Sefton MBC, was incorporated. However, the activities of the company were not considered material enough in 2018/2019 or 2019/2020 to require them to be included in the Group Accounts (see page 119 for more details).

(i) Annual Governance Statement (pages 133 - 156)

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

(j) Independent Auditors' Report to the Members of Sefton Metropolitan Borough Council (pages 157 - 160)

(k) Glossary (pages 161 - 168)

(l) Abbreviations (pages 169 – 170)

(m) Useful Addresses (page 171)

Changes to Accounting Policy during the Year

This Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020 (the Code).

There have been no material changes to the accounting policies in 2019/20, however, the following policies have been added or deleted from the list included in the notes to the financial statements:

Council Tax and Non-Domestic Rates, Joint Operations, and Schools: These policies have been added to the list to reflect the accounting treatment previously adopted.

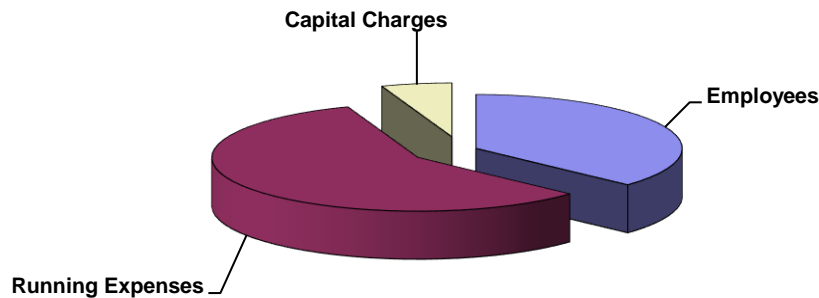
Carbon Reduction Commitment: This policy has been removed following the closure of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme at the end of 2018/19.

Analysis of the Income and Expenditure Account

The tables and charts below summarise the Authority's **gross** revenue expenditure within the General Fund for 2019/2020 and highlights the main sources of General Fund Financing for 2019/2020.

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

<u>Expenditure Type</u>	<u>£m</u>	<u>%</u>
Employees	247,201	37
Running Expenses	386,522	58
Capital Charges	37,093	5
	<u>670,816</u>	<u>100</u>

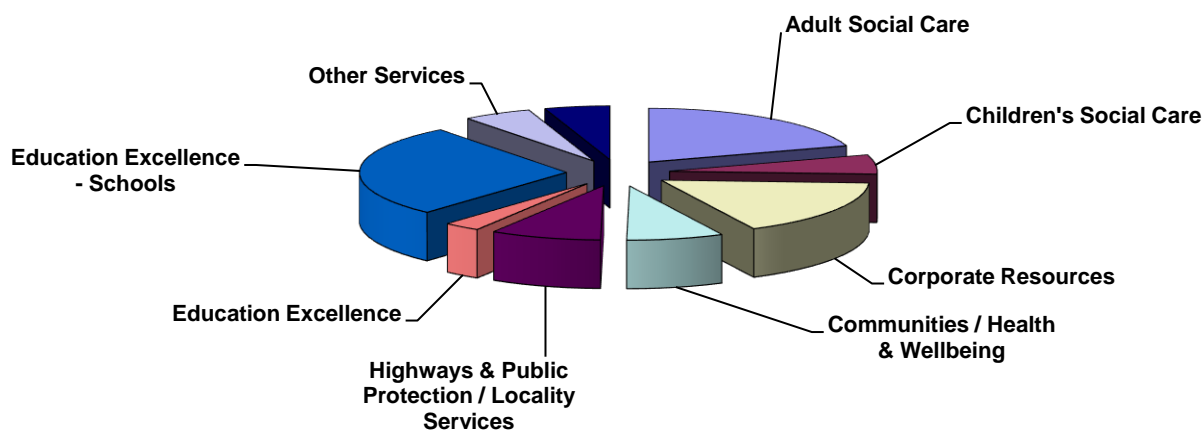


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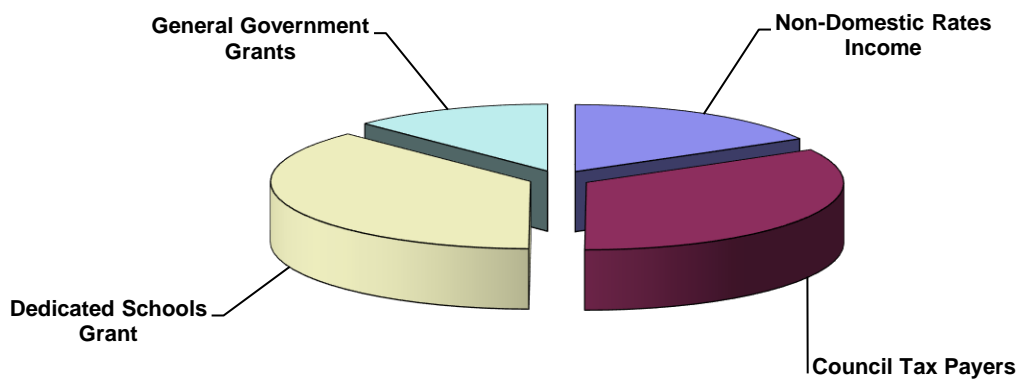
Gross General Fund Expenditure on Services (including Levies)

<u>Service</u>	<u>£m</u>	<u>%</u>
Adult Social Care	134,767	20
Children's Social Care	38,660	6
Corporate Resources	112,856	17
Communities / Health & Wellbeing	50,667	7
Highways and Public Protection / Locality Services	58,022	9
Education Excellence - Non-School	19,112	3
- Schools	186,677	28
Other Services	35,872	5
Levies	34,183	5
	<u>670,816</u>	<u>100</u>



Main Sources of General Fund Financing for 2019/2020

<u>Source of Income</u>	<u>£m</u>	<u>%</u>
General Government Grants	48,976	11
Non-Domestic Rates Income	66,376	17
Council Tax Payers	131,229	33
Dedicated Schools Grant	147,809	39
	<u>394,390</u>	<u>100</u>



The Gross expenditure is financed by the major grants shown above, other smaller revenue grants and contributions received by the Council (Note 17 on page 55) and fees and charges.

Other Financial Commitments

The Council's most significant other financial commitments are the long-term contracts it has entered into with Agilisys, Formby Pool Trust, Sefton New Directions Limited and Waterfront Leisure.

Borrowing / Investments

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

Under Section 3(1) of the Local Government Act 2003, the Council must approve an overall borrowing limit before the beginning of each financial year. For 2019/2020 this limit was set at £205m; the Council stayed within this figure during the year.

As at 31 March 2020, the Council had outstanding borrowing of £163.755m (£151.023m as at 31 March 2019). This includes local authority bonds, stocks, mortgages and loans from the Public Works Loans Board (PWLB). As at 31 March 2020, accrued interest of £1.062m, was due to be repaid within 12 months.

During 2019/2020, £20m in new long term borrowing from the PWLB was required to fund capital expenditure. Principal of £6.018m was repaid during the year of which £5m related to Equal Instalments of Principal (EIP) loans and £1.018m related to Annuity loans.

Interest on long term borrowing from the PWLB totalled £5.758m during the year (£5.805m in 2018/2019).

In line with its Treasury Management Policy and Strategy the Council makes daily investment decisions. As at 31 March 2020, the Council had short-term investments of £37.360m (£13.000m as at 31 March 2019). The Council had no short-term deposits with banks and building societies (£0.000m as at 31 March 2019). The Council had long term investments with the Church and Charities Local Authority (CCLA) Property Fund (£5.414m).

Pension Liability

As at 31 March 2020 the Pensions Liability figure in the Balance Sheet includes a net deficit on the Local Government Pension Scheme Fund attributable to Sefton of £395.498m (£457.626m as at 31 March 2019). The deficit is reviewed periodically (normally every three years) by the Fund's actuary and steps are taken to address the deficit via increased contributions over the remaining working life of employees. However, it should be noted that the notional figure included in the Statement of Accounts is calculated using a different set of assumptions (in line with accounting practice) than those used to calculate the deficit repayments required.

The latest valuation completed during 2016/2017 set the contribution rates for 2017/2018 to 2019/2020 and the deficit payments required over the three years as part of a 19-year deficit recovery period. The actual deficit at that time was £160m. The Council again made a one-off payment in April 2017 of £30.462m to cover the deficit recovery contributions for 2017/2018 to 2019/2020 (annual payments would have been £10.8m in each of the three years so the Council received a discount by making a one-off payment). Contributions in 2019/2020 are significantly less as no deficit recovery contribution was required. The Council temporarily utilised Earmarked Reserves in 2017/2018 to fund part of the payment. Earmarked Reserves were increased in 2018/2019 and 2019/2020 when no deficit recovery payment was required.

The latest valuation was completed during 2019/2020 and has set the contribution rates for 2020/2021 to 2022/2023. There has been a significant improvement in the Council's funding position resulting in the Council's overall deficit being £4m. However, it should be noted that the value of the deficit is highly dependent on market conditions at the time of the valuation and can vary significantly between valuations.

As at 31 March 2020 there was a net deficit relating to unfunded Teachers' Pensions attributable to Sefton of £6.854m (£8.596m as at 31 March 2019). The Council has budgeted to make these payments until there is no longer a liability.

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

The 2019/2020 accounts include a provision for the cost of NNDR checks, challenges and appeals. The total value of the Provision as at 31 March 2020 is £18.891m (£16.319m as at 31 March 2019). Sefton's share of the Provision as at 31 March 2020 is £18.702m (£16.156m as at 31 March 2019).

The only material write-offs in 2019/2020 relate to revaluation losses on the Authority's assets. These total £8.2m (£28.1m in 2018/2019 - of this, £23m related to a change in the methodology for valuing schools rather than any impairment of assets).

General Balances and Reserves

The Financial Overview on pages 12 to 15 show the General Balances of the Council split between Delegated Schools' and Non-Delegated Services. The Council's Non-Delegated Services' General Balances are £6.984m. This level of Balances is considered the least necessary given the impact of COVID-19 on the Council's financial position in 2020/2021 and future years.

The Council has £20.634m of capital resources available as at 31 March 2020 (£16.063m as at 31 March 2019). These are amounts already received that will be used to fund the Council's Capital Investment Plan in 2020/2021 and future years (see pages 15 to 17). This Plan will be vital in assisting the Borough's recovery from the pandemic.

The Council also has £35.888m of Earmarked Reserves as at 31 March 2020 (£29.591m as at 31 March 2019). These are described in Note 34. This includes previously received revenue grants and contributions that have yet to be applied and reserves that relate to schools. Earmarked Reserves are held by the Council to fund anticipated future expenditure of a non-recurring nature. If these resources were not available, then the expenditure would need to be funded from the Council's in-year Revenue Budget which would require additional savings to be made in order to make funding available. Given the financial challenges from COVID-19, the Council may need to utilise its Earmarked Reserves to temporarily fund costs / loss of income not covered by Government support. These reserves will need to be replenished in future years which will require savings to be achieved.

The Council also has negative £101.572m of Unusable Reserves as at 31 March 2020 (negative £146.935m as at 31 March 2019). These are accounts required under accounting regulations and are not available to support, or a call against, Council expenditure. Unusable Reserves are negative mainly due to the notional deficit on the Pension Reserve of £402m (£395m relating to the Local Government Pension Scheme). As explained in the Pension Liability section on page 21, this is a notional figure and is calculated using a different set of assumptions (in line with accounting practice) than those used to calculate the deficit repayments required. The latest valuation was completed during 2019/2020 and there has been a significant improvement in the Council's funding position resulting in the Council's overall deficit being £4m. However, it should be noted that the value of the deficit is highly dependent on market conditions at the time of the valuation and can vary significantly between valuations.

Due to the notional deficit on the Pension Reserve the Council's overall reserves are a negative £27.243m. This negative position does not give rise to the same risks to financial sustainability as it would for a company in the private sector due to the deficit on the Pension Fund being notional rather than impacting on the cash flows of the Council.

Material Events after the Reporting Date

There are no material events after the reporting date.

Conclusion

During the 2019/2020 financial year, the Council has continued to experience significant additional spending pressures but has largely been able to contain such costs within budget. The overall outturn position is a small overspend which has been funded from General Balances.

Decisions taken for the agreed 2020/2021 budget will increase General Fund balances from the 31 March 2020 position by £1.5m. However, the challenges presented by the impact of Covid-19 mean that the Council will be looking to the Government to provide additional financial support beyond the amounts already announced in order to stabilise local authority finances in the short and medium term whilst the economy recovers. Maintaining financial sustainability will be a key part of the Council's recovery plan in order to continue to provide support to its residents, service users, council tax payers and the business community. Tragically a significant number of people have died in Sefton of Covid-19 and our thoughts are with their families at this difficult time.

This year's accounts have been prepared to a revised timetable as a result of the impact of Covid-19. Once again, the Accounts have been closed within the statutory deadline despite significant additional work pressures and the disruption caused by the move to home working. My thanks go to all staff that have invested considerable efforts to achieve this.

The Statement of Accounts is a complex document and is prepared within the guidelines set by the Chartered Institute of Public Finance and Accountancy. However, I would be interested to receive any suggestions as to how the Accounts, or the Executive Summary, could be improved. Please contact me at the address on page 171 of this document.

Stephan Van Arendsen

Executive Director of Corporate Resources and Customer Services

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Narrative

2 **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Sefton that officer is the Head of Corporate Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Head of Corporate Resources Responsibilities

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

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

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

The Head of Corporate Resources has also:

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

Head of Corporate Resources Statement

I certify that this Statement of Accounts gives a true and fair view of the financial position of Sefton Metropolitan Borough Council at 31 March 2020, and its income and expenditure for the financial year ended 31 March 2020.

Stephan Van Arendsen
Executive Director of Corporate Resources and Customer Services
Date: 17 March 2021

Statement by the Chair of the Audit and Governance Committee

I confirm on behalf of the Council that these accounts were approved by the Audit and Governance Committee at its meeting held on 17 March 2021.

Councillor Dave Robinson
Chair, Audit and Governance Committee
Date: 17 March 2021

3 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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2018/2019			Note	2019/2020		
Gross Expenditure	Gross Income	Net Expenditure / Income (-)		Gross Expenditure	Gross Income	Net Expenditure / Income (-)
£000s	£000s	£000s				
1,205	-200	1,005	<u>Continuing Operations</u>			
3,559	-153	3,406	Strategic Management	1,256	-187	1,069
129,259	-37,105	92,154	Strategic Support Unit	3,532	-330	3,202
34,303	-1,840	32,463	Adult Social Care	134,767	-41,202	93,565
34,724	-13,117	21,607	Children's Social Care	38,660	-1,859	36,801
119,928	-89,411	30,517	Communities	34,830	-12,374	22,456
14,534	-8,447	6,087	Corporate Resources	112,856	-83,334	29,522
37,081	-2,206	34,875	Economic Growth and Housing	14,799	-8,370	6,429
182,626	-179,405	3,221	Education Excellence	19,112	-2,132	16,980
15,793	-21,587	-5,794	Education Excellence - Schools	186,677	-179,335	7,342
20,610	-8,689	11,921	Health and Wellbeing	15,837	-20,983	-5,146
27,605	-10,660	16,945	Highways and Public Protection	29,073	-16,863	12,210
17,199	-4,901	12,298	Locality Services	28,949	-11,396	17,553
			Corporate Unallocated Costs	16,285	-4,301	11,984
638,426	-377,721	260,705	Net Cost of Services	636,633	-382,666	253,967
			<u>Other Operating Income and Expenditure</u>			
		1,026	Precepts paid to Parish Councils			1,072
		33,269	Levies			34,183
		11,729	Loss on the disposal of non-current assets			3,907
		-1,097	8 Other Operating Income			-1,163
		44,927				37,999
			<u>Financing and Investment Income & Expenditure</u>			
		6,795	9 Interest payable and similar charges			6,635
		9,668	49 Net Interest on the Net Pension Defined Benefit Liability			10,958
		-512	Interest Receivable			-484
		-1,616	20 Income and Expenditure on Investment Properties			-2,204
		-1,415	20 Changes in the Fair Value of Investment Properties			-440
		235	Loss on the disposal of Investment Properties			150
		-86	Changes in the Fair Value of Financial Instruments			201
		13,069				14,816
			<u>Taxation and Non-specific Grant Income</u>			
		-128,324	Income from Council Tax			-131,229
		-66,122	Non-Domestic Rates Income			-66,376
		-40,858	17 Non-Ringfenced Government Grants			-48,976
		-13,802	17 Capital Grants and Contributions			-15,314
		-249,106				-261,895
		69,595	5 Deficit on Provision of Services			44,887
		-2,712	37 Surplus (-) / Deficit on Revaluation of non-current assets			486
		49,401	39 Re-measurement of the Net Defined Benefit Liability			-98,276
		8,328	39 Net Defined Benefit Liability –Business Combinations			0
		55,017	Other Comprehensive Income and Expenditure			-97,790
		124,612	Total Comprehensive Income and Expenditure			-52,903

4 MOVEMENT IN RESERVES STATEMENT

This statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

<u>Movements in Reserves in 2019/2020</u>	General Fund Balance	Earmarked Reserves Account	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Notes 37 to 41)	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2019	-21,135	-29,591	-2,134	-13,929	-66,789	146,935	80,146
<u>Movements in Year</u>							
Total Comprehensive Income and Expenditure	44,887	0	0	0	44,887	-97,790	-52,903
Adjustments between accounting basis and funding basis under regulations (Note 7)	-47,856	0	-743	-3,828	-52,427	52,427	0
Net Increase before Transfers to Earmarked Reserves	-2,969	0	-743	-3,828	-7,540	-45,363	-52,903
Transfers to / from Earmarked Reserves (Note 34)	6,297	-6,297	0	0	0	0	0
Decrease / Increase (-) in Year	3,328	-6,297	-743	-3,828	-7,540	-45,363	-52,903
Balance at 31 March 2020	-17,807	-35,888	-2,877	-17,757	-74,329	101,572	27,243

<u>Movements in Reserves in 2018/2019</u>	General Fund Balance	Earmarked Reserves Account	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Notes 37 to 41)	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2018	-24,543	-25,687	-5,675	-9,333	-65,238	20,772	-44,466
<u>Movements in Year</u>							
Total Comprehensive Income and Expenditure	69,595	0	0	0	69,595	55,017	124,612
Adjustments between accounting basis and funding basis under regulations (Note 7)	-70,091	0	3,541	-4,596	-71,146	71,146	0
Net Increase before Transfers to Earmarked Reserves	-496	0	3,541	-4,596	-1,551	126,163	124,612
Transfers to / from Earmarked Reserves (Note 34)	3,904	-3,904	0	0	0	0	0
Decrease / Increase (-) in Year	3,408	-3,904	3,541	-4,596	-1,551	126,163	124,612
Balance at 31 March 2019	-21,135	-29,591	-2,134	-13,929	-66,789	146,935	80,146

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Movement in Reserves

5 BALANCE SHEET

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

<u>31 March</u> <u>2019</u> £000s		<u>Note</u>	<u>31 March</u> <u>2020</u> £000s
478,923	Property, Plant and Equipment	18	469,221
11,532	Heritage Assets	19	11,532
61,836	Investment Property	20	55,300
85	Intangible Assets		0
5,616	Long Term Investments	22	5,541
4,466	Long Term Debtors	23	4,806
562,458	Long-Term Assets		546,400
62	Short Term Investments	24	99
716	Inventories		730
35,866	Short Term Debtors	26	49,131
4,400	Prepayments	26	5,368
12,280	Cash and Cash Equivalents	27	38,988
53,324	Current Assets		94,316
-10,332	Short Term Borrowing	52	-16,617
-30,546	Short Term Creditors	28	-41,868
-14,376	Receipts in Advance	29	-25,995
-884	Deferred Liabilities	31	-918
-56,138	Current Liabilities		-85,398
-21,600	Provisions	30	-22,699
-142,693	Long Term Borrowing	52	-149,153
-9,275	Deferred Liabilities	31	-8,357
-466,222	Pensions Liability	49	-402,352
-639,790	Long Term Liabilities		-582,561
-80,146	Net Assets / Liabilities (-)		-27,243

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Balance Sheet

31 March 2019 £000s	Balance Sheet (Continued)	Note	31 March 2020 £000s
	Reserves		
	<u>Usable Reserves</u>		
-13,596	General Fund - Delegated Schools	33	-10,823
-7,539	General Fund - Non Delegated Services	33	-6,984
-29,591	Earmarked Reserves	34	-35,888
-2,134	Capital Receipts Reserve	35	-2,877
-13,929	Capital Grants and Contributions Unapplied	36	-17,757
-66,789			-74,329
	<u>Unusable Reserves</u>		
-71,389	Revaluation Reserve	37	-69,636
-249,225	Capital Adjustment Account	38	-236,118
429	Financial Instruments Adjustment Account		370
-615	Pooled Investment Funds Adjustment Account		-414
-16	Deferred Capital Receipts Reserve		0
466,222	Pensions Reserve	39	402,352
-2,687	Collection Fund Adjustment Account	40	293
4,216	Accumulated Absences Account	41	4,725
146,935			101,572
80,146	Total Reserves		27,243

The Notes on pages 35 to 114 form part of the financial statements.

6 CASH FLOW STATEMENT

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

<u>2018/2019</u> £000s		Note	<u>2019/2020</u> £000s
	<u>Operating Activities</u>		
69,595	Net deficit on the provision of services		44,887
-81,913	Adjustments to net surplus or deficit on the provision of services for non-cash movements	53	-73,424
2,885	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	53	13,271
-9,433	Net cash flows from Operating Activities		-15,266
	<u>Investing Activities</u>		
21,259	Purchase of property, plant and equipment, investment property and intangible assets		15,108
0	Purchase of short-term and long-term investments		126
-1,084	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		-1,053
-14,027	Other receipts from investing activities		-12,580
6,148	Net cash flows from Investing Activities		1,601
	<u>Financing Activities</u>		
-2,000	Cash receipts of short- and long-term borrowing		-20,000
-163	Other receipts from financing activities		-19
3,062	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		446
6,433	Repayments of short- and long-term borrowing		6,457
216	Other payments for financing activities		73
7,548	Net cash flows from Financing Activities	53	-13,043
4,263	Net decrease / (increase) in cash and cash equivalents		-26,708
-16,543	Cash and cash equivalents at the beginning of the reporting period		-12,280
-12,280	Cash and cash equivalents at the end of the reporting period	32	-38,988

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Cash Flow

7 NOTES TO THE FINANCIAL STATEMENTS - EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, 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 directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

<u>2019/2020</u>	Net Expenditure Chargeable to General Fund Balances	Adjustments between the Funding and Accounting Basis (Note 6)	Net Expenditure in the Comprehensive Income and Expenditure Statement
Strategic Management	1,015	54	1,069
Strategic Support Unit	3,040	162	3,202
Adult Social Care	92,302	1,263	93,565
Children's Social Care	36,141	660	36,801
Communities	19,480	2,976	22,456
Corporate Resources	25,047	4,475	29,522
Economic Growth and Housing	4,886	1,543	6,429
Education Excellence	9,815	7,165	16,980
Education Excellence - Schools	4,819	2,523	7,342
Health and Wellbeing	15,625	-20,771	-5,146
Highways and Public Protection	5,879	6,331	12,210
Locality Services	13,823	3,730	17,553
Corporate Unallocated Costs	-7,842	19,826	11,984
Net Cost of Services	224,030	29,937	253,967
Other Operating Income and Expenditure	35,229	2,770	37,999
Financing and Investment Income & Expenditure	8,142	6,674	14,816
Taxation and Non-specific Grant Income	-270,370	8,475	-261,895
Other Income and Expenditure	-226,999	17,919	-209,080
Deficit/(Surplus) on Provision of Services	-2,969	47,856	44,887

Opening General Fund Balance	-50,726
Plus: Surplus in the Year	-2,969
Closing General Fund Balance	-53,695
Analysis of Closing General Fund Balance:	
General Fund - Delegated Schools	-10,823
General Fund - Non-Delegated Services	-6,984
Earmarked Reserves	-35,888
Closing General Fund Balance	-53,695

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The following table shows the comparative information for 2018/2019:

2018/2019	Net Expenditure Chargeable to General Fund Balances	Adjustments between the Funding and Accounting Basis (Note 6)	Net Expenditure in the Comprehensive Income and Expenditure Statement
Strategic Management	964	41	1,005
Strategic Support Unit	3,272	134	3,406
Adult Social Care	89,514	2,640	92,154
Children's Social Care	31,969	494	32,463
Communities	19,583	2,024	21,607
Corporate Resources	27,677	2,840	30,517
Economic Growth and Housing	5,091	996	6,087
Education Excellence	8,541	26,334	34,875
Education Excellence - Schools	111	3,110	3,221
Health and Wellbeing	15,569	-21,363	-5,794
Highways and Public Protection	6,440	5,481	11,921
Locality Services	13,184	3,761	16,945
Corporate Unallocated Costs	-4,681	16,979	12,298
Net Cost of Services	217,234	43,471	260,705
Other Operating Income and Expenditure	34,281	10,646	44,927
Financing and Investment Income & Expenditure	8,872	4,197	13,069
Taxation and Non-specific Grant Income	-260,883	11,777	-249,106
Other Income and Expenditure	-217,730	26,620	-191,110
Deficit/(Surplus) on Provision of Services	-496	70,091	69,595
Opening General Fund Balance	-50,230		
Plus: Surplus in the Year	-496		
Closing General Fund Balance	-50,726		
Analysis of Closing General Fund Balance:			
General Fund - Delegated Schools	-13,596		
General Fund - Non-Delegated Services	-7,539		
Earmarked Reserves	-29,591		
Closing General Fund Balance	-50,726		

8 OTHER NOTES TO THE FINANCIAL STATEMENTS

1 PRIOR PERIOD ADJUSTMENTS - TRANSFERS OF FUNCTIONS BETWEEN SERVICES

At the beginning of 2019/2020 the Council restructured its services. Some services were renamed and some subsumed into other services, with other functions transferred between services. The new service names were:

- Economic Growth and Housing – previously Inward Investment and Employment
- Education Excellence – previously Schools and Families
- Highways and Public Protection – previously Locality Services – Commissioned
- Locality Services – previously Locality Services - Provision

The amounts are considered material enough to warrant a Prior Period Adjustment to ensure comparability between the two years. The impact of the changes on the figures included in the 2018/2019 Statement of Accounts are shown below:

<u>Comprehensive Income and Expenditure Statement</u>	Per 2018/2019 Statement of Accounts	Adjustments	Restated Figures
	£000	£000	£000
<u>Gross Expenditure:</u>			
Communities	9,963	24,761	34,724
Corporate Resources	114,804	5,124	119,928
Economic Growth and Housing	6,776	7,758	14,534
Education Excellence	49,923	-12,842	37,081
Health and Wellbeing	27,078	-11,285	15,793
Highways and Public Protection	22,721	-2,111	20,610
Locality Services	19,293	8,312	27,605
Regeneration and Housing	8,391	-8,391	0
Regulation and Compliance	11,326	-11,326	0
<u>Gross Income:</u>			
Communities	-2,537	-10,580	-13,117
Corporate Resources	-88,205	-1,206	-89,411
Economic Growth and Housing	-3,360	-5,087	-8,447
Education Excellence	-4,864	2,658	-2,206
Health and Wellbeing	-29,399	7,812	-21,587
Highways and Public Protection	-4,269	-4,420	-8,689
Locality Services	-8,789	-1,871	-10,660
Regeneration and Housing	-5,196	5,196	0
Regulation and Compliance	-7,498	7,498	0
<u>Net Expenditure:</u>			
Communities	7,426	14,181	21,607
Corporate Resources	26,599	3,918	30,517
Economic Growth and Housing	3,416	2,671	6,087
Education Excellence	45,059	-10,184	34,875
Health and Wellbeing	-2,321	-3,473	-5,794
Highways and Public Protection	18,452	-6,531	11,921
Locality Services	10,504	6,441	16,945
Regeneration and Housing	3,195	-3,195	0
Regulation and Compliance	3,828	-3,828	0

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<u>Expenditure and Funding Analysis</u>	Per 2018/2019 Statement of Accounts	Adjustments	Restated Figures
	£000	£000	£000
<u>Net Expenditure Chargeable to General Fund</u>			
<u>Balances:</u>			
Communities	6,332	13,251	19,583
Corporate Resources	23,876	3,801	27,677
Economic Growth and Housing	2,626	2,465	5,091
Education Excellence	18,844	-10,303	8,541
Health and Wellbeing	18,011	-2,442	15,569
Highways and Public Protection	12,126	-5,686	6,440
Locality Services	8,548	4,636	13,184
Regeneration and Housing	2,970	-2,970	0
Regulation and Compliance	2,752	-2,752	0
<u>Adjustments between the Funding and Accounting Basis:</u>			
Communities	1,094	930	2,024
Corporate Resources	2,723	117	2,840
Economic Growth and Housing	790	206	996
Education Excellence	26,215	119	26,334
Health and Wellbeing	-20,332	-1,031	-21,363
Highways and Public Protection	6,326	-845	5,481
Locality Services	1,956	1,805	3,761
Regeneration and Housing	225	-225	0
Regulation and Compliance	1,076	-1,076	0
<u>Net Expenditure in the Comprehensive Income & Expenditure Account:</u>			
Communities	7,426	14,181	21,607
Corporate Resources	26,599	3,918	30,517
Economic Growth and Housing	3,416	2,671	6,087
Education Excellence	45,059	-10,184	34,875
Health and Wellbeing	-2,321	-3,473	-5,794
Highways and Public Protection	18,452	-6,531	11,921
Locality Services	10,504	6,441	16,945
Regeneration and Housing	3,195	-3,195	0
Regulation and Compliance	3,828	-3,828	0

<u>Note 6 – Note to the Expenditure and Funding Analysis - Adjustments between the Funding and Accounting Basis</u>	Per 2018/2019 Statement of Accounts	Adjustments	Restated Figures
	£000	£000	£000
<u>Adjustments for Capital Purposes:</u>			
Communities	954	680	1,634
Corporate Resources	2,156	0	2,156
Economic Growth and Housing	934	7	941
Education Excellence	25,792	449	26,241
Health and Wellbeing	1,123	-1,123	0
Highways and Public Protection	6,176	-777	5,399
Locality Services	1,790	1,634	3,424
Regeneration and Housing	13	-13	0
Regulation and Compliance	857	-857	0
<u>Net change for the Pensions Adjustment:</u>			
Communities	165	538	703
Corporate Resources	559	115	674
Economic Growth and Housing	91	196	287
Education Excellence	416	-325	91

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Health and Wellbeing	212	-201	11
Highways and Public Protection	319	-54	265
Locality Services	770	169	939
Regeneration and Housing	209	-209	0
Regulation and Compliance	229	-229	0
<u>Other Differences:</u>			
Communities	-25	-288	-313
Corporate Resources	8	2	10
Economic Growth and Housing	-235	3	-232
Education Excellence	7	-5	2
Health and Wellbeing	-21,667	293	-21,374
Highways and Public Protection	-169	-14	-183
Locality Services	-604	2	-602
Regeneration and Housing	3	-3	0
Regulation and Compliance	-10	10	0
<u>Total Adjustments:</u>			
Communities	1,094	930	2,024
Corporate Resources	2,723	117	2,840
Economic Growth and Housing	790	206	996
Education Excellence	26,215	119	26,334
Health and Wellbeing	-20,332	-1,031	-21,363
Highways and Public Protection	6,326	-845	5,481
Locality Services	1,956	1,805	3,761
Regeneration and Housing	225	-225	0
Regulation and Compliance	1,076	-1,076	0

Note 6 – Note to the Expenditure and Funding Analysis - Segmental Analysis of Revenues from External Customers	Per 2018/2019 Statement of Accounts	Adjustments	Restated Figures
	£000	£000	£000
Communities	-961	-7,636	-8,597
Corporate Resources	-4,378	-576	-4,954
Economic Growth and Housing	-1,517	-2,880	-4,397
Education Excellence	-1,751	641	-1,110
Health and Wellbeing	-6,996	6,995	-1
Highways and Public Protection	-3,858	-4,532	-8,390
Locality Services	-8,716	-1,468	-10,184
Regeneration and Housing	-2,880	2,880	0
Regulation and Compliance	-6,576	6,576	0

2 **ACCOUNTING STANDARDS ISSUED BUT HAVE NOT YET BEEN ADOPTED**

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- Amendments to IAS 28 Investment in Associates and Joint Ventures: Long term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

These changes are not expected to have a material impact on the Council's single entity statements or group statements.

3 **CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in Note 63, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government (see Narrative Report). However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has a material interest in Sefton New Directions Limited, an entity which conducts some of the Council's adult and social care activities. It has been deemed that Sefton New Directions Limited is a subsidiary of the Council and group accounts are required to be prepared.
- The Council have agreed to share any proceeds of former council house sales if they are subsequently sold by One Vision Housing Limited. The agreement lasts until 31 March 2037 and the amount received will depend on the number of sales each year. These are treated as capital receipts in the year.
- The Council has joint working arrangements with NHS Sefton for the provision of intensive care packages for service users with a learning disability and the provision of an Integrated Community Equipment Service. In total £4.381m has been expended on both services, split 50/50. The Council does not consolidate both elements in to its financial statements but only accounts for its own expenditure (see Note 12).
- The Council has given a number of warranties for up to 17 years (One Vision Housing Limited) and 35 years (Prudential Trustee Company Limited) in respect of statements, title, encumbrances, planning matters, statutory obligations, adverse orders, tenancies, information and statistics supplied, sales off, disputes and litigation, rights of entry to maintain and repair, absence of adverse replies, electricity sub-stations and shop leases, leasehold property, way leaves, telecommunications and works undertaken. In addition, warranties for 20 years have been given to both parties in respect of claims for asbestos and a warranty not exceeding £100,500,000 for up to 20 years in respect of environmental pollution has been given to One Vision Housing Limited. There is currently no liability. However, the Council has set aside resources in an earmarked reserve in case it is required to pay out under these warranties.
- Investment properties have been estimated using the identifiable criteria under IFRS of being held for rental income or for capital appreciation. These properties have been assessed using these criteria, which is subject to interpretation.
- The Council has examined its leases and classified them as either operational or finance leases. In some cases, the lease transaction is not always conclusive, and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease, the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.
- The Council does not recognise Voluntary Aided, Academies or Free schools on its Balance Sheet. All other types of school are recognised on the Council's Balance Sheet.

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

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

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

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Notes to the Financial Statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets.</p> <p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>The total value of PP&E as at 31 March 2020 is £469.221m.</p>	<p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p> <p>A 10% reduction in Net Book Value would equate to £46.9m.</p> <p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for assets would increase by £1.042m for every year that useful lives had to be reduced.</p>
Investment Properties	<p>The Council's valuers use valuation techniques to determine the fair value of investment property.</p> <p>The total value of Investment Properties as at 31 March 2020 is £55.300m.</p>	<p>Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.</p> <p>A 10% reduction in Net Book Value would equate to £5.5m.</p>
Provision for NNDR Checks, Challenges & Appeals	<p>A provision has been made in respect of checks, challenges and appeals against the rateable value of business properties. The provision represents the best estimate of the amount that would be repaid to businesses in respect of business rates charged up to 31 March 2020. The total provision recorded on the Collection Fund is £18.891m (Sefton's share is £18.702m).</p> <p>This estimate has been calculated using the Valuation Office Agency (VOA) list of appeals outstanding on the 2010 Rating List and a forecast of potential risk of checks, challenges, and appeals over the life of the 2017 Rating List.</p> <p>The actual number and value of successful appeals may be materially different from the experience of previous rating lists and settled appeals.</p>	<p>An increase of 1% in the reduction in Rateable Value on appeals outstanding against the 2010 Rating List would require an increase of £0.670m in the total provision (Sefton's share would be £0.664m).</p> <p>An increase of 1% in the reduction in Rateable Value on check, challenge, or appeal against the 2017 Rating List at 31 March 2019 would require an increase of £2.120m in the total provision (Sefton's share would be £2.098m).</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p> <p>As at 31 March 2020 the value of assets was £906.841m and liabilities was £1,309.193m. The net liability is therefore £402.352m.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured.</p> <p>The impact of changes in individual assumptions are shown in Note 58, as required by the Code of Practice.</p>
Arrears	<p>At 31 March 2020, Sefton had a net balance of sundry debtor accounts issued by the Authority but not yet paid of £21.165m. A review of significant balances suggested that an impairment of doubtful debts of approximately 13% (£2.681m) was appropriate for these accounts.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £22.453m to be set aside as an allowance.</p>

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	<p>At 31 March 2020, Sefton had a balance of Council Tax arrears (including Court Costs) of £22.163m. A review of significant balances suggested that an impairment of doubtful debts of approximately 63% (£13.903m) was appropriate for these accounts.</p> <p>At 31 March 2020, Sefton had a balance of NNDR arrears (including Court Costs) of £5.294m (Sefton's share only). A review of significant balances suggested that an impairment of doubtful debts of approximately 61% (£3.252m) was appropriate for these accounts.</p> <p>At 31 March 2020, Sefton had a balance of Housing Benefit arrears of £5.798m. A review of significant balances suggested that an impairment of doubtful debts of approximately 45% (£2.617m) was appropriate for these accounts.</p> <p>However, in the current economic climate it is possible that such allowances would not be sufficient.</p>	
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5 EXPENDITURE AND INCOME ANALYSED BY NATURE

<u>2018/2019</u> £000s		<u>2019/2020</u> £000s
	<u>Expenditure</u>	
237,727	Employee benefit expenses	247,201
349,273	Other service expenses	352,165
49,257	Depreciation, amortisation and impairment	37,093
6,803	Interest Payments	6,638
34,295	Precepts and Levies	35,256
11,964	Loss on the disposal of assets	4,057
9,668	Net Interest on the Net Pension Defined Benefit Liability	10,958
698,987	Total Expenditure	693,368
	<u>Income</u>	
-69,589	Fees, charges and other service income	-69,320
-536	Interest and Investment Income	-516
-194,447	Income from council tax and non-domestic rate income	-197,604
-364,820	Government Grants and Contributions	-381,041
-629,392	Total Income	-648,481
69,595	Deficit on the Provision of Services	44,887

6 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis in 2019/2020

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement amounts.	Adjustments for Capital Purposes	Net change for the Pensions Adjustment	Other Differences	Total Adjustments
	£000	£000	£000	£000
Strategic Management	0	53	1	54
Strategic Support Unit	0	160	2	162
Adult Social Care	582	674	7	1,263
Children's Social Care	105	549	6	660
Communities	2,415	876	-315	2,976
Corporate Resources	3,384	1,080	11	4,475
Economic Growth and Housing	1,388	388	-233	1,543
Education Excellence	7,011	153	1	7,165
Education Excellence - Schools	-343	2,421	445	2,523
Health and Wellbeing	0	39	-20,810	-20,771
Highways and Public Protection	6,017	338	-24	6,331
Locality Services	3,124	1,311	-705	3,730
Corporate Unallocated Costs	5,915	15,406	-1,495	19,826
Net Cost of Services	29,598	23,448	-23,109	29,937
Other Income and Expenditure	-19,578	10,958	26,539	17,919
Surplus (-) or Deficit	10,020	34,406	3,430	47,856

Adjustments between Funding and Accounting Basis in 2018/2019:

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement amounts.	Adjustments for Capital Purposes	Net Change for the Pensions Adjustment	Other Differences	Total Adjustments
	£000	£000	£000	£000
Strategic Management	0	41	0	41
Strategic Support Unit	0	132	2	134
Adult Social Care	2,157	476	7	2,640
Children's Social Care	89	398	7	494
Communities	1,634	703	-313	2,024
Corporate Resources	2,156	674	10	2,840
Economic Growth and Housing	941	287	-232	996
Education Excellence	26,241	91	2	26,334
Education Excellence - Schools	399	1,844	867	3,110
Health and Wellbeing	0	11	-21,374	-21,363
Highways and Public Protection	5,399	265	-183	5,481
Locality Services	3,424	939	-602	3,761
Corporate Unallocated Costs	3,695	14,898	-1,614	16,979
Net Cost of Services	46,135	20,759	-23,423	43,471
Other Income and Expenditure	-11,560	9,668	28,512	26,620
Deficit	34,575	30,427	5,089	70,091

Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services 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.

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Notes to the Financial Statements

- **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 throughout 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.

Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

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

Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/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 differences 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 NDR 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.

In addition, this includes differences between how expenditure and income is reported to management and how it needs to be shown in the Income and Expenditure Account, e.g. Public Health Grant and Prudential Borrowing costs charged to Services.

Segmental Analysis of Revenues from External Customers

<u>2018/2019</u> £000s		<u>2019/2020</u> £000s
-199	Strategic Management	-156
-87	Strategic Support Unit	-106
-20,470	Adult Social Care	-20,751
-344	Children's Social Care	-562
-8,597	Communities	-8,106
-4,954	Corporate Resources	-5,472
-4,397	Economic Growth and Housing	-3,761
-1,110	Education Excellence	-1,173
-4,932	Education Excellence - Schools	-4,598
-1	Health and Wellbeing	-1
-8,390	Highways and Public Protection	-8,671
-10,184	Locality Services	-10,711
-4,827	Corporate Unallocated Costs	-4,089
-68,492	Net Cost of Services	-68,157
-1,097	Other Income and Expenditure	-1,163
-69,589	Surplus on the Provision of Services	-69,320

7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

<u>Adjustments in 2019/2020</u>	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation of non-current assets	-19,802			19,802
Revaluation losses on non-current assets	-8,195			8,195
Movements in the market value of Investment Properties	440			-440
Amortisation of intangible assets	-85			85
Capital grants and contributions applied	10,371			-10,371
Revenue expenditure funded from capital under statute - Gross	-9,251			9,251
Revenue expenditure funded from capital under statute – Related Capital Grants and Contributions	8,753			-8,753
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	-4,152			4,152
Amortisation of Deferred Income re. Crosby PFI Scheme	108			-108
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	5,971			-5,971
Capital expenditure charged against the General Fund	43			-43
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	5,105		-5,105	
Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	-162		162	
Application of grants to capital financing transferred to the Capital Adjustment Account	0		1,115	-1,115
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	95	-95		
Transfers to Usable Capital Receipts not relating to the disposal of assets	958	-958		
Use of the Capital Receipts Reserve to finance new capital expenditure	0	310		-310
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Reduction of Capital Receipts Deferred re. Leased Out Buildings	-16			16

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Notes to the Financial Statements

Adjustments in 2019/2020 Continued	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustment primarily involving the Financial Instruments Adjustment Account: Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	59			-59
Adjustment primarily involving the Pooled Investment Funds Adjustment Account: Amount by which Financial Instruments held under Fair Value through Profit & Loss are subject to MHCLG statutory over-ride.	-201			201
Adjustments primarily involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-53,531			53,531
Employer's pensions contributions and direct payments to pensioners payable in the year	19,125			-19,125
Adjustments primarily involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rates income calculated for the year in accordance with statutory requirements	-2,980			2,980
Adjustment primarily involving the Accumulated Absences Account: Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-509			509
Total Adjustments	-47,856	-743	-3,828	52,427

The table below provides comparative figures for 2018/2019:

Adjustments in 2018/2019	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account: <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation of non-current assets	-19,692			19,692
Revaluation losses on non-current assets	-28,054			28,054
Movements in the market value of Investment Properties	1,415			-1,415
Amortisation of intangible assets	-619			619
Capital grants and contributions applied	8,660			-8,660
Revenue expenditure funded from capital under statute - Gross	-2,393			2,393
Revenue expenditure funded from capital under statute – Related Capital Grants and Contributions	2,393			-2,393
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	-12,038			12,038
Amortisation of Deferred Income re. Crosby PFI Scheme	108			-108

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Adjustments in 2018/2019 Continued	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	8,441			-8,441
Capital expenditure charged against the General Fund	971			-971
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	5,222		-5,222	
Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	-80		80	
Application of grants to capital financing transferred to the Capital Adjustment Account			546	-546
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	74	-74		
Transfers to Usable Capital Receipts not relating to the disposal of assets	1,010	-1,010		
Use of the Capital Receipts Reserve to finance new capital expenditure		4,625		-4,625
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Reduction of Capital Receipts Deferred re. Leased Out Buildings	-78			78
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	59			-59
Adjustment primarily involving the Pooled Investment Funds Adjustment Account:				
Amount by which Financial Instruments held under Fair Value through Profit & Loss are subject to MHCLG statutory over-ride.	86			-86
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-47,712			47,712
Employer's pensions contributions and direct payments to pensioners payable in the year	17,285			-17,285
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rates income calculated for the year in accordance with statutory requirements	-4,206			4,206
Adjustment primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-943			943
Total Adjustments	-70,091	3,541	-4,596	71,146

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8 OTHER OPERATING INCOME

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

<u>2018/2019</u> £000s	<u>Other Income</u>	<u>2019/2020</u> £000s
-731	Capital Receipts re. Former Council Dwellings	-809
-279	Other Capital Receipts not relating to the Disposal of Council Assets	-149
-87	Sefton's share of a VAT Shelter Agreement with One Vision Housing	-205
-1,097		-1,163

9 INTEREST PAYABLE AND SIMILAR CHARGES

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

<u>2018/2019</u> £000s		<u>2019/2020</u> £000s
5,987	External Interest Charges	-5,912
360	Finance Charge re. Leasing Agreements	-350
448	Finance Charge re. PFI Schemes	-373
6,795	Total	-6,635

10 POOLED BUDGETS

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

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

Sefton Council has a joint working arrangement with CCG's in Sefton for the provision of intensive care packages for service users with a learning disability. Contributions of £1.258m from CCG's (£1.297m in 2018/2019) and £1.670m from Sefton Council (£1.268m in 2018/2019), £2.928m in total (£2.566m in 2018/2019), have been fully expended on purchasing of care packages to meet the health and social care needs of this client group. Sefton's contribution has been financed from within the Adult Social Care budget and is included in the Comprehensive Income and Expenditure Statement under this heading.

Provision of an Integrated Community Equipment Service

Sefton has a joint working arrangement within South Sefton for the provision of an Integrated Community Equipment Service, providing an appropriate range of equipment to meet assessed needs and to support intermediate care, hospital discharge, rehabilitation and independent living in the community. Contributions of £0.719m from South Sefton Clinical Commissioning Group (CCG) (£0.561m in 2018/2019 from Northwest Boroughs HCFT) and £0.734m from Sefton Council (£0.569m in 2018/2019); £1.453m in total (£1.130m in 2018/19), have been fully expended on the provision of this service. Sefton's contribution has been financed from within the Adult Social Care budget and is included in the Comprehensive Income and Expenditure Statement under this heading.

Better Care Fund

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

The Better Care Fund creates a local single pooled budget to incentivise the integration of health and social care and encourage the NHS and Local Government to work more closely together around people, placing their well-being as the focus of health and care services. The five themes underpinning the agreement in 2018/19 are:

- Integrated Community Care - building on the existing Virtual Ward and Care Closer to Home initiatives to have a comprehensive, fully integrated model of care built around the communities in localities.
- Long Term Adult Social Care –supporting packages of care and personal budgets and providing additional capacity in social work
- Intermediate Care and Reablement – seeking to reduce hospital admissions and re-admissions, reduce the need for ongoing care and support by assisting with regaining of independence and to reduce the number of long term residential and nursing care placements
- Early Years.
- Early Intervention and Prevention.

Additional funding from the Improved Better Care Fund (iBCF) has been agreed for 3 years 2017/2018 to 2019/2020. The 2019/2020 allocation of £13.739m (£10.995m in 2018/2019) has been used to manage the Risk of Market Failure & Protect Social Care Fees; short term Transformation Programme; Supporting New Admissions in Community Care budget and Transformational Investment at LCR Level.

Financial performance in the year was as follows:

2018/2019 £'000		2019/2020 £'000
	<u>Contributions</u>	
-14,377	South Sefton CCG	-14,709
-9,497	Southport & Formby CCG	-9,722
-17,465	Sefton Council	-24,272
-41,339	Total Contributions	-48,703
36,582	Total Expenditure	42,371
-4,757	Variance	-6,332

The variance of £6.332m relates to capital expenditure in the pooled fund arrangement. The 2019/20 Disabled Facilities grant allocation of £4.251m together with the £4.757m brought forward from 2018/19 (both are included in the total Sefton Council contribution figure shown in the table above) was utilised to fund expenditure of £2.676m in 2019/2020. As a three-year programme of spend covering 2019/20 to 2021/22 has been approved the balance will be carried forward to be used in the remaining 2 years of this programme.

11 EXTERNAL AUDIT COSTS

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

2018/2019 £000		2019/2020 £000
98	Fees for external audit services carried out by the appointed auditors	98
5	Fees payable for the certification of grant returns	18
77	Fees payable in respect of any other services	6
180	Total	122

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12 MEMBERS' ALLOWANCES

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

<u>2018/2019</u> £000s		<u>2019/2020</u> £000s
603	Basic Allowances	615
233	Special Responsibility Allowances	226
6	Expenses	0
842	Total	841

No Members were paid a salary in either year.

13 EXIT PACKAGES / TERMINATION BENEFITS

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

Exit Packages in 2019/2020

<u>Exit Package Cost Band</u>	<u>Number of Compulsory Redundancies</u>	<u>Number of Other Departures Agreed</u>	<u>Total Number of Exit Packages by Cost Band</u>	<u>Total Cost of Exit Packages in each Band</u>
£0 - £20,000	40	44	84	£0.633m
£20,001 - £40,000	6	4	10	£0.261m
£40,001 - £60,000	3	2	5	£0.238m
£60,001 - £80,000	0	2	2	£0.125m
£80,001 - £100,000	1	0	1	£0.085m
Total	50	52	102	£1.342m

Exit Packages in 2018/2019

<u>Exit Package Cost Band</u>	<u>Number of Compulsory Redundancies</u>	<u>Number of Other Departures Agreed</u>	<u>Total Number of Exit Packages by Cost Band</u>	<u>Total Cost of Exit Packages in each Band</u>
£0 - £20,000	99	58	157	£0.919m
£20,001 - £40,000	9	10	19	£0.502m
£40,001 - £60,000	4	0	4	£0.184m
£60,001 - £80,000	4	2	6	£0.409m
£80,001 - £100,000	4	0	4	£0.363m
£100,001 - £150,000	1	0	1	£0.141m
£150,001 - £200,000	1	0	1	£0.156m
£250,001 - £300,000	1	0	1	£0.268m
Total	123	70	193	£2.942m

14 EMPLOYEES' EMOLUMENTS IN EXCESS OF £50,000

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

- (i) all taxable amounts paid to, or receivable by, employees, including sums due by way of expenses allowances;
- (ii) the estimated money value of all other benefits received by employees, otherwise than in cash; and,
- (iii) redundancy payments paid to employees who have left the employment of the Authority during the year.

Readers should note that the tables below include Senior Officers' remuneration, which is also disclosed separately in Note 18.

Teaching Staff (including Voluntary Aided Schools)				
<u>2018/2019</u>		<u>Remuneration Band</u>	<u>2019/2020</u>	
<u>Employed on 31/03/19</u>	<u>Left during the year</u>		<u>Employed on 31/03/20</u>	<u>Left during the year</u>
42	1	£50,000 - £54,999	55	7
30	1	£55,000 - £59,999	27	1
34	2	£60,000 - £64,999	28	0
25	0	£65,000 - £69,999	34	1
10	1	£70,000 - £74,999	14	1
7	0	£75,000 - £79,999	10	0
2	0	£80,000 - £84,999	3	0
2	0	£85,000 - £89,999	0	0
0	0	£90,000 - £94,999	0	1
3	0	£95,000 - £99,999	0	0
0	0	£105,000 - £109,999	1	0
1	0	£110,000 - £114,999	1	0

Non-Teaching Staff (including schools)				
<u>2018/2019</u>		<u>Remuneration Band</u>	<u>2019/2020</u>	
<u>Employed on 31/03/18</u>	<u>Left during the year</u>		<u>Employed on 31/03/19</u>	<u>Left during the year</u>
33	2	£50,000 - £54,999	23	1
3	1	£55,000 - £59,999	18	1
5	0	£60,000 - £64,999	3	0
6	1	£65,000 - £69,999	9	0
7	1	£70,000 - £74,999	5	0
1	0	£75,000 - £79,999	1	1
4	2	£80,000 - £84,999	6	0
1	0	£85,000 - £89,999	1	1
0	0	£90,000 - £94,999	2	0
1	0	£95,000 - £99,999	1	0
0	1	£105,000 - £109,999	0	0
1	0	£110,000 - £114,999	3	0
0	0	£115,000 - £119,999	1	0
1	0	£120,000 - £124,999	0	0
1	0	£140,000 - £144,999	1	0

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15 SENIOR OFFICERS' REMUNERATION

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

Senior Officers remuneration in 2019/2020:

Post holder Information	Notes	Salary (Including fees and allowances) £	Expense Allowances £	Compensation for loss of office £	Total Remuneration excluding pension contributions £	Pension Contributions £	Total Remuneration including pension contributions £
Chief Executive	a	144,914	0	0	144,914	40,202	185,116
Executive Director - People		114,951	0	0	114,951	31,940	146,891
Executive Director - Place		114,951	0	0	114,951	31,989	146,940
Executive Director – Projects (Fixed Term)		114,951	0	0	114,951	31,820	146,771
Director of Social Care and Health	b	20,900	0	0	20,900	5,813	26,713
Executive Director of Adult Social Care and Health	c	80,308	0	0	80,308	22,425	102,733
Executive Director of Children's Social Care and Education	d	80,308	0	0	80,308	22,384	102,692
Head of Corporate Resources / Executive Director of Corporate Resources and Customer Services	e	99,466	0	0	99,466	27,593	127,059
Head of Strategic Support		83,844	0	0	83,844	23,360	107,204
Head of Adult Social Care	f	13,991	0	0	13,991	3,833	17,824
Head of Children's Social Care	g	45,703	0	0	45,703	12,609	58,312
Head of Communities		85,252	0	0	85,252	23,359	108,611
Head of Economic Growth and Housing		83,944	0	0	83,944	23,287	107,231
Head of Education Excellence		73,940	0	0	73,940	20,576	94,516
Head of Health and Wellbeing (Director of Public Health)		88,620	0	0	88,620	24,584	113,204
Head of Highways and Public Protection		83,944	0	0	83,944	23,325	107,269
Head of Locality Services		83,944	0	0	83,944	23,353	107,297
Head of Commercial Development		83,944	0	0	83,944	23,318	107,262

- a) The Chief Executive retired on 31st May 2019 with the post being filled on 1st June 2019.
- b) The Director of Social Care and Health was appointed as Chief Executive from 1st June 2019. The post was deleted and replaced by two new posts – the Executive Director of Adult Social Care and Health and Executive Director of Children's Social Care and Education.
- c) The Executive Director of Adult Social Care and Health post was created on 1st June 2019 and the former Head of Adult Social Care was appointed to the post.
- d) The Executive Director of Children's Social Care and Education post was created on 1st June 2019 and the former Head of Children's Social Care was appointed to the post.
- e) The Head of Corporate Resources post was redesignated as Executive Director of Corporate Resources and Customer Services from 1st February 2020.

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- f) The Head of Adult Social Care was appointed to the Executive Director of Adult Social Care and Health post on 1st June 2019. The Head of Adult Social Care post remained vacant until the end of the year.
- g) The Head of Children's Social Care was appointed to the Executive Director of Children's Social Care and Education post on 1st June 2019. The Head of Children's Social Care post remained vacant until 15th November 2019 when it was filled temporarily for the remainder of the year.

Senior Officers remuneration in 2018/2019

Post holder Information	Notes	Salary (Including fees and allowances)	Expense Allowances	Compensation for loss of office	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including pension contributions
		£	£	£	£	£	£
Chief Executive		140,526	0	0	140,526	37,699	178,225
Executive Director		112,697	0	0	112,697	30,187	142,884
Executive Director	h	75,131	0	0	75,131	20,091	95,222
Executive Director	i	71,193	0	0	71,193	18,965	90,158
Director of Social Care and Health		122,944	0	0	122,944	32,920	155,864
Head of Corporate Resources		85,343	0	0	85,343	22,788	108,131
Head of Strategic Support		74,942	0	0	74,942	20,074	95,016
Head of Adult Social Care		82,298	0	0	82,298	22,060	104,358
Head of Children's Social Care		82,298	0	0	82,298	22,021	104,319
Head of Communities	j	24,246	0	0	24,246	6,379	30,625
Head of Economic Growth and Housing	k	27,860	0	0	27,860	7,355	35,215
Head of Education Excellence		72,491	0	0	72,491	19,424	91,915
Head of Health and Wellbeing (Director of Public Health)	l	15,000	0	0	15,000	3,600	18,600
Head of Highways and Public Protection	m	82,298	0	44,881	127,179	245,661	372,840
Head of Locality Services		82,298	0	0	82,298	22,044	104,342
Head of Commercial Development	n	72,564	0	0	72,564	19,403	91,967

- h) An Executive Director post was appointed to on 1st August 2018. It had previously been vacant.
- i) A new fixed term Executive Director post was appointed to on 14th August 2018.
- j) The Head of Communities was appointed to an Executive Director post on 1st August 2018. The Head of Communities post remained vacant until the end of the year.
- k) The Head of Economic Growth and Housing post was appointed to on 1st December 2018. It had previously been vacant.
- l) The Head of Health and Wellbeing (Director of Public Health) post was filled via a shared arrangement with Knowsley Borough Council until 31st January 2019. The substantive post has a full-time equivalent salary of between £90,000 and £95,000. The post was appointed to on 1st February 2019.
- m) The Head of Highways and Public Protection left on 31st December 2018. The previous Head of Commissioning Support and Business Intelligence was appointed to the post with that post being deleted.
- n) A new Head of Commercial Development post was appointed to on 14th May 2018.

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16 DEDICATED SCHOOLS' GRANT

The council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2015. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2019/2020 are as follows:

	<u>Central Expenditure</u> (Note a) £000s	<u>Individual Schools Budget</u> £000s	<u>Total</u> £000s
Final DSG for 2019/2020			-205,401
Academy figure recouped for 2019/20			57,139
Total DSG after Academy Recoupment			-148,262
Brought forward from 2018/2019			230
Carry forward to 2019/2020 agreed in advance			-230
Agreed initial budgeted distribution in 2018/2019	-47,472	-100,790	-148,262
In year adjustments	100	35	135
Final budgeted distribution in 2019/2020	-47,372	-100,755	-148,127
Actual central expenditure	51,527		51,527
Actual ISB deployed to schools		100,755	100,755
Local authority contributions in 2019/2020	0	0	0
Total Carry forward to 2019/20120 (Note a)	4,155	0	4,385

Note (a): The net overspend £4.155m recorded under Central Expenditure includes an overspend on High Needs of £4.491m, an underspend on Early Years of -£0.416m offset by a DfE prior year clawback of £0.224m and a net underspend on Central items of -£0.169m.

17 GRANT INCOME

Grants and contributions credited to the Comprehensive Income and Expenditure Statement

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

<u>2018/2019</u> £000s	<u>Credited to Taxation and Non-specific Grant Income</u>	<u>2019/2020</u> £000s
	<u>Non-Ringfenced Government Grants</u>	
-24,653	Non-Domestic Rates Top-Up Grant	-19,628
-1,437	New Homes Bonus	-864
-8,161	Business Rates Relief - S31 Grant	-11,331
-2,173	Independent Living Fund - Transition Funding	-2,107
-953	Adult Social Care Support Grant	0
0	Additional Social Care Funding	-2,605
-980	Business Rate Retention - Levy Account Surplus	-218
-1,525	Adult Social Care Winter Pressures Grant	-1,525
0	COVID-19 Emergency Funding	-9,975
-976	Other Non-Ringfenced Government Grants	-723
-40,858		-48,976

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2018/2019 £000s	<u>Credited to Taxation and Non-specific Grant Income</u>	2019/2020 £000s
	<u>Capital Grants and Contributions</u>	
-3,120	Department for Education Capital Grants	-5,206
-4,571	Local Transport Plan Grant	-3,381
-2,996	Better Care Fund	-2,589
-795	Liverpool City Region Combined Authority – Transport Grants	-2,560
-482	Environment Agency - CERMS Grant	-496
-569	Merseytravel – M58 Junction 1 Improvements	0
-454	MHCLG – Southport Pier	0
-895	Other Capital Grants and Contributions	-1,244
80	Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	162
-13,802		-15,314

2018/2019 £000s	<u>Grants Credited to Services</u>	2019/2020 £000s
	<u>Revenue Grants</u>	
-151,676	Dedicated Schools Grant	-147,809
-79,715	Housing Benefit Subsidy	-71,982
-21,374	Public Health Grant	-20,810
-9,260	Pupil Premium	-8,887
-4,273	Education Funding Agency	-3,359
-2,696	Universal Infant Free School Meals	-2,816
0	Teachers' Employer Pension Grant	-2,569
-1,054	Troubled Families Programme	-1,488
-610	Teachers Pay Grant	-1,303
-1,374	PE and Sport Funding	-1,301
-951	Housing Benefit Administration	-880
-811	Skills Funding Agency	-909
-764	Discretionary Housing Payments	-660
-640	Arts Council	-664
-561	PFI Grant	-561
-373	Local Council Tax Support Administration	-353
-321	Transformation Challenge Award Fund	-274
-490	Youth Justice Board	-405
0	School Improvement Grant	-317
-605	Syrian Refugees (Home Office)	-319
-319	NNDR Administration Grant	-320
-237	Police and Crime Commissioner	-376
-232	Unaccompanied Asylum-Seeking Children	-177
-122	Heritage Lottery Grant	-64
-4,086	Other Revenue Grants	-8,325
-282,544		-276,928
	<u>Capital Grants</u>	
-2,393	Capital Grants utilised to fund Revenue Expenditure Funded from Capital Under Statute	-8,753
	<u>Contributions</u>	
-17,857	Health Contributions	-20,920
-4,222	School Contributions and Donations	-3,999
-1,475	Other Local Authorities	-1,322
-3,453	Other Contributions	-4,829
-27,007		-31,070

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18 PROPERTY PLANT AND EQUIPMENT

Movement on Balances

Movements in 2019/2020:

	<u>Other Land and Buildings</u>	<u>Vehicles Plant and Equipment</u>	<u>Infrastructure Assets</u>	<u>Community Assets</u>	<u>Surplus Assets</u>	<u>Assets Under Construction</u>	<u>Total</u>
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<u>Cost or Valuation</u>							
At 1 April 2019	302,403	22,652	226,686	22,601	10,869	0	585,211
Additions	3,496	2,982	9,189	261	0	0	15,928
Revaluations - recognised in the Revaluation Reserve	-124	0	0	0	-362	0	-486
Revaluations – recognised in the Surplus/Deficit on the Provision of Services	-9,508	0	0	0	-634	0	-10,142
Derecognition - Disposals	-4,262	-5,647	0	0	0	0	-9,909
Reclassifications	0	0	0	0	6,855	0	6,855
At 31 March 2020	292,005	19,987	235,875	22,862	16,728	0	587,457
<u>Accumulated Depreciation and Impairment</u>							
At 1 April 2019	-28,033	-14,736	-63,519	0	0	0	-106,288
Depreciation Charge	-9,653	-3,596	-6,552	0	0	0	-19,801
Revaluations - recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Accumulated Depreciation written out upon impairment	1,946	0	0	0	0	0	1,946
Derecognition - Disposals	260	5,647	0	0	0	0	5,907
Reclassifications	0	0	0	0	0	0	0
At 31 March 2020	-35,480	-12,685	-70,071	0	0	0	-118,236
<u>Net Book Value</u>							
At 1 April 2019	274,370	7,916	163,167	22,601	10,869	0	478,923
At 31 March 2020	256,525	7,302	165,804	22,862	16,728	0	469,221

Movements in 2018/2019:

	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<u>Cost or Valuation</u>							
At 1 April 2018	338,905	27,894	217,376	22,466	10,555	0	617,196
Additions	5,310	5,250	9,310	383	347	0	20,600
Revaluations - recognised in the Revaluation Reserve	2,155	0	0	0	250	0	2,405
Revaluations – recognised in the Surplus/Deficit on the Provision of Services	-32,026	0	0	0	92	0	-31,934
Derecognition - Disposals	-10,820	-10,492	0	-248	-1,565	0	-23,125
Reclassifications	-1,121	0	0	0	1,190	0	69
At 31 March 2019	302,403	22,652	226,686	22,601	10,869	0	585,211
<u>Accumulated Depreciation and Impairment</u>							
At 1 April 2018	-24,019	-20,117	-57,689	0	0	0	-101,825
Depreciation Charge	-8,751	-5,111	-5,830	0	0	0	-19,692
Revaluations - recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Accumulated Depreciation written out upon impairment	3,880	0	0	0	0	0	3,880
Derecognition - Disposals	830	10,492	0	0	0	0	11,322
Reclassifications	27	0	0	0	0	0	27
At 31 March 2019	-28,033	-14,736	-63,519	0	0	0	-106,288
<u>Net Book Value</u>							
At 1 April 2018	314,886	7,777	159,687	22,466	10,555	0	515,371
At 31 March 2019	274,370	7,916	163,167	22,601	10,869	0	478,923

Depreciation

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

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

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

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

Capital Commitments

At 31 March 2020, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/2021 and future years which are budgeted to cost £5.340m. Similar commitments at 31 March 2019 were £9.147m. The major commitments are:

Scheme	Expenditure approved and contracted at 31 March 2020 £000s
Great Crosby Primary School Remodelling Phase 4	1,069
A59 Maghull Route Management	1,048
Hudson Primary School - Heating Ducts Provision	547
M58 junction improvements	420
Southport East West Transport Links	399

Revaluations

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

All freehold and leasehold land and properties which comprise the Authority's property portfolio have been valued by Mr. A. Bond (MRICS). Mr Bond is part of the Council's own qualified in-house valuers. The only exception is for the Strand Shopping Centre which was valued by Andrew Watson (MRICS) who works for an external valuation company, GVA.

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

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

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

	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation							
Carried at Historical Cost	93,733	19,987	235,875	22,862	3,664	0	376,121
Leased in Buildings	11,769	0	0	0	0	0	11,769
<u>Valued at Current Value in:</u>							
2019/2020	34,602	0	0	0	2,026	0	36,628
2018/2019	61,992	0	0	0	1,011	0	63,003
2017/2018	1,295	0	0	0	7,982	0	9,277
2016/2017	63,956	0	0	0	1,673	0	65,629
2015/2016	24,658	0	0	0	372	0	25,030
At 31 March 2020	292,005	19,987	235,875	22,862	16,728	0	587,457

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

19 HERITAGE ASSETS

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

Movements in Heritage Assets during the year were as follows:

2018/2019				2019/2020		
Art Collection	Other	Total		Art Collection	Other	Total
£000s	£000s	£000s		£000s	£000s	£000s
9,397	1,828	11,225	Balance at the start of the year	9,704	1,828	11,532
0	0	0	Additions (Expenditure)	0	0	0
0	0	0	Disposals	0	0	0
307	0	307	Revaluations	0	0	0
0	0	0	Depreciation	0	0	0
9,704	1,828	11,532	Balance at the end of the year	9,704	1,828	11,532

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

CERAMICS

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

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

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

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

SILVER

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

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

ARTWORKS

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

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

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

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

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

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

20 INVESTMENT PROPERTY

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

<u>2018/2019</u> £000s		<u>2019/2020</u> £000s
-1,988	Rental Income from Investment Property	-2,272
317	Direct operating expenses arising from Investment Property	68
-1,671	Net gain	-2,204

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

At 31 March 2020, the Authority had no contractual obligations for the construction or enhancement of investment property in 2020/2021 and future years. There were also no similar commitments at 31 March 2019.

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

<u>2018/2019</u> £000s		<u>2019/2020</u> £000s
60,514	Balance at the start of the year	61,836
26	Additions – Subsequent expenditure	29
-235	Disposals	-150
1,415	Net gains / losses (-) from fair value adjustments	440
116	<u>Transfers to (-) / from:</u> - Property, Plant & Equipment	-6,855
61,836	Balance at the end of the year	55,300

Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Note 63 Statement of Accounting Policies (i) for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

The fair value of investment property has been measured using inputs other than quoted prices that are observable for the asset, either directly or indirectly, assets being valued using applicable comparative evidence.

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

21 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

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2018/2019 £000s	Capital Financing Requirement	2019/2020 £000s
234,487	Opening Capital Financing Requirement	231,762
	<u>Capital Expenditure</u>	
20,600	Property, Plant and Equipment	15,928
26	Investment Properties	29
2,393	Revenue expenditure funded from capital under statute	9,251
	<u>Sources of Finance</u>	
-4,625	Capital Receipts	-310
-11,599	Grants and Contributions	-20,239
-971	Direct Revenue Contributions	-43
	<u>Provision for Repayment of Debt</u>	
-8,441	Statutory Provision for financing capital investment	-5,971
-108	Amortisation of Deferred Income re. Crosby PFI	-107
231,762	Closing Capital Financing Requirement	230,300

2018/2019 £000s	Explanation of movements in the year	2019/2020 £000s
	<u>Decrease (-) / Increase in underlying need to borrow:</u>	
5,824	Increase in underlying need to borrow	4,616
-8,549	Provision for Repayment of Debt	-6,078
-2,725	Increase (+) / Decrease (-) in Capital Financing Requirement	-1,462

22 LONG TERM INVESTMENTS

31 March 2019 £000s		31 March 2020 £000s
5,615	Churches & Charities Local Authority LAMIT Property Fund	5,414
1	Sefton New Directions (see Note 54 for more details)	1
0	Sandway Homes (see Note 54 for more details)	125
5,616	Total	5,540

23 LONG TERM DEBTORS

31 March 2019 £000s		31 March 2020 £000s
	<u>Transferred Services</u>	
102	Merseyside Residuary Body	95
102		95
	<u>Other</u>	
4,267	Long Term Sundry Debtor Accounts	4,635
16	Finance Lease Agreements	0
81	Loan to Plaza Community Cinema	76
4,364		4,711
4,466	Total	4,806

24 SHORT TERM INVESTMENTS

Sefton held no Short-Term Investments with banks at the balance sheet date. However, accrued interest receipts on the Council's Long-Term Investments are shown as Short-Term Investments in the Balance Sheet as shown below:

<u>31 March</u> <u>2019</u> £000s		<u>31 March</u> <u>2020</u> £000s
62	Accrued Interest Receipts	99
62	Total	99

25 ASSETS HELD FOR SALE

<u>2018/2019</u> £000s	Movements in the year	<u>2019/2020</u> £000s
212	Balance Outstanding at start of the year	0
-212	<u>Assets transferred to:</u> - Property, Plant and Equipment	0
	<u>Revaluations</u>	
0	Revaluation Gains	0
0	Revaluation Losses	0
0	Assets Sold	0
0	Balance Outstanding at the year-end	0

Fair Value Hierarchy

The Council's Assets Held for Sale are valued using the fair value hierarchy for valuation purposes (see Note 63 Statement of Accounting Policies (i) for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Assets Held for Sale

The fair value of Assets Held for Sale has been measured at level 2 using inputs other than quoted prices that are observable for the asset, either directly or indirectly, assets being valued using applicable comparative evidence. The asset classified as an Asset Held for Sale at 31 March 2018 has been reclassified as a surplus asset as it is no longer being actively marketed.

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

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26 SHORT TERM DEBTORS AND PREPAYMENTS

31 March 2019 £000s	<u>Short Term Debtors</u>	31 March 2020 £000s
	<u>Amounts Falling Due Within One Year</u>	
1,538	Central Government Bodies	4,348
2,819	HM Revenue and Customs	2,909
953	Academies	602
3,453	Other Local Authorities	7,598
5,531	NHS Bodies	12,498
18,819	Council Tax Payers	22,163
3,585	NNDR Payers	5,294
16,481	Other Entities and Individuals	16,166
19	Car Loans to Employees	6
53,198		71,584
	<u>Less Impairment</u>	
-9,598	Council Tax Payers	-13,903
-2,527	NNDR Payers	-3,252
-5,207	Other Entities and Individuals	-5,298
-17,332		-22,453
35,866	Net Debtors	49,131

31 March 2019 £000s	<u>Prepayments</u>	31 March 2020 £000s
2,031	Early Years Providers	2,196
787	ICT Contracts	1,643
749	Direct Payments	628
833	Other	901
4,400	Net Debtors	5,368

27 CASH AND CASH EQUIVALENTS

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

31 March 2019 £000s		31 March 2020 £000s
53	Cash in hand of officers	52
-783	Bank current accounts	1,572
13,010	Short-term deposits with banks and building societies	37,364
12,280	Total Cash and Cash Equivalents	38,988

28 SHORT TERM CREDITORS

31 March 2019 £000s		31 March 2020 £000s
-4,494	HM Revenue and Customs	-4,601
-3,579	Government Departments	-4,484
-3,846	Other Local Authorities	-3,452
-587	NHS Bodies	-1,100
-13,824	Other entities and individuals	-23,506
-4,216	Accumulated Absences	-4,725
-30,546	Total	-41,868

29 RECEIPTS IN ADVANCE

31 March 2019 £000s		31 March 2020 £000s
-5,399	Planning Section 106 Agreements	-4,685
-2,840	Rechargeable Works	-3,024
-789	Council Tax Payers	-770
-1,302	NNDR Payers	-1,318
0	Business Rates – Section 31 Grants	-12,330
-4,046	Other entities and individuals	-3,868
-14,376	Total	-25,995

30 PROVISIONS

Movements in provisions during 2019/2020 were as follows:

		1 April 2019 £000s	Additions in Year £000s	Applied In Year £000s	Released In Year £000s	31 March 2020 £000s
	Long-term					
(a)	Internal Insurance Cover	-5,444	-914	991	1,370	-3,997
(b)	Provision for NDR Appeals	-16,156	-4,100	1,554	0	-18,702
		-21,600	-5,014	2,545	1,370	-22,699

Movements in provisions during 2018/2019 were as follows:

		1 April 2018 £000s	Additions in Year £000s	Applied In Year £000s	Released In Year £000s	31 March 2019 £000s
	Long-term					
(a)	Internal Insurance Cover	-5,406	-991	953	0	-5,444
(b)	Provision for NDR Appeals	-14,955	-4,565	3,364	0	-16,156
		-20,361	-5,556	4,317	0	-21,600

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

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

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

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The amount paid to the Council plus the amount outstanding under this arrangement is £3.743m, and under the Scheme or Arrangement a levy is chargeable on this amount. After the imposition of the levy, the Council is also liable to contribute to each and every subsequent claim paid by MMI on the Council's behalf, thereby creating an on-going financial obligation. The initial levy requested by the scheme administrator from the Council is a percentage of the total sum paid on behalf of the Council by MMI since 30 September 1992, less the first £50,000 of such payments. As a result, and following assessment by a scheme actuary, a levy rate of 25% is being applied creating a liability to the Council of £0.901m (£0.541m of which was paid in January 2014 with £0.360m paid in May 2016). There is a possibility that the ultimate levy rate could eventually be higher than this and as such the Council has made a specific provision of an additional £0.478m million in the accounts to cover this potential liability, based on an assessment by Sefton's insurance advisors.

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

(b) **Provision for NDR Appeals** – Following the introduction of business rates retention on 1 April 2013, the Council assumed the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties. The timing of these refunds is uncertain but is expected to be made over several years (which is the reason why the whole provision is treated as long-term). The provision covers the Council's locally retained share of the liability which increased from 49% in 2016/17 to 99% in 2017/18 as a result of the Council's participation in the Liverpool City Region Business Rates Pilot Scheme from 1 April 2017. The Council's share of potential repayments been estimated at £18.702m based on the rateable value of properties still subject to appeal on the 2010 Rating List and an assessment of future threats from checks, challenges, and appeals against the rateable value of properties on the 2017 Rating List at 31 March 2020 (£16.156m on 31 March 2019).

The provision made is the Council's best estimate of the actual liability as at the 31 March 2020. There is a potential risk that the value of refunds due as a result of checks, challenges and appeals lodged with the Valuation Office Agency will exceed the provision made in the accounts.

31 DEFERRED LIABILITIES

31 March 2019 £000s		31 March 2020 £000s
	Short Term	
-438	Merseyside Residuary Body	-438
-189	Finance Lease Liability – Crosby Baths PFI	-207
-150	Finance Lease Liability – Property, Plant and Equipment	-166
-107	PFI Deferred Income	-107
-884	Total Short Term	-918
	Long Term	
-2,626	Merseyside Residuary Body	-2,188
-2,279	Finance Lease Liability – Crosby Baths PFI	-2,072
-3,510	Finance Lease Liability – Property, Plant and Equipment	-3,345
-859	PFI Deferred Income	-752
-9,274	Total Long Term	-8,357

Wirral MBC manages debt on behalf of the former Merseyside Residuary Body. Sefton MBC (along with the other Merseyside Districts, Precepting and Levying Bodies), as a successor body, inherited debt relating to services transferred to its control. The amount outstanding in respect of Sefton MBC was £2.626m at 31 March 2020 (£3.064m at 31 March 2019).

32 TRUST FUNDS

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

<u>Portfolio and Name of Trust</u>	<u>Balance at</u> <u>1 April</u> <u>2019</u> £	<u>Income</u> £	<u>Expenditure</u> £	<u>Balance at</u> <u>31 March</u> <u>2020</u> £
<u>Children's Services</u>				
Bootle Holiday Camp - Children	23,285	330	0	23,615
Wignall Scholarship	12,486	177	0	12,663
<u>Corporate Services</u>				
Netherton Green Trust	14,046	0	0	14,046
<u>Other</u>				
Mayor of Sefton's Charity Fund	20,205	0	0	20,205
Total	70,022	507	0	70,529
<u>The balances are invested as follows:</u>				
Government Securities	300			300
Sefton Cash Balances	69,722			70,229
Total	70,022			70,529

Children's Services Trust Funds

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

Netherton Green Trust

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

Mayor of Sefton's Charity Fund

This fund has a year-end of 30 June. The opening balance included in the Trust Fund Statement above is therefore as at 1 July 2019. The movements in the year were not available at the time these accounts were approved in July 2020. The opening balance in this note has been adjusted to reflect the Charity Fund's final audited accounts for 2018/2019.

33 GENERAL FUND BALANCE

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

General Fund Balances arise due to planned contributions or underspends in previous years. Amounts held by schools are to fund expenditure in future years and as a prudent measure against future uncertainty. General Fund Balances attributable to the Council are held as a prudent measure against future uncertainty.

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Notes to the Financial Statements

<u>2018/2019</u> £000s	Non-School General Fund Balances	<u>2019/2020</u> £000s
-9,132	Balance at 1 April	-7,539
1,593	Reduction in Balances	555
-7,539	Balance at 31 March	-6,984

<u>2018/2019</u> £000s	School General Fund Balances	<u>2019/2020</u> £000s
-15,411	Balance at 1 April	-13,596
1,815	Reduction in Balances	2,773
-13,596	Balance at 31 March	-10,823

34 **EARMARKED RESERVES**

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

	Movements in 2019/2020	<u>1 April</u> <u>2019</u> £000s	<u>Transfers</u> <u>in</u> £000s	<u>Transfers</u> <u>Out</u> £000s	<u>31 March</u> <u>2020</u> £000s
(a)	Environmental Warranty	-11,000	0	2,000	-9,000
(b)	Insurance Fund	0	-1,371	0	-1,371
(c)	Transforming Sefton	-8,603	0	3,137	-5,466
(d)	Redundancy Reserve	-2,162	-2,000	2,162	-2,000
(e)	Capital Priorities Fund	-76	0	34	-42
(f)	Community Transition Fund	-889	0	230	-659
(g)	Contamination Clearance	-1,500	0	0	-1,500
(h)	Rating Appeals / Reduction in NDR Income Reserve	-2,254	0	2,254	0
(j)	MRP Adjustment Reserve	-399	0	399	0
(k)	Regeneration Schemes Reserve	-663	-30	500	-193
(l)	Revenue Grants and Contributions Unapplied	-6,677	-11,202	3,263	-14,616
(m)	Centrally Retained DSG Balances	230	-336	4,491	4,385
(n)	Other Earmarked Reserves	-5,752	-480	806	-5,426
	Total	-39,745	-15,419	19,276	-35,888
(o)	Temporary Use of Earmarked Reserves to Fund Pension Deficit Payment	10,154	-10,154	0	0
		-29,591	-25,573	19,276	-35,888

	Movements in 2018/2019	<u>1 April</u> <u>2018</u> £000s	<u>Transfers</u> <u>in</u> £000s	<u>Transfers</u> <u>Out</u> £000s	<u>31 March</u> <u>2019</u> £000s
(a)	Environmental Warranty	-11,000	0	0	-11,000
(b)	Insurance Fund	-89	0	89	0
(c)	Transforming Sefton	-7,110	-2,586	1,093	-8,603
(d)	Redundancy Reserve	-4,675	0	2,513	-2,162
(e)	Capital Priorities Fund	-76	0	0	-76
(f)	Community Transition Fund	-672	-500	283	-889
(g)	Contamination Clearance	-1,500	0	0	-1,500
(h)	Rating Appeals / Reduction in NDR Income Reserve	-2,254	0	0	-2,254
(i)	Recycling and Waste Development Fund	-409	0	409	0
(j)	MRP Adjustment Reserve	-3,179	0	2,780	-399
(k)	Regeneration Schemes Reserve	-1,000	-163	500	-663
(l)	Revenue Grants and Contributions Unapplied	-6,581	-2,678	2,582	-6,677
(m)	Centrally Retained DSG Balances	-916	-1,632	2,778	230
(n)	Other Earmarked Reserves	-6,534	-1,468	2,250	-5,752
	Total	-45,995	-9,027	15,277	-39,745
(o)	Temporary Use of Earmarked Reserves to Fund Pension Deficit Payment	20,308	-10,154	0	10,154
		-25,687	-19,181	15,277	-29,591

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

(b) **Insurance Fund** – Any resources available in the Authority’s Insurance Fund in excess of known liabilities are included in an Earmarked Reserve.

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

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

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

(f) **Community Transition Fund** - Council on 28 February 2013 agreed to the establishment of a new one-off Community Transition Fund. The aim of this resource was to facilitate, where possible, the transfer of certain services to become community run and self-sustaining. Cabinet on 3 September 2015 agreed to increase the reserve by £1.000m as a result of the underspend achieved in 2015/2016. Cabinet on 6 December 2018 agreed to increase the reserve by a further £0.500m from a review of uncommitted Earmarked Reserves.

(g) **Contamination Clearance Reserve** - During 2011/2012 it was identified there was a site in the Borough that was contaminated and there could be significant costs associated with clearing the

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contamination. It was therefore considered prudent to set resources aside to cover these potential costs.

(h) **Rating Appeals / Reduction in NDR Income Reserve** - Since 1 April 2013 the Council has been able to retain a share of Non-Domestic Rates (NDR) income collected in the Borough. The Council's budget and medium-term financial plan assumes a certain level of receipts will be retained, but there is a risk that this income will not be achieved due to the potential impact of appeals against values on the rating lists and as a result changes in the local economy. Initially, due to the difficulty in estimating the impact of the retention scheme, it was considered prudent to set-aside resources to offset the potential loss of income not otherwise covered by the business rates appeals provision. However, it is now considered that any such losses should be managed when setting the budget in line with other income streams. Therefore, the balance of the reserve has been released into the General Fund to offset budget pressures experienced in 2019/2020.

(i) **Recycling and Waste Development Fund** – In 2014/2015 the Merseyside Recycling and Waste Authority redistributed resources they had been holding in a Sinking Fund to the councils on Merseyside to help develop their recycling and waste collection services. Sefton received £5.937m of which £2.354m was spent in 2014/2015, £0.282m was spent in 2015/2016, £2.739m was spent in 2016/2017, with an additional £0.153m spent in 2017/2018. The remaining £0.409m has been utilised in 2018/2019.

(j) **MRP Adjustment Reserve** – In line with many other local authorities the Council reviewed the way it calculates its statutory provision for the financing of capital investment. This resulted in a saving in 2015/16 which was reserved to fund future budget pressures. The reserve has now been fully utilised in line with the revenue budgets agreed for 2019/2020 and previous years.

(k) **Regeneration Schemes Reserve** – In April 2017 the Council purchased the Strand Shopping Centre in Bootle. During 2017/2018 the income generated by the Centre met the loan repayment costs and the Centre's running costs with a surplus of £1.000m generated. This surplus was reserved to contribute towards supporting the Council's revenue budget and also to help fund new regeneration projects. At Budget Council in March 2018, Council agreed to the provision of £0.500m from the Strand reserve to be used to support front line services in both 2018/2019 and 2019/2020. During 2019/2020, after all outgoings have been met, including the repayment of debt, the Strand delivered an in-year surplus of £0.031m that has been used to increase the value of the reserve (£0.162m increase in 2018/2019).

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

(m) **Centrally Retained DSG Balances** – The Council holds some Centrally Retained DSG reserves, separate to its Maintained Schools balances. These are respect of Schools' Central Support services; Early Years (non-schools) provision and High Needs (non-schools) provision. The net opening balance of these reserves, as at 1 April 2019 was a deficit of £0.230m, however during 2019/2020, there were some significant under and overspending areas, which net, have resulted in an overspending of £4.155m. This has therefore taken the level of reserves into a deficit position of £4.385m at 31 March 2020. More explanation on the deficit, and its treatment as an Earmarked Reserve, is provided on page 13.

(n) **Other Earmarked Reserves** – There are a number of other earmarked reserves held by the Council. These include the Formby Pool Sinking Fund (£1.204m) and the Investment Strategy Reserve (£0.730m).

(o) **Temporary Use of Earmarked Reserves to Fund Pension Deficit Payment** - The valuation of the Local Government Pension Scheme completed during 2016/2017 set the contribution rates for 2017/2018 to 2019/2020 and the deficit payments required over the three years as part of a 19-year deficit recovery period. The Council made a one-off payment in April 2017 of £30.462m to cover the deficit recovery contributions for 2017/2018 to 2019/2020 (annual payments would have been £10.8m in each of the three years so the Council received a discount by making a one-off payment). Contributions in 2019/2020 (and 2018/2019) were significantly less as no deficit recovery contribution was required in the year. The Council temporarily utilised Earmarked Reserves of £20.308m in 2017/2018 to fund part of the payment. Earmarked Reserves have been increased by £10.154m in

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2019/2020 (as they were in 2018/2019) when no deficit recovery payment will be required. The Earmarked Reserves temporarily utilised has therefore been fully refunded by the end of 2019/2020.

35 CAPITAL RECEIPTS RESERVE

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

2018/2019 £000s		2019/2020 £000s
-5,675	Balance at 1 April	-2,134
	<u>Receipts in the Year</u>	
-74	Sale proceeds credited to the Comprehensive Income and Expenditure Account as part of the gain/loss on disposal of non-current assets	-95
-731	Capital Receipts from Former Council House Sales	-809
-279	Other Capital Receipts not relating to the Disposal of Council Assets	-149
0	Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0
	<u>Applied in the Year</u>	
4,625	Applied to finance new capital expenditure	310
0	Payments to Housing Receipts Pool	0
-2,134	Balance at 31 March	-2,877

36 CAPITAL GRANTS AND CONTRIBUTIONS UNAPPLIED

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

2018/2019 £000s		2019/2020 £000s
-9,333	Balance at 1 April	-13,929
-5,222	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-5,105
80	Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	162
546	Transferred to the Capital Adjustment Account	1,115
-13,929	Balance at 31 March	-17,757

37 REVALUATION RESERVE

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

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

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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.

2018/2019 £000s		2019/2020 £000s
-70,419	Balance at 1 April	-71,389
-9,564	Upward revaluation of assets	-1,973
6,852	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	2,459
-2,712	Surplus (-) / Deficit on revaluation of non-current assets not posted to the Surplus / Deficit on the Provision of Services	486
891	Difference between fair value depreciation and historical cost depreciation	1,267
851	Accumulated gains on assets sold or scrapped	0
1,742	Amount written off to the Capital Adjustment Account	1,267
-71,389	Balance at 31 March	-69,636

38 CAPITAL ADJUSTMENT ACCOUNT

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

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

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

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve and Deferred Capital Receipts Reserve.

2018/2019 £000s		2019/2020 £000s
-283,120	Balance at 1 April	-249,225
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</u>	
19,692	Depreciation of non-current assets	19,802
28,054	Revaluation of non-current assets	8,195
619	Amortisation of intangible assets	85
0	Revenue expenditure funded from capital under statute	498
12,038	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	4,152

<u>2018/2019</u> £000s	(Continued from previous page)	<u>2019/2020</u> £000s
-108	Amortisation of Deferred Income re. Crosby PFI Scheme	-108
60,295		32,624
	<u>Amounts written out to the Revaluation Reserve</u>	
-891	Difference between fair value depreciation and historical cost depreciation	-1,267
-851	Accumulated gains on assets sold or scrapped	0
-1,742		-1,267
	<u>Capital financing applied in the year</u>	
-4,625	Capital receipts applied to finance capital expenditure	-310
-8,660	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to finance capital expenditure	-10,371
-546	Transfer from the Capital Grants and Contributions Unapplied Account to finance capital expenditure	-1,115
-8,441	Statutory provision for the financing of capital investment	-5,971
-971	Capital expenditure charged to the General Fund	-43
-23,243		-17,810
	<u>Other Movements</u>	
-1,415	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-440
-1,415		-440
-249,225	Balance at 31 March	-236,118

39 PENSIONS RESERVE

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

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2018/2019 £000s		2019/2020 £000s
378,066	Balance at 1 April	466,222
49,401	Re-measurements (Liabilities and Assets)	-98,276
8,328	Business Combinations	0
47,712	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	53,531
-17,285	Employer's pensions contributions and direct payments to pensioners payable in the year	-19,125
466,222	Balance at 31 March	402,352

40 COLLECTION FUND ADJUSTMENT ACCOUNT

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

2018/2019 £000s		2019/2020 £000s
-6,893	Balance at 1 April	-2,687
4,206	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	2,980
-2,687	Balance at 31 March	293

41 ACCUMULATED ABSENCES ACCOUNT

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

2018/2019 £000s		2019/2020 £000s
3,273	Balance at 1 April	4,216
	<u>Transactions in Year</u>	
-3,273	Settlement or cancellation of accrual made at the end of the preceding year	-4,216
4,216	Amounts accrued at the end of the current year	4,725
943	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	509
4,216	Balance at 31 March	4,725

42 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Executive Director of Corporate Resources and Customer Services on 10 March 2021. 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

43 RELATED PARTY TRANSACTIONS

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

Central Government

The Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Housing Benefits). Grants received from government departments are set out in the analysis in Note 20. In addition, Sefton paid £15.199m to HM Revenue and Customs for Employers' National Insurance Contributions. Amounts owed from and to Central Government at 31 March 2020 are shown in Notes 31 and 33.

Members' Interests

Members of the Council have direct control over the Council's financial and operating policies. During 2019/2020, works and services to the value of £0.140m were commissioned from companies in which one or more Members have declared an interest. These are shown in the table below. Contracts were entered into in full compliance with the Council's standing orders. In addition, grants and payments for goods and services totalling £0.502m were made to voluntary organisations in which one or more Members have declared an interest. The most significant of these are shown in the table below. The grants were awarded by the Cabinet Member – Regulatory, Compliance and Corporate Services and were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants.

<u>2019/2020</u>	Income £000s	Expenditure £000s	Debtors £000s	Creditors £000s
One Vision Housing	-126	140	11	0
Bosco Society	-1	429	0	0

<u>2018/2019</u>	Income £000s	Expenditure £000s	Debtors £000s	Creditors £000s
One Vision Housing	-86	87	0	0
Bosco Society	-1	357	0	0

Other Public Bodies

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

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

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<u>2019/2020</u>	Income £000s	Expenditure £000s	Debtors £000s	Creditors £000s
Merseyside Police and Crime Commissioner	-465	17,287	60	974
Merseyside Fire and Rescue Authority	-27	7,393	6	163
Parish Councils	-130	1,087	28	0
Merseyside Integrated Transport Authority	0	18,970	0	0
Merseyside Recycling and Waste Authority	-1,257	15,442	16	0
Merseyside Pensions Authority - Employers' Contributions	0	16,577	0	1,557
MerseyCare NHS Foundation	-626	4,616	527	294
Sefton New Directions Limited	-180	10,759	2	0
North West Borough Healthcare NHS Foundation Trust	-139	5,721	159	6
Sefton CVS	-11	1,617	0	0

<u>2018/2019</u>	Income £000s	Expenditure £000s	Debtors £000s	Creditors £000s
Merseyside Police and Crime Commissioner	-542	15,099	68	0
Merseyside Fire and Rescue Authority	-25	7,124	0	0
Parish Councils	-41	1,049	4	0
Merseyside Integrated Transport Authority	0	19,714	8	0
Merseyside Recycling and Waste Authority	-1,148	14,430	0	0
Merseyside Pensions Authority - Employers' Contributions	0	14,534	0	0
MerseyCare NHS Foundation	-374	3,078	422	0
Sefton New Directions Limited	-128	10,601	3	0
North West Borough Healthcare NHS Foundation Trust	0	5,101	541	0
Sefton CVS	-8	933	1	0

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

Officers' Interests

The Head of Locality Services is a Council appointed representative on the Formby Pool Trust Board. There are no other senior officer relationships. Any significant financial transactions for all these organisations have been disclosed in the table above under Other Public Bodies.

There are no senior officer car loans outstanding at the end of 2019/2020.

Subsidiary and associated companies

Details of the Council's interest in companies is set out in Note 54.

Note: Some organisations ceased to be related parties at the end of 2018/2019 so are not shown in 2019/2020.

44 CASH FLOW STATEMENT

OPERATING ACTIVITIES

The surplus or deficit on the provision of services has been adjusted for the following items:

<u>2018/2020</u> £000s		<u>2019/2020</u> £000s
	<u>Adjustments to net surplus or deficit on the provision of services for non-cash movements</u>	
-19,692	Depreciation charged to CIES	-19,802
-28,054	Revaluation Losses charged to CIES	-8,195
1,415	Movements in the Market Value of Investment Properties	440
-619	Amortisation of Intangible Assets	-85
-30,527	Reversal of non-cash items relating to retirement benefits debited to the CIES	-34,406
231	Movement in Long-Term Debtors	368
102	Movement in Inventories	14
-2,006	Movement in Short-term Debtors	10,446
-831	Movement in Prepayments	968
3,192	Movement in Short-term Creditors	-10,454
-3,985	Movement in Receipts in Advance	-11,619
-1,239	Movement in Provisions (Long-Term)	-1,099
-81,913		-73,424
	<u>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</u>	
-11,964	Loss (-) on Sale of Fixed Assets	-4,057
13,802	Capital Grants and Contributions credited to the CIES	15,314
1,010	Capital receipts not related to disposals	958
-78	Reduction of Capital Receipts Deferred re. Leased Out Buildings	-16
115	Other Adjustments	1,072
2,885		13,271

The cash flows for operating activities include the following items:

<u>2018/2019</u> £000s	The cash flows for operating activities include the following items:	<u>2019/2020</u> £000s
-510	Interest received	-447
6,822	Interest Paid	7,871

FINANCING ACTIVITIES

The following table provides a reconciliation between the movements on the Balance Sheet during the year and net cash flows from financing activities in the Cash Flow Statement:

<u>2019/2020</u>	<u>31 March</u> <u>2019</u>	Financing Cash Flows	Acquisitions	Other non- financing Cash Flows	<u>31 March</u> <u>2020</u>
	£000s	£000s	£000s	£000s	£000s
Short-term Borrowing	-10,332	-7,521	0	1,236	-16,617
Long-term Borrowing	-142,693	-6,460	0	0	-149,153
Short-term Deferred Liabilities	-884	-34	0	0	-918
Long-term Deferred Liabilities	-9,275	918	0	0	-8,357
Short-Term Debtors	35,866	73	0	13,192	49,131
Short-Term Creditors	-30,546	-19	0	-11,303	-41,868
Total	-157,864	-13,043	0	3,125	-167,782

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The movements in short-term debtors and short-term creditors shown under Financing Cash Flows relate to the net amounts owed to or from the Government and Major Preceptors in respect of their share of council tax and business rates balances which are accounted for on an agency basis. The movements recorded under Other Cash Flows relate to operating and investing activities.

<u>2018/2019</u>	<u>31 March 2018</u>	Financing Cash Flows	Acquisitions	Other non-financing Cash Flows	<u>31 March 2019</u>
	£000s	£000s	£000s	£000s	£000s
Short-term Borrowing	-8,336	-2,023	0	27	-10,332
Long-term Borrowing	-148,712	6,019	0	0	-142,693
Short-term Deferred Liabilities	-3,499	2,615	0	0	-884
Long-term Deferred Liabilities	-10,159	884	0	0	-9,275
Short-Term Debtors	38,054	30	0	-2,218	35,866
Short-Term Creditors	-34,395	23	0	3,826	-30,546
Total	-167,047	7,548	0	1,635	-157,864

45 INTEREST IN COMPANIES

Sefton New Directions Limited

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

On 31 March 2020, the Company had net assets of £0.112m (net liabilities of £0.284m on 31 March 2019). The Company reported a pre-tax loss of £1.122m in 2019/2020 (a £0.579m loss in 2018/2019) and a loss of £0.957m after tax (a £0.493m loss in 2018/2019).

The Council didn't receive a dividend from the Company during 2019/2020 (or 2018/2019).

Should the company be wound up, the Council has committed to meeting any accumulated deficit on the Merseyside Pension Fund plus any retirement costs in respect of the Company's employees. The accumulated deficit in the Company's accounts was £4.753m at 31 March 2020 (£5.223m at 31 March 2019). It should be noted that this is the accounting deficit and not the actual deficit on the Fund relating to the Company.

The Company's accounts for 2019/2020 can be obtained from The Company Secretary, Sefton New Directions Head Office, Third Floor, Burlington House, Crosby Road North, Waterloo, Liverpool, Merseyside, United Kingdom, L22 0PJ.

Sandway Homes

On 19 July 2018 Sefton (ACS) Development Company Limited, a company limited by shares and wholly owned by Sefton MBC, was incorporated. On 29 October 2018 Sandway Homes Limited, a company limited by share and wholly owned by Sefton (ACS) Developments Limited, was incorporated. The nature of business of Sandway Homes Limited is registered as development of building projects. The year-end of both companies is the same as that of Sefton MBC, and as at 31 March 2020 transactions of £0.8m had been transacted by the Sefton (SCS) Developments Limited group. Filing of accounts of both companies is required by Companies House by 31 December 2020. For 2019/2020 the accounts of the group will not be consolidated into the accounts of Sefton MBC on the grounds of materiality. However, it is envisaged that from 2020/2021 the activities of the companies will be material enough to be consolidated in Sefton's Group Accounts.

46 OPERATING LEASES

Authority as a Lessee

The Council employs operating leases to obtain the use of certain vehicles and equipment. During 2019/2020 operating lease payments totalled £0.035m (£0.055m in 2018/2019).

In addition, the Council leases a number of properties from third parties under operating lease agreements. During 2019/2020 lease rentals paid for properties under these lease agreements totalled £0.069m (£0.120m in 2018/2019).

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

<u>31 March</u> <u>2019</u> £000s		<u>31 March</u> <u>2020</u> £000s
120	Not later than one year	69
193	Later than one year and not later than five years	204
2,419	Later than five years	2,371
2,732		2,644

Authority as a Lessor

The Council leases a number of properties to third parties under operating lease agreements. The assets leased include shops, offices, land and other commercial properties. These property leases are for economic development purposes to provide suitable affordable accommodation for local businesses. During 2019/2020 lease rentals received from these operating lease agreements totalled £5.325m (£5.622m in 2018/2019).

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

<u>31 March</u> <u>2019</u> £000s		<u>31 March</u> <u>2020</u> £000s
5,128	Not later than one year	5,109
16,829	Later than one year and not later than five years	15,884
279,991	Later than five years	277,642
301,948		298,635

47 FINANCE LEASES

Authority as Lessee

The Council has acquired a number of administrative buildings under finance leases.

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

<u>31 March</u> <u>2019</u> £000s		<u>31 March</u> <u>2020</u> £000s
2,391	Other Land and Buildings	2,204
2,391		2,204

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

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31 March 2019 £000s		31 March 2020 £000s
	Finance lease liabilities (net present value of minimum lease payments):	
150	• Current	166
3,510	• Non-current	3,345
2,477	Finance costs payable in future years	2,147
6,137	Minimum lease payments	5,658

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2019 £000s	31 March 2020 £000s	31 March 2019 £000s	31 March 2020 £000s
Not later than one year	480	480	150	166
Later than one year and not later than five years	1,920	1,920	773	853
Later than five years	3,737	3,257	2,737	2,491
	6,137	5,657	3,660	3,510

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/2020 £0.020m contingent rents were payable by the Authority (£0.015m were paid in 2018/2019).

Authority as Lessor

The Authority had leased out one property on a finance lease which had a remaining term of one years at the end of 2018/2019.

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

31 March 2019 £000s		31 March 2020 £000s
	Finance lease debtor (net present value of minimum lease payments):	
16	• Current	0
0	• Non-current	0
0	Unearned finance income	0
0	Unguaranteed residual value of property	0
16	Gross investment in the lease	0

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

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2019 £000s	31 March 2020 £000s	31 March 2019 £000s	31 March 2020 £000s
Not later than one year	16	0	16	0
Later than one year and not later than five years	0	0	0	0
Later than five years	0	0	0	0
	16	0	16	0

There is a possibility that worsening financial circumstances might result in lease payments not being made. The Authority collects the lease payments due by issuing sundry debtor accounts. The Council has set aside an allowance for uncollectible sundry debtor accounts of £2.681m at 31 March 2020 (£2.272m at 31 March 2019) to which any unrecoverable lease payments would therefore be charged.

48 PFI AGREEMENT / SERVICE CONCESSION

Crosby Leisure Centre

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

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

Payments

The Council will pay an annual unitary charge for the serviced facility. At the start of the contract it was estimated this would total £23.860m over the life of the concession period (25 years). The figure is subject to inflationary increases with potential reductions should the service provided fall below specified standards. The charge is also eligible for government grant. The centre was opened on 17 February 2003. Payments to the contractor in 2019/2020 were £1.282m (£1.304m in 2018/2019) with government grants of £0.561m received in the year (£0.561m in 2018/2019).

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

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

Commitments under PFI Contract	Reimbursement of Capital Expenditure £000s	Interest £000s	Service Charge £000s
Contract Payments in 2020/2021	207	374	722
Contract Payments between 2021/2022 and 2024/2025	931	1,175	3,331
Contract Payments between 2025/2026 and 2027/2028	1,141	578	2,602

Liabilities

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

2018/2019 £000s		2019/2020 £000s
-2,621	Balance outstanding at start of year	-2,468
153	Payments during the year	189
-2,468	Balance outstanding at the year-end	-2,279

Property Plant and Equipment

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

2018/2019 £000s	Other Land & Buildings: PFI Assets	2019/2020 £000s
	<u>Cost or Valuation</u>	
9,614	Opening Balance at 1 April	9,647
33	Additions	33
0	Revaluations	0
9,647	Closing Balance at 31 March	9,680
	<u>Depreciation and Impairments</u>	
-263	Opening Balance at 1 April	-537
-274	Depreciation Charge	-276
0	Revaluations	0
-537	Closing Balance at 31 March	-813

2018/2019 £000s	Other Land & Buildings: PFI Assets	2019/2020 £000s
	<u>Balance Sheet Amount</u>	
9,351	Opening Balance at 1 April	9,110
9,110	Closing Balance at 31 March	8,867

Arvato Public Sector Services Limited

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

The contract came to an end on the 30th September 2018.

Payments

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

At 31 March 2019, the amount of payments (at Balance Sheet date prices) due to be made under the agreement, separated into repayment of liability and service charges is as follows (no future interest costs can be established until a contingent rent is calculated in the year the actual 'unitary' charge is made).

Commitments under Service Concession	Repayment of Liability £000s	Service Charge £000s	Total £000s
Contract Payments in 2019/2020	0	0	0

Liabilities

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

<u>2018/2019</u> £000s		<u>2019/2020</u> £000s
-2,436	Balance outstanding at start of year	0
2,436	Payments during the year	0
0	Balance outstanding at the year-end	0

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Property Plant and Equipment / Intangible Assets

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

2018/2019		Arvato	2019/2020	
Vehicles, Plant & Equipment £000s	Intangible Assets £000s		Vehicles, Plant & Equipment £000s	Intangible Assets £000s
		<u>Cost or Valuation</u>		
8,186	1,355	Opening Balance at 1 April	0	0
-8,186	-1,355	Derecognition - Disposal	0	0
0	0	Closing Balance at 31 March	0	0
		<u>Depreciation and Impairments</u>		
-6,127	-979	Opening Balance at 1 April	0	0
0	-376	Amortisation for the Year	0	0
-2,059	0	Depreciation Charge	0	0
8,186	1,355	Derecognition - Disposal	0	0
0	0	Closing Balance at 31 March	0	0
		<u>Balance Sheet Amount</u>		
2,059	376	Opening Balance at 1 April	0	0
0	0	Closing Balance at 31 March	0	0

49 **PARTICIPATION IN PENSION SCHEMES**

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

The Authority participates in three pension schemes:

Pension Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme (TPS)

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

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

The scheme has approximately 11,100 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2020, the Authority's own contributions equate to approximately 0.25%.

In 2019/2020, the Council paid £12.206m to Teachers' Pensions in respect of teachers' retirement benefits, representing 20.73% of teachers' pensionable pay. The figures for 2018/2019 were £9.874m and 16.48%. The increase was due to the employer rate increasing to 23.68% from 1st September 2019. Contributions of £1.189m remained payable at the year-end. The contributions due to be paid in 2020/2021 are estimated to be £14.036m.

In cases of redundancy or early retirement in the interests of the efficiency of the service, the Authority is responsible for the cost of any additional benefits awarded that are outside the terms of the teachers' scheme. In 2019/2020 these contributions amounted to £0.984m, representing 1.67% of teachers' pensionable pay. The figures for 2018/2019 were £1.014m and 1.69%.

NHS Pension Scheme

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

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

The scheme has approximately 8,500 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the NHS Pension Scheme during 2019/2020, the Authority's own contributions equate to approximately 0.001% (0.001% in 2018/2019).

In 2019/2020, the Council paid £0.028m to NHS Pensions in respect of retirement benefits, representing 14.3% of the employees' pensionable pay. The figures for 2018/2019 were £0.026m and 14.3%. Contributions of £0.002m remained payable at 31 March 2020 (£0.003m at 31 March 2019). The contributions due to be paid in 2020/2021 are estimated to be £0.026m.

Defined Benefit Schemes

Local Government Pension Scheme (LGPS)

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

In 2019/2020, the Council paid £16.772m to the MPF in respect of retirement benefits, representing 16.09% of employees' pensionable pay. The figures for 2018/2019 were £14.904m and 15.33%. Contributions of £1.557m remained payable at 31 March 2020 (£1.380m at 31 March 2019).

In cases of redundancy or early retirement in the interests of the efficiency of the service, the cost of any added years awarded is borne by the Council and not the Local Government Pension Scheme. In 2019/2020 these contributions amounted to £1.369m representing 1.31% of pensionable pay. The figures for 2018/2019 were £1.367m and 1.41%.

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

Transactions Relating to Post-Employment Benefits

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

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

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2018/2019		Comprehensive Income and Expenditure Statement	2019/2020	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
31,042	0	<u>Cost of Services:</u>		
1,449	0	Current Service Cost	36,018	0
486	0	Curtailment Cost	557	0
-4,187	0	Administration Expenses	521	0
9,254	0	Effect of Settlements	0	0
		Past Service Cost	5,477	0
		<u>Financing and Investment Income and Expenditure:</u>		
9,443	225	Net Interest Cost	10,764	164
47,487	225	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	53,337	164
49,173	228	Re-measurement of the Net Defined Benefit Liability	-97,324	-952
8,328	0	Effect of Business Combinations	0	0
104,988	453	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	-43,987	-788

2018/2019		Movement in Reserves Statement	2019/2020	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
-47,487	-225	Reversal of net charges made to the Deficit for the Provision of Services for post-employment benefits in accordance with the Code	-53,337	-164
		<u>Actual amount charged against the General Fund for pensions in the year:</u>		
16,271	1,014	<ul style="list-style-type: none"> employers' contributions payable to the scheme retirement benefits payable direct to pensioners 	18,141	984

Assets and Liabilities in Relation to Retirement Benefits

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2018/2019			2019/2020	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
-1,402,273	-8,596	Present Value of the Defined Benefit Obligation	-1,302,339	-6,854
944,647	0	Fair Value of Plan Assets	906,841	0
-457,626	-8,596	Net Liability arising from defined benefit obligation	-395,498	-6,854

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

2018/2019			2019/2020	
LGPS	TPS		LGPS	TPS
£000s	Unfunded Liabilities £000s		£000s	Unfunded Liabilities £000s
1,223,206	9,157	Opening Balance at 1 April	1,402,273	8,596
31,042	0	Current Service Cost	36,018	0
32,313	225	Interest Cost on Pension Liabilities	33,280	194
6,123	0	Contributions from scheme participants	6,594	0
0	0	Remeasurement Gains (-) and Losses:		
		- Actuarial Gains / Losses arising from changes in demographic assumptions	-82,818	-710
75,499	228	- Actuarial Gains / Losses arising from changes in financial assumptions	-27,896	-94
0	0	- Experience Gains / Losses	-33,420	-148
-36,234	-1,014	Benefits paid	-37,726	-984
1,449	0	Curtailment Cost	557	0
-16,322	0	Settlements	0	0
9,254	0	Past Service Cost	5,477	0
75,943	0	Business Combinations	0	0
1,402,273	8,596	Closing Balance at 31 March	1,302,339	6,854

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

2018/2019			2019/2020	
LGPS	TPS		LGPS	TPS
£000s	Unfunded Liabilities £000s		£000s	Unfunded Liabilities £000s
854,297	0	Opening Balance at 1 April	944,647	0
22,870	0	Interest Income	22,516	0
26,326	0	Remeasurement Gains / Losses (-):		
		- The return on plan assets, excluding the amount included in the net operating expense	-46,810	0
-12,135	0	Settlements	0	0
67,615	0	Business Combinations	0	0
16,271	1,014	Contributions from Employer	18,141	984
6,123	0	Contributions from Employees into the Scheme	6,594	0
-36,234	-1,014	Benefits paid	-37,726	-984
-486	0	Administration Expenses	-521	0
944,647	0	Closing Balance at 31 March	906,841	0

During 2018/2019 a number of services previously provided by an external contractor were brought back to the Council. The pension rights of affected staff were transferred back to the Council. The effect on this was to increase Scheme Assets by £67.615m and increase Scheme Liabilities by £75.499m, an increase in net liabilities of £7.884m. It should be noted that this is an increase in notional liabilities rather than the actual assets and liabilities transferred.

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Local Government Pension Scheme Assets Comprised:

2018/2019			2019/2020	
Quoted £000s	Unquoted £000s		Quoted £000s	Unquoted £000s
27,526	0	Cash and Cash Equivalents	13,971	0
145,013	24,947	Equities:	124,478	18,568
197,281	96,648	- UK	205,923	90,456
342,294	121,595	- Global	330,401	109,024
34,243	0	Bonds:	15,981	0
40,711	0	- UK Government	40,279	0
74,868	0	- UK Corporate	70,087	0
149,822	0	- UK Index Linked	126,347	0
0	57,663	Property:	0	53,808
1,869	17,211	- UK Direct Property	2,388	15,850
0	13,440	- Property Managed (UK)	0	24,100
1,869	88,314	- Property Managed (Global)	2,388	93,758
2	30,004	Alternatives:	111	11,626
0	33,493	- Private Equity (UK)	0	59,902
820	3,866	- Private Equity (Global)	2,245	14,641
0	23,884	- Other Alternatives (UK)	3,709	24,694
1,640	34,840	- Other Alternatives (Global)	1,690	35,072
0	23,040	- Infrastructure (UK)	0	29,895
8,703	28,981	- Infrastructure (Global)	2,483	22,060
8,207	15,747	- Opportunities (UK)	859	21,965
19,372	193,855	- Opportunities (Global)	11,097	219,855
540,883	403,764	Total Assets (Quoted / Unquoted)	484,204	422,637
	944,647	Total Assets		906,841

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Teachers' Pension Scheme Unfunded Liabilities have been estimated by Mercer Human Resource Consulting, an independent firm of actuaries, estimates being based on the latest full actuarial valuation of the scheme as at 31 March 2016.

The principal assumptions used by the actuary have been:

2018/2019		2019/2020
	Mortality assumptions (years):	
	Local Government Pension Scheme:	
22.2	Longevity at 65 for current pensioners: Men	20.9
25.0	Longevity at 65 for current pensioners: Women	24.0
25.2	Longevity at 65 for future pensioners: Men	22.5
27.9	Longevity at 65 for future pensioners: Women	25.9

2018/2019	(Continued from previous page)	2019/2020
	Teachers' Pension Scheme Unfunded Liabilities:	
22.1	Longevity at 65 for current pensioners – aged 65: Men	20.9
25.1	Longevity at 65 for current pensioners – aged 65: Women	24.0
13.3	Longevity at 65 for current pensioners – aged 75: Men	12.5
15.8	Longevity at 65 for current pensioners – aged 75: Women	14.9
	<u>Other assumptions</u>	
2.2%	Rate of Inflation - CPI	2.1%
3.7%	Rate of increase in salaries	3.6%
2.3%	Rate of increase in pensions	2.2%
2.4%	Rate for discounting scheme liabilities (LGPS)	2.4%
2.4%	Rate for discounting scheme liabilities (TPS Unfunded Liabilities)	2.4%

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

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption	Decrease in Assumption
	£000s	£000s
<u>Local Government Pension Scheme</u>		
Longevity (increase or decrease in 1 year)	35,960	-35,960
Rate of Inflation (increase or decrease by 0.1%)	21,014	-21,014
Rate of Increase in Salaries (increase or decrease by 0.1%)	2,781	-2,781
Rate of Increase in Pensions (increase or decrease by 0.1%)	21,014	-21,014
Rate for Discounting Scheme Liabilities (increase or decrease by 0.1%)	-20,680	-20,680
Investment Returns (increase or decrease by 1%)	-9,003	9,003
<u>Teachers' Additional Unfunded Pensions</u>		
Longevity (increase or decrease in 1 year)	396	-396
Rate of Inflation (increase or decrease by 0.1%)	38	-38
Rate for Discounting Scheme Liabilities (increase or decrease by 0.1%)	-39	39

Impact on the Authority's Cash Flows

The objectives of the Local Government Pension Scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 17 years. Funding levels are monitored on an annual basis. The most recent triennial valuation took place on 31 March 2019 and has set contributions levels for 2020/2021 to 2022/2023.

The total payments expected to be made to the local government pension scheme by the Council in the year to 31 March 2021 is £20.320m.

The total payments expected to be made by the Council to former teachers receiving additional unfunded pensions in the year to 31 March 2021 is £0.958m.

The weighted average duration of the defined benefit obligation for Local Government Pension Scheme members is 16 years in 2019/2020 (17 years in 2018/2019). The weighted average duration for former teachers receiving additional unfunded pensions is 6 years in 2019/2020 (7 years in 2018/2019).

50 CONTINGENT LIABILITIES

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

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

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

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

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

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

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

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

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

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

Merseyside Pension Fund - Contractor Admission Bodies: The Council provides guarantees for any potential unfunded liabilities on the Merseyside Pension Fund for Sefton New Directions Limited and Agilisys Limited. The most recently notified value of the guarantees for Sefton New Directions Limited and Agilisys Limited were both nil. The values are highly dependent on market conditions at the time of the valuation and can vary significantly between valuations. Therefore, although no liability existed at the latest review this has the potential to change at the next review.

51 CONTINGENT ASSETS

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

VAT Sharing Arrangement: As part of the voluntary stock transfer an agreement was reached with One Vision Housing Limited to share their VAT that they can claim from HM Revenue and Customs. This arrangement is unique to councils and registered social landlords upon transfer. This arrangement was due to end on 30 October 2016 but has now been extended until 2027. Sefton's share of reclaimable VAT is estimated to be in the region of £1.4m until the end of the arrangement.

52 FINANCIAL INSTRUMENTS

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

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

The following categories of financial instrument are carried in the Balance Sheet:

<u>FINANCIAL ASSETS</u>	Long Term		Current	
	31/03/2019 £000s	31/03/2020 £000s	31/03/2019 £000s	31/03/2020 £000s
Fair Value through Profit or Loss				
Investments	5,616	5,541	62	99
Amortised Cost				
Debtors	4,466	4,806	25,587	38,829
Cash and cash equivalents	0	0	12,280	38,988
Total Financial Assets	10,082	10,347	37,929	77,916
Non-financial assets - Debtors	0	0	10,279	10,302
Total	10,082	10,347	48,208	88,218

<u>FINANCIAL LIABILITIES</u>	Long Term		Current	
	31/03/2019 £000s	31/03/2020 £000s	31/03/2019 £000s	31/03/2020 £000s
Amortised Cost				
Borrowing	142,693	149,153	10,332	16,617
Creditors	0	0	30,546	41,868
Service Concessions and Finance Lease Liabilities	9,275	8,357	884	918
Total Financial Liabilities	151,968	157,510	41,762	59,403

Designated to fair value through profit and loss and statutory override

The Council holds a £5m pooled investment in a property fund. As a result of the change in accounting standards for 2018/2019, under IFRS 9, this investment had been reclassified as Fair Value through Profit and Loss. To avoid any impact on the General Fund balance, the Ministry of Housing, Communities and Local Government have agreed a temporary override to allow English Local Authorities time to adjust their portfolio of all pooled investments. This override commences on the 1st April 2018 and lasts for five years. The Council will use the statutory override to account for any changes in the fair value on its pooled investments.

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Notes to the Financial Statements

Items of income, expense, gains or losses

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

	31 March 2020		
	Surplus or Deficit on the Provision of Services £000s	Other Comprehensive Income and Expenditure £000s	Total £000s
Net Gains/ Losses on:			
Financial assets measured at fair value through profit or loss	-201	0	-201
Total net gains/ losses (-)	-201	0	-201
Interest Revenue			
Financial assets measured at fair value through profit or loss	484	0	484
Total Interest Revenue	283	0	283
Interest Expense	-6,635	0	-6,635

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

	31 March 2019		
	Surplus or Deficit on the Provision of Services £000s	Other Comprehensive Income and Expenditure £000s	Total £000s
Net Gains/ Losses on:			
Financial assets measured at fair value through profit or loss	615	0	615
Surplus on Revaluation of Available for Sale Financial Assets	0	-529	-529
Total net gains/ losses	615	-529	86
Interest Revenue			
Financial assets measured at fair value through profit or loss	512	0	512
Total Interest Revenue	512	0	512
Interest Expense	-6,795		-6,795

Fair Value of Assets and Liabilities.

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

Recurring Fair Value Measurements	<u>Input level in Fair Value Hierarchy</u>	<u>Valuation technique used to measure Fair Value</u>	31 March 2019 £000s	31 March 2020 £000s
Financial Instruments - CCLA	Level 1	Unadjusted quoted prices in active markets for identical shares	5,615	5,414

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

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

- The discount rate used in the net present value calculation is equal to the current rate in relation to the same instrument from a comparable lender. This rate will be the rate applicable in the market on the date of valuation (31st March 2020), for an instrument of the same duration.
- For PWLB debt the new borrowing rate has been used, as opposed to the premature repayment rate.

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

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

The fair values calculated are as follows:

FINANCIAL LIABILITIES	31 March 2019		31 March 2020	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Financial Liabilities held at amortised cost				
Borrowing-PWLB	151,005	181,671	163,735	188,081
Borrowing-Other	2,020	2,020	2,035	2,035
Short-term Creditors	30,546	30,546	41,868	41,868
PFI and finance lease liabilities	10,159	10,159	9,275	9,275
Total	193,730	224,396	216,913	241,259

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

FINANCIAL ASSETS	31 March 2019		31 March 2020	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Investments	62	62	99	99
Cash and Cash Equivalents	12,280	12,280	38,988	38,988
Short-term Debtors	25,587	25,587	38,829	38,829
Long-term Debtors	4,466	4,466	4,806	4,806
Total	42,395	42,395	82,722	82,722

No fixed rate investments were held at the Balance Sheet date therefore, the fair value is the same as the carrying amount as all investments are at current market rates.

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

53 **NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

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

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

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

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

Credit Risk

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

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

Credit rating agencies such as Fitch rate institutions depending upon:

- Long term ability to meet all of their most senior financial obligations on a timely basis
- Short term ability to meet financial obligations within a relatively short time period
- Viability rating attempts to assess how a bank would be viewed if it was entirely independent of any external support
- Sovereign rating reflects the strength of a country's economy, and hence the ability of a country's Government to support its financial institutions.

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

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

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

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have a risk score of F1 (highest credit quality), P-1 (low risk) and Money Market Funds rating of AAA (highest credit quality).

The following analysis summarises the Authority's potential maximum exposure to credit risk at the balance sheet date. The figures represent the actual investment made and, based on experience of default and uncollectability over the last 14 financial years, adjusted to reflect current market conditions:

Estimated maximum exposure at 31/03/19		Amount at 31/03/20	Historical experience of default	Historical experience adjusted for market conditions at 31/03/20	Estimated maximum exposure to default & uncollectability at 31/03/20
£000s		£000s A		C	£000s (A x C)
0	Deposits with Banks	0	0	0	0
0	Deposits with Money Market	37,360	0	0	0
0	Deposits Other	0	0	0	0
526	Customers	21,165	3.29%	3.29%	696
526					696

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

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

As mentioned previously, the Authority has changed its investment policy with banks and when investing in banks it now only invests with extremely highly rated ones (with a Sovereign rating: AA+) that are backed by the Government in which the bank is situated. The Authority currently has no investments with banks.

The profile of investments by country is shown below:

	Total Investments at 31 March 2019 £000s	Total Investments at 31 March 2020 £000s
United Kingdom Banks	0	0
Other: CCLA	5,615	5,414
	5,615	5,414

Although the Authority does not generally allow credit for customers, £18.363m of the £21.165m balance is past its due date for payment. The total debt amount can be analysed by age as follows:

	31 March 2019 £000s	31 March 2020 £000s
Less than three months	8,594	12,484
Three months to one year	2,943	3,605
More than one year	4,447	5,076
	15,984	21,165

A provision for bad debts relating to customers exists which totals £2.681m at 31 March 2020 (£2.272m at 31 March 2019). This provision relates to a wide variety of assets of which none are individually significant. The provision was increased by £0.421m in 2019/2020 (£0.357m in 2018/2019) and £0.012m was written-off during the year (£0.380m in 2018/2019).

Of this debt £4.635m is secured against properties at 31 March 2020 (£4.267m as at 31 March 2019). These properties are held as collateral but cannot be pledged or resold unless the owner defaults.

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Liquidity Risk

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

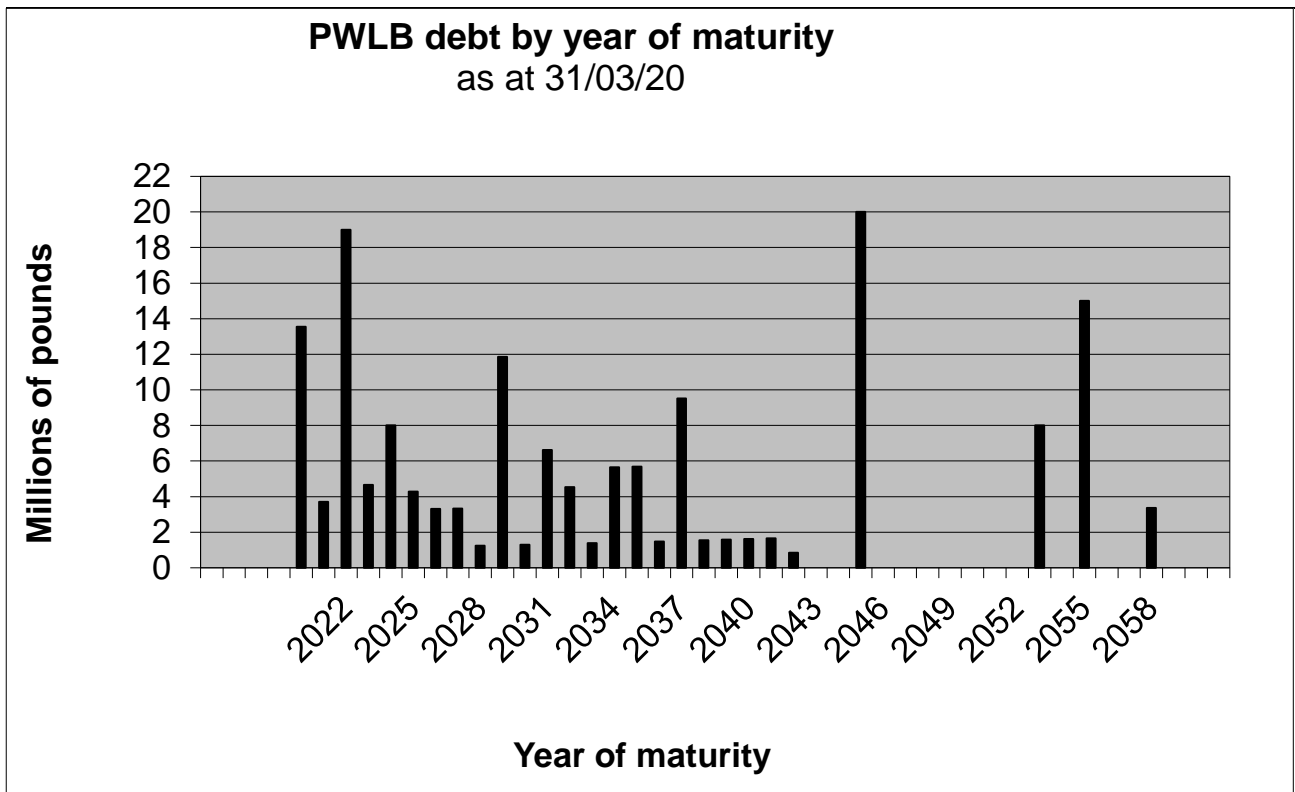
The risk for the Authority is that it will need to replace its borrowings at a time when interest rates are unfavourable, leading to additional ongoing financing costs. The strategy for the Council is to ensure that by careful planning of the repayment date for new and replacement loans, and (when economic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

<u>Without Interest 31 March 2019</u> £000s	<u>With Interest Due 31 March 2019</u> £000s	Analysis of Loans by Type:	Range of Interest Rates Payable (%)	<u>Without Interest 31 March 2020</u> £000s	<u>With Interest Due 31 March 2020</u> £000s
151,004	235,221	Public Works Loan Board	0.88 – 7.13	163,736	255,685
0	0	Money Market		0	0
16	16	Individuals	0.00	16	16
0	0	Other Local Authorities		0	0
2,005	2,005	Other	0.00 - 6.50	2,018	2,018
153,025	237,242	Total		165,770	257,719

<u>Without Interest 31 March 2019</u> £000s	<u>With Interest Due 31 March 2019</u> £000s	Analysis of Loans by Maturity:	<u>Without Interest 31 March 2020</u> £000s	<u>With Interest Due 31 March 2020</u> £000s
10,332	16,100	Maturing within one year	16,617	22,858
13,541	19,242	Maturing in 1-2 years	3,708	9,739
27,354	42,288	Maturing in 2-5 years	31,658	46,653
20,171	37,615	Maturing in 5-10 years	24,006	43,388
25,677	38,740	Maturing in 10-15 years	19,479	34,117
23,874	32,390	Maturing in 15-20 years	18,226	28,638
5,698	11,562	Maturing in 20-25 years	25,698	34,144
0	5,608	Maturing in 25-30 years	0	5,608
8,000	13,426	Maturing in 30-35 years	8,000	13,062
18,358	20,249	Maturing in 35-40 years	18,358	19,491
0	0	Maturing in 40-45 years	0	0
20	20	Maturing in more than 45 years	20	20
153,025	237,242	Total	165,770	257,719

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

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



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

Market Risk

a) Foreign Exchange Risk

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

b) Price Risk

Price risk arises on financial assets because of changes in commodity prices or equity prices. The Authority's holdings in the CCLA Local Authority Property Fund are held on the Balance Sheet at bid price. This is the expected return if the Authority decided to sell its holdings. The asset value will reflect fluctuations in Property Values and rents and are therefore exposed to risk arising from movements in the price of such assets due to changes in general economic conditions. The property fund is classified at fair value through profit or loss, meaning that all movements in price will impact on gains and losses recognised in the surplus or deficit on the provision of services. However, for a five-year period commencing the 1st April 2018, there is a statutory override to avoid such an impact.

c) Interest Rate Risk

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

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

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

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

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

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

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

31 March 2019 £000s		31 March 2020 £000s
323	Increase in interest receivable on variable rate investments (and resultant impact on the Surplus or Deficit on the Provision of Services)	275
-17,398	Decrease in fair value of fixed rate loans (no impact on Other Comprehensive Income and Expenditure)	-18,839
0	Increase in fair value of fixed rate investments (impact on Other Comprehensive Income and Expenditure)	0
0	Increase in fair value of financial liabilities (no impact on Other Comprehensive Income and Expenditure)	0

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

The Authority held no loans at variable rate at the Balance Sheet date so any movement in interest rates will have no effect on the Surplus or Deficit on the Provision of Services.

54 STATEMENT OF SINGLE ENTITY AND GROUP ACCOUNTING POLICIES

(a) GOING CONCERN

The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue raising bodies (with limits on their revenue raising powers, arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis.

The accounts are prepared on the expectation that the services and functions of the Council are expected to continue in operational existence for the foreseeable future. Therefore, these financial statements are produced on a going concern basis.

Additionally, management have assessed cash flow modelling through to March 2022 which demonstrates the Council's ability to work within its Capital Financing Requirement and Cash management framework, with appropriate headroom (at least £6m), and identified no significant risks to liquidity within the next twelve months from the date of issue of these financial statements.

The Narrative Report sets out the significant impacts of the pandemic on the local economy and on Council finances, as well as the response structures and steps taken to manage the risks and impacts. The Council has experienced a reduction in income in the current year, with loss of fees and charges forecast to be £15m. The pandemic has also resulted in the Council bearing significant extra costs, particularly in social care, with projected additional costs for the Council in response to the pandemic in 2020/21 being £14m.

The Council has received additional grant support from Government in 2020/21 to fund a proportion of these costs, including emergency funding, and compensation for an element of losses on sales, fees and charges and council tax and business rates. It is estimated that this funding will offset a significant proportion of costs and income losses, with residual losses of £3m included in the Council's budget monitoring position for the year.

Current cash and cash-equivalents of £39m at the balance sheet date have been modelled, using reasonable assumptions regarding service costs, staff costs and income, for 12 months from the final certification of these statements to March 2022, including down side scenarios for cash collection and the ongoing impact of reduction on fees and charges. The low point in liquidity is in March 2022 due to the cumulative impacts of the down-side scenarios modelled and the usual cycle of taxation collection resulting in lower cash income in February and March. The Council remains in a positive cash position for the duration of the forecast.

The Council do not plan for any borrowing to support cashflow until March 2022, and only then in the downside scenario. In line with the treasury management strategy of the Council, planned borrowing is limited to the refinancing of a loan due for repayment. The Council remains within its prudential borrowing limits with sufficient headroom should further need arise.

The Council budget and medium-term financial strategy identify savings requirements over the next three years. The Council plan to maintain the General Fund Balance above the minimum 3.5% of Council net budget as set by the Section 151 officer. There is no planned use of the Council's £35m earmarked reserves to support the short- or medium-term budgets. However, given the pandemic is ongoing, the associated economic impact and service implications remain unclear, and there remains significant uncertainty over the final cost to the Council. Any use of these reserves to meet further unplanned or unfunded expenditure will necessitate their replenishment, and plans will be developed to do this in line with the Councils track record of achieving savings required by difficult financial decisions.

The Council recognise that Collection Fund losses can be carried forward and funded over 3 years in line with Government guidance.

As the cash flow modelling demonstrates that the Council will continue to have liquidity for the next 12 months, to support the continuation of service assumption, management are satisfied that there is no material uncertainty relating to going concern.

(b) GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year end. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 in accordance with proper accounting practices. These practices are set out primarily the *Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020*.

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

(c) 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

(d) BUSINESS IMPROVEMENT DISTRICTS

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

(e) CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

(f) **CHARGES TO REVENUE FOR NON-CURRENT ASSETS**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding Property, Plant and Equipment and Intangible Assets during the year:

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses are therefore replaced by the contribution in the General Fund Balance (Statutory Provision for the Financing of Capital Investment) by way of an adjusting transaction with the Capital Adjustment Account in the Movement of Reserves Statement for the difference between the two.

(g) **COUNCIL TAX AND NON-DOMESTIC RATES**

Sefton Council as a billing authority acts as an agent, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (Merseyside Police and Crime Commissioner, Merseyside Fire and Rescue Service, and Liverpool City Region Combined Authority) and, as principal, collecting council tax and NDR for the Council. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted. Sefton is part of the Liverpool City Region Business Rate Retention Pilot scheme currently retains 99% of NDR rates, which includes the 50% that would otherwise be due to central government.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) 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 CIES 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 authority's share of the end of year 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 due to be settled within 12 months of the year end. They include such benefits as wages, salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which the employees render service for the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu), earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following financial year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year to which the holiday absence occurs.

Termination Benefits

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

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

Post-Employment Benefits

Employees of the Council are members of three separate pension schemes:

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

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

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

The Local Government Pension Scheme

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

- The liabilities of the Merseyside Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of current earnings for current employees.
- Liabilities are discounted to their present value at current prices using a discount rate based on the indicative rate of return on high quality corporate bonds (based on a weighted average of 'spot yields' on AA rated corporate bonds). The discount rate used for the year is disclosed in the Participation in Pension Schemes note.
- The assets of Merseyside Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted Securities – current bid price,
 - Unquoted securities – professional estimate,
 - Unitised securities- current bid price,
 - Property – market value.
- The change in the net pensions' liability is analysed into the following components:

Service cost comprising:

- Current Service Cost – the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked.
- Past Service Cost - the increase in liabilities as a result of scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Unallocated Costs,
- Net Interest on the Net Defined Benefit Liability (Asset), i.e. net interest expense of the Authority - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the year as a result of contribution and benefit payments.

Remeasurements comprising:

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

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

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 BALANCE SHEET DATE

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

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

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

(j) **FAIR VALUE MEASUREMENT**

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

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

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

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

(k) **FINANCIAL INSTRUMENTS**

General Comment

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

Financial Liabilities

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

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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 Comprehensive Income and Expenditure in the year of repurchases/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 is spread over the life of the loan by an adjustment to the effective interest rate. This is managed by a transfer to or from the Financial Instruments Adjustment Account in Movement in Reserves Statement.

Where premiums and discounts have been charged to CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium payable or discount receivable when it was repaid.

Financial Assets

Financial assets are classified based upon a classification and measurement approach that reflects the business model for holding financial assets and their cash flow characteristics. There are three main classes of financial assets measured at

- Amortised costs
- Fair value through profit and loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The Council does not hold investments that are measured fair value through FVOCI.

Financial assets measured at amortised cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provision of a financial instrument and are initially valued at fair value. They are subsequently measured at their amortised costs. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial instrument held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to CIES is the amount receivable for the year in the loan agreement.

Financial assets measured at fair value through profit and loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provision of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

The fair value measurement is based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the accounting policy set out in section (i) Fair Value Measurement.

Churches & Charities Local Authority LAMIT Property Fund:

The Ministry for Housing, Communities and Local Government introduced a mandatory statutory override requiring local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds to protect the General Fund. This will be effective for 5 years from the financial year commencing 1 April 2018, and upon expiry all fair value movements will then impact on the General Fund Balance.

Credit loss model

The credit risk model allows the authority to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that instrument has increased significantly since initial recognition. To make the assessment the authority compares the risk of a default occurring on the financial instrument. This is carried out with market intelligence supplied by external treasury consultants.

Warranties and Guarantees

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

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

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(l) 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.

(m) GOVERNMENT GRANTS AND CONTRIBUTIONS

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

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are recognised immediately in the CIES, except to the extent that the grant or contribution has a condition(s) relating to initial recognition that the Authority has not satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset received in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant services line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (Non-Ringfenced Government Grants and Capital Grants and Government Grants) in the Comprehensive Income and Expenditure Statement.

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

(n) HERITAGE ASSETS

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

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

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

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

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

(o) INTANGIBLE ASSETS

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

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

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

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

(p) INTERESTS IN COMPANIES AND OTHER ENTITIES

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

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

(q) INVENTORIES AND LONG-TERM CONTRACTS

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

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

(r) INVESTMENT PROPERTY

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

Investment Properties are measured initially at cost. This is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition. They are subsequently measured at fair value, based on the market price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Properties are not depreciated but are revalued. An annual revaluation of all investment properties is undertaken. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. 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 (for any sale proceeds greater than £10,000) the capital receipts reserve.

(s) **JOINT OPERATIONS**

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority 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
- its expenses, including its share of any expenses incurred jointly.

(t) **LEASES**

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

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

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

THE COUNCIL AS A LESSEE

Finance Leases

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

Lease payments will be apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability,
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

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

Operating Leases

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

THE COUNCIL AS A LESSOR

Finance Leases

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

Lease rentals receivable will be apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

Where the Council grants an operating lease over a property or an item of Plant or Equipment, the asset is retained in the Balance Sheet. Rental Income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (i.e. there is a premium paid at the commencement of the lease).

Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the term on the same basis as rental income.

(u) OVERHEADS AND SUPPORT SERVICES

The costs of overhead and support services are charged to those services that benefit from them, in accordance with the Council's arrangements for accountability and financial performance.

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

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

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

(w) **PRIVATE FINANCE INITIATIVE AND SIMILAR CONTRACTS**

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

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

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

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

- Fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- Finance Cost – An interest charge on the outstanding Balance Sheet Liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Contingent Rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Payment towards liability – applied to write down the balance sheet liability towards the PFI operator (the profile of write downs is calculated on the same basis as for a finance lease);
- Lifecycle replacement costs - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

(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 (PP&E).

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

- The purchase price,
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management,
- The initial estimate of the costs of dismantling and removing the item and restoring the site upon which it is located.

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

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

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

<u>Asset Type</u>	<u>Building</u>	<u>Roof</u>	<u>Services</u>	<u>Externals</u>	<u>Total</u>
Primary Schools	42%	9%	26%	23%	100%
Secondary Schools	50%	11%	22%	17%	100%
Sports Centres	49%	10%	23%	18%	100%
Libraries	49%	8%	28%	15%	100%

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

Disposals and non-current assets held for sale

When it becomes apparent that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

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

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

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

Schools

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

(y) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried within the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made) the provision is reversed and credited back to the relevant service.

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

Amounts needed to settle any obligation are only discounted where required when included in the accounts.

Internal Insurance Cover

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

Provision for NDR Appeals

The Authority has established a provision to cover the potential costs for refunding ratepayers who have successfully appealed against the rateable value of their properties. The provision covers the Council's locally retained share (99%) of the cost. This is accounted for in line with the normal policy above.

Contingent liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

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

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

(z) RESERVES

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

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

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

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

(bb) SCHOOLS

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority-maintained schools (ie those categories of school identified in the School Standards and Framework Act 1998, as amended) 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 (and not the Group Accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

(cc) VAT

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

9 COLLECTION FUND

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

2018/2019			<u>INCOME AND EXPENDITURE ACCOUNT</u>	Note	2019/2020		
<u>Business Rates</u> £000s	<u>Council Tax</u> £000s	<u>Total</u> £000s			<u>Business Rates</u> £000s	<u>Council Tax</u> £000s	<u>Total</u> £000s
			<u>INCOME</u>				
	-152,092	-152,092	<u>Council Tax</u> Income from Council Tax Payers			-160,962	-160,962
	-132	-132	<u>Transfers from the General Fund</u> Hardship Relief / Care leavers Discounts			-143	-143
-69,755 0	0	-69,755 0	<u>Business Rates</u> Income from Business Ratepayers Transitional Protection Receipts		-71,233 -109		-71,233 -109
-69,755	-152,224	-221,979	Total Income		-71,342	-161,105	-232,447
			<u>EXPENDITURE</u>				
	148,595	148,595	<u>Distribution of Resources</u> Precepts and Demands - Council Tax	4		158,306	158,306
67,120		67,120	Shares of Non-domestic Rates Income	5	65,393		65,393
413		413	Transitional Protection Payments		0		0
319	14	319 14	<u>Transfers to the General Fund</u> Cost of Collection Allowance Council Tax Benefit		311	26	311 26
1,020	2,637	3,657	<u>Impairment of Debts / Appeals</u> Provision for Bad and Doubtful Debts	6	1,413	5,000	6,413
1,213		1,213	Provision for Appeals	7	2,572		2,572
3,398	871	4,269	<u>Contributions</u> Contributions towards previous year's surplus	2	1,768	1,160	2,928
73,483	152,117	225,600	TOTAL EXPENDITURE		71,457	164,492	235,949
3,728	-107	3,621	MOVEMENT ON THE FUND BALANCE		115	3,387	3,502

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Collection Fund

2018/2019			INCOME AND EXPENDITURE ACCOUNT (continued)	Note	2019/2020		
Business Rates	Council Tax	Total			Business Rates	Council Tax	Total
-5,589	-876	-6,465	COLLECTION FUND BALANCES				
3,728	-107	3,621	Balances Brought Forward		-1,861	-983	-2,844
			Movement on the Fund Balance in Year		115	3,387	3,502
-1,861	-983	-2,844	BALANCES AT YEAR END		-1,746	2,404	658
			BALANCES TO BE ALLOCATED				
-1,842	-845	-2,687	Sefton MBC		-1,729	2,021	292
0	-96	-96	Merseyside Police and Crime Commissioner		0	258	258
-19	-42	-61	Merseyside Fire and Rescue Authority		-17	101	84
0	0	0	Liverpool City Region Combined Authority		0	24	24
-1,861	-983	-2,844			-1,746	2,404	658

NOTES TO THE COLLECTION FUND

1 COUNCIL TAX BASE

The Council's tax base, i.e., the number of chargeable dwellings in each valuation band for 2018/2019 (adjusted for dwellings where discounts apply) converted to a number of band D dwellings, has been calculated as follows:

Band	Number of Chargeable Dwellings After Discounts	Proportion of Band D Charge	Band D Equivalent Dwellings
A*	65.8	5/9	36.6
A	23,175.9	6/9	15,450.6
B	20,405.8	7/9	15,871.2
C	25,071.5	8/9	22,285.8
D	13,128.3	9/9	13,128.3
E	7,475.7	11/9	9,136.9
F	3,582.7	13/9	5,175.0
G	2,444.7	15/9	4,074.5
H	204.0	18/9	408.0
	95,554.2		85,566.7
Adjustment for estimated collection rate (98.25%)			-1,497.4
Adjustment for Ministry of Defence properties			8.0
Council Tax Base			84,077.3

* Properties subject to disabled relief

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

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

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

Council Tax	<u>2018/2019</u> £000	<u>2019/2020</u> £000
Sefton Council	747	995
Merseyside Police and Crime Commissioner	86	115
Merseyside Fire and Rescue Service	38	50
	871	1,160

Business Rates	<u>2018/2019</u> £000	<u>2019/2020</u> £000
Central Government	-607	0
Sefton Council	3,971	1,750
Merseyside Fire and Rescue Service	34	18
	3,398	1,768

3 BUSINESS RATES MULTIPLIER AND RATEABLE VALUE

Under the arrangements for nationally uniform business rates, the Council collects rates for its area, which are based on local rateable values multiplied by a uniform rate. The business rate multipliers applied are shown below:

Multipliers	2018/19	2019/20
Standard Business Rate Multiplier	49.3p	50.4
Small Business Rate Multiplier	48.0p	49.1

The total non-domestic rateable value on Sefton's Rating List was £184,220,787 at 31 March 2020 (£183,316,337 at 31 March 2019).

4 PRECEPTS AND DEMANDS ON THE COLLECTION FUND

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

Council Tax	<u>2018/2019</u> £000	<u>2019/2020</u> £000
Sefton Council (Including Parish Precepts)	127,485	133,099
Merseyside Police and Crime Commissioner	14,760	16,981
Merseyside Fire & Rescue Authority	6,350	6,629
Liverpool City Region Combined Authority	0	1,597
	148,595	158,306

5 SHARES OF NON-DOMESTIC RATES INCOME

Business rates income is shared on the following basis:

Business Rates	Share %	<u>2018/2019</u> £000	<u>2019/2020</u> £000
Sefton Council	99%	66,449	64,739
Merseyside Fire & Rescue Authority	1%	671	654
	100%	67,120	65,393

Sefton's retained share of business rates increased from 49% in 2016/17 to 99% in 2017/18 as part of the Liverpool City Region 100% Business Rates Retention Pilot agreement. The pilot agreement was due to run for three years until 31 March 2020 but has been extended until the next business rate baseline reset takes place.

6 PROVISION FOR BAD AND DOUBTFUL DEBTS

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

Council Tax	<u>2018/2019</u> £000	<u>2019/2020</u> £000
Balance at 1 April	-7,995	-10,213
Write-offs in year	419	183
Increase / Decrease in Year	-2,637	-5,000
Balance at 31 March	-10,213	-15,030

Business Rates	<u>2018/2019</u> £000	<u>2019/2020</u> £000
Balance at 1 April	-2,011	-2,420
Written-off in year	611	564
Increase / Decrease in Year	-1,020	-1,413
Balance at 31 March	-2,420	-3,269

7 PROVISION FOR CHECKS, CHALLENGES AND APPEALS

The Collection Fund also makes a provision for checks, challenges, and appeals against rateable values set by the Valuation Office Agency (VOA). The table below shows the movements on the provision in the year:

Business Rates	<u>2018/2019</u> £000	<u>2019/2020</u> £000
Balance at 1 April	-15,106	-16,319
Movement in the Year	-1,213	-2,572
Balance at 31 March	-16,319	-18,891

10 GROUP ACCOUNTS

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

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

The following pages include:

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

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

The main effect of consolidation has been to increase revenue reserves by £0.157m (£1.114m increase as at 31 March 2019), representing the Authority's 100% share of accumulated net surplus in the Company.

The Group Comprehensive Income and Expenditure Statement records a surplus for Sefton New Directions Limited of £0.396m in 2019/2020 (a £1.218m deficit in 2018/2019).

After adjusting for Movements on Reserves the deficit recorded by Sefton New Directions Limited was £0.957m in 2019/2020 (a £0.493m deficit in 2018/2019).

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

Copies of the Company's accounts for 2019/2020 can be obtained from The Company Secretary, Sefton New Directions Head Office, Third Floor, Burlington House, Crosby Road North, Waterloo, Liverpool, Merseyside, United Kingdom, L22 0PJ.

Sandway Homes

On 19 July 2018 Sefton (ACS) Development Company Limited, a company limited by shares and wholly owned by Sefton MBC, was incorporated. On 29 October 2018 Sandway Homes Limited, a company limited by share and wholly owned by Sefton (ACS) Developments Limited, was incorporated. The nature of business of Sandway Homes Limited is registered as development of building projects. The year-end of both companies is the same as that of Sefton MBC, and as at 31 March 2020 transactions of £0.8m had been transacted by the Sefton (SCS) Developments Limited group. Filing of accounts of both companies is required by Companies House by 31 December 2020. For 2019/2020 the accounts of the group will not be consolidated into the accounts of Sefton MBC on the grounds of materiality. However, it is envisaged that from 2020/2021 the activities of the companies will be material enough to be consolidated in Sefton's Group Accounts.

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Group Accounts

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2018/2019			Note	2019/2020		
Gross Expenditure	Gross Income	Net Expenditure / Income (-)		Gross Expenditure	Gross Income	Net Expenditure / Income (-)
1,205	-200	1,005	<u>Continuing Operations</u>			
3,559	-153	3,406	Strategic Management	1,256	-187	1,069
129,259	-37,105	92,154	Strategic Support Unit	3,532	-330	3,202
34,303	-1,840	32,463	Adult Social Care	134,767	-41,202	93,565
34,724	-13,117	21,607	Children's Social Care	38,660	-1,859	36,801
119,928	-89,411	30,517	Communities	34,830	-12,374	22,456
14,534	-8,447	6,087	Corporate Resources	112,856	-83,334	29,522
37,081	-2,206	34,875	Economic Growth and Housing	14,799	-8,370	6,429
182,626	-179,405	3,221	Education Excellence	19,112	-2,132	16,980
15,793	-21,587	-5,794	Education Excellence - Schools	186,677	-179,335	7,342
20,610	-8,689	11,921	Health and Wellbeing	15,837	-20,983	-5,146
27,605	-10,660	16,945	Highways and Public Protection	29,073	-16,863	12,210
17,199	-4,901	12,298	Locality Services	28,949	-11,396	17,553
			Corporate Unallocated Costs	16,285	-4,301	11,984
947	-445	502	Sefton New Directions - Net	1,388	-370	1,018
639,373	-378,166	261,207	Net Cost of Services	638,021	-383,036	254,985
			<u>Other Operating Income and Expenditure</u>			
		1,026	Precepts paid to Parish Councils			1,072
		33,269	Levies			34,183
		0	Contribution to Housing Pooled Capital Receipts			0
		11,729	Loss on the disposal of non-current assets			3,907
		0	Gain (-) / Loss on Disposal of Assets Held for Sale			0
		-1,097	Other Operating Income			-1,163
		44,927				37,999
			<u>Financing and Investment Income & Expenditure</u>			
		6,795	Interest payable and similar charges			6,635
		9,754	Net Interest on the Net Pension Defined Benefit Liability			11,081
		-521	Interest Receivable			-503
		-1,616	Income and Expenditure on Investment Properties			-2,204
		-1,415	Changes in the Fair Value of Investment Properties			-440
		235	Loss on the disposal of Investment Properties			150
		-86	Changes in the Fair Value of Financial Instruments			201
		13,146				14,920
			<u>Taxation and Non-specific Grant Income</u>			
		-128,324	Income from Council Tax			-131,229
		-66,122	Non-Domestic Rates Income			-66,376
		-40,858	Non-Ringfenced Government Grants			-48,976
		-13,802	Capital Grants and Contributions			-15,314
		-249,106				-261,895
		70,174	Deficit on Provision of Services			46,009
		-86	Taxation Income			-165
		70,088	Group Deficit			45,844

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Group Accounts

2018/2019			Continued from previous page	2019/2020		
Gross Expenditure	Gross Income	Net Expenditure / Income (-)		Gross Expenditure	Gross Income	Net Expenditure / Income (-)
		-2,712	Surplus (-) / Deficit on Revaluation of non-current assets			486
		50,274	Re-measurement of the Net Defined Benefit Liability			-99,818
		-148	Deferred Tax re. Actuarial losses/gains on pension fund assets and liabilities for Sefton New Directions Limited			189
		8,328	Net Defined Benefit Liability –Business Combinations			0
		55,742	Other Comprehensive Income and Expenditure			-99,143
		125,830	Total Comprehensive Income and Expenditure			-53,299

GROUP MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to, or from, earmarked reserves undertaken by the Council.

Movements in Reserves in 2019/2020	Council	New Directions	Total Usable Reserves £000	New Directions	Council	Total Authority Reserves £000
	Usable Reserves £000	Surplus £000		Pensions Reserve £000	Unusable Reserves £000	
Balance at 1 April 2019	-66,789	-1,114	-67,903	1,399	146,935	80,431
Movements in Year						
Total Comprehensive Income and Expenditure	44,887	957	45,844	-1,353	-97,790	-53,299
Adjustments between accounting basis and funding basis under regulations (Note 7 of single entity accounts)	-52,427	0	-52,427	0	52,427	0
Net Increase (-) / Decrease before Transfers to Earmarked Reserves	-7,540	957	-6,583	-1,353	-45,363	-53,299
Transfers to / from Earmarked Reserves (Note 34 of single entity accounts)	0	0	0	0	0	0
Increase in Year	-7,540	957	-6,583	-1,353	-45,363	-53,299
Balance at 31 March 2020	-74,329	-157	-74,486	46	101,572	27,132

Movements in Reserves in 2018/2019	Council	New Directions	Total Usable Reserves £000	New Directions	Council	Total Authority Reserves £000
	Usable Reserves £000	Surplus £000		Pensions Reserve £000	Unusable Reserves £000	
Balance at 1 April 2018	-65,238	-1,607	-66,845	674	20,772	-45,399
Movements in Year						
Total Comprehensive Income and Expenditure	69,595	493	70,088	725	55,017	125,830
Adjustments between accounting basis and funding basis under regulations (Note 7 of single entity accounts)	-71,146	0	-71,146	0	71,146	0
Net Increase (-) / Decrease before Transfers to Earmarked Reserves	-1,551	493	-1,058	725	126,163	125,830
Transfers to / from Earmarked Reserves (Note 34 of single entity accounts)	0	0	0	0	0	0
Increase in Year	-1,551	493	-1,058	725	126,163	125,830
Balance at 31 March 2019	-66,789	-1,114	-67,903	1,399	146,935	80,431

GROUP BALANCE SHEET

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

31 March 2019 £000s		Note	31 March 2020 £000s
479,401	Property, Plant and Equipment		469,719
11,532	Heritage Assets		11,532
61,836	Investment Property		55,300
85	Intangible Assets		0
5,615	Long Term Investments		5,540
4,466	Long Term Debtors		4,806
562,935	Long-Term Assets		546,897
62	Short Term Investments		99
716	Inventories		730
36,022	Short Term Debtors		49,487
4,400	Prepayments		5,368
15,451	Cash and Cash Equivalents		42,488
56,651	Current Assets		98,172
-10,332	Short Term Borrowing		-16,617
-30,176	Short Term Creditors		-42,199
-14,376	Receipts in Advance		-25,995
-124	Provisions		-61
-884	Deferred Liabilities		-918
-55,892	Current Liabilities		-85,790
-21,600	Provisions		-22,699
-142,693	Long Term Borrowing		-149,153
-9,275	Deferred Liabilities		-8,357
-470,557	Pensions Liability		-406,202
-644,125	Long Term Liabilities		-586,411
-80,431	Net Assets		-27,132

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Group Accounts

31 March 2019 £000s	Balance Sheet (Continued)	Note	31 March 2020 £000s
	<u>Reserves</u>		
	<u>Usable Reserves</u>		
-13,596	General Fund - Delegated Schools		-10,823
-7,539	General Fund - Non-Delegated Services		-6,984
-1,114	New Directions - Profit and Loss Account		-157
-29,591	Earmarked Reserves		-35,888
-2,134	Capital Receipts Reserve		-2,877
-13,929	Capital Grants and Contributions Unapplied		-17,757
-67,903			-74,486
	<u>Unusable Reserves</u>		
-71,389	Revaluation Reserve		-69,636
-249,225	Capital Adjustment Account		-236,118
429	Financial Instruments Adjustment Account		370
-615	Pooled Investment Funds Adjustment Account		-414
-16	Deferred Capital Receipts		0
467,621	Pensions Reserve		402,398
-2,687	Collection Fund Adjustment Account		293
4,216	Accumulated Absences Account		4,725
148,334			101,618
80,431	Total Group Reserves		27,132

The Notes to the single entity accounts on pages 35 to 114, and to the Group Accounts on pages 126 to 130 form part of the financial statements (note that the disclosures on pages 131 to 132 are for information only and do not form part of the financial statements).

GROUP CASH FLOW STATEMENT

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

<u>2018/2019</u> £000s		<u>Note</u>	<u>2019/2020</u> £000s
	<u>Operating Activities</u>		
70,088	Net Deficit on the provision of services		45,844
-82,012	Adjustments to net surplus or deficit on the provision of services for non-cash movements		-74,892
2,885	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		13,271
-9,039	Net cash flows from Operating Activities	12	-15,777
	<u>Investing Activities</u>		
21,390	Purchase of property, plant and equipment, investment property and intangible assets		15,290
0	Purchase of short-term and long-term investments		126
0	Other payments for investing activities		0
-1,084	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		-1,053
0	Proceeds from short-term and long-term investments		0
-14,027	Other receipts from investing activities		-12,580
6,279	Net cash flows from Investing Activities		1,783
	<u>Financing Activities</u>		
-2,000	Cash receipts of short- and long-term borrowing		-20,000
-163	Other receipts from financing activities		-19
3,062	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		446
6,433	Repayments of short- and long-term borrowing		6,457
216	Other payments for financing activities		73
7,548	Net cash flows from Financing Activities		-13,043
4,788	Net decrease / increase (-) in cash and cash equivalents		-27,037
-20,239	Cash and cash equivalents at the beginning of the reporting period		-15,451
-15,451	Cash and cash equivalents at the end of the reporting period	9	-42,488

NOTES TO THE GROUP ACCOUNTS

1 INTRODUCTION

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

2 PRIOR PERIOD ADJUSTMENTS

The final audited 2018/2019 accounts for Sefton New Directions included a late adjustment that wasn't amended for in Sefton's Group Accounts. Although not material enough to normally be a Prior Period Adjustment it has been decided to amend the 2018/2019 comparator information to reflect the changes, rather than adjust in 2019/2020, as follows:

Deficit on the Income Expenditure Account relating to New Directions has increased from £0.459m to £0.493m (Taxation).

Short-Term Provisions have increased from £0.121m to £0.124m with Short Term Creditors increasing from £0.440m to £0.471m.

The New Directions Surplus has decreased from £1.148m to £1.114m.

3 DISCLOSURE OF AUDIT COSTS

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

<u>2018/2019</u> £000		<u>2019/2020</u> £000
15	Fees payable to Hazlewoods LLP for external audit services	14
15	Total	14

Sefton's expenditure on audit costs is shown in Note 11 to the single entity accounts.

4 ASSETS ON OPERATING LEASES

Sefton New Directions Limited made operating lease payments of £0.063m in 2019/2020 relating to Land and Buildings and other assets (£0.072m in 2018/2019). Sefton New Directions has obligations to make payments for operating leases in future years as follows:

<u>31 March</u> 2019 £000s		<u>31 March</u> 2020 £000s
71	Not later than one year	81
137	Later than one year and not later than five years	162
523	Later than five years	516
731		759

Sefton's expenditure on operating leases is shown in Note 46 to the single entity accounts.

5 EMPLOYEES' EMOLUMENTS IN EXCESS OF £50,000

Sefton New Directions had 442 employees during 2019/2020 (445 during 2018/2019). The number of employees whose remuneration was over £50,000 is shown in the table below:

Sefton New Directions (Only)				
2018/2019		Remuneration Band	2019/2020	
Employed on 31/03/19	Left during the year		Employed on 31/03/20	Left during the year
0	0	£90,000 - £94,999	1	0

Details of Sefton Employees' Emoluments are shown in Notes 14 and 15 to the single entity accounts.

6 PARTICIPATION IN PENSION SCHEMES

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

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

2018/2019		Comprehensive Income and Expenditure Statement	2019/2020	
Sefton Council £000s	Sefton New Directions Limited £000s		Sefton Council £000s	Sefton New Directions Limited £000s
		<u>Cost of Services:</u>		
31,042	1,031	Current Service Cost	36,018	987
1,449	182	Curtailement Cost	557	38
486	15	Administration Expenses	521	14
-4,187	0	Effect of Settlements	0	0
9,254	0	Past Service Cost	5,477	266
		<u>Financing and Investment Income & Expenditure:</u>		
9,668	86	Net Interest Cost	10,928	123
47,712	1,314	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	53,501	1,428
49,401	873	Actuarial Losses / Gains (-) on Pension Assets and Liabilities	-98,276	-1,542
8,328	0	Effect of Business Combinations	0	0
0	-148	Deferred Tax re. Actuarial losses on pension fund assets and liabilities for Sefton New Directions Limited	0	189
105,441	2,039	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	-44,775	75

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

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2018/2019			2019/2020	
Sefton Council £000s	Sefton New Directions Limited £000s		Sefton Council £000s	Sefton New Directions Limited £000s
-1,410,869	-46,713	Present Value of the Defined Benefit Obligation	-1,309,193	-44,500
944,647	41,490	Fair Value of Plan Assets	906,841	39,747
0	888	Related Deferred Tax Assets	0	903
-466,222	-4,335	Net Liability arising from defined benefit obligation	-402,352	-3,850

Assets and Liabilities in Relation to Retirement Benefits Reconciliation of present value of scheme liabilities

2018/2019			2019/2020	
Sefton Council £000s	Sefton New Directions Limited £000s		Sefton Council £000s	Sefton New Directions Limited £000s
1,232,363	43,252	1 April	1,410,869	46,713
31,042	1,031	Current Service Cost	36,018	987
32,538	1,110	Interest Cost on Pension Liabilities	33,474	1,111
6,123	186	Contributions by scheme participants	6,594	168
75,727	2,319	Remeasurement Gains (-) and Losses	-145,086	-3,613
-37,248	-1,367	Benefits paid	-38,710	-1,170
1,449	182	Curtailment Cost	557	38
-16,322	0	Settlements	0	0
9,254	0	Past Service Cost	5,477	266
75,943	0	Business Combinations	0	0
1,410,869	46,713	31 March	1,309,193	44,500

Reconciliation of fair value of scheme assets:

2018/2019			2019/2020	
Sefton Council £000s	Sefton New Directions Limited Restated £000s		Sefton Council £000s	Sefton New Directions Limited £000s
854,297	39,708	1 April	944,647	41,490
22,870	1,024	Interest Income	22,516	988
26,326	1,446	Remeasurement Gains / Losses (-)	-46,810	-2,071
-12,135	0	Settlements	0	0
67,615	0	Business Combinations	0	0
17,285	508	Employer contributions	19,125	356
6,123	186	Contributions by scheme participants	6,594	168
-37,248	-1,367	Benefits paid	-38,710	-1,170
-486	-15	Administration Expenses	-521	-14
944,647	41,490	31 March	906,841	39,747

The liabilities show the underlying commitments that the Authority and Sefton New Directions Limited have in the long-run to pay additional retirement benefits. The total liability of £406m has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in an overall balance of -£27m.

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

Basis for Estimating Assets and Liabilities

The principal assumptions used by the actuary for Sefton New Directions have been:

2018/2019		2019/2020
	<u>Mortality assumptions (years):</u>	
	Local Government Pension Scheme:	
22.0	Longevity at 65 for current pensioners: Men	21.0
25.0	Longevity at 65 for current pensioners: Women	24.0
25.0	Longevity at 65 for future pensioners: Men	23.0
28.0	Longevity at 65 for future pensioners: Women	26.0
	<u>Other assumptions</u>	
2.3%	Rate of Inflation - CPI	2.2%
3.7%	Rate of increase in salaries	3.6%
2.2%	Rate of increase in pensions	2.1%
2.4%	Rate for discounting scheme liabilities	2.4%

The assumptions used by the actuary for Sefton Council are shown in Note 58 to the single entity accounts.

7 PROPERTY, PLANT AND EQUIPMENT

The Property, Plant and Equipment (PP&E) figure in the Group Balance Sheet includes £0.391m for Vehicles, Plant and Equipment of Sefton New Directions Limited at 31 March 2020 (£0.402m at 31 March 2019) and £0.108m for Land and Buildings (£0.076m at 31 March 2019). Details of Sefton's PP&E are shown in Note 18 to the single entity accounts.

8 CURRENT ASSETS

The Current Assets figure in the Group Balance Sheet includes £0.445m for Debtors of Sefton New Directions Limited at 31 March 2020 (£0.997m at 31 March 2019). Details of Sefton's Debtors are shown in Note 26 to the single entity accounts.

9 CASH AND CASH EQUIVALENTS

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

31 March 2019 £000s		31 March 2020 £000s
12,280	Sefton MBC - Cash and Cash Equivalents	38,988
3,171	Sefton New Directions Limited - Bank Deposits	3,500
15,451	Total Cash and Cash Equivalents	42,488

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10 CURRENT LIABILITIES

The Current Liabilities figure in the Group Balance Sheet includes £0.420m for Creditors of Sefton New Directions Limited at 31 March 2020 (£0.471m at 31 March 2019). Details of Sefton's Creditors are shown in Note 28 to the single entity accounts.

11 PROVISIONS

The Current Liabilities figure in the Group Balance Sheet includes £0.061m for Short Term Provisions of Sefton New Directions Limited at 31 March 2020 (£0.124m at 31 March 2019). Details of Sefton's provisions are shown in Note 30 to the single entity accounts. Movements in New Directions' provisions during the year were as follows:

	2019/20	1 April 2019 £000s	Additions in Year £000s	Applied In Year £000s	Released In Year £000s	31 March 2020 £000s
(a)	Short-term Restructuring Costs / Pay Protection	-103	0	103	0	0
(b)	Deferred Tax	-21	-40	0	0	-61
		-124	-40	103	0	-61

Comparable figures for the previous year are shown below:

	2018/19	1 April 2018 £000s	Additions in Year £000s	Applied In Year £000s	Released In Year £000s	31 March 2019 £000s
(a)	Short-term Restructuring Costs / Pay Protection	-80	-103	80	0	-103
(b)	Deferred Tax	-22	0	1	0	-21
		-102	-103	81	0	-124

(a) Restructuring Costs / Pay Protection Provision

During the year, the company utilised both of its restructuring and pay protection provisions. No additional provisions were deemed necessary at the year-end.

(b) **Deferred Tax** – This relates to the difference between accumulated depreciation and amortisation and capital allowances.

12 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2018/2019 £000s		2019/2020 £000s
-519	Interest received	-466
6,822	Interest paid	7,874

13 STATEMENT OF ACCOUNTING POLICIES

The Accounting Policies for the Group are described in Note 54 to the single entity accounts.

OTHER INFORMATION:

The following disclosures are for information only and do not form part of the financial statements.

SEFTON NEW DIRECTIONS SUMMARY FINANCIAL INFORMATION

Profit and Loss Account

<u>2018/2019</u> £000		<u>2019/2020</u> £000
11,367	Turnover	10,978
-9,879	Cost of Sales	-10,422
1,488	Gross Profit	556
-1,424	Administrative Expenses	-1,476
64	Gross Profit / Loss (-)	-920
-566	Costs of reorganisation and restructuring	-98
-77	Other interest receivable and similar income	-104
0	Interest payable and similar charges	0
-579	Profit before Tax	-1,122
120	Taxation	165
-459	Profit / Loss (-) for the financial year	-957

Statement of Comprehensive Income

<u>2018/2019</u> £000		<u>2019/2020</u> £000
-459	Profit for the financial year	-957
-873	Actuarial gain / loss (-) recognised on defined benefit pension scheme	1,542
148	Deferred tax actuarial gain / loss (-) recognised on defined benefit pension scheme	-189
-725		1,353
-1,184	Comprehensive Income for the financial year	396

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Balance Sheet

2018/2019 £000		2019/2020 £000
	Fixed Assets	
478	Tangible Assets	498
	Current Assets	
997	Debtors	445
3,171	Cash at bank and in hand	3,500
4,168		3,945
-440	Creditors: Amounts falling due within one year	-420
3,728	Net Current Assets	3,525
4,206	Total assets less current liabilities	4,023
	Long-Term Liabilities	
-121	Provision for liabilities	-61
-4,335	Net pension liability	-3,850
-4,456		-3,911
	Capital and reserves	
-1	Called up share capital	-1
251	Retained earnings	-111
250		-112
-4,206	Total capital, reserves and long-term liabilities	-4,023

Expenditure and Income by Nature

2018/2019 £000s		2019/2020 £000s
	<u>Expenditure</u>	
9,776	Employee benefit expenses	10,311
1,425	Other service expenses	1,474
566	Exceptional Items	98
102	Depreciation, amortisation and impairment	113
0	Interest Payments	0
86	Net Interest on the Net Pension Defined Benefit Liability	123
-120	Taxation	-165
11,835	Total Expenditure	11,954
	<u>Income</u>	
-11,367	Fees, charges and other service income	-10,978
-9	Interest and Investment Income	-19
-11,376	Total Income	-10,997
459	Surplus (-) / Deficit on the Provision of Services	957

11 **FOREWORD TO THE ANNUAL GOVERNANCE STATEMENT**

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Leader of the Council, Councillor Ian Maher and the Chief Executive, Dwayne Johnson both recognise the importance of having good systems of governance, risk and assurance in place to be able to manage and deliver services to its residents, businesses, partners and stakeholders. The Council has adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'.

Each year, to provide an assurance on this, the Council is required to conduct an annual review of the effectiveness of its governance, risk and assurance systems to produce an Annual Governance Statement (AGS) which provides an assurance on how these systems have been working. This annual review is in respect of 2019/20 and this statement provides an assurance that good governance arrangements are in place and the Council is managing the risks to achieving its objectives. It also sets out planned actions for next year 2020/21. The AGS is also published in the Council's Annual Accounts.

Since the impact of COVID-19 this has meant that governance, assurance but particularly risk need to be prioritised. This therefore has exposed the Council to significant risks but we are assured that every action was taken to mitigate these risks and we will ensure that any lessons nationally, regionally and locally are applied to our organisation's future approach to managing such extreme circumstances.

We have conducted our annual review of the effectiveness of the systems of governance, risk and assurance in place at Sefton MBC and it is our opinion that these are fit for purpose and in accordance with the governance framework. We propose over the coming year to take actions to address highlighted issues in the AGS and further improve our corporate governance arrangements. We are satisfied that these actions will address the need for improvements that were identified in our annual review of effectiveness in 2019/20 and we will monitor their implementation and operation as part of our annual review in 2020/21.

Councillor Ian Maher

Leader of the Council

Dwayne Johnson

Chief Executive

Annual Governance Statement 2019/20

Year Ended 31st March 2020

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6	Conclusion and Declaration	22



1. Introduction and Scope of Responsibility

Sefton Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for. Sefton Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

It also meets the requirements of the Accounts and Audit Regulations 2015 which requires the Council to publish an Annual Governance Statement (AGS) in accordance with proper practice in relation to internal control.

The Council has reviewed its existing governance arrangements and has subsequently approved and adopted in September 2019 a local Code of Corporate Governance, which is consistent with the seven principles of Corporate Governance as set out in the CIPFA/SOLACE publication 'Delivering Good Governance in Local Government Framework 2016'.

In discharging this overall responsibility, Sefton Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.



2. The Purpose of the Annual Governance Statement

The AGS is a public document that reports on the extent to which the Council complies with its own Code of Corporate Governance, demonstrating the monitoring and evaluation of the effectiveness of governance arrangements. The AGS is a valuable means of communication and reflects the Council's features, challenges and any planned changes in the coming period.

The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled; and through which it engages with and leads its communities. This framework enables the authority to develop and achieve its strategic objectives and core purpose in delivering the 2030 vision. The Council's governance arrangements are designed to manage risk to a reasonable level within this context. These arrangements cannot eliminate risk but can provide reasonable assurance for the AGS.

- i. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot remove all risk of failing to achieve the Council's aims and objectives but can provide a reasonable assurance of effectiveness. The system of internal control is based on an on-going process designed to: identify and prioritise the risks that could prevent the Council from achieving its aims and objectives;
- ii. assess how likely it is that identified risks will happen and what the potential impact would be if they did, and
- iii. manage the risks effectively.

For the purposes of this statement, the governance framework has been in place at Sefton Council from 1 April 2019 and up to the date of the approval of the statement of accounts.

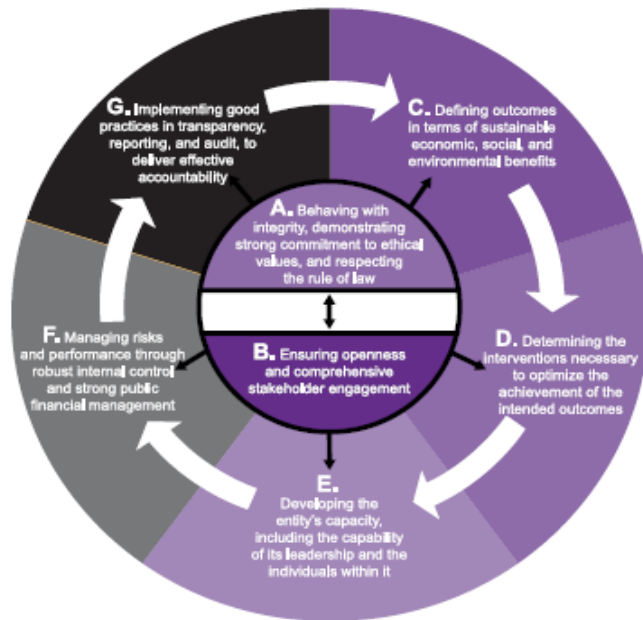


3. The Governance Framework

The seven principles of Corporate Governance laid out in the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government (2016 Edition) are as follows:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- B. Ensuring openness and comprehensive stakeholder engagement;
- C. Defining outcomes in terms of sustainable economic, social and environmental benefits;
- D. Determining the interventions necessary to optimize the achievement of intended outcomes;
- E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it;
- F. Managing risks and performance through robust internal control and strong public financial management; and
- G. Implementing good practices in transparency, reporting and audit, to deliver effective accountability.

Achieving the Intended Outcomes While Acting in the Public Interest at all Times



(International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (the “International Framework”)



Sefton Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by:

- Senior managers who have responsibility for the development and maintenance of the governance environment within their service areas;
- The Chief Internal Auditor's annual report, which includes a report on the effectiveness of internal audit, and
- Feedback, recommendations and comments made by the external auditors and other review agencies and inspectorates.

The outcome from this review is provided in sections 4 and 5 of this report.



4. Review of Effectiveness

Decision Making and Scrutiny

The Council approved the overall policy and budgetary framework for the financial year 2019/20. Cabinet subsequently made decisions at various points throughout the year that were in line with this policy and budget framework. The decisions of the Cabinet have been the subject of scrutiny through the Council's Overview and Scrutiny Committees which met regularly during the year.

Each Overview and Scrutiny Committee had a work programme for the year and reviewed a range of current activities and potential issues as part of that programme.

All decisions made by Committees, Council, Cabinet, Cabinet Member (under their delegated powers) and Chief Officer executive decisions are recorded and published on line for transparency. Delegation arrangements for Cabinet Members are reviewed annually by the Chief Legal and Democratic Officer as part of the Constitution review process. The Council publishes a calendar of meetings and deadlines for the submission of agenda items. Agendas and reports are produced promptly and provided to the relevant Members.

Audit and Governance Committee

The Audit and Governance Committee provides independent assurance on the adequacy of the Council's risk, governance and assurance environment. All political parties are represented on the Audit and Governance Committee. The Committee monitors the Corporate Risk Register which includes the mitigating actions that has been taken for the Council to manages the risks to achieving its objectives. Full details of this is available on the Council's website on the Your Council/ Calendar of Meetings/Audit and Governance Committee links. <https://modgov.sefton.gov.uk/mgCommitteeDetails.aspx?ID=141>

Apart from 18 March 2020 when the planned meeting was cancelled prior to the COVID-19 lockdown restrictions, the Committee met regularly during 2019/20, considering reports, from the Monitoring Officer, the Section 151 (S151) Officer, the Chief Internal Auditor and the External Auditor.



Executive Leadership Team

The Council's Executive Leadership Team (ELT) is led by the Chief Executive and includes Executive Directors which includes the S151 Officer. ELT meet fortnightly to consider and provide leadership on all business matters of the Council.

As part of the corporate governance review for 2019/20 members of the ELT have provided formal assurance in respect of their role and responsibilities, by their responses to the Governance Assurance Statement (GAS) questionnaires.

Strategic Leadership Board

The Strategic Leadership Board consists of the Chief Executive, Executive Directors and Heads of Service. It provides senior management and leadership in the development, delivery and communication of Council and borough-wide policy and performance. It has a key responsibility for the development and maintenance of the governance environment.

As part of the corporate governance review for 2019/20 members of the SLB have provided formal assurance in respect of their service area, by their responses to the GAS questionnaires.

External Audit

Ernst & Young LLB is the Council's appointed External Auditor for 2019/20. The work of the Council's External Auditor includes an examination of the Council's financial statements and an assessment of the degree to which the Council delivers value for money in the use of its resources.



Internal Audit

The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit which provides independent and objective assurance across the whole range of Council activities. It is the duty of the Chief Internal Auditor to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council.

Based upon the work of Internal Audit during 2019/20, the Chief Internal Auditor provided the Council with an overall opinion of adequate, with the potential for improvement being good on the arrangements for gaining assurance through the governance framework and on the controls reviewed as part of the Internal Audit programme.

Internal Audit carried out follow up audit reviews for all recommendations made. This ensured that recommendations made had been implemented as agreed by management.

The Public Sector Internal Audit Standards were introduced from April 2013 and updated in April 2017. The service was the subject to a review during 2017/18 which was assessed as being generally compliant with the Public Sector Internal Audit Standards 2017.

Other External Inspections

During the year a number of external inspections took place within the Council. Appropriate action plans have been developed and processes are in place to track delivery. Notable inspections include:

- Youth Inspection;
- Joint local area SEND revisit in Sefton (Care Quality Commission and Ofsted);
- Schools' Ofsted Inspections;
- Food Standards Agency Audit Report - Food Law Enforcement Service: Onsite Audit, and
- JTAI for Children's Mental Health.

From the evaluation work undertaken the following sections look at how the Council is held to account for the seven principles of Corporate Governance.



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

Sub – Principle	How Sefton Council Achieves the Principle
<p>Behaving with integrity.</p> <p>Demonstrating strong commitment to ethical values.</p> <p>Respecting the rule of law.</p>	<ul style="list-style-type: none"> ◇ The Council has an agreed Constitution which sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people; ◇ All reports to Council, Cabinet and committees are checked by Legal and Financial Services to ensure the decisions to be made are lawful and comply with financial requirements; ◇ The Council has put processes in place to minimise the risk that its councillors and employees act in an improper way (influenced by prejudice, bias or conflict of interest) when dealing with stakeholders; ◇ The Council has Codes of Conducts and a suite of policies and procedures for councillors and employees which define the standards of behaviour expected. Deviation from these policies may result in the use of the embedded disciplinary processes in place, and ◇ The Council’s Vision (Sefton 2030) and Framework for Change programme are clear and demonstrates its commitment to its stakeholders. The 2030 Vision also takes into account ethical behaviour in its promise.

B - Ensuring openness and comprehensive stakeholder engagement.

Sub – Principle	How Sefton Council Achieves the Principle
<p>Openness.</p> <p>Engaging comprehensively with institutional stakeholders.</p> <p>Engaging stakeholders effectively, including individual citizens and service users.</p>	<ul style="list-style-type: none"> ◇ The Council publishes all relevant information (as required by the Local Government Transparency Code 2015) on its website; ◇ The Council’s website contains comprehensive information pertaining to the services provided by Sefton; ◇ The Council’s decision making information, including committee agendas and minutes (not restricted) is available via the Council’s website and intranet; ◇ The Council undertakes consultation exercises regularly including on all budget proposals, and



	<ul style="list-style-type: none"> ◇ All reports to Council, Cabinet and committees are checked by Legal and Financial Services to ensure the decisions to be made are lawful and comply with financial requirements.
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C - Defining outcomes in terms of sustainable economic, social and environmental benefits.

Sub – Principle	How Sefton Council Achieves the Principle
Defining Outcomes. Sustainable economic, social and environmental benefits.	<ul style="list-style-type: none"> ◇ The Council is committed to community engagement and involvement; ◇ The Council has a clear vision for the future as set out in Sefton 2030 and Framework for Change Programme which takes into account all relevant economic, social and environmental factors; ◇ The Framework for Change has been developed to achieve financial sustainability, to ensure services align with the core purpose and that the Council works with partners to achieve better outcomes, and ◇ The Council has structured budget and treasury management processes in place.

D - Determining the interventions necessary to optimise the achievement of the intended outcomes.

Sub – Principle	How Sefton Council Achieves the Principle
Determining interventions. Planning interventions. Optimising achievement of intended outcomes.	<ul style="list-style-type: none"> ◇ The Council operates a Scrutiny and Review Committee system and the decision making process allows for challenge where necessary; ◇ The Council has a robust financial strategy with financial planning protocols in place (Framework for Change, Medium Term Financial Plan, Annual Budget Monitoring and Forward Plans); ◇ Cabinet receives regular reports on the Revenue and Capital Budgets and the Audit and Governance Committee receives regular reports on Treasury Management; ◇ The Council engages and undertakes consultation exercises with its stakeholders in relation to service provision changes and new initiative, and. ◇ Social value is considered for all Council tender/ARFQ exercises, with the requirement for social value being clearly documented in the Council’s Contract Procedure Rules.



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

Sub – Principle	How Sefton Council Achieves the Principle
<p>Developing the entity's capacity.</p> <p>Developing the capability of the entity's leadership and other individuals.</p>	<ul style="list-style-type: none"> ◇ The Council has an agreed Constitution which details roles and responsibilities of councillors and key officers of the Council; ◇ The Council requires all new employees and councillors to undertake an induction process; ◇ The Council has a number of human resource policies in place; ◇ The Council has a personal development review process in place for councillors and employees; ◇ There is a training programme for councillors and employees. Employee training needs are identified through the annual appraisal process; ◇ Financial Regulations are contained within the Council's Constitution and all employees are required to operate within them; ◇ A number of new projects are being progressed as part of the Framework for Change. These are within the Public Sector Reform, Strategic Investment and Economic Growth Pillars; ◇ The Council works with a number of partners in order to deliver services throughout the borough, and ◇ Areas of the Council have been or are under review to ensure that they are operating efficiently and effectively within resources available.

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

Sub – Principle	How Sefton Council Achieves the Principle
<p>Managing risk.</p> <p>Managing performance.</p> <p>Robust internal control.</p>	<ul style="list-style-type: none"> ◇ The Council has a Risk Management Framework in place; ◇ The Council's Performance Management of new projects is linked to the Framework for Change; ◇ A system of scrutiny and review is in place as part of the Council's decision making process;



Sub – Principle	How Sefton Council Achieves the Principle
<p>Managing data.</p> <p>Strong public financial management.</p>	<ul style="list-style-type: none"> ◇ The Council has an Audit and Governance Committee who meet quarterly and provide independent assurance of the adequacy of the Council’s Risk Management Framework and the associated control environment; ◇ The Council has a Risk Management Handbook and the Audit and Governance Committee review the Corporate Risk Register at each meeting; ◇ An Internal Audit function is maintained and reports quarterly to the Audit and Governance Committee; ◇ A data management framework and procedures are in place and are readily available to all members of staff. The Council has appointed a Data Protection Officer, Senior Information Risk Owner and Deputy; ◇ The Council has a robust financial strategy with Financial Planning protocols in place (Framework for Change, Annual Budget Monitoring, Medium Term Financial Plan and Forward Plans), and ◇ The Council’s Financial Statements are available to the Public on the Council’s website.

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

Sub – Principle	How Sefton Council Achieves the Principle
<p>Implementing good practice in transparency.</p> <p>Implementing good practices in reporting.</p> <p>Assurance and effective accountability.</p>	<ul style="list-style-type: none"> ◇ The Council adheres to the Local Government Transparency Code 2015, with relevant information accessible via the Council’s website; ◇ The Council’s website is designed for ease of navigation and includes a “Browse Aloud” function; ◇ The Council has an accessible Communications Policy in place; ◇ The Council’s Financial Statements and External Auditor’s Letter is available on the Council’s website; ◇ The Council produces Financial Statements in accordance with CIPFA’s Practice on Local Authority Accounting in the UK following International Financial Reporting Standards (IFRS). The Financial Statements are scrutinised by the External Auditor with a separate report produced, and



	◇ An Annual Governance Statement is produced and incorporated into the Council's approved Financial Statements.
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5. Significant Governance Issues

In addition to identifying those areas where the Council meets the principles of Corporate Governance, it is also appropriate to identify areas of improvement that can be undertaken during the next financial year. These are termed as 'Significant Governance Issues' and can be defined as an issue that:

- Seriously prejudices or prevents achievement of a key target;
- Has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
- The External Auditor regards as having a material impact on the accounts/value for money conclusion;
- Audit and Governance Committee advises that it should be considered significant;
- The Chief Internal Auditor identifies and reports on it as significant;
- It has been reported as significant by external bodies - for example Care Quality Commission, Ombudsman, Information Commissioner, Independent Consultants;
- The issue, or its impact, has attracted significant public interest, or has seriously damaged the reputation of the body;
- May make it harder to prevent fraud or other misuse of resources, and
- May put financial stability, security or data integrity at risk.

The 2019/20 annual governance review has identified the following issues:



	Governance Issue	Source	Action to Address the issue	Timescale	Lead
1	<p>In line with the Government's requirements and guidance, Sefton Council has worked with its partners to develop a COVID-19 Outbreak Management Plan. Local Authorities have a significant role to play in the identification and management of COVID-19 outbreaks. The Plan contains the measures needed to identify and contain any coronavirus outbreaks and protect the health of people who live and work in Sefton, in a way that is safe, protects our health and care systems and supports the recovery of our economy. The Plan also supports the nationwide Test and Trace process.</p> <p>COVID-19 has resulted in changing priorities and demands on the Council's services and rapid responses that have included support and financial assistance for residents and local businesses and the need to respond to emerging and changing local, regional and national guidance from National Government. There have been changes to business continuity, business planning,</p>	<p>GAS Review</p>	<p>The Council will ensure that the Government's guidance and legislation is complied with, as well as continue to assess the potential for local outbreaks, or a second wave.</p> <p>The Council will on an ongoing basis review the existing business continuity planning framework and ensure that the Council's governance processes support the response to COVID-19. The financial implications from COVID-19 will continue to be monitored and managed accordingly.</p> <p>As part of the response to COVID-19 Local Authorities are required to establish two new boards, an Outbreak Management Stakeholder Board and a COVID-19 Outbreak Management (Health Protection) Board.</p> <p>The Stakeholder Board is chaired by the Leader of the Council and will provide political ownership and public facing engagement and communication for</p>	<p>March 2021</p>	<p>Chief Executive/Director of Public Health/Cabinet Lead Health and Wellbeing</p>



	Governance Issue	Source	Action to Address the issue	Timescale	Lead
	<p>business models and increased risk assessments as a result of the pandemic with changes in decision making arrangements, and virtual meetings. Home working has also increased. There have been new and emerging risks and the escalation of existing risks. The response required for COVID-19 has placed unprecedented demands and pressures on the Council's expenditure and with significant decreases in income, the loss of opportunity for potential savings and a greater risk to its financial stability beyond 2020.</p>		<p>outbreak response. The Operational Board is responsible for the development of local outbreak plans chaired by the Director of Public Health.</p> <p>The Boards will feed information and recommendations to the Cabinet for Council related decisions, through the Leader.</p> <p>Both new Boards aim to be responsive to changes during the pandemic and make quick recommendations and/or decisions on prevention and protection measures for the local population of Sefton.</p> <p>Sefton has seen significant rises in infection rates and is now at Local COVID-19 Alert Level: Very High. The Council is directly reporting through the Merseyside Resilience Forum to the Joint Biosecurity Centre and feeding into National COVID-19 monitoring systems. Sefton is working with Liverpool City Region (LCR) partners and National agencies to implement a range of public</p>		



	Governance Issue	Source	Action to Address the issue	Timescale	Lead
			health measures including local contact tracing.		
2	The Council's Core Purpose and Framework for Change Programme was introduced in 2016/17. It will be important that the Council can demonstrate how it is meeting the objectives set out within these strategic approaches as part of its overall performance management process. Work has continued on this and it is expected to be fully implemented in the financial year 2020/21.	GAS Review	An integrated performance and financial report has been developed in accordance with the recommendation made in the LGA peer review. This will be received by Cabinet as part of the Council outturn process.	30 July 2020	Senior Leadership Board
3	A Joint Targeted Area Inspection (JTAI) for Children's Mental Health in Sefton took place in September 2019. In ensuring delivery of the required change the Local Authority, Merseyside Police and Health Organisations will work together to improve services and as local leaders, the Council is committed to delivering the required actions that will improve the lives and life chances of Sefton's children and young people.	GAS Review	Reports will be submitted to the Health and Wellbeing Board and the Overview and Scrutiny Committee (Children's Services and Safeguarding) on the progress on implementation of the recommendations for their consideration and action. The Children and Young People Partnership Board will ensure that the action plan is implemented and Council will take the lead on holding the whole	31 March 2021	Chief Executive /Executive Director of Children's Social Care and Education.



	Governance Issue	Source	Action to Address the issue	Timescale	Lead
			system to account in responding to the findings.		
4	<p>Between 15 and 17 April 2019, Ofsted and the Care Quality Commission (CQC) revisited Sefton to decide whether the local area has made sufficient progress in addressing the areas of significant weakness detailed in the Written Statement of Action (WSOA) required on 29 December 2016. The inspection was led by one of Her Majesty's Inspectors from Ofsted and a Children's Services Inspector from CQC.</p> <p>Inspectors spoke with children and young people with special educational needs and/or disabilities (SEND), parents and carers, and local authority and National Health Service (NHS) officers. Inspectors looked at a range of information about the performance of the local area in relation to the actions outlined in the WSOA. A letter dated 7 June 2019 from Ofsted and CQC to the Council's Chief Executive concluded that the local area has not made sufficient progress to improve a</p>	GAS Review	<p>The development of an action plan is already being developed following the Ofsted and CQC review that says the local area's provision needs work to ensure it meets the needs of children, young people and families.</p> <p>A robust action plan is in place and overseen by a monthly SEND Improvement Board which is attended by representatives from CQC and the DfE. The Council recognises that the partnership needs to hold leaders in health to account for actions. Health partners and the Council have committed to transforming service provision and significant improvements have been made since June 2019. Where it has the power to do so, the Council has agreed to additional investment, with more staffing resources and improvements to information and advice. The Council has</p>	31 March 2021	Executive Director of Children's Social Care and Education.



	Governance Issue	Source	Action to Address the issue	Timescale	Lead
	<p>number of previously identified areas of weakness.</p> <p>The letter further stated that as leaders of the local area have not made sufficient progress against any of the weaknesses identified in the written statement, it is for the Department for Education (DfE) and NHS England to decide the next steps. This may include the Secretary of State using his powers of intervention. Ofsted and CQC will not carry out any further revisits unless directed to do so by the Secretary of State. The Local Authority received a notice to improve on 14 June 2019 which will be in place for 18 months to 2 years.</p>		<p>taken the lead role in holding all parties in the local system to account.</p> <p>Progress on the Plan is reported on bi-annually to the Council's Overview and Scrutiny Committee (Children's Services and Safeguarding). The Plan is also reported on to the Health and Wellbeing Board.</p>		
5	<p>Children's services is subject to a raft of external scrutiny in the form of Inspections, two examples are detailed above. Sefton is overdue an Ofsted Inspection of Local Authority Children's Services. This is a far reaching inspection which will result in a judgement of the Local Authority's services to children and families in need of help and</p>	<p>GAS Review</p>	<p>Children's services regularly review its practice through a Quality Assurance Framework and takes action to improve where issues are identified. This has included external auditing via an ex Ofsted inspector during 2019 and a further programme of audit is due to</p>	<p>31 March 2021</p>	<p>Executive Director of Children's Social Care and Education.</p>



	Governance Issue	Source	Action to Address the issue	Timescale	Lead
	<p>protection, looked after children and care leavers. The last inspection of this nature was in 2016 when the service was judged as 'Requires Improvement'. Since that time considerable work has been undertaken to continue to drive improvement in the context of austerity and significant increase in demand for services. It is well understood across the Local Authority the impact of an 'Inadequate' inspection judgement, both in terms of the communities we serve, the reputation of the Council and the cost of putting it right. A neighbouring Local Authority that was found to be 'Inadequate' invested approximately £20 million putting things right. Sefton has continued to prioritise its children's services both in terms of ensuring practice is of an appropriate standard to help and protect children and families and in terms of financial support and investment.</p>		<p>commence in 2020 via the Local Government Association.</p> <p>There has been significant investment in children's services to mitigate risks. In terms of staffing, to ensure that caseloads of workers are manageable and have kept up with increased demands for services and practice is improving, there has been a commitment to over recruitment of key staff including social workers, support workers and the addition of two Principal Social Workers to support the frontline. In addition, and as a response to increasing demand a managed social work service was brought in to support Children in Need. This was initially two teams which has decreased to one team and will be extended in response to COVID-19 as we are anticipating a significant increase in demand for services as schools return.</p> <p>There has also been investment in to the placement budget for looked after</p>		



	Governance Issue	Source	Action to Address the issue	Timescale	Lead
			<p>children, increase in numbers of looked after children is a challenge across the North West and as a result the costs of placements has increased. As well as recognising this budget pressure work is ongoing both in Sefton and across the LCR to develop the local market and ensure there is cost effective sufficiency of placements. This work and a number of other workstreams are closely monitored through the Demand Management Programme.</p>		



Conclusion and Declaration

The review provides good overall assurance that Council's arrangements continue to be regarded as fit for purpose in accordance with the Governance Framework.

During the next twelve months there will be improvements to address the above matters and further enhance governance arrangements. The effectiveness of measures implemented in 2020/21 will be monitored and reported as part of the next annual review.

Signed on behalf of Sefton Council:

.....

Dwayne Johnson
Chief Executive

.....

Date

.....

Councillor Ian Maher
Leader of the Council

.....

Date





12 INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SEFTON METROPOLITAN BOROUGH COUNCIL

The Independent Auditor's Report will be included in the final version of the Statement of Accounts following the conclusion of the audit of the accounts.

13 GLOSSARY**ACCOUNTABLE BODY**

Projects financed from Government / European resources in some instances require grant claims from recognised legal entities, especially when a partnership or voluntary organisation is involved. This accountable body (usually the local authority) is held responsible for the proper completion of grant claims, ensuring that appropriate financial systems are in place and to receive and distribute the grant.

ACCRUALS

The concept that income and expenditure are recognised in the accounts as they are earned or incurred not as money is received or paid.

ACTUARIAL GAINS AND LOSSES

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

- (i) Events have not coincided with the actuarial assumptions made for the last valuation (Asset and Liability Gains and Losses); or
- (ii) The actuarial assumptions have changed.

AMORTISATION

The accounting technique of recognising a cost or item of income in the Income and Expenditure Account over a period of years rather than when the initial payment is made. Its purpose is to charge/credit the cost/income over the accounting periods that gain benefit for the respective item. The technique is supported by relevant accounting policies and practices.

AUTHORITY

Another term used to refer to the Council.

BALANCES

These represent accumulated monies of the Authority. Non-School General Fund balances may be utilised to reduce the amount to be met from Revenue Support Grant, NNDR and local taxpayers. School balances can be used by schools to finance future years' expenditure.

BEST VALUE

The Local Government Act 1999 introduced the principle of Best Value and places a statutory duty on authorities to provide economy, efficiency and effectiveness in the provision of its services.

BUSINESS IMPROVEMENT DISTRICT

Business Improvement Districts are business led partnerships which are created through a ballot process to deliver additional services to local businesses.

Business Improvement Districts cover a defined area in which a levy is charged on all business rate payers in addition to the business rates bill. This levy is used to develop projects which will benefit businesses in the local area.

CAPITAL CHARGES

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

CAPITAL EXPENDITURE

Capital expenditure is the acquisition of a fixed asset or expenditure which adds to the value of the existing fixed asset (e.g. building of a school). It can be spent either directly by the local authority or indirectly in the form of grants to other persons or bodies.

CAPITAL RECEIPTS

The proceeds from the sale of capital assets which, subject to various limitations, can be used to finance Capital Expenditure or to repay leasing charges or outstanding debt on assets originally financed through loan. A proportion of capital receipts may need to be set aside to meet future liabilities.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

CIPFA is the leading professional accountancy body for public services, which has responsibility for setting accounting standards in Local Government.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN GREAT BRITAIN (THE CODE)

The Statement of Accounts is produced in accordance with CIPFA's Code of Practice on Local Authority Accounting in Great Britain, which is updated annually. The Code specifies the principles and practices of accounting required to prepare a Statement of Accounts which "presents fairly" the financial position and transactions of a local authority.

COMMUNITY ASSETS

These are assets that the Authority intends to hold indefinitely, have no determinable useful life and may have restrictions on their disposal. Examples include parks and historic buildings.

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A condition that exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. Where a material loss can be estimated with reasonable accuracy a contingent liability is accrued in the financial statements. If, however, a loss cannot be accurately estimated or the event is not considered sufficiently certain, it will be disclosed in a note to the balance sheet.

COVID-19

COVID-19 is an infectious disease caused by a newly discovered coronavirus.

COUNCIL TAX

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

CURRENT SERVICE COSTS (PENSIONS)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current year.

CURTAILMENT

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- (i) Termination of employees services earlier than expected, for example as a result of closing or discontinuing a segment of a business; and
- (ii) Termination of, or amendment to the terms of, a defined benefit scheme so that some or all of future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DEFERRED CAPITAL RECEIPTS

Deferred Capital Receipts are derived from the sale of Assets receivable over an agreed period of time, principally mortgages relating to the sale of Council houses.

DEFERRED CREDITS

These represent capital income to be received in the future, when disposals have taken place, and deferred payments have been agreed e.g. the principal outstanding from the sale of Council houses.

DEFINED BENEFIT SCHEME

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

DEFINED CONTRIBUTION SCHEME

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current or prior periods.

DEPRECIATED REPLACEMENT COST (DRC)

A method of valuation that provides a recognised proxy for the market value of specialised properties.

DEPRECIATION

The measure of the wearing out, consumption, or other reduction in the useful life of a fixed asset, whether arising from use, effluxion of time or obsolescence through technological or other changes.

DISCRETIONARY BENEFITS

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

EARMARKED RESERVES

Earmarked reserves are created by setting resources aside for future events or to equalise expenditure between years. Earmarked reserves do not affect service expenditure in the year of creation.

EMOLUMENTS

Amounts paid to or receivable by an employee including expenses allowances chargeable to tax, and the estimated money value of any other benefits received by an employee other than in cash.

EVENTS AFTER THE BALANCE SHEET DATE

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

EXISTING USE VALUE

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion assuming that the buyer is granted vacant possession of all parts of the property and disregarding potential alternative uses and any other characteristics that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

EXPECTED RATE OF RETURN (ON PENSIONS ASSETS)

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

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction, less, where applicable, any grants receivable towards the purchase or use of the asset.

FAIR FUNDING

Under Section 48 of the School Standards Framework Act 1998, Local Education Authorities (LEAs) are required to have schemes dealing with the financing of schools. These govern the financial relationship between maintained schools and LEAs from the inception of the new funding framework on 1 April 1999

FINANCE LEASE

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

FIXED ASSETS

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

GENERAL FUND

This is the account where costs are charged for the year of the major functions for which the Authority is responsible (excluding the Collection Fund). Income to the Fund includes charges made by the Authority, specific Government and other grants and receipts from the Collection Fund.

HERITAGE ASSETS

Heritage assets are assets that are held by the Authority principally for their contribution to knowledge or culture.

IMPAIRMENT

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

INFRASTRUCTURE ASSETS

These include facilities to enable other developments to take place, including roads, street lighting and coastal defence works.

INTANGIBLE FIXED ASSET

"Non-financial" fixed assets that do not have physical substance but are identifiable and are controlled by the Authority through custody or legal rights. Purchased intangibles (e.g. software licences) are capitalised at cost, whilst internally developed intangibles are only capitalised where there is a readily ascertainable market value for them.

INTEREST COST (PENSIONS)

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

INVENTORIES

Amounts of unused or unconsumed stocks held in expectation of future use. Inventories are comprised of the following categories:

- Goods or other assets purchased for resale
- Consumable stores
- Raw materials and components
- Products and services in intermediate stages of completion
- Finished goods

LIQUID RESOURCES

Current asset investments that are readily disposable by the authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount or traded in an active market.

LOCAL MANAGEMENT OF SCHOOLS (FAIR FUNDING)

The Authority is required to delegate responsibility for the management of a large proportion of its Nursery, Primary, Secondary and Special School budgets to schools. Individual schools are allocated a share of the budget through a formula mechanism, which distributes funds primarily on the basis of age weighted pupil numbers.

LONG-TERM CONTRACTS

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

MARKET VALUE

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

NATIONAL NON-DOMESTIC RATES (NNDR)

These are often referred to as Business Rates, and are a levy on business properties based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines that national rate poundage. Local Authorities collect the sums due, but the proceeds are split, with 1% paid to the Merseyside Fire and Rescue Authority and 99% retained by the Council.

NET BOOK VALUE

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amount provided for depreciation.

NET CURRENT REPLACEMENT COST

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NET REALISEABLE VALUE

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

NON-OPERATIONAL ASSETS

These are assets, which are held by the authority but not directly occupied, used or consumed in the delivery of services. Examples include assets that are surplus to requirements, pending sale or redevelopment.

OPERATING LEASES

In an operating lease, the ownership of the asset remains with the leasing company and the annual rent is charged to the annual service account. Expenditure financed by operating leases does not count against capital allocations.

OPERATIONAL ASSETS

These are assets that are held and occupied, used or consumed in the direct delivery of services for which the Authority is responsible.

PAST SERVICE COST / GAIN

For a defined benefit scheme, the increase or reduction in the present value of the scheme liabilities related to employees service in prior periods arising in the current period as a result of the revision of scheme benefits.

PAYABLES

Amounts owed by the Authority for goods and services provided for which payment has not been made by the end of the financial year.

POOLED BUDGET

Arrangement permissible under the Health Act 1999 and National Health Service Act 2006 that provides an opportunity for partners to bring money together, in a discrete fund, to pay for the services that are an agreed part of the pooled fund arrangement for the client group who are to benefit from one or all of the services. Instead of users being inconvenienced by disputes about Health and Local Authority responsibilities, organisations will agree at the outset the range of Health and Local Government services to be purchased and provided from a pooled fund.

PRECEPT

This is a charge issued by the Merseyside Police and Crime Commissioner, Merseyside Fire and Rescue Authority (and Parish Councils where appropriate), which is collected by the Council on their behalf by adding the precept to its own Council Tax.

PRIOR YEAR ADJUSTMENTS

Those material adjustments applicable to prior years arising from changes in accounting policies and from the correction of fundamental errors. They do not include normal recurring corrections and adjustments of accounting estimates made in prior years.

PROVISIONS

Provisions represent sums set aside for liabilities or losses, which are certain to arise but, owing to their inherent nature, cannot be quantified with any certainty.

PUBLIC WORKS LOANS BOARD (PWLB)

An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities.

RECEIVABLES

Sums of money due to the Authority but not received by the end of the financial year.

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Related party transactions include the provision of services to a related party.

The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.

REMUNERATION

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

RESERVES

A reserve is an amount, which has been set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. Reserves include earmarked reserves set aside for specific policy purposes and balances that represent resources set aside for purposes such as general contingencies and cash flow management.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either: -

- i. An employer's decision to terminate an employee's employment before the normal retirement date, or
- ii. An employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

REVENUE SUPPORT GRANT

This is a Government grant in aid of Local Authority services generally. It is based on the Government's assessment of how much an authority needs to spend in order to provide a standard level of service.

REVENUE EXPENDITURE

This is money spent on the day-to-day running costs of providing services (e.g. salary costs). It is usually of a constantly recurring nature and produces no permanent asset.

SCHEME LIABILITIES

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

SECTION 52 / 106 AGREEMENTS

The Council is able to restrict or regulate the development or use of land by requiring that a developer deposit funds with the Authority when granting planning permission. The funds are either used directly by the Authority to undertake work, such as providing access from the existing highway to a new development, or held as a deposit which is refundable to the developer when the conditions attached to the planning permission, such as landscaping work, are complied with. The statutory basis for such agreements is currently contained within Section 106 of the 1990 Town and Country Planning Act and previously, within Section 52 of the 1971 Town and Country Planning Act.

SET ASIDE CAPITAL RECEIPTS

These are receipts that have to be reserved under the Local Government and Housing Act 1989 and can only be used to repay external debt or in substitution for new external borrowing.

SETTLEMENT

An irrevocable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlement includes the transfer of scheme assets and liabilities relating to a group of employees leaving the Authority's scheme.

SPECIFIC GOVERNMENT GRANTS

These are designed to aid particular services or reimburse the costs of payments made to claimants. Examples of specific grants include Dedicated Schools Grant, Standards Fund and Housing and Council Tax Benefit Subsidy. Assistance may also be given in aid of specific capital expenditure, e.g. Housing Market Renewal Grant and Stronger Safer Communities Fund.

STATUTORY PROVISION FOR THE FINANCING OF CAPITAL INVESTMENT

This is the amount required to be set aside from revenue for the repayment of external loans. It is calculated in accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 [SI 2008/414], in conjunction with the MHCLG guidance on the minimum revenue provision (published in February 2018).

TREASURY MANAGEMENT

This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

TRUST FUNDS

These are funds administered by the Council on behalf of charitable organisations and/or specific organisations.

USABLE CAPITAL RECEIPTS

These are receipts which, after allowing for the proportion to be set aside, may be used to finance capital expenditure.

USEFUL LIFE

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

14 ABBREVIATIONS

AGS	Annual Governance Statement
ASHE	Annual Survey of Hours and Earnings
BID	Business Improvement District
CCG	Clinical Commissioning Group
CCLA	Church and Charities Local Authority
CERMS	Continuous Emission Rate Monitoring System
CFR	Capital Financing Requirement
CIES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
CVS	Council for Voluntary Service
DfE	Department for Education
DRC	Depreciated Replacement Cost
DSG	Dedicated Schools Grant
EFA	Expenditure and Funding Analysis
HRA	Housing Revenue Account
IAS	International Accounting Standards
ICT	Information and Communication Technology
IBCF	Improved Better Care Fund
IFRS	International Financial Reporting Standard
LGA	Local Government Association
IMD	Index of Multiple Deprivation
LCHT	Liverpool Community Health Trust
LCR	Liverpool City Region
LEA	Local Education Authority
LGPS	Local Government Pension Scheme
LSOA	Lower Super Output Area
MBC	Metropolitan Borough Council
MHCLG	Ministry of Housing, Communities and Local Government
MMI	Municipal Mutual Insurance Limited
MPF	Merseyside Pension Fund

Agenda Item 4

Abbreviations

MRF	Merseyside Local Resilience Forum
MRICS	Member of the Royal Institution of Chartered Surveyors
NHS	National Health Service
NNDR	National Non-Domestic Rates
PFI	Private Finance Initiative
PP&E	Property, Plant and Equipment
PWLB	Public Works and Loans Board
REFCUS	Revenue Expenditure Funded from Capital Under Statute
SCG	Strategic Coordination Group
SCIG	Strategic Capital Investment Group
SOLACE	Society of Local Authority Chief Executives
TPS	Teachers' Pension Scheme
UK	United Kingdom
VAT	Value Added Tax
VOA	Valuation Office Agency

15 **USEFUL ADDRESSES**

Additional financial information on Sefton MBC and related organisations is usually available at libraries throughout the Borough and on our website (www.sefton.gov.uk). Further copies are also available upon request to the following addresses.

Sefton Council

Executive Director of Corporate Resources and Customer Services,
Magdalen House
30 Trinity Road
Bootle
L20 3NJ

Sefton New Directions

Sefton New Directions Limited Annual Financial Statements can be obtained from:

Sefton New Directions Limited Head Office,
Third Floor,
Burlington House,
Crosby Road North,
Waterloo,
Liverpool
Merseyside,
United Kingdom
L22 0PJ

Pension Fund Information

The Merseyside Pension Fund's Annual Report can be obtained from:

The Pension Manager
Merseyside Pension Fund,
PO Box 120,
7th Floor,
Castle Chambers,
43 Castle Street,
Liverpool
L69 2NW

CONTACT US

If you have any questions or comments on the Statement of Accounts please write to the Head of Corporate Resources at the above address. We would particularly like to hear from you if you have any suggestions on how the accounts could be improved.

Sefton Council – Statement of Accounts 2019/2020

Executive Summary

Introduction

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

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

The Statement of Accounts was presented to the Audit and Governance Committee on 17 March 2021. This summary presents each of the major statements included within the Accounts in a shorter, more reader friendly format.

Accounting Policies and Practice

There have been no material changes in accounting policy in 2019/2020.

Income and Expenditure Statement

The Income and Expenditure Statement shows the day-to-day cost of running all Council Services between 1 April and 31 March and demonstrates how these costs have been financed from Government grants and income from local taxpayers.

The major variations compared to last year include:

- ❑ Net expenditure on Schools and Families has reduced significantly due to a change in the way the Council has to value its schools which impacted on figures in 2018/2019. However, there has been a corresponding increase in the Other Revenue Transactions line as this was a notional adjustment that had no impact on the Council's net expenditure.
- ❑ The cost of Children's Social Care has continued to increase significantly in 2019/2020 in line with local authorities across the country.
- ❑ Business Rates income has reduced due to more reliefs being granted, this is offset by additional government grants to fund the reliefs.
- ❑ There has been an increase in Council Tax income following the Council raising Council Tax by 2.99%.

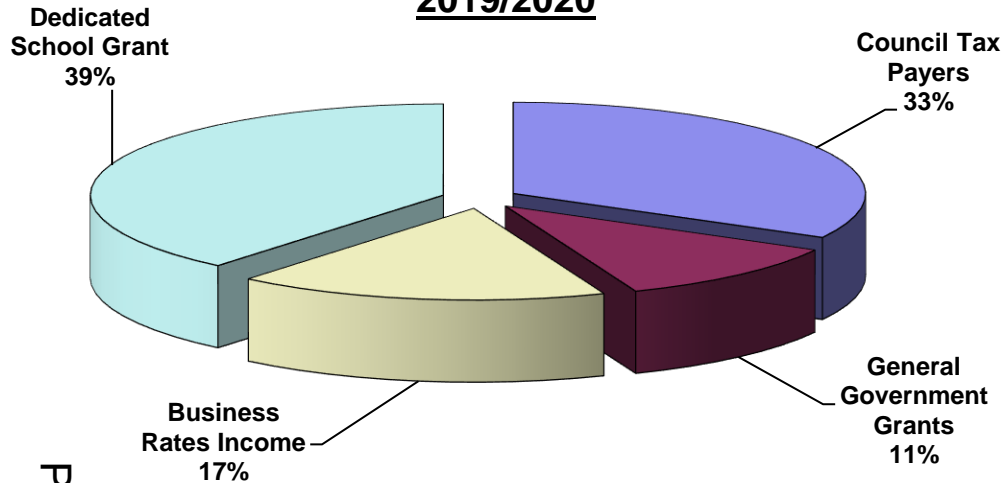
Did you know?

- ❑ That income raised from local Council Tax payers represents 33% of the Council's net financing; a further 17% comes from Business Rates, with the remainder from Central Government.
- ❑ That 16% of Sefton's net expenditure relates to external organisations.

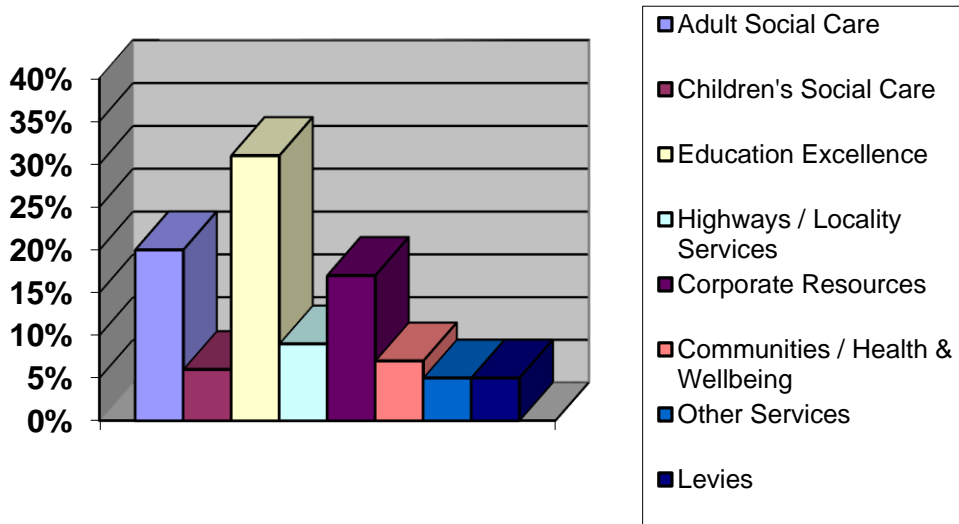
Comprehensive Income and Expenditure Statement 2019/2020

	2018/2019 Net Expenditure £'000	2019/2020 Net Expenditure £'000
Adult Social Care	92,154	93,565
Children's Social Care	32,463	36,801
Communities	21,607	22,456
Corporate Resources	30,517	29,522
Economic Growth & Housing	6,087	6,429
Education Excellence	38,096	24,322
Highways & Public Protection	11,921	12,210
Locality Services	16,945	17,553
Other Services	10,915	11,109
Net Cost of Services	260,705	253,967
Precepts paid to Parish Councils	1,026	1,072
Levies	33,269	34,183
Net interest on loans and investments	6,283	6,151
Other Revenue Transactions	-58,365	-42,485
Amount to be met from Government Grants and Local Taxpayers	242,918	252,888
Financed by: Council Tax	-127,485	-133,099
Collection Fund Surplus	-747	-996
General Government Grants	-40,858	-48,976
Non-Domestic Rates Income	-70,420	-66,489
Change in General Fund Balance for the Year	3,408	3,338
<u>Movement in General Fund Balances</u>	2018/2019 £'000	2019/2020 £'000
Change in General Fund Balance for the year	3,408	3,338
Opening General Fund Balance	-24,543	-21,135
Closing General Fund Balance	-21,135	-17,807
Non-School Balances as at 31 March	-7,539	-6,981
School Balances as at 31 March	-13,596	-10,826

Sources of General Fund Financing for 2019/2020



Gross Revenue Expenditure on Services (Percentage of Total)



Balance Sheet

The Balance Sheet represents a snapshot of the Authority's financial position at the year-end. It summarises the Authority's assets and liabilities and shows the level of reserves available at the end of the financial year.

	31 March 19 £'000	31 March 20 £'000
Long Term Assets		
Property Plant and Equipment	478,923	469,221
Other Long-Term Assets	83,535	77,139
	562,458	546,400
Current Assets		
Debtors and Prepayments	40,266	54,499
Investments and Cash & Cash Equivalents	12,342	39,087
Other Current Assets	716	730
	53,324	94,316
Current Liabilities		
Creditors and Receipts in Advance	-44,922	-67,863
Other Current Liabilities	-11,216	-17,535
	-56,138	-85,398
Long Term Liabilities		
Long Term Borrowing	-142,693	-149,153
Pensions Liability	-466,222	-402,352
Provisions and Other Long-Term Liabilities	-30,875	-31,056
	-639,790	-582,561
Total Assets less Liabilities	-80,146	-27,243
Balances		
Non-Distributable Reserves	146,935	101,572
Distributable Reserves:		
Capital Grants and Contributions Unapplied	-13,929	-17,757
Usable Capital Receipts	-2,134	-2,877
Earmarked Reserves	-29,591	-35,888
	-45,654	-56,522
Balances: Delegated Schools	-13,596	-10,823
Non-Delegated Services	-7,539	-6,984
	-21,135	-17,807
Total Reserves	80,146	27,243

- ❑ Cash & Cash Equivalents have increased significantly due to the government providing funding relating to COVID-19. This has increased Receipts in Advance and Earmarked Reserves as the funding relates to, or will be utilised in, 2020/2021.
- ❑ The Pensions liability has reduced by £64m due to the Actuary revising various assumptions (e.g. on yields and inflation rates due to changes in market conditions). This has also reduced Non-Distributable Reserves by a corresponding amount.

Cash Flow

The table below summarises the cash flow statement for 2019/2020, which shows the net movement in cash balances (cash in hands of officers and cash overdrawn) during the year.

	£'000
Net cash flows from Operating Activities	-15,266
Net cash flows from Investing Activities	1,601
Net cash flows from Financing Activities	-13,403
Net decrease in cash and cash equivalents	-26,708
Cash and cash equivalents at the beginning of the reporting period	-12,280
Cash and cash equivalents at the end of the reporting period	-38,988

Collection Fund

The Collection Fund represents the income received from Council Taxpayers and from Business Rates and details how the income has been distributed to Sefton Council (including Parish Precepts), Merseyside Police and Crime Commissioner (Council Tax only) and Merseyside Fire and Rescue Authority. The following table details the distribution of the Collection Fund in 2019/2020.

	£'000
Council Tax	
Sefton Council (including Parish Precepts)	133,099
Paid to Merseyside Police and Crime Commissioner	16,981
Paid to Merseyside Fire and Rescue Authority	6,629
Liverpool City Region Combined Authority	1,597
Business Rates	
Sefton MBC	64,739
Paid to Merseyside Fire and Rescue Authority	654

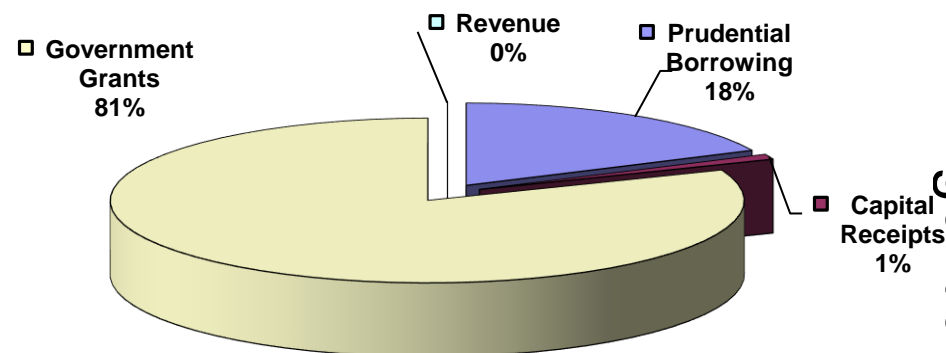
Capital Spending

Capital expenditure is expenditure incurred by the Council to purchase or improve assets, such as roads and buildings. The Council receives the benefit of this type of expenditure over a longer period of time. Capital expenditure totalled £25.175m in 2019/2020 and is broken down over services in the table below:

	£'000
Capital Expenditure During the Year	
Adult Social Care	2,730
Communities	308
Corporate Resources	857
Economic Growth & Housing	558
Education Excellence	3,596
Highways & Public Protection	12,004
Locality Services	2,186
Capitalisation	2,936
	25,175

The 2019/2020 capital expenditure has been financed from Government Grants, Borrowing, Capital Receipts and other sources (contributions, revenue and leasing).

Sources of Capital Financing for 2019/2020



Summary Operating Financial Review

The following statement by the Executive Director of Corporate Resources and Customer Services describes some of the key points from the Council's stewardship of public funds.

Revenue Expenditure

The Council didn't budget to utilise any general balances to support General Fund Non-School services in 2019/2020 but overspent by £0.555m reducing balances by that amount. Non-school General Fund balances total £6.984m at the year-end; School balances amounted to £10.823m.

Capital Expenditure

The Council has continued to invest in the purchase and improvement of Council assets, with £25.2m spent in 2019/2020 following the £23.0m spent in 2018/2019. The Council is forecast to spend an additional £27.2m in 2020/2021.

Further Information

The complete, audited, Statement of Accounts for 2019/2020 will be available on our website at www.sefton.gov.uk in late March 2021.

If you have any questions or suggestions on how this document, or the full Statement of Accounts, could be improved please contact the Executive Director of Corporate Resources and Customer Services at Magdalen House, 30 Trinity Road, Bootle, L20 3NJ.

Or e-mail: finance@sefton.gov.uk

Sefton Metropolitan
Borough Council
DRAFT - Audit results
report
Year ended 31 March 2020

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Private and Confidential

12 March 2021

Dear Audit and Governance Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit and Governance Committee. This report summarises our preliminary audit conclusion in relation to the audit of Sefton Metropolitan Borough Council for 2019/20.

We have substantially completed our audit of Sefton Metropolitan Borough Council for the year ended 31 March 2020.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at section 4 of this report.

We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the Audit and Governance Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Audit and Governance Committee meeting on 17 March 2021.

Yours faithfully

Hassan Rohimun

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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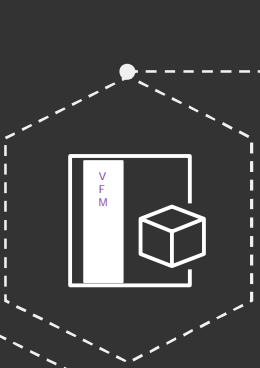
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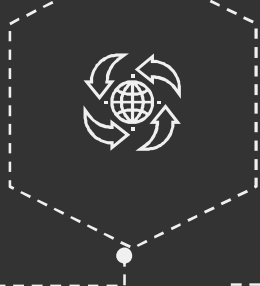
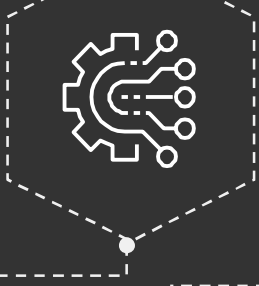
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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

Executive Summary



Executive Summary

Scope update

In our audit planning report issued 9th March 2020, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- Changes in materiality:

We updated our planning materiality assessment using the draft results and also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we updated our overall materiality assessment for the Council to £11.46m (Audit Planning Report – £11.49m). This results in updated performance materiality, at 75% of overall materiality, of £8.6m, and an updated threshold for reporting misstatements of £0.57m. The basis for setting materiality, at 1.8% of gross expenditure on the provision of services, is consistent with our planning report and the prior year assessment.

Group materiality is unchanged at £11.51m, resulting in performance materiality, at 75% of group materiality, of £8.63m and a reporting threshold for the group of £0.57m.

- Changes to risk factors that caused a corresponding change in our audit strategy,

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The current and future uncertainty over government funding and other sources of Council revenue as a result of Covid-19 increased our focus and work in this area and requested that management undertake a more detailed going concern assessment to support its assertion. Your narrative statement appropriately reflected the increased risks as a result of the pandemic, however we requested that the disclosure in note 63 (a) Basis of Preparation was expanded to set out the basis for comparing the statements on a going concern basis.

The pandemic also impacted the significant risks of Property, Plant and Equipment (PPE) valuations and pensions asset valuations.

This has resulted in additional senior audit time to complete and review these procedures.

Status of the audit

We have substantially completed our audit of Sefton Metropolitan Borough Council's financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our Audit Planning Report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 4. However until work is complete, further amendments may arise:

- final internal review processes
- review of the final version of the financial statements, including the agreed updated going concern disclosure
- completion of subsequent events review to the date of signing the audit opinion
- receipt of the signed management representation letter
- clearance of final queries in relation to procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission

We expect to issue the audit certificate at the same time as the audit opinion.



Executive Summary

Audit differences

There are no factual unadjusted audit differences arising from our audit.

We have agreed with management an enhanced Going Concern basis of preparation disclosure which is to be included in the notes to the core financial statements.

We identified one amendment over our reporting threshold, note 5 income and expenditure analysed by nature, which management agreed to amend. This resulted in the reclassification of £18.49m between precept and levy expenditure and other service expenditure. The amendment does not have any effect on the total expenditure and or the disclosures made in the Comprehensive Income and Expenditure Statement (CIES).

We identified a small number of other minor disclosure amendments which management agreed to amend these amendments do not have any impact do no impact on the financial results reported for the year.

The auditor of the Pension Fund reported to us that the pension fund financial statements contain an unadjusted error of £16m relating to level 3 assets within the fund. The Council share, at 10.5%, is £1.68m. As the Pension Fund assets have not been amended we consider that the Council disclosures remain materially correct. We raise this issue as it is above our reporting threshold.

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Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Sefton Metropolitan Borough Council's financial statements This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report. This includes the additional risk identified after the presentation of our audit plan in relation to going concern and liquidity, as discussed with you during the year.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Governance Committee.



Executive Summary

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

During the audit, we identified no significant deficiencies in internal control to bring to your attention.

We have included three improvement opportunities, and the status of prior year recommendations, in section 8 below.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we identified the following significant risks:

- Maintaining Financial Sustainability, in particular the actions to monitor and address the projected shortfalls in the medium term financial plan. As a result of the pandemic, the uncertainty over the ongoing impact on future expenditure and income and the uncertainty of additional future funding, this risk has increased during the audit period.
- Department for Education improvement notice. In June 2019 the Department for Education (DFE) issued an improvement notice in relation to a failure to make sufficient progress against areas of weakness identified in the special educational needs and disability (SEND) provision. We identified risks: of the Council not appropriately responding to the recommendations; or in responding to these priorities the required resources resulted in underperformance against savings requirements which adversely impacted the Council's financial sustainability plans.
- Dedicated Schools Grant (DSG) deficit position. In 2018/19 the Council reported a DSG deficit balance of £0.23m following a net in year overspend of £0.745m. For 2019/20 overspends were projected with a year end deficit of over £2m. Given the increase in actual and projected deficit the we highlighted that the Council need to demonstrate robust plans for recovering the deficit and returning to a sustainable position, while managing the demands on high needs costs.

We have no matters to report in our opinion about your arrangements to secure economy efficiency and effectiveness in your use of resources. We have reported in section 6 our observations in relation to the identified risks and the arrangements to secure financial sustainability.



Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have yet to complete all of the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, but have no matters to report on the work completed to date.

We have no other matters to report.

Independence

Independence issues have been identified.

Please refer to Section 10 for our update on Independence.

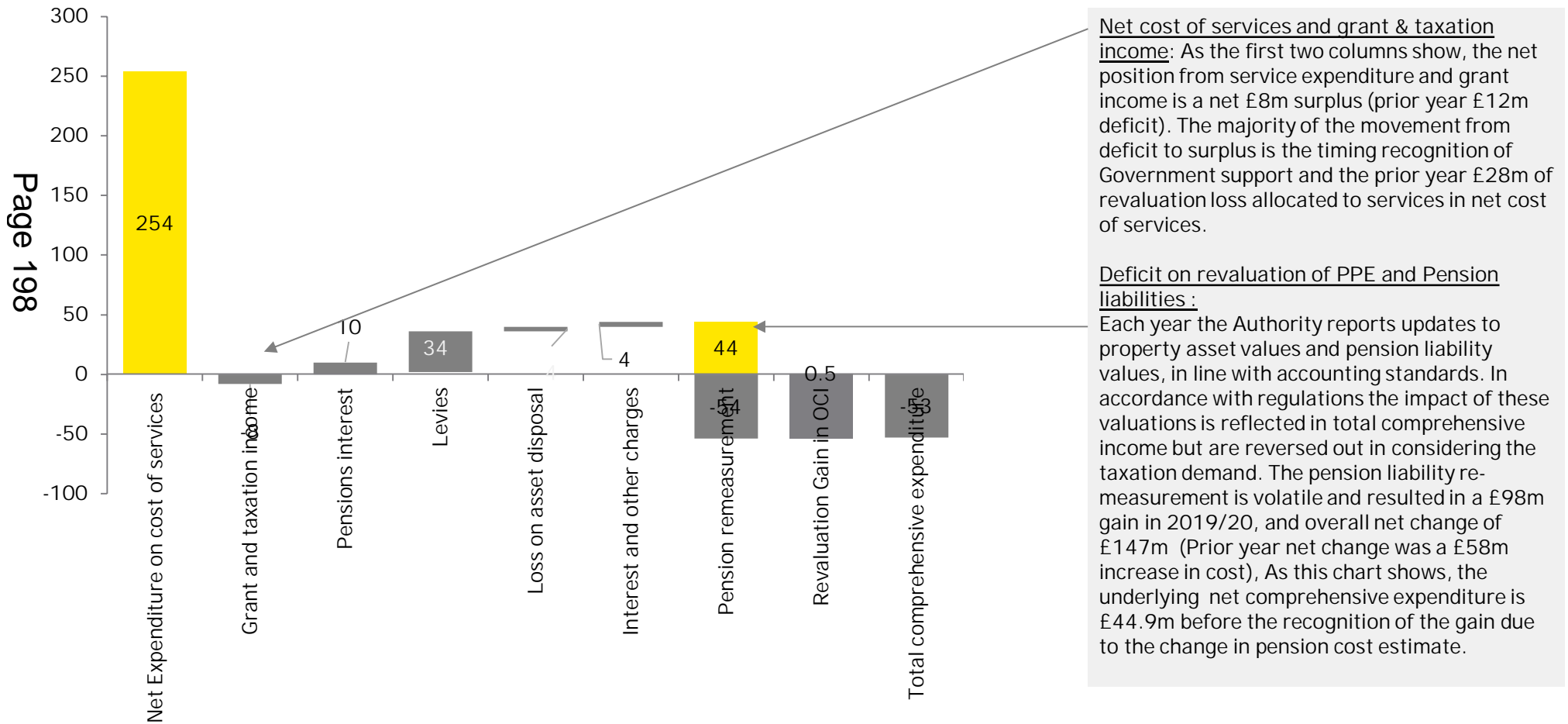
02

Understanding Financial Statements



Key components of net expenditure

Total comprehensive income/expenditure for the year ended 31 March 2019 was net £53m income compared to £124m net expenditure in the prior year. The £177m variance was driven by the accounting transactions for revaluation of Pension Liabilities which resulted in a £98m gain compared to a prior year £49m loss. Net service specific expenditure was £254m, a reduction of £7m from the prior year. The total deficit on provision of services was £44.9m (prior year £69.6m). The following provides an overview of the material items contributing to this change in total comprehensive expenditure reported:



Our audit procedures consider the nature of the authority's results including the impact of non-recurring and recurring items where the size is variable although judgmental. Such an assessment provides a useful insight into the underlying net expenditure and outturn



03 Areas of Audit Focus

Areas of Audit Focus

Significant risk

Risk of fraud in revenue and expenditure recognition

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

Due to the nature and value of income which comprises of Government Grants, income from Council Tax and Business Rates, it is our view is that the risk is not significant in these areas, but is relevant to other income and operating expenditure.

What judgements are we focused on?

We consider that the risk impacts on the following account balances:

- Year-end trade payables and the calculation of estimates, accruals and provisions which impact on the completeness and valuation assertions.
- Year-end trade receivables and accruals which impacts on the existence and valuation assertions.
- Operating expenditure transactions during the financial year and around the year end which impacts on both the occurrence and completeness assertions.
- Improper capitalisation of revenue expenditure in order to reduce the impact on the general fund

What did we do?

We carried out the following substantive procedures in response to this risk:

- Documented our understanding of the processes and controls in place to mitigate the risks.
- Identified and walked through relevant processes and controls, confirming our understanding.
- Reviewed income and expenditure recognition policies and confirmed consistency of application through performance of testing
- Identified significant accounting estimates for revenue and expenditure, and obtained the basis and methodology on which management made these estimates.
- Tested the significant accounting estimates to confirm appropriateness and consistency with supporting records, and found no evidence of bias
- Sample tested material revenue and expenditure streams with a focus on assets and liabilities at the year-end
- Tested of revenue cut-off at the period end date
- Conducted testing to identify unrecorded liabilities at the year-end
- Tested a sample of Property Plant and Equipment additions to confirm that the expenditure had been appropriately capitalised

Our substantive transaction testing of income and expenditure was supported by our use of data analytics tools to support sample selection and enable our consideration of the full population.

What are our conclusions?

Our testing, subject to the completion of final internal review outlined as to be completed in section one, has not identified any material misstatements from revenue and expenditure recognition.

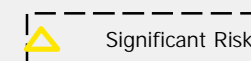
We identified one material classification error in expenditure disclosed in note 5 to the accounts, income and expenditure by nature. This was amended and had no impact on total expenditure or income disclosed.

Our testing of capital additions did not identify any inappropriate capitalisation of expenditure.

Our testing of accruals and provisions found no inappropriate judgements applied in the recognition and valuation of the liabilities..

Our testing of income recognition found no errors and found no errors in expenditure recognition.

Overall, based on the audit work completed to the date of this report, our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Council's financial position.





Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We respond to this fraud risk on every audit engagement.

We update our assessment throughout the audit. We have not identified any specific fraud risks that resulted in adjustments to our audit strategy.

What judgements are we focused on?

We recognise the risk of misstatements due to fraud or error as potentially occurring in income and expenditure recognition, including related estimates and judgements, or in material and significant accounting estimates relating to pensions, as identified in our significant risks.

What did we do?

We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements

We considered the nature and form of fraud risks as part of our audit planning, including direct inquiry of management about the risks of fraud and the controls put in place to address those risks.

We performed substantive testing of a sample of manual journals that met specific risk criteria in order to understand their purpose and appropriateness, and we reviewed and tested significant accounting estimates for evidence of management bias, including those related to pensions, accruals, asset valuation, depreciation, bad debts and provisions.

We considered the existence of significant unusual transactions during the year, identifying no such transactions.

We considered whether the results of testing relating to revenue and expenditure recognition indicated management override of controls, and we tested a sample of Property Plant and Equipment additions to confirm that the expenditure has been appropriately capitalised.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied and our testing of capital additions did not identify any inappropriate capitalisation of expenditure.

Our testing of journals found the items in our risk based sample to be appropriately supported and entered into the general ledger.

Our testing of judgements and estimates did not identify inappropriate judgements or bias in estimates,

We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business



Areas of Audit Focus

Significant risk

Risk of error in valuation of pension fund assets and liabilities in the Local Government Pension Scheme

What is the risk?

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2019 this totalled £466 million and at 31 March 2020 totalled £402 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Merseyside Pension Scheme. In 2018/19 the final figures included adjustments for the McCloud and GMP judgements which increased the liabilities recognised.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

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What judgements are we focused on?

We consider that this risk is associated to the following specific areas:

- Improper capitalisation or incorrect estimation of liabilities of the fund
- Incorrect estimation of the asset balances of the pension fund allocated to the Council
- Improper application of the pension estimate adjustments to the year end financial statements.

What did we do?

We:

- Liaised with the auditors of the Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council;
- Assessed the work of the Pension Fund actuary, including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by our EY actuarial team;
- Tested the variation in the pension fund assets used by the actuary in reporting to the Council against the actual year end asset valuation,
- Considered the basis for the actuary valuation of the assets in their report to the Council, and
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What are our conclusions?

Our work on the liabilities recognised, and the assumptions underpinning them, have raised no significant issues.

The key assumptions in relation to the liabilities and our assessments are set out on the following page.

Pension assets: the Fund's valuers have declared a 'material uncertainty' in relation to Direct Property. The Pension Fund assets were not adjusted in relation to this.

Level 3 assets – the pension fund auditor disclosed to us an overstatement of level 3 assets, which was not adjusted on the grounds of materiality. The Council share of the misstatement is not material to the Council financial statements.

Further detail on these issues is given on the following page.

We identified no further issues from the work we carried out.

Therefore we have concluded that the Pension Fund assets are not materially misstated in the Council financial statements.





Areas of Audit Focus

Significant risk



Further details on procedures/work performed

Liability assumptions:

Assumption	Prior year	Current year	Prudent	↔	Central	↔	Optimistic
Discount rate	2.4% p.a.	2.4% p.a.			●		
CPI	2.2%	2.1%			●		
Salary increase	3.7%	3.6%			●		
Mortality rate – current pensioners (m/f)	22.2 / 25.0	20.9 / 24.0		●			
Mortality rate – future pensioners (m/f)	25.2 / 27.9	22.5 / 25.9		●			

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Mortality rate: The proposed mortality assumptions use the CMI 2018 model and a long-term improvement parameter of 1.75% p.a. This is at the prudent end of an acceptable range of assumptions. The overall assumptions are acceptable since the base tables are a best estimate from the most recent funding valuations, although they do sit at the prudent end of what we would typically expect to see.

The methodologies and the resulting discount rate, CPI inflation and mortality assumptions are consistent with our experience on other Mercer audit clients in the UK and generally appear acceptable.

Assets:

The Fund's valuers have declared a 'material uncertainty' in relation to their valuation of Direct Property as at 31 March 2020. This is in response to the global impact of Covid-19 generating an unprecedented set of circumstances on which valuations have been based, and as a result they declared that a higher degree of caution should be attached to the valuation than would normally be the case. The Pension Fund holds £472m of direct property assets.

The Pension Fund auditors advised us of an unadjusted error of £16m in level 3 assets. The Council share, at 10.5%, is £1.68m. As the Pension Fund assets have not been amended we consider that the Council disclosures remain materially correct. We raise this issue as it is above our reporting threshold.

Agenda Item 4



Areas of Audit Focus

Significant risk

Valuation of land and buildings

What is the risk?

The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet, including the use of work from valuation experts.

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What did we do?

- Considered the work performed by the Council's external and internal valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Performed sample testing of key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for Investment Property. We identified no specific changes to assets that have occurred and required communication to the valuer;
- Engaged our own valuation specialists to support our review of a sample of fair value and schools valuations, and
- Tested accounting entries have been correctly processed in the financial statements

As a result of the pandemic, valuers issued uncertainty statements in relation to valuations undertaken, in line with RICS guidance.

We assessed the valuation basis and managements consideration and disclosure of the potential uncertainty. We engaged our own valuation experts to assist us in considering the types of assets for which an uncertainty could be material. We concluded that assets valued at DRG would be unlikely to be materially misstated. We agreed minor wording disclosure amendments with management which are reflected in the final financial statements.

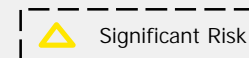
What are our conclusions?

Our testing of the information sent to the valuer and the application of the valuation to the financial statements raised no issues to report.

Our testing of the fair value valuation of The Strand and the valuation of a sample of School assets found the valuations to be within an acceptable range. Further detail is provided on the following page.

We consider the disclosures of the uncertainty to be appropriate.

We have not identified any additional matters to bring to your attention





Areas of Audit Focus



Valuation methods applied

Financial statement area	Key assumptions:	Supportable assumption for 31 March 2020 Valuation?
Valuation of The Strand (fair value / income method)	ERV (£ per sq. ft. p.a.)	Y
	Re-letting voids and rent free assumptions	Y
	Capital expenditure	Y
	Equivalent Yield	Y
	Total reported value	Within the expected range

Financial statement area	Key assumptions:	Supportable assumption for 31 March 2020 Valuation?
Valuation of Schools - Existing Use Value (Depreciated Replacement Cost)	Build Cost (£ per sq m)	Y
	Fees (% of GRC)	Y
	Age and Obsolescence adjustment	Y
	Land Value	Y
	Total reported value	Within the expected range

Inclusion of uncertainty paragraph in valuation reports: The inclusion of this paragraph in the valuation report does not mean that the valuer is unable to reach an opinion of value, rather that their opinion has been reached in conditions where the extent and availability of evidence is less than would normally be the case. Based on the scope of work, from a valuation perspective, the specialist's methodologies used in developing the estimate were consistent with valuation practice given the characteristics of the assets being measured. Our comparative analysis did not identify evidence that contradicts the significant assumptions used in developing the estimate, given the facts and circumstances present as of the valuation date.

The value of the Council's property portfolio should be kept under review regarding the monitoring of value post 31 March 2020. This is particularly the case for the retail centre where the valuation is more susceptible to significant change as a result of: losing tenants, reductions in rental income; and tenants seeking to revisit lease terms and rental arrangements.



Areas of Audit Focus



Other areas of audit focus

Risk / area of focus	Risk identified	Details	Significant findings
<p>Going Concern Compliance with ISA 570</p>	<p>Other financial statement risk</p>	<p>This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.</p> <p>The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council will be the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform when assessing whether the Council is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Audit and Governance Committee.</p>	<p>Support for the going concern assertion.</p> <p>There is presumption that the Council will continue as a going concern, and accounts are prepared on a going concern basis. The Council declares this basis in the notes to the accounts.</p> <p>As discussed with you at the 16th September Audit and Governance Committee, the current and future uncertainty over government funding and other sources of Council revenue as a result of Covid-19 increased our focus and work in this area and we requested that management undertake a more detailed going concern assessment to support its assertion.</p> <p>Your narrative statement appropriately reflected the impact and increased risks as a result of the pandemic, and therefore we requested that the disclosure in note 63(a), notes to the financial statements, was expanded to set out the basis for preparing the statements on a going concern basis.</p> <p>From an audit perspective, the auditor's report going concern concept is a 12-month outlook from the audit opinion date, rather than the balance sheet date. So, for this set of statements we needed to assess evidence of going concern up to and including March 2022.</p> <p>We have scrutinised the Council's assessment of the impact of Covid-19 on its planned income and expenditure budgets, its revised financial plans and cashflow forecasts. We have challenged known outcomes, sensitivities, mitigating actions and key assumptions. We have also discussed with management the need to make specific disclosures in the statements on going concern. The final version of the statements includes these updated disclosures.</p> <p>In addition to the above, we have consulted internally within EY in respect of the wording of our auditor's report to ensure that it provides the appropriate assurance to the Council and its stakeholders.</p> <p>We are satisfied with management's assessment that the Council remains a going concern, and the disclosures appropriately present that assessment.</p>



Areas of Audit Focus



Other areas of audit focus

Risk / area of focus	Risk identified	Details	Significant findings
Investments and subsidiaries	Other financial statement risk	<p>The Council have a material wholly owned subsidiary and therefore produce group accounts as well as Council entity accounts. Our audit opinion is required to cover the group as well as the entity financial statements and notes.</p> <p>The Council also have other subsidiaries and joint working arrangements that require management judgement.</p> <p>Judgements are required covering:</p> <ul style="list-style-type: none"> • Composition of the group accounts; • disclosure requirements for subsidiaries included and excluded from the group accounts; • Application of group accounting policies to the activity of subsidiaries; and • The application of consolidation and elimination adjustments. 	<p>The audit of the subsidiary was carried out by the firm engaged to audit the subsidiary. We issued group instructions, received confirmation and reviewed the audit deliverables and work over the significant risks.</p> <p>We completed our procedures on the consolidation process and the group eliminations, as well as the presentation of the group accounts.</p> <p>We found no significant items to bring to your attention in regard to the group accounts.</p>
IFRS16 - leases	Other financial statement risk	<p>Implementation of IFRS 16 will be included in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2020/21. This Code has yet to published, but in July 2019 CIPFA/LASAAC issued 'IFRS 16 leases and early guide for practitioners'.</p>	<p>The CIPFA LASAAC Local Authority Accounting Code Board has announced that the implementation of IFRS 16 (Leases) in the Code of Practice on Local Authority Accounting in the UK (the Code) will be deferred until the 2022-23 financial year. This decision brings the Code in line with the decision by the Government's Financial Reporting Advisory Board to put back the effective date for the implementation of the standard to 1 April 2022. There is therefore no impact on the 2019-20 audit and we have no issues to raise to you.</p>



04 Audit Report



Audit Report

The following draft audit report sets out our proposed opinion

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEFTON METROPOLITAN BOROUGH COUNCIL

Opinion

We have audited the financial statements of Sefton Metropolitan Borough Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement
- Related notes 1 to 63 and notes to the Group Accounts notes 1 to 13
- Collection Fund and the related notes 1 to 7

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of Sefton Metropolitan Borough Council and Group as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Corporate Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Corporate Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



Audit Report

Our opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts 2019/2020, other than the financial statements and our auditor's report thereon. Other information includes the Narrative Report set out on pages 1 to 22 and section 10 'other information' on pages 133 to 134. The Director of Corporate Resources is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, we are satisfied that, in all significant respects, Sefton Metropolitan Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects



Audit Report

Our opinion on the financial statements

Responsibility of the Director of Corporate Resources

As explained more fully in the Statement of the Statement of the Director of Corporate Resources Responsibilities set out on page 23, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether Sefton Metropolitan Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the [name of body] put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



Audit Report

Our opinion on the financial statements

Certificate

We certify that we have completed the audit of the accounts of Sefton Metropolitan Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Sefton Metropolitan Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Hassan Rohimun (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Manchester
Date



05 Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

Based on the audit procedures undertaken to the date of drafting this report, there were no misstatements greater than £0.57m identified during the audit, other than one misclassification adjustment.

The levy relating to the Transport Authority (£18.49m) was disclosed under Other Service Expenses instead of precept and levies within note 5 to the financial statements. This has been corrected and had no overall impact on the expenditure line, or the expenditure classification within the CIES.

agreed a number of presentational and disclosure amendments with management. These did not impact the total outturn position reported in the SOCI or Balance sheet.

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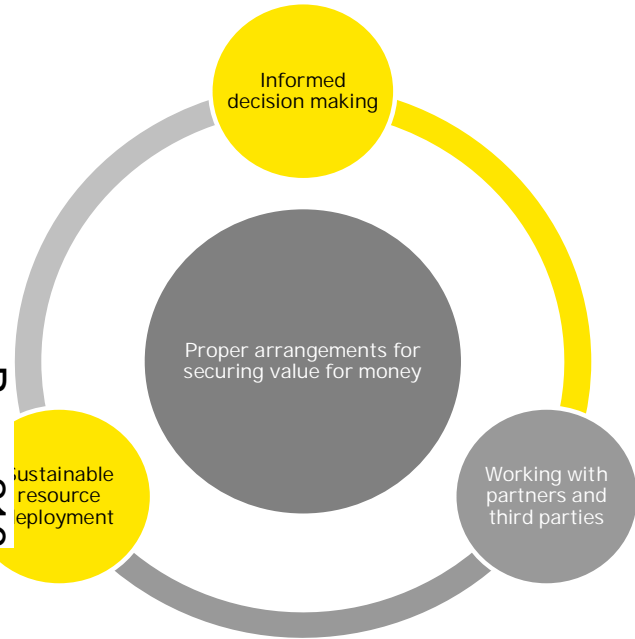
Summary of unadjusted differences

The auditor of the Pension Fund auditors advised us of an unadjusted error of £16m overstatement in level 3 assets of the pension fund. The Council share, at 10.5%, is £1.68m. As the Pension Fund assets have not been amended, and the Council share of the overstatement is not material, we consider that the Council disclosures remain materially correct. We raise this issue as it is above our reporting threshold and management has decided not to amend the financial statements for this difference.



06

Value for Money Risks



Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

We identified three significant risks around these arrangements. The tables below present our findings in response to the risks in our Audit Planning Report, as well as any risks identified since then, and any other significant weaknesses or issues we want to bring to your attention.

We expect to have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources in our audit opinion.



Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report, as well as any additional risks identified since then.

What is the significant value for money risk?

Department for Education (DFE) Improvement Notice

In June 2019 DFE improvement notice in relation to a failure to make sufficient progress against areas of weakness identified in the special educational needs and disability (SEND) provision.

The risks are that the Council does not appropriately respond to the recommendations, or that in responding to these priorities the required resources result in underperformance against savings requirements impacting the financial sustainability plans the Council have in place.

What arrangements did the risk affect?

Work with partners and other third parties

What are our findings?

We have assessed:

- The arrangements in place to respond to the recommendation in the SEND improvement plan
- The monitoring of the financial impact of responding to the recommendations
- Arrangements to report and monitor outstanding actions.

Whilst there has not been a re-inspection due to take place and therefore no formal update on the Council’s progress in responding to the improvement notice from DFE, we have identified that the Council has in place the arrangements to respond to and monitor the actions being taken against the improvement notice.



Value for Money Risks

What is the significant value for money risk?

What arrangements did the risk affect?

What are our findings?

Dedicated Schools Grant deficit position

In 2018/19 the closing Dedicated Schools Grant (DSG) balance was a deficit of £230k following net overspend of £745k in the year. Overspends are projected for 2019/20 with projected year end deficit of over £2m. Given the increase in actual and projected deficit Council need to demonstrate robust plans recovering the deficit and returning to a sustainable position, while managing the hands on high needs costs.

Take informed decisions & Deploy resources in a sustainable manner

The year end 2019/20 deficit position is a net overspend of £4.1m. Combined with the brought forward deficit position of £0.23m, the resulting carry forward is £4.3m.

Our testing covered

- The arrangements in place to monitor, report and respond to the increasing deficit position
- The budget setting and MTFS implications of recovering the deficit

The NAO has further clarified the position of the DSG reserve in response to consultation and changes in arrangements for 2020/21.

The new regulations mean that when setting budgets for 2020/21 onwards, cumulative DSG deficits no longer have a direct impact on the general fund, as the DSG reserve cannot be funded from it without explicit permission from the Secretary of State.

The significantly increased deficit position, and continuing challenges in managing the cost of service provision and need to engage with schools and DFE, mean the management end reduction of the deficit remain significant areas of focus for the Council. This is appropriately disclosed in the narrative statement in the accounts.

Our testing has demonstrated that there has been ongoing engagement with the DFE, there is a deficit recovery plan in place and consultation with the schools affected has been ongoing. The deficits are driven by demand, which is being monitored and actioned, and the reporting to the Council has been appropriate. Therefore we have concluded there are proper arrangements in place in respect of our value for money conclusion responsibilities.



Value for Money - Value for Money Risks

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
<p>Maintaining Financial sustainability</p> <p>The Council are operating in a continued environment of financial challenge and savings requirements across the sector, with pressure from demand led services in both adult and children's services resulting in expenditure in excess of budget in 2018/19.</p> <p>The Council set a one year budget for 2019/20 while awaiting the outcome of the central spending review to inform longer term planning and have now set a one year budget for 2020/21. The Council have a revised forward looking MTFS to 2022/23 but acknowledge the uncertainties of the national funding position and the assumptions that have been made to set this strategy.</p> <p>2019/20 forecast outturn is a £3m overspend against budget, driven principally by cost of high need in children's social services £1.3m net overspend and a projected underachievement of savings of £1m, to be offset by use of reserves including the £1m budget pressure reserve created to support any shortfall and one off use of retained business rate reserve.</p> <p>Reports to members on the outturn and forecast also recognise the impact of non-recurrent savings supporting the 2019/20 outturn, which result in additional savings to be identified in future years.</p> <p>Additionally, management recognise that the levels of reserves and General Fund Balance are assessed by the CIPFA financial resilience tool as at the higher risk end (lower balance) when compared to similar organisations and plan to increase this resilience over the medium term.</p> <p>As such, the identification and realisation of savings in the Medium Term Financial Plan remain critical to maintaining the level of reserves and financial sustainability.</p>	<p>Take informed decisions & Deploy resources in a sustainable manner</p>	<p>The 2019-20 outturn position (excluding expenditure delegated to schools) resulted in expenditure in excess of budget in 2019/20, The impact is a reduction in general fund from £7.539m to £6.984m as at 31 March 2020.</p> <p>This remains at the lower end of the range set by the Section 151 officer, but we note that the level of general fund in relation to the size of the Council means that there remains a financial resilience risk. The Council have planned to improve the general fund position, and reported both the risk and the plans for management to Cabinet and Council as part of the budget setting process for 2021/2022 in February / March 2021.</p> <p>Our approach focused on the arrangements that the Council has in place to plan for, monitor and report on financial resilience in the medium term and the impact of the 2019/20 outturn position.</p> <p>A balanced budget for 2020/21 was set in February 2020, and the 2021/22 budget and assumptions were presented to Cabinet in February 2021.</p> <p>In assessing the medium term planning and reporting to members, we have:</p> <ul style="list-style-type: none"> • Reviewed the actions which the Council is undertaking to ensure there is a sustainable position as part of setting the Medium Term Financial Strategy (MTFS) • Considered current financial standing and the availability of reserves to fund future expenditure • Considered the appropriateness of assumptions used by the Council in setting the budget and Medium Term Financial Strategy. <p>The MTFS identified potential pressures and savings requirements of £19m to 2022/23 and £24m to 2023/24. This is before any Council Tax and Adult Social Care Precept decisions are made and any additional service delivery options are considered, which could significantly mitigate the identified budget gap</p> <p>The Council have sufficient reserves in the medium term, but recognise that any use of reserves to support the identified deficits will be required to be repaid from future budgets.</p> <p>The Council continue to appropriately plan, monitor and report the financial position and plans and demonstrate appropriate arrangements for the identification and monitoring of savings requirements</p>

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Agenda Item 4



07 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts for the year ended 31 March 2020 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the narrative report of the Statement of Accounts for the year ended 31 March 2020 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

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Whole of Government Accounts

In addition to our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters arising to the Audit and Governance Committee.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”).

We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014.

We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the [Authority]’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

There are no matters to report to you in respect of the above areas other than as included in the body of the report.



08

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice.

Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We have however identified the following control and process related matters. These matters are limited to those deficiencies identified during the audit and important enough for us to report to you.



Assessment of Control Environment

Financial controls

Issue	Recommendation	Response / Responsibility / Target date
<p>Our testing of disposals recorded for 2019/20 identified a £994k disposal which had taken place in the 2018/19 year (May 2018) but had not been accounted for. The disposal was accounted for in the current year (2019/20). The amount was not material. As we raised a recommendation in relation to disposals in 2018/19, this issue is included in the update on the following page.</p>	<p>We have previously raised a recommendation in relation to demolished assets. Therefore we recommend that the review process for identifying demolished assets is extended to cover all asset disposals.</p>	<p>Following centralisation of capital management within Financial Services, notification of disposals will now be made to one team ensuring the capital accounting system will be updated as and when disposals take place.</p>
<p>Page 225 Our testing of lease disclosures identified at future commitments are calculated so at any remaining months at the end of a lease are calculated as if a full year remained. This overstates the future commitments, although the impact is not material, in the disclosure note only with no other impact.</p>	<p>We recommend that the future lease liability calculation is amended to calculate remaining months, to enable accurate disclosure of remaining commitment.</p>	<p>Calculation will be amended for the disclosure in the 2020/2021 Statement of Accounts</p>
<p>Journals controls – as identified in prior years the Council does not have a process in place to require authorisation of journals prior to posting. Journals can be prepared and posted by the same member of staff prior to authorisation, which increases the risk of fraudulent activity and material misstatement in the accounts.</p>	<p>We have previously recommended that a segregation of duties between the preparation and authorisation of journals prior to posting to the general ledger is established. Due to the inherent risk in this areas we reiterate our recommendation to you. Management consider that appropriate review and mitigation controls are in place. We found no issues with our testing of journals. However, we have previously recommended that a segregation of duties between the preparation and authorisation of journals prior to posting to the general ledger is established. Due to the inherent risk in this areas we reiterate our recommendation to you.</p>	<p>This has been the subject of review and a materiality level was introduced during 2020 that requires authorisation from a Service Manager within Financial Management for all journals above £10,000. This is now incorporated into the Scheme of Delegation for each service.</p> <p>In addition, the Council has developed a new approach so that there will be a segregation of duties between the preparation and authorisation of journals prior to posting to the general ledger. This approach was due to be implemented during 2020/2021 but this hasn't proved possible due to the impact of COVID-19. It will now be introduced in the early part of 2021/2022.</p>



Assessment of Control Environment – Prior Year Findings

Financial controls

Issue	Recommendation	2019-20 Update
<p>Our testing of disposals identified a disposal of £1m accounted for in 2018/19 which related to an asset demolition in 2015. We recognise the additional work management have completed in response to this issue to assure us that the disposals figure is complete and no other significant items have not been recognised.</p>	<p>We recommend that management review the process for recording disposals in the asset register.</p>	<p>Open: Our testing of disposals recorded for 2019/20 identified a disposal which had taken place in the 2018/19 year (May 2018) but had not been accounted for. The disposal was accounted for in the current year (2019/20). The amount was not material. We note that the disposal was due to the derecognition of a leased asset rather than a demolition. Therefore we recommend that the review process for identifying demolished assets is extended to cover all asset disposals.</p>
<p>Journals controls – as identified in prior years the Council does not have a process in place to require authorisation of journals prior to posting. Journals can be prepared and posted by the same member of staff prior to authorisation, which increases the risk of fraudulent activity and material misstatement in the accounts.</p>	<p>We have previously recommended that a segregation of duties between the preparation and authorisation of journals prior to posting to the general ledger is established. Due to the inherent risk in this areas we reiterate our recommendation to you.</p>	<p>Open: Management consider that appropriate review and mitigation controls are in place. We found no issues with our testing of journals. However, we have previously recommended that a segregation of duties between the preparation and authorisation of journals prior to posting to the general ledger is established. Due to the inherent risk in this areas we reiterate our recommendation to you.</p>
<p>Earmarked reserve for DSG is in deficit position</p>	<p>As reported in section 7, accounting standards require earmarked reserves to be in surplus position. We recommend the Council support an action plan to return the reserve to surplus.</p>	<p>Superseded: As discussed under Value for Money assessment, the earmarked reserve deficit position has increased in year. However, management have demonstrated that actions are being taken and monitored, and this recommendation is superseded by updated DSG guidance for 2020/21.</p>



09 Data Analytics



Use of Data Analytics in the Audit

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2019/20, our use of these analysers in the authority's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.



10

Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 9 March 2020.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit and Governance Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the next Audit and Governance Committee meeting.

We confirm we have undertaken non-audit work outside the NAO Code requirements in relation to our work on the certification of the Housing Benefit and Teachers Pensions returns. We have adopted the necessary safeguards in our completion of this work.

Independence



Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in relation to the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed below has been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted, other than the continuation of the Teachers Pensions return certification and the Housing Benefits certification return.

Independence

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2020.

We confirm that we have undertaken non-audit work outside the NAO Code requirements. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO.

	Final Fee 2019/20	Planned Fee 2019/20	Scale Fee 2019/20	Final Fee 2018/19
	£	£	£	£
Total Audit Fee – Code work	TBC	TBC	97,711	104,211
on-audit work - Grant claims – Teachers Pension	6,500	6,500	N/A	6,500
on-audit work - Grant claims – Housing Benefit	11,500	11,500	N/A	11,500
Total non-audit services	18,000	18,000	N/A	18,000

We wrote to management and the Audit and Governance Committee Chair on 10 February 2019 setting out our considerations on the sustainability of UK local public audit. A scale fee of £97,711 has been set by PSAA for the 2019/20. We have been in correspondence with management to outline the impact that the changing risk and regulatory environment is having on our audits and why we do not believe the existing scale fees provide a clear link with either a public sector organisation's risk or its complexity and the work required to deliver a safe audit opinion. We outlined to management that we believe the fee for the Council should be set at £171,765. Management has not agreed to this increase in the scale fee and we have provided the PSAA with our assessment of the fee. Some of the factors relevant to this discussion were set out in our Audit Planning Report.

We also note that there have been changes to our audit scope because of Covid-19 and additional work in response to issues arising during the audit. We will discuss the impact of these on the proposed fee with management before agreeing our final fee. Areas of additional work include:

- Using EY Real Estate experts to assess the impact of Covid-19 on land and building valuations and the material uncertainty clause in the Council's valuation report;
- Review of the valuation of the Strand shopping centre;
- Additional procedures to consider the Council's going concern assessment;
- Additional procedures to consider the Council's arrangements for securing Value for Money
- Consultation requirements concerning the impact on the Auditor's report from the land and building valuations material uncertainty clause and going concern assessment;



11

Appendices

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded

Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

have adopted a fully substantive approach to the audit, in line with the 2018/19 audit.

As described in section 3 of this report, the key audit issues that impact our approach to the balance sheet are the significant risk of misstatements due to fraud or error, fraud in revenue and expenditure recognition (as it relates to debtor and creditor balances recorded on the balance sheet), the Valuation of the assets and liabilities in relation to the Local Government Pension Scheme and the valuation of property, plant and equipment.




The other areas of audit focus result from inherent risks in the Going Concern disclosure, the Council's Group Balance Sheet, and the implementation and disclosure of new accounting standards.

We have substantively tested a sample of manual journals and identified and tested significant unusual transactions. We had no findings to report in respect of these matters. We have tested the debtor and creditor balances substantively, and have completed revenue cut off testing. The final testing for unrecorded liabilities is ongoing at the time of drafting this report and we will update the Audit and Governance committee verbally.

As outlined in section 3, the significant impacts of the Coovid-19 pandemic have impacted the significant estimation inherent in valuation of pension assets and liabilities and the valuation of property.

Appendix B


Summary of communications



Date 	Nature 	Summary 
Throughout the year	Meetings, calls and e-mails	The Associate Partner and Senior Manager have been in regular contact with the Director of Corporate Resources and Senior Finance team members in respect of the Council's accounts closedown, audit approach and audit findings up to the date of issue of this report.
February 2020	Meeting	The Associate Partner and Senior Manager met with the Director of Corporate Resources and other senior management to discuss focus areas of the Audit and discuss performance and any significant issues arising during the year.
09 March 2020	Report	The Associate Partner and Senior Manager submitted the audit plan to the Audit and Governance Committee. The subsequent March meeting was attended by the senior manager, but did not formally start due to the availability of Committee members due to the impact of the pandemic.
From time to time to November, throughout the audit	Meetings, calls and e-mails	The Associate Partner, Senior Manager and the audit team have been in regular contact with the Senior Finance team members in respect of the impact of the pandemic, the revised timetable and the testing.
Throughout the year	Meetings, calls and e-mails	The Associate Partner and Senior Manager have been in regular contact with the Director of Corporate Resources and Senior Finance team members in respect of the Council's accounts closedown, audit approach and audit findings up to the date of issue of this report.
Audit and Governance Committee	Meetings and reports	<p>The Associate Partner and/or Senior Manager have attended all meetings of the Audit and Governance Committee held during the year and through to the date of issue of this report. Due to the pandemic these were initially suspended and subsequently attended remotely.</p> <p>Specific required communications with the Audit and Governance Committee are detailed in Appendix C.</p>



In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

 Our Reporting to you



Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit and Governance committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report 09 March 2020
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report 09 March 2020
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit results report 11 March 2021

Required communications	 What is reported?	 When and where
Public Interest Entities [<p>For the audits of financial statements of public interest entities our written communications to the Audit and Governance Committee include:</p> <ul style="list-style-type: none"> • A declaration of independence • The identity of each key audit partner • The use of non-member firms or external specialists and confirmation of their independence • The nature and frequency of communications • A description of the scope and timing of the audit • Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits • Materiality • Any going concern issues identified • Any significant deficiencies in internal control identified and whether they have been resolved by management • Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee • Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof • The valuation methods used and any changes to these including first year audits • The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework • The identification of any non-EY component teams used in the group audit • The completeness of documentation and explanations received • Any significant difficulties encountered in the course of the audit • Any significant matters discussed with management • Any other matters considered significant 	Audit planning report 09 March 2020 and Audit results report 11 March 2021

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about [insert client name]’s ability to continue for the 12 months from the date of our report
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	Audit results report 11 March 2021
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the Audit and Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Letter of representation, date TBC
Fraud	<ul style="list-style-type: none"> • Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Audit and Governance Committee responsibility. 	Audit results report 11 March 2021

Appendix C

Required communications	 What is reported?	 When and where
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the Authority 	Audit results report 11 March 2021
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit planning report 09 March 2020 and Audit results report 11 March 2021

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> Management’s refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures. 	<p>We have received all requested confirmations, with the exceptions reported in section one of this report for:</p> <p>Grant Thornton (Pension Fund Auditor) Hazlewoods (subsidiary auditor) Investment confirmations.</p> <p>IN each case we have had contact with the relevant external entity and expect to receive these confirmations before signing our audit opinion.</p>
Consideration of laws and regulations	<ul style="list-style-type: none"> Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	<p>We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations</p>
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	<p>Audit results report 11 March 2021</p>

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Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Group Audits	<ul style="list-style-type: none"> An overview of the type of work to be performed on the financial information of the components An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. 	Audit results report 11 March 2021 We have reviewed the financial statements and proposed opinion to be given at the AGM of Sefton New Directions Limited. We are awaiting the final information from the component auditor as outlined in section 1. We have not identified any issues to date to raise with you.
Written representations are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Letter of representation, date TBC
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report 11 March 2021
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Audit results report 11 March 2021
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit planning report 09 March 2020 and Audit results report 11 March 2021
Certification work	<ul style="list-style-type: none"> Summary of certification work 	Certification Report 2018-19, December 2019 Certification of claims and returns report 2019-20 date TBC

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Agenda Item 4

Management representation letter

Management Rep Letter

Ernst & Young
2 St Peters Square,
Manchester
M3 2EY

Dear Sirs

Representation letter – audit of Sefton Metropolitan Borough Council's (the Council) Entity and Group Statement of Accounts for the year ended 31 March 2020

We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Sefton Metropolitan Borough Council as of 31 March 2020 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error.
5. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

Management representation letter

Management Rep Letter

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B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties.
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

- Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.
 3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: 17 March 2021.
 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
 5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
 6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

Management representation letter

Management Rep Letter

7. From the date of our last management representation letter, 22 July 2020, through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. As described in Note 42 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the narrative report.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Going Concern

1. The introduction to notes to the financial statements (pages 22 and 23) discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged: Aon to evaluate the fair value of the pension scheme assets and liabilities Wilks Head and Eve to evaluate the Council land and buildings valuation. We have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

I. Estimates

Estimate of LGPS pension liabilities

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the applicable financial reporting framework.
2. We confirm that the significant assumptions used in making the pension liability estimate appropriately reflect our intent.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete, and made in accordance with the applicable financial reporting framework.

Management representation letter

Management Rep Letter

4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic..

5. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

(Head of Corporate Resources)

(Chairman of the Audit Committee)

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ED None



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ey.com

Ernst & Young
2 St Peters Square
Manchester
M2 3DF

Executive Director of
Corporate Resources and
Customer Services
Magdalen House
Trinity Road
Bootle
L20 3NJ

Date: 17th March 2021

 0151 934 4081
 stephan.vanarendsen@sefton.gov.uk

Dear Sirs

Representation letter – audit of Sefton Metropolitan Borough Council’s (the Council) Entity and Group Statement of Accounts for the year ended 31 March 2020

We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Sefton Metropolitan Borough Council as of 31 March 2020 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify -nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority

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Accounting in the United Kingdom 2019/20, and are free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error.
5. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties.
 - involving management, or employees who have significant roles in internal controls, or others; or

- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: 17 March 2021.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter, 22 July 2020, through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to

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our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. As described in Note 42 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the narrative report.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Going Concern

1. The introduction to notes to the financial statements (pages 22 and 23) discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged:
 - Aon to evaluate the fair value of the pension scheme assets and liabilities
 - Wilks Head and Eve to evaluate the Council land and buildings valuation.

We have adequately considered the qualifications of the specialists in determining

the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

I. Estimates

Estimate of LGPS pension liabilities

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the applicable financial reporting framework.
2. We confirm that the significant assumptions used in making the pension liability estimate appropriately reflect our intent.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the applicable financial reporting framework.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.
5. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Stephan Van Arendsen

(Executive Director of Corporate Resources and Customer Services)

Councillor Dave Robinson

(Chair of the Audit & Governance Committee)

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