

Public Document Pack



MEETING: AUDIT AND GOVERNANCE COMMITTEE

DATE: Wednesday 7th September, 2022

TIME: 3.00 pm

VENUE: Birkdale Room - Southport Town Hall, Lord Street, Southport, PR8
1DA

Member

Councillor Robinson (Chair)
Councillor Roche (Vice-Chair)
Councillor Burns
Councillor Cluskey
Councillor Dowd
Councillor John Joseph Kelly
Councillor McGinnity
Councillor Page
Councillor Shaw
Councillor Sir Ron Watson

Substitute

Councillor Bradshaw
Councillor Murphy
Councillor Lunn-Bates
Councillor Howard
Councillor Spencer
Councillor Hansen
Councillor Halsall
Councillor Hardman
Councillor Pugh
Councillor Prendergast

COMMITTEE OFFICER: Ruth Appleby
 Democratic Services Officer

Telephone: 0151 934 2181

E-mail: ruth.appleby@sefton.gov.uk

If you have any special needs that may require arrangements to facilitate your attendance at this meeting, please contact the Committee Officer named above, who will endeavour to assist.

We endeavour to provide a reasonable number of full agendas, including reports at the meeting. If you wish to ensure that you have a copy to refer to at the meeting, please can you print off your own copy of the agenda pack prior to the meeting.

A G E N D A

1. Apologies for absence

2. Declarations of Interest

Members are requested at a meeting where a disclosable pecuniary interest or personal interest arises, which is not already included in their Register of Members' Interests, to declare any interests that relate to an item on the agenda.

Where a Member discloses a Disclosable Pecuniary Interest, he/she must withdraw from the meeting room, including from the public gallery, during the whole consideration of any item of business in which he/she has an interest, except where he/she is permitted to remain as a result of a grant of a dispensation.

Where a Member discloses a personal interest he/she must seek advice from the Monitoring Officer or staff member representing the Monitoring Officer to determine whether the Member should withdraw from the meeting room, including from the public gallery, during the whole consideration of any item of business in which he/she has an interest or whether the Member can remain in the meeting or remain in the meeting and vote on the relevant decision.

3. Minutes

(Pages 5 - 12)

Minutes of the meeting held on 22 June 2022

4. Issuing of Press Releases

(Pages 13 - 18)

Report of the Executive Director of Corporate Resources and Customer Services

5. Southport Theatre & Convention Centre – Disposal of fixtures and fittings Update

(Pages 19 - 24)

Report of the Executive Director of Corporate Resources and Customer Services

6. Corporate Risk Management

(Pages 25 - 90)

Report of the Executive Director of Corporate Resources and Customer Services

7. Procurement – National Procurement Policy, Contract Procedure Rules and Internal Processes

(Pages 91 - 158)

- Report of the Executive Director of Corporate Resources and Customer Services
8. **Review of Members Code of Conduct Complaints 2021-2022** (Pages 159 - 162)
- Report of the Executive Director of Corporate Resources and Customer Services
9. **Annual Report of the Audit and Governance Committee 2021-2022** (Pages 163 - 204)
- Report of the Executive Director of Corporate Resources and Customer Services
10. **Treasury Management Outturn 2021/22 and Position to July 2022** (Pages 205 - 220)
- Report of the Executive Director of Corporate Resources and Customer Services
11. **Draft Statement of Accounts 2021/2022** (Pages 221 - 388)
- Report of the Executive Director of Corporate Resources and Customer Services
12. **Risk and Audit Service Performance** (Pages 389 - 432)
- Report of the Executive Director of Corporate Resources and Customer Services
13. **Audit and Governance Committee Work Programme Update** (Pages 433 - 440)
- Report of the Executive Director of Corporate Resources and Customer Services

This page is intentionally left blank

THIS SET OF MINUTES IS NOT SUBJECT TO "CALL-IN"

AUDIT AND GOVERNANCE COMMITTEE

**MEETING HELD AT THE TOWN HALL, BOOTLE
ON 22 JUNE 2022**

PRESENT: Councillor Robinson (in the Chair)
Councillor Roche (Vice-Chair)

Councillors Burns, Dowd, John Joseph Kelly,
McGinnity, Shaw and Sir Ron Watson

5. APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor Cluskey.

6. DECLARATIONS OF INTEREST

No declarations of any disclosable pecuniary interests or personal interests were received.

7. MINUTES

RESOLVED:

That the minutes of the meeting of the Audit and Governance Committee held on 25 May 2022, be confirmed as a correct record.

8. CONSTITUTIONAL AMENDMENT – CABINET AGENDAS

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which outlined a request by Councillor Sir Ron Watson that the Constitution to be amended to (i) remove the power of the Leader of the Council to veto formal requests by elected members for items to be included on the Cabinet agenda; (ii) remove the discretion of the Leader to limit the number of such items to be considered per Cabinet meeting, as set out in Chapter 5 paragraph 82 of the Constitution; and (iii) that a criteria for submission be established which would enable elected members to have items placed on the Cabinet agenda provided they fulfil the requirements set out in the criteria.

The report recommended that

- (1) Council be requested to give approval for:

Agenda Item 3

AUDIT AND GOVERNANCE COMMITTEE- WEDNESDAY 22ND JUNE, 2022

- (i) Chapter 5, paragraph 82 of the Constitution to be amended to remove the power of the Leader to refuse a request from any elected member for an item to be placed on the agenda for the next available meeting of the Cabinet and to remove the discretion of the Leader to limit the number of such items to be considered per Cabinet meeting; and
 - (ii) the establishment of a criteria for submission to enable elected members to have items placed on the Cabinet agenda provided they fulfil the requirements set out in the criteria; and
- (2) subject to approval of (1) above, the Executive Director of Corporate Resources and Customer Services be requested to submit a further report setting out the proposed required criteria for approval of elected member submission of items on Cabinet agendas.

Following long debate, the Chair officiated a vote and declared that the **recommendations** set out in the report be **not approved** by **6 votes against** the recommendations and **2 votes for** the recommendations.

RESOLVED: That

- (1) the recommendations be not approved; and
- (2) in accordance with Rule 96 of the Council and Committee Procedure Rules of the Constitution, it be noted that Councillor Sir Ron Watson voted against the resolution set out in (1) above.

9. CONSTITUTION AMENDMENTS

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which recommended updates to the Council's Constitution.

The Chief Legal and Democratic Officer & Monitoring Officer presented the report requesting that the Overview and Scrutiny Protocol attached as Appendix A to the report, endorsed by Cabinet on 3 December 2020, be included in Chapter 6 of the Constitution; that a review of the Protocol for the Relationship Between Members and Officers (Appendix B) had been undertaken and required approval for inclusion in the Constitution; and a review of the Constitution had highlighted an inconsistency as outlined in paragraph 4 of the report.

Members of the Committee asked questions/commented on the following matters:

Appendix A – Executive /Scrutiny Protocol

1. **Functions of Overview and Scrutiny.** A request was made for the Executive / Scrutiny Protocol to be amended to include a recommendation that Chairs of Overview and Scrutiny Committees should not be Members of the majority political group; also, that to facilitate effective scrutiny, any restricted papers provided to Cabinet should also be made available to members of Overview and Scrutiny Committees.

Appendix B - Protocol for the Relationship Between Members and Officers

2. **Public Relations and Press Releases** – a request was made for elected Members to be given 48 hours advance notice of press releases except where immediate response is required.
3. **Use of Council Resources** – It was indicated that the community role of Councillors often involved requests for help by residents in matters that were not the direct responsibility of the Council and requested that a paragraph providing clarification on this be included in the Member/Officer Protocol.

RESOLVED: That

- (1) the suggested amendments to the Executive / Scrutiny Protocol and the Protocol for the Relationship Between Members and Officers outlined in 1. and 3. above, be not approved;
- (2) Council be requested to give approval for:
 - (i) the Executive / Scrutiny Protocol at Appendix A to be included in the Constitution;
 - (ii) the revised Protocol for Relationships Between Members and Officers at Appendix B;
 - (iii) paragraph 26 of Chapter 5 of the Constitution to be deleted;
- (3) the Head of Strategic Support be requested to submit a report to next meeting on how the Council issues and notifies elected Members of press releases; and
- (4) in accordance with Rule 96 of the Council and Committee Procedure Rules of the Constitution, it be noted that Councillor Sir Ron Watson voted and dissented against the resolution set out in (1) above.

10. ANNUAL REPORT AND OPINION OF THE CHIEF INTERNAL AUDITOR

Agenda Item 3

AUDIT AND GOVERNANCE COMMITTEE- WEDNESDAY 22ND JUNE, 2022

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services summarising the work of internal audit during 2021/22 and providing the Chief Internal Auditor's opinion on the overall control environment operating within the Council during the year.

The Chief Internal Auditor presented the report, indicating that this report was a key requirement of the Public Sector Internal Audit Standards. The report outlined that the opinion for the 2021/22 financial year was adequate with adequate prospects for improvement.

Questions and issues were raised on the following matters: Cherry House Children's Home – request for a financial update; Staff Sickness absence levels; Member Development – clarification on designation of 'mandatory' courses; Commercial Development - Sandway Homes – lack of transparency and issues around governance arrangements; and delivery of the Audit Plan.

RESOLVED: That

- (1) the work of internal audit during 2021/2022 and the overall opinion on the control environment of the Council during that period be noted; and
- (2) the Executive Director of Corporate Resources and Customer Services be requested to provide a report to next meeting outlining the governance arrangements relating to the Council's wholly owned companies.

11. TREASURY MANAGEMENT POSITION TO MAY 2022

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which provided a review of the Treasury Management activities undertaken to 31 May 2022.

This was the first ongoing quarterly monitoring report provided to Audit and Governance Committee, whose role it was to carry out scrutiny of treasury management policies and practices.

RESOLVED: That

- (1) the Treasury Management update to 31 May 2022 be noted; and
- (2) the effects of the decisions taken in pursuit of the Treasury Management Strategy and the implications of changes resulting from regulatory, economic and market factors affecting the Council's treasury management activities be noted.

12. ASSURANCE FRAMEWORK

AUDIT AND GOVERNANCE COMMITTEE- WEDNESDAY 22ND JUNE, 2022

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services on a proposed Sefton Assurance Framework. A copy of the proposed framework was attached as an appendix to the report.

The Chief Internal Auditor presented the report indicating that the Assurance Framework provided a structured means of identifying and mapping the main sources of assurance in an organisation and co-ordinating them to best effect to help ensure that the Council's Strategic Objectives were achieved.

A question was raised about two national climate change emergency reports provided to the House of Commons regarding the Climate Change Act objectives for 2050.

RESOLVED: That

- (1) the proposed Assurance Framework for the Council be approved; and
- (2) an update on Sefton's proposed response to the Government's Climate Change emergency reports and objectives for 2050 be provided to Committee members.

13. CORPORATE RISK MANAGEMENT

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which provided an update on the Corporate Risk Register.

The Chief Internal Auditor presented the report indicating that the ownership of the content of the Corporate Risk Register lay with the Strategic Leadership Board and that since the last meeting there had been two new risks in respect of Cost of Living and the ability to recruit to the current workforce structures added to the CRR and following the Children's Services inspection by Ofsted, the four children's risks had been comprehensively reviewed and updated. No risks had been de-escalated from the Corporate Risk Register to the Service Risk Registers.

The risks had been re-scored in accordance with the revised assessment guidance included in the Corporate Risk Management handbook which had been approved by the Committee in December 2020. The updating of the Corporate Risk Handbook due to be completed in June 2022 would now take place in September 2022 following the risk appetite work.

The Chief Internal Auditor indicated that although there had been substantial work undertaken over the past six years to embed risk management across the Council, further work was needed to be done to

Agenda Item 3

AUDIT AND GOVERNANCE COMMITTEE- WEDNESDAY 22ND JUNE, 2022

ensure that it was consistently and effectively embedded. Meetings had been held with Officers and Members to develop the Council's Risk Appetite and it was proposed that the formal draft definition of the Council risk appetite would be drafted in June and refined before being provided to the Audit and Governance Committee in September 2022.

The Committee received a briefing by the Executive Director of Corporate Resources and Customer Services on '**Inflation Risk Facing the Council**' and the measures in place to mitigate the risk.

Questions / issues were raised on the following risks set out in the report:

Risk	Issue / Question raised
Gaps in Understanding Community Needs	Availability of the 2021 census results and request for the identification of Wards with low census response rates.
Financial Sustainability Beyond 2022/2023	Varied financial considerations, all of which could be considered to have a detrimental impact on council taxpayers. To what extent can these be financially quantified, issue by issue, and an overall financial figure provided?
Historic Records	Request for assessment of the capital value of buildings no longer required / assessment of the Council's art collection.
Inadequate capability to prepare for and respond effectively to a major incident affecting the Council or occurring in Sefton as per the Council's responsibilities under the Civil Contingencies Act 2004	Humanitarian volunteers - What proposals to involve others with specialist experience (e.g. retired police officers, ambulance service, armed forces).
Market failure of Social Care Provision across Adult and Children's	It would be helpful if a time frame could be identified particularly bearing in mind the recent Ofsted Report.
Significant impact on Service Delivery for Planning and Sefton LA	Have Sefton MP's been collectively or individually asked to press this point at national level?
Failure to meet the targets set out in the Council's declared climate	Bidding for external funding. Have we been able to identify as indicated the sources of such funding, the amounts that are likely to

Agenda Item 3

AUDIT AND GOVERNANCE COMMITTEE- WEDNESDAY 22ND JUNE, 2022

emergency	be available and the extent to which Sefton will be able to meet the individual criteria that are bound to exist?
Dedicated Schools Grant High needs funding for SEND is inadequate to meet requirements	This shows a projected overspend of £3.9m for 2020/2021 moving the overall figure up to £12.3m. This has shown as being held on the Council balance sheet but that the DfE do not expect the general fund to cover accumulated deficits. However, this is still shown as a significant financial risk to the Council and further clarification on both the sums and the accounting mechanisms would be helpful.
Failure to mitigate impacts of Covid-19, EU Exit, winter austerity on the Sefton economy	Is there any further specific information concerning EU exit, i.e., details of programmes, continuing funding arrangements and any other aspects which appear relevant?

RESOLVED: That

- (1) the contents of the Corporate Risk Register, particularly the nature of the major risks facing the Council and the controls and planned action in place to mitigate these risks be noted;
- (2) the Executive Director of Corporate Resources and Customer Service be thanked for his informative presentation on the risks to the Council associated with inflation and the measures in place to mitigate those risks; and
- (3) responses to the issues raised not provided at the meeting would be provided to Members in due course.

14. FINANCIAL MANAGEMENT CODE

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which reported that the Chartered Institute of Public Finance and Accountancy (CIPFA) had issued a Financial Management (FM) Code which aimed to ensure a high standard of financial management in local authorities.

The report indicated that an assessment of the Council's current compliance with the code together with an action plan for improvement had been reported to Audit and Governance in March 2021.

Agenda Item 3

AUDIT AND GOVERNANCE COMMITTEE- WEDNESDAY 22ND JUNE, 2022

The Service Manager – Finance presented the report and indicated that many areas of good practice in financial management were highlighted within the compliance assessment and the purpose of the report was to provide an update on progress in implementing the action plan for further improvements and also to identify additional actions to further improve compliance.

RESOLVED: That

- (1) the progress in implementing the actions which have been carried out to further improve both compliance with the Code and financial management across the authority be noted; and
- (2) the additional actions identified to further improve compliance be noted.

15. RISK AND AUDIT SERVICE PERFORMANCE

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services providing details of the performance and key activities of the Risk and Audit Service for the period 7 March 2022 to 6 June 2022.

The Chief Internal Auditor presented the report.

A question was raised about renewal of the Council's insurance policy factoring in Sefton New Directions, Sandway Homes and Sefton Hospitality.

RESOLVED: That

- (1) the progress in the delivery of the 2021 to 2022 Internal Audit Plans and the activity undertaken for the period 7 March 2022 to 6 June 2022 be noted; and
- (2) the contributions made by the Health and Safety, Insurance, Assurance and Risk and Resilience teams in managing the Council's key risks be noted.

Agenda Item 4

Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 7 September 2022
Subject:	Issuing of Press Releases		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

Summary:

This report summarises the process of issuing a press release to media outlets, and the involvement of elected members.

Recommendation:

That the process undertaken to write and issue press releases to media outlets will remain as detailed in the report.

Reasons for the Recommendation:

To ensure that press releases can be written and issued in a timely manner.

Alternative Options Considered and Rejected: (including any Risk Implications)

Sending all press releases to all elected members 48 hours in advance of being issued to the media would mean that releases that require a quick turnaround (such as those in the examples given below) could not be issued, and the Council would miss out on opportunities. Being slow to respond to stories may also result in reputational damage, as stakeholders may perceive the Council as not having an opinion/voice/involvement.

Agenda Item 4

What will it cost and how will it be financed?

(A) Revenue Costs

N/A

(B) Capital Costs

N/A

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets):	
None	
Legal Implications:	
None	
Equality Implications:	
There are no equality implications.	
Climate Emergency Implications:	
The recommendations within this report will	
Have a positive impact	N
Have a neutral impact	Y
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	Y
There are no direct Climate Emergency implication arising from the report	

Contribution to the Council's Core Purpose:

Protect the most vulnerable: n/a
Facilitate confident and resilient communities: Ensuring Councillors and Residents are well informed
Commission, broker and provide core services: n/a
Place – leadership and influencer: Promoting initiatives and examples of where the Council is seen as a leader or place
Drivers of change and reform: n/a
Facilitate sustainable economic prosperity: n/a

Greater income for social investment: n/a
Cleaner Greener n/a

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD.6923/22) and the Chief Legal and Democratic Officer (LD.5123/22) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

None

Implementation Date for the Decision

Immediately following the Committee meeting.

Contact Officer:	Elena Lloyd
Telephone Number:	0151 934 4981
Email Address:	elena.lloyd@sefton.gov.uk

Appendices:

There are no appendices to this report

Background Papers:

There are no background papers available for inspection.

Agenda Item 4

1. Introduction/Background

- 1.1 At the June 2022 Audit and Governance Committee meeting a request was made for elected Members to be given 48 hours advance notice of press releases, except where immediate response is required.
- 1.2 A press release is usually a proactive, formal news story or announcement made by an organisation to spread important or newsworthy information through media coverage.
- 1.3 A media statement is a reactive comment, usually in response to a request from a media outlet about an event or breaking news story, meaning an often very quick turnaround of just a few hours (same day) from request to issuing the statement.

2. Process of writing and disseminating press releases

- 2.1 Whilst every effort is made to write press releases well ahead of time, there are many instances when this is simply not possible, and a quick turnaround is needed. Sometimes press releases need to be issued to address misinformation, or to give a local perspective to a developing story.
- 2.2 The Corporate Communications Team will work with colleagues in the relevant department to write a draft press release. This draft is circulated to the Assistant or Executive Director, and relevant Cabinet Member for approval. Any amends are incorporated and sent back to the Officer and Cabinet Member for final approval.
- 2.3 Once approved, the press release is issued to media outlets via our media management system, Vuelio, which sends the press release and any accompanying imagery/video to the selected list of journalists and media outlets via email.
- 2.4 Vuelio has a comprehensive database of nearly every journalist, reporter and media outlet in the country. It is kept updated centrally, so should a journalist move to another outlet their contact details will be updated.
- 2.5 The press release is also uploaded to our MySefton news site mysefton.co.uk. The Corporate Communications Team have an agreement with media outlets that any story, and photos/video, on MySefton is available for them to use without needing to seek explicit permission from the Council.
- 2.6 On average, all of this usually happens within the space of 24, or sometimes 48 hours. Although there are occasions when the team may have a few days to complete this process, and rarely is the team given more than a week to do this.

3. Elected Member involvement

- 3.1 Proactive press releases, wherever possible, will include a quote from the Cabinet Member / portfolio holder.
- 3.2 Where this is not possible, for example during the pre-elections period, then a senior officer such as an Executive or Assistant Director will be quoted instead.
- 3.3 If the press release is about a hyper local topic, then the relevant senior officer for that particular service area will brief the relevant ward members before the press release is issued to the media. For example, when the Council and its partners were door knocking in wards in Southport as cases of the South African 'variant of concern' of Covid-19 had been identified in that area. Ward members were fully briefed prior to the Council issuing any press release or statement to local and regional media.

4. Changes to the current process

- 4.1 The Corporate Communications Team ensures that opportunity is given to the Strategic Lead (Assistant or Executive Director), the Political Lead (Cabinet Member), and where applicable, Local Leaders (Ward Members via Senior Officers) to have sight and input into the content of press releases issued.
- 4.2 To add a further 48 hours to this process would mean that there will be some media opportunities missed. For example, the opportunity to give a local perspective to a developing national story. There were many examples of this during Covid, when a story would break on Breakfast News, and the Comms Team had managed to write and distribute a press release quoting our own Sefton Director of Public Health and/or Cabinet Member(s) and have it with the local and regional media by lunch time; ensuring Sefton's voice is heard.
- 4.3 The more people involved in the approval process the longer it will take.
- 4.4 Given that all proactive press releases, and occasionally some reactive statements, are uploaded to MySefton news site, which has been in place for many years, elected members should be checking this site regularly for updates. Members are also kept updated by a quarterly e-newsletter, issued to all Sefton Councillors which directs readers to the relevant article on MySefton.
- 4.5 Elected Members are advised to keep up to date with Council stories by regularly reviewing the MySefton website and reading the quarterly MySefton e-newsletter, which is notified by email to all Elected Members.

5. Recommendation

Following consultation with the Cabinet Member, Regulatory Compliance and Corporate Services, it is recommended that the process to write, approve and distribute a proactive press release is not amended.

This page is intentionally left blank

Agenda Item 5

Report to:	Audit & Governance Committee	Date of Meeting:	7 th September 2022
Subject:	Southport Theatre & Convention Centre – Disposal of fixtures and fittings Update		
Report of:	Executive Director Place	Wards Affected:	Cambridge & Dukes
Cabinet Portfolio:	Regeneration & Skills		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

Summary:

The purpose of the report is to update the committee on the recent disposal of the fixtures and fittings currently in the Southport Theatre & Convention Centre that where no longer needed due to the plans to demolish the existing venue and to build the new Marine Lake Events Centre. It also seeks approval to dispose of a recently discovered piano through a specialist auction house.

Recommendation(s):

It is recommended that:

- (1) Audit and Governance Committee note the results from the recent auction to dispose of redundant fixtures and fittings in the Southport Theatre and Convention Centre;
- (2) Audit & Governance Committee agree to the disposal, in accordance with Council procedures, of the Grand Piano in the Southport Theatre and Convention Centre (STCC) as part of the Marine Lake Events Centre project.

Reasons for the Recommendation(s):

To ensure redundant equipment and fittings in the STCC are disposed of in a sustainable manner and the full value is secured.

Alternative Options Considered and Rejected: (including any Risk Implications)

Agenda Item 5

Not to dispose of the fixtures and fittings and leave in situ as part of any future demolition works – Rejected. This would not be a sustainable process, nor would the Council secure any value from the fixture and fittings.

What will it cost and how will it be financed?

(A) Revenue Costs

Any future auction costs are taken from the final hammer price, therefore there is no direct revenue cost to the council.

£67,012 income was generated from the first two auctions of the fixtures and fittings that were no longer needed, this mainly consisted of redundant kitchen equipment and fridges.

Any other support required for the overall process will be met from existing internal resources within the Tourism Service.

(B) Capital Costs

Not applicable.

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets):	
Existing internal resources will be utilised to support the overall process	
Legal Implications:	
There are no legal implications	
Equality Implications:	
There are no equality implications.	
Climate Emergency Implications:	
The recommendations within this report will:	
Have a positive impact	Y
Have a neutral impact	N
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	N
The disposal of fixtures and fittings will allow items to be reused rather than included in a demolition work. A local weighting will also be attached to several	

items resulting in the potential of these items remaining within Sefton.

Contribution to the Council's Core Purpose:

Protect the most vulnerable: N/A
Facilitate confident and resilient communities: N/A
Commission, broker and provide core services: N/A
Place – leadership and influencer: The proposed new Events Centre will be an enabler for change and lead to further private sector investment in Southport.
Drivers of change and reform: This process will be part of a long-term sustainable future for a new multi functioning event space that will include conference facilities and auditorium along with new uses such as E-sports.
Facilitate sustainable economic prosperity: The new Events Centre will act as a major catalyst for the visitor economy contributing millions to the local economy by supporting local businesses and supply chains. It will also enable future private sector investment.
Greater income for social investment: The new Events Centre is projected not to require any large subsidies that have been required in the past, any revenue raised from the disposal of the fixtures and fittings will be reinvested back into the project
Cleaner Greener: The future operation will contribute to Sefton's aims to becoming net zero Carbon Neutral.

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD.6934/22) and the Chief Legal and Democratic Officer (LD.5134/22) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

The new Events Centre formed part of the Southport Town Deal consultation. This overall consultation resulted in over 7,000 responses with regards to the overall Town Deal. Feedback from the "Save Southport Theatre and Floral Hall" group has also been reviewed and informs what is to be retained and what is to be disposed of.

Implementation Date for the Decision

Agenda Item 5

Following the expiry of the “call-in” period for the Minutes of the Committee Meeting

Contact Officer:	Mark Catherall
Telephone Number:	0151 934 2315
Email Address:	Mark.catherall@sefton.gov.uk

Appendices:

There are no appendices to this report

Background Papers:

There are no background papers available for inspection.

1. Background

- 1.1 Cabinet on the 24th June 2021 agreed not to pursue the short term re-opening of The Southport Theatre and Convention Centre (STCC) after its closure due to the operator Bliss Space going into liquidation due to the effects of Covid-19.
- 1.2 Subsequently Cabinet have agreed to pursue a comprehensive new Events Centre on the site of the existing STCC that will see a new major build project take place. As part of the new build a new operator has been secured and as part of the wider project the Events Centre will be fitted out with new up to date equipment.
- 1.3 Before the demolition of the existing facility, it would be good practice to dispose of the fixtures and fittings within the building such as catering equipment, redundant lights etc. rather than retain as part of the demolition process. This will also be critical for the planning application as part of the narrative on sustainability.
- 1.4 No historical elements will be disposed of it is anticipated that where possible these will be incorporated into the new events centre such as lighting, dance floor and projectors.

2. Update

- 2.1 The first two auctions of redundant kitchen equipment along with other fittings such as carpet ties and furniture has taken place as per the Audit and Governance approval in May 2022
- 2.2 The Auctions where successful with much of the redundant equipment being sold, it has generated a return of £67,012 to be recycled back into the future project. If these had not been sold, they would have formed part of the demolition contract and no value gained.
- 2.3 However some fixtures and fittings do remain that did not attract any interest such as the bars, several fridges and other old kitchen equipment. Officers will continue to look at how this can be disposed or recycled before the demolition of the project commences

- 2.4 Social value of the auction was also applied, with many local businesses sent the marketing material and a social value weighting applied to some of the equipment. NCA Auctions are producing a full social value report that will be shared with the committee once all other disposals are complete. It is evident from early on that many local businesses have been successful in the auction.
- 2.5 Some other equipment was also transferred to The Sefton Community Learning Hub at Cambridge Road to make use in their kitchens for learners.

3. Next Steps

- 3.1 As stated steps will continue to look to dispose of any other redundant fixtures and fittings.
- 3.2 The appointed architects have identified several historic features such as lights, grills and other art deco features that will be carefully removed and reused in the Marine Lake Events Centre
- 3.3 On further inspections of the STCC as work continues a Grand Piano has been discovered. The piano has been inspected by a specialist piano auction house to understand its value and condition
- 3.4 On detailed inspection the piano needs an amount of repair, however it is believed the Steinway Grand holds some value. It is therefore recommended to dispose of the piano so a new owner can undertake the necessary repairs as it will not be needed in the new venue.
- 3.5 A specialist piano auction house, Piano Auctions Ltd will be used to dispose of the piano. Any fees will be taken off the final hammer price, Commission will be charged on the sale as a percentage of the Hammer Price, this is 15% on the first £2,000 and 10% thereafter. This is consistent with specialist auction houses that usually charge a flat 15%.
- 3.6 A final report will be brought back to the committee detailing the final disposal price along with a final social value report.

This page is intentionally left blank

Agenda Item 6

Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 7 September 2022
Subject:	Corporate Risk Management		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

Summary:

The Corporate Risk Register is presented to each meeting of the Audit and Governance Committee. Since the last Committee meeting in June 2022, the Corporate Risk Register has been reviewed and updated.

The ownership of the content of the Corporate Risk Register lies with the Strategic Leadership Board.

No new risks have been added to the Corporate Risk register this quarter.

Three risks have de-escalated to the relevant service risk registers this quarter where they will continue to be assessed and monitored. These risks are:

- Gaps in understanding of community needs
- Failure to manage historic records effectively
- Significant impact on Service Delivery for Planning and Sefton LA

The financial sustainability risk has been updated to reflect the latest position on the economic environment which remains dynamic at present.

Some of the risks have been re-scored, in accordance with the revised assessment guidance included in the Corporate Risk Management handbook which was approved by the Committee in December 2020.

A review of the Corporate Risk Handbook originally planned for June 2022 Committee has now taken place and is included in the paper for Members to consider. A further review will be required to take place following the completion of the risk appetite work.

Although there has been substantial work undertaken over the past six years to embed risk management across the Council there continues to be work required to ensure that it is consistently and effectively embedded.

Agenda Item 6

A presentation on one of the risks within the Corporate Risk Register will be provided to Members at September meeting.

Meetings have been held with Officers and Members to develop the Council's Risk Appetite. We are expecting the formal draft definition of the Council risk appetite to be drafted later in September which will be refined before providing it to the Committee in December 2022.

Recommendation(s):

(1) Consider the updated Corporate Risk Register, noting the nature of the major risks facing the Council, and the controls and planned actions in place to mitigate these.

(2) Approve the revised Corporate Risk Management Handbook

Reasons for the Recommendation(s):

A robust system of risk management will assist the Council in meeting its identified objectives.

Alternative Options Considered and Rejected: (including any Risk Implications)

None.

What will it cost and how will it be financed?

(A) Revenue Costs - There are no direct financial implications arising from this report. However, the Council benefits from the work of the section in reducing the impact and likelihood (and so the cost) of risk.

(B) Capital Costs - There are no direct capital costs arising from the report.

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets):	
There are no direct resource implications.	
Legal Implications:	
There are no legal implications.	
Equality Implications:	
There are no equality implications.	
Climate Emergency Implications:	
The recommendations within this report will	
Have a positive impact	Y
Have a neutral impact	N

Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	Y

The report provides a summary of the risks identified and managed that will impact on the delivery of the Council’s purpose. The Corporate Risk Register includes a Climate Change Emergency risk with actions to mitigate its impact and likelihood.

Contribution to the Council’s Core Purpose:

Protect the most vulnerable: Positive
Facilitate confident and resilient communities: Positive
Commission, broker and provide core services: Positive
Place – leadership and influencer: Positive
Drivers of change and reform: Positive
Facilitate sustainable economic prosperity: Positive
Greater income for social investment: Positive
Cleaner Greener; Positive

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD.6921/22) and the Chief Legal and Democratic Officer (LD.5121/22) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

None

Implementation Date for the Decision

Immediately following the Committee / Council meeting.

Contact Officer:	David Eden
Telephone Number:	0151 934 4053
Email Address:	david.eden@sefton.gov.uk

Agenda Item 6

Appendices:

The following appendices are attached to this report:

- Corporate Risk Register September 2022
- Corporate Risk Management Handbook September 2022

Background Papers:

None

1. Introduction/Background

- 1.1 Risk Management is defined as 'systematic application of principles, approach and processes to the task of identifying and assessing the risk and the planning and implementing of risk responses.'
- 1.2 The Risk Management Strategy included in the Corporate Risk Management Handbook, which is presented to the Audit and Governance Committee on an annual basis for approval, states that
 - 1.2.1 "Risk Management is to be an integral part of the planning and decision-making processes of the Council and that the Strategy is intended to ensure that Risk Management is embedded in the overall planning process.
 - 1.2.2 Risk management is a central part of Council's strategic management and its corporate governance. Effective risk management makes sound business sense and is a good management tool as it helps to ensure that the corporate strategic objectives, in this case Sefton 2030, are achieved. The focus of good risk management is the identification and treatment of risks that could affect the delivery of these objectives.
 - 1.2.3 Risk management should be a continuous and developing process which runs throughout the Council's activities. A systematic approach to identifying and analysing risks is an integral part of all management processes and day-to-day working, rather than a separate initiative."
- 1.3 The responsibilities for risk management within Council are detailed in the Constitution within the Financial Procedural Rules. Selected extracts include:

123 The Council's approach to Risk Management is that it should be embedded throughout the organisation at both a strategic and an operational level, through integration into existing systems and processes.

124 The Section 151 Officer develops the strategy and supporting framework on behalf of Executive Directors and Heads of Service. The Audit and Governance Committee scrutinise the risk management process ensuring the Council's risks are managed effectively.

125 Executive Directors and Heads of Service are responsible for ensuring the Risk Management Strategy is implemented and that the full risk management cycle operates within their Service.

128 Executive Directors and Heads of Service are responsible for ensuring risk management is carried out at both an operational and strategic level in accordance with the agreed guidance and procedures.

129 Executive Directors and Heads of Service will take account of, and address, corporate risks and inform the Chief Internal Auditor of any service risks that should be considered significant enough to rise to the corporate risk register level.

130 Service and operational risk registers, and associated actions, should be reviewed on a regular basis (at least quarterly) as part of the performance management process.

- 1.4 Whilst the process of risk management is routinely undertaken within the Council in a number of areas, both at a strategic level and operationally, it is recognised that there is still scope, to develop a more integrated risk management approach. This report seeks to continue the process of formalising a system of robust Corporate Risk Management and embedding this further into the organisation. The Corporate Risk Management Handbook outlines that there should be three tiers of risk registers in place across the organisation which are identified through the scoring of the risks:
- Corporate Risk Register (CRR)– risks scored at 16 plus and these are the key risks affecting the Council
 - Service Risk Registers (SRR)– risks scored between eight and 15 which are owned and managed by the Head of Service.
 - Operational Risk Registers (ORR) – risks scored at seven and below which are owned and managed by Service Managers.
- 1.5 An updated CRR is presented at each meeting of this Committee for Members to consider. The ownership of the content of the Corporate Risk Register lies with the Strategic Leadership Board. The CRR has been shared with and reviewed by senior officers to ensure that the risk register reflects the most significant risks facing the Council. The completion of a risk register also demonstrates that the Council has set out an approach to mitigate the risks that have been identified. The updated CRR is set out at Appendix A, using the revised scoring approved by Members in December 2020, for noting by the Committee.
- 1.6 The SRR are owned and should be reviewed by the (Assistant Directors (previously known as Heads of Service) on a quarterly basis and provided to the Risk and Audit team for information. The completed Service Risk Registers are used by Audit as an agenda item in the formal quarterly meeting with the Assistant Directors and are also used for the monthly budget meetings that are held by Finance with the Service Management teams.
- 1.7 The Operational Risk Registers are owned and revised by Service Managers. Members may remember that the Risk and Resilience Team assisted by the Internal Audit Team completed an exercise in 2018/19 to fully implement this tier of risk registers across the organisation facilitating the completion of over 70 risk

Agenda Item 6

registers. This exercise was completed in March 2019. The Risk and Resilience Team, assisted by the Internal Audit Team, work with the individual teams to facilitate regular reviews of the risk registers which will help to embed risk management at the centre of the Council's activities.

2. Key Developments

2.1 External operating environment

2.1.1 The external operating environment has evolved significantly over the past quarter with a number of external events occurring. These events can affect existing risks by potentially increasing the impact and/or likelihood as well as create new risks which could potentially detrimentally impact on the achievement of the Council's strategic objectives

2.1.2 Some of the events that have occurred include

- UK inflation continuing to increase at a rate substantially greater than originally planned impacting on organisations and individuals
- Substantially increased energy costs for organisations, business and individuals during the next six months
- Supply chain issues continuing
- Bank of England interest rate increases raising rates than originally perceived and potentially at a faster rate
- Heightened cyber security risks remaining
- Changes in the UK Government leadership
- Bank of England forecast of a UK recession starting in Q4 2022/23

A number of these risks are now reflected in the narrative and scoring of the Corporate Risk Register.

2.2 Corporate Risk Register (CRR)

2.2.1 Since the June 2022 update to the Audit and Governance Committee, the CRR has been reviewed and updated. The main changes include:

2.2.2 There have been no new risks added to the CRR this quarter. The financial sustainability risk has been updated to reflect the latest position on the economic environment which remains dynamic at present. Some of the risks have been re-scored, in accordance with the revised assessment guidance included in the Corporate Risk Management handbook which was approved by the Committee in December 2020.

2.2.3 Three risks have de-escalated to the relevant Service Risk Registers this quarter where they will continue to be assessed and monitored. These risks are:

- Gaps in understanding of community needs
- Failure to manage historic records effectively
- Significant impact on Service Delivery for Planning and Sefton LA

2.3 Service Risk Registers (SRR)

- 2.3.1 The March 2021 update highlighted that the position on the completion of the quarterly updates on the SRR, in line with the requirements detailed in the Corporate Risk Handbook, would be provided to the Committee indicating how many had been updated and shared with the Risk and Resilience Team on a rolling 12-month basis. A copy of the SRR is requested at the same time updates for the Corporate Risk Register are invited to be updated.
- 2.3.2 A total of six SRRs have been provided for 2nd quarter 2021/22 with one being provided late.
- 2.3.3 All of the SRRs (100%) have been provided for 3rd quarter 2021/22 although one was provided late in the process.
- 2.3.4 A total of five SRRs (50%) have been provided for the 4th quarter 2021/22.
- 2.3.5 A total of nine (90%) SRRs have been provided for 1st quarter 2022/23
- 2.3.6 A total of eight (80%) SRRs have been provided for 2nd quarter 2022/23. We are working with two of the Service Areas to improve their SRR.
- 2.3.7 There has been a slight deterioration this quarter in the provision of the SRRs being returned on time. The above findings indicate that the completion of the SRRs, in line with the Corporate Risk Handbook has generally improved over the past three quarters however consistent completion on time remains key to ensuring that there is an effective risk management system within the Council.
- 2.3.8 Focus on work during the next quarter will be on ensuring that the SRRs are updated taking into consideration the risks within the Operational Risk Registers as well as ensuring that there is a 100% response to the quarterly request for an SRR.

2.4 Operational Risk Registers (ORR)

- 2.4.1 The Risk and Resilience team have requested the six monthly reviewed/updated ORRs from risk owners during July 2022. We are slowly receiving the outstanding ORRs. Cross checks will be made to ensure the escalation process for risk is fully embedded and relevant risks are escalating from Operational to Service Registers where appropriate. The Risk and Resilience team are continuing to work with Communities and Education Excellence to further develop ORRs that reflect the structure within these service areas.

2.5 Proposed actions from June 2021

- 2.5.1 In order to address the issues identified with the embedding of risk management in June 2021, all Assistant Directors were engaged, and the following actions identified and agreed in order to improve how risk management is embedded within the organisation. An update on the action is included below in italics:
- 2.5.2 Assistant Directors will consider whether the CRR should be developed further to take account of wider strategic risks facing the organisation. *Three further*

Agenda Item 6

strategic risks were identified in 2021/22 and included in the CRR, with a further two being added in this current financial year.

- 2.5.3 It is important that to properly embed risk management that risk is an agenda item on the Departmental Management Team in each of the Service Areas on at least a quarterly basis. *Guidance has been provided previously to Assistant Directors on the proposed agenda item and testing of agenda and minutes will be undertaken in October 2022.*
- 2.5.4 The sharing of the SRR with the relevant Cabinet Member will take place on a quarterly basis. Assistant Directors were requested to provide evidence in March 2022 that in the last quarters evidence was provided that the SRR had been shared with the relevant Cabinet Member. *Testing in April/ May 2022 as previously reported to the June 2022 Committee update, noted that there had been progress although it was not a consistent picture across all of the Service areas. Further testing will be undertaken before the end of the 2022/23 financial year to determine the current picture.*
- 2.5.5 The Audit and Governance Committee approved that the Corporate Risk Register should be posted on the intranet Risk and Resilience page with notification to be sent on the intranet news for all staff. *(completed).*
- 2.5.6 An e-learning package on risk management is to be launched across the Council during the next 12 months. *We have engaged a risk management provider to the Council, through the external Insurance Programme, to develop e-learning training content on risk management which was completed by end of November 2021. The e-learning content had been received and it was identified further enhancements were required to ensure that it was tailored for the right audience. We have refined the content and the first part of the e-learning training was finished by the end of June 2022. We are currently road testing the contents with colleagues and are working with Learning and Development colleagues to transfer the content to the e-learning library before wider rollout to Members and colleagues.*
- 2.5.7 The consideration of including the risks associated with the agenda item on Committee papers linked to the appropriate Corporate Objective. *The Executive Director for Corporate Resource and Customer Services has confirmed that the intention is to implement this by the end the 2022/23 financial year after the assessment of the Climate Emergency addition on the header page has been assessed.*
- 2.5.8 Considering including an agenda item on each of the SLB/ELT meeting at the end of the meeting to consider whether any of the content of the agenda/discussions has an impact on the current risk register. *This will be introduced during September 2022 and following introduction support will be provided to assess the impact.*

2.6 Risk Appetite

- 2.6.1 The work started on defining the draft risk appetite statement in March/April 2022 and it was envisaged that draft documents would be ready to be shared in June

2022. The draft risk appetite proposal is currently being considered by management to agree the next steps.

2.7 Corporate Risk Management Handbook

2.7.1 A review of the Corporate Risk Handbook originally planned for June 2022 Committee has now taken place and is included in the paper for Members to consider. A further review will be required to take place following the completion of the risk appetite work.

2.8 Next steps

2.8.1 Following on from the approval of the Sefton Assurance framework is the consideration of implementing the three lines of defence model which outlines Internal Audit's role in assuring the effective management of risk, and the importance for delivering this of its position and function in the corporate governance. By mapping out the assurance activities from the various three lines of defence on each of the Corporate Risks this should provide better "comfort" to Members and Senior Officers that key risks are being managed effectively.

2.8.2 The Internal Audit Team have been undertaking Assurance Mapping for the past 12 months pulling together mainly external and, in some cases, internal sources of assurance that is used to help shape the draft internal audit plan and inform the Annual Chief Internal Auditor's Opinion. Work will continue to take place to refine the approach.

2.9 Summary of the current position

2.9.1 Substantial work has been undertaken to attempt to embed risk management across the Council over the past six years through designing a risk framework, providing training and facilitating the Service and Operational Risk Registers using resources across the Risk and Audit Team. Recent work has been drafting the Sefton Assurance Framework and undertaking Assurance Mapping to inform the Annual Chief Internal Auditor's Opinion and the Annual Internal Audit Plan.

2.9.2 There is clear evidence of engagement by the leadership team in terms of regularly reviewing the CRR. To demonstrate that risk management is embedded at this level engagement should be universal and consistent over time as highlighted in the update. Improvements required include the regular updating of SRRs, considering the outcome of the ORR's when looking at SRR and sharing the SRR with the relevant Cabinet Member.

2.9.3 There has been an improvement in the updating of SRRs over the past three quarters although this is not consistently 100% of all SRRs.

2.9.4 The development of the Council's risk appetite, which is nearly completed, will help to further embed risk management within the Council.

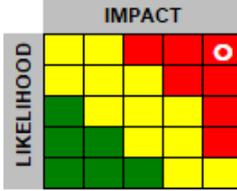
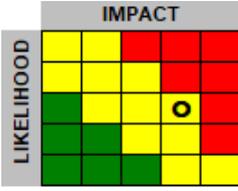
2.9.5 There is further work planned to improve risk management within the organisation through the adoption of Three Lines of Defence model and the Assurance Mapping of key risks.

Agenda Item 6

2.10 Presentation to the Audit and Governance Committee Meeting

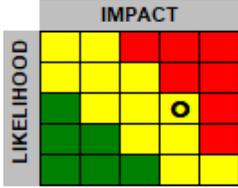
2.10.1 At the Audit and Governance Committee in December 2019 it was agreed that for each meeting a short presentation would be made by a risk owner on one of the risks from the Corporate Risk Register. The briefing, in line with good practice on risk management, should be on the background to the key risk, the current controls and the actions to mitigate the risk further.

2.10.2 A presentation will be provided to Members at the September 2022 meeting on one of the risks from the Corporate Risk Register.

Risk Description	Previous risk score	Current risk score	Target risk score
Financial sustainability beyond 2022/23			
Causes	<p>The national review of local government funding expected to be completed during 2022/23, the 2021 comprehensive spending review and potential financial settlements for 2023/24 and 2024/25 places further strain on the Council's overall medium-term budget. Due to the scale of budget reductions since 2010 there is a risk that further suitable cost-saving/income generating measures will be difficult to identify.</p> <p>The pandemic will also significantly affect both the in year and future years budget with further support from central government not expected. The impact of the Global pandemic and the current cost of living crisis will also have an impact on the Council's finances with increased demand for services, a reduction in income and reductions in Collection Fund income.</p> <p>Significant additional pressures, including Children's Social Care demand, energy costs, pay awards, increases to national living wage levels and general inflationary pressures, will all place demands on the in-year budget as well as future years' budgets.</p>		
Result	<ul style="list-style-type: none"> • Degradation of service could have an adverse impact on residents and communities • The reputation of the Council may be compromised • Financial sustainability could be compromised • With inflation reaching 10%, in the absence of further government support, the Council will be in the position of having to deliver less for the budget it holds, put in remedial action plans and for income charging services understand the cost of delivering services. 		
Current treatments and controls	<ul style="list-style-type: none"> • The financial sustainability of the Council in the next two-year period after 2022/23 will be driven by the support offered by central government via the spending review and subsequent local government financial settlements. • The 2021 Spending Review indicated there would be no additional government funding nationally in these years, with only additional Council Tax available to support increases in costs. • It was previously forecast that the Review of Relative Needs and Resources would be completed in time to influence the 2023/24 settlement and it is estimated that this will have a negative impact on resources, however as at the start of August 2022 this consultation has not commenced and many commentators feel that it will not be in place for next year, thus increasing the uncertainty in the sector. As such developing the financial envelope to inform the Council's two-year budget from 2023/24 is difficult at this stage. • The Council's revised MTFP, based on the CSR announcement, was presented at the Budget Council meeting in March 2022 and this takes account of all known information to inform decision making-due to changes in global markets an update was provided to Council in July 2022. • Future budget assumptions will take account of the latest estimates and will also be sufficiently prudent to ensure financial sustainability is maintained. 		
Risk owner	ED CR&CS		
Proposed actions	<ul style="list-style-type: none"> • Deliver the Councils Budget Plan for 2021/22 that was approved on 3 March 2022 • Respond to all consultations in respect of the reform of local government finance and lobby for the best possible financial 		

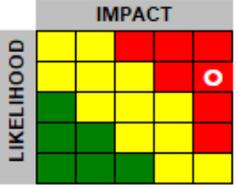
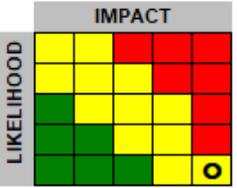
	<p>outcome for the Council - using the latest information from these consultations all 3-year budget assumptions will be updated accordingly</p> <ul style="list-style-type: none"> • Ensure the rigorous approach to budget monitoring continues through 2022/23 • Inflation reflects one of the key emerging issues to financial sustainability and is reflected in the latest financial report that will be considered by Cabinet in June 2022 and then by Council. Assistant Directors have been asked to review all budgets and understand the impact on core service delivery and those services for which a charge is levied- these will then be considered by members as part of budget management and budget setting. In addition to this lobbying has commenced of central government to seek additional financial support in respect of mitigating the impact of inflation, potential salary growth, potential impact of increases in national living wage rates and energy price increases- all of these factors are included in the June cabinet report and lobbying at a LCR level is currently underway. Ensure the rigorous approach to budget monitoring continues through 2022/23.
--	--

Risk Description	Previous risk score	Current risk score	Target risk score
------------------	---------------------	--------------------	-------------------

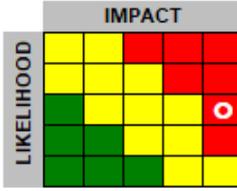
<p>Dedicated Schools Grant High Needs Funding for Special Educational Needs is inadequate to meet requirements.</p>			
<p>Causes</p>	<ul style="list-style-type: none"> • High Needs budgets are under considerable pressure from increasing numbers of children being diagnosed with complex and life-long SEND related issues. • National funding allocations are not increasing annually at a rate to reflect increases in local population demand and so any additional commissioned places need to be financed from within existing budget envelope. • The number and value of requests from mainstream schools for "top-up" funding (for children with SEND) continues to increase year on year as schools face financial pressures to meet the first £6k of any SEN Support. • Maintained special school provision is full and more children are being placed in independent provision which is more expensive. Whilst this issue is being addressed through extra In-house provision, there remain risks that external placements may continue at high additional cost. • Central Government have advocated parental preference for SEND provision - which has added to the number of children being placed in independent provision - with no additional funding. • The current accounting override, whereby the HNF deficit is ringfenced, will come to an end meaning the Council will need to identify funding to cover the existing £12m deficit 		
<p>Result</p>	<ul style="list-style-type: none"> • Sefton's High Needs cumulative budget deficit is £12m at the end of 2021/22. • The estimated deficit on the high needs block will be held on the Council's Balance Sheet. Whilst the current DfE regulations do not expect the Local Authority's General Fund to cover accumulated deficits, this is currently the basis of review, with a call for evidence being conducted to inform ministerial discussions in the autumn. This is a significant financial risk to the Council as reported to cabinet in July 2022. 		
<p>Current treatments and controls</p>	<ul style="list-style-type: none"> • Report to Cabinet on work programme, timescales, and objectives • Engagement with Assistant Director Children's Services (Education) and the SEN team Managers on how costs can be contained. • Sufficiency statement produced that will drive future strategy and financial sustainability • Lobbying and engagement of both DFE and MCCLG on financial impact and the need for increased support • Engagement with special schools actively working with individual schools to review impact of any proposed changes to their funding, reviewing three-year financial plans, identifying any strategic savings to mitigate high calls on DSG High Needs funding. • Review of place and top up levels of funding. • In addition, further work is being undertaken on alleviating the barriers to inclusivity within mainstream settings and assessment of effectiveness of capital spend to maximise mainstream settings for children and young people. • Council now part of DFEE Delivering Better Value Programme • Comprehensive quarterly reports to be presented to Cabinet on sufficiency, in house provision, funding and deficit in order to 		

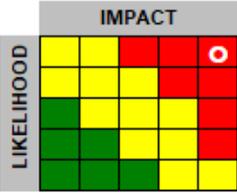
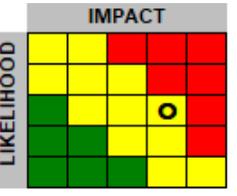
	provide rigour, transparency and inform decision making
Risk owner	Assistant Director Children’s Services (Education)
Proposed actions	<ul style="list-style-type: none"> • Lobbying of Government has been successful, and Sefton will be working in partnership with the DfE in 2022/23 to develop solutions to bring the High Needs Budget into a more financially secure position going forward and help to reduce the accumulated deficit over a set period. • Through the High Needs Review the LA has been working on two specific workstreams with School representatives working on a number of key areas: • Developing a new funding model to support children with EHCPs. • Clarifying high needs funding outside of the EHCP process. • Reviewing provision and placement sufficiency. • Considering new ways of working with SEN children in schools, making them more cost effective and with good outcomes. • Review of the graduated response and supporting SEN leadership in schools.

Risk Description	Previous risk score	Current risk score	Target risk score
------------------	---------------------	--------------------	-------------------

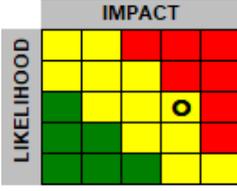
<p>Failure to adequately invest in the Highway network and associated assets.</p>			
<p>Causes</p>	<p>Inadequate funding to meet need; budget reductions; inflationary cost pressures; insufficient internal staffing resource; insufficient market capacity, contractor availability and contractor capacity; insufficient availability of materials and/or labour; delayed lead-in times for materials or services; rising prices for services, materials, and equipment.</p>		
<p>Result</p>	<ul style="list-style-type: none"> • Deterioration of highway assets • Potential increase in claims • Financial and reputational risks • Potential increase in accidents resulting in injury and/or death • Reduction in amount of work able to be done within budget 		
<p>Current treatments and controls</p>	<ul style="list-style-type: none"> • Essential work is prioritised within available budget. Regular inspections of most assets to monitor and guide prioritisation of works in order to mitigate risk. • Regular updates provided to Cabinet Member. • Preventive surface treatments used to prolong the life of the network and to treat more of it than if more long-term maintenance solutions were used (i.e., resurfacing) • Increased Capital funding received through City Region Sustainable Transport Settlement (CRSTS) for 2022-24. Will require additional staffing resource to deliver. 		
<p>Risk owner</p>	<p>Assistant Director of Place (Highways & Public Protection)</p>		
<p>Proposed actions</p>	<ul style="list-style-type: none"> • Actively pursue opportunities for additional external funding via LCRCA and others to maintain and improve network. • Work with Contractors and suppliers to manage risk, mitigate for price rises, material, and labour shortages, and manage supply chain. • Undertake recruitment to vacant posts; create and recruit to additional posts and/or commissions where funding available to do so • Further refine and strengthen project planning, delivery, and governance measures 		

Risk Description	Previous risk score	Current risk score	Target risk score
Financial sustainability beyond 2022/23			
Causes	The Council has a wholly owned Housing Development Company- due to the prevailing economic conditions at present and the issues that surround supply chains (which are worldwide) there is a risk that there could be a financial impact on the Council.		
Result	<p>There are 3 key issues that could materialise from this risk</p> <ul style="list-style-type: none"> • The Council's potential dividend of £1.3m may not be received and this would have an impact on the MTFP for 2024/25 • The Council provides a debt facility to the company that based on the recent cabinet report amounts to £8.3m- this is due to be fully repaid in 2024. • The Council's ambition to provide high quality Housing maybe compromised 		
Current treatments and controls	<ul style="list-style-type: none"> • The Council has (October 2021) received a detailed update report on all aspects of the Company's activities including building programmes, grant funding and financial implications. The new financial implications received by members were subsequently approved at Cabinet in December following the receipt from the company of an updated exit strategy. • Within that report members were provided with details of how the business plan was revised to inform more accurate financial projections that reflect a more accurate build, completion, and sales programme. • That report also provided details of the risk management approach that the company administers • The Company has utilised the Council's internal audit team to undertake a work programme during 2021/22 • An update on governance arrangements for the company was approved by Cabinet in July 2022. • An annual report will be presented to Overview and Scrutiny Committee in September 2022 		
Risk owner	CEX/ ED CR&CS		
Proposed actions	<ul style="list-style-type: none"> • The governance arrangements and current controls will continually be updated- there is a lot of coverage nationally in respect of the management of wholly owned companies and as the guidance and best practice is updated on how these should be governed and managed is published, this will be taken into account by the Council. 		

Risk Description	Previous risk score	Current risk score	Target risk score
The Council is the victim of a cyber-attack.			
Causes	Malware, ransomware, or another virus infects the Council's systems.		
Result	<ul style="list-style-type: none"> Services will not have access to systems and data as standard and will have to fall back on non-ICT delivery methods, albeit without access to key data. Data breach occurs. Financial impact of ransom. Reputational damage 		
Current treatments and controls	<ul style="list-style-type: none"> Cyberattack prevention measures are in place, including <ul style="list-style-type: none"> - Upgraded Council firewalls and active SIEM monitoring service. - Anti malware tools - New Acceptable use policy - LGA Stocktake completed - PSN Accreditation achieved - New security standards for email encryption implemented - Further network security in place to reduce risk Back-up disaster recovery facility is in place at a separate site, allowing Agilisys to restore the top 20 critical systems. Agilisys has a Business Continuity-Disaster Recovery plan in place which covers an action plan for this priority restoration, and the subsequent restoration of all other systems Ongoing monitoring in place via ICT governance arrangements Windows Defender anti-virus software is constantly updated alongside ESET also deployed Communication to employees regarding the rise in malware attacks is in place, with plans to roll out better user education on this topic. Review of Cyber Incident planning completed 		
Risk owner	ED CR&CS		
Proposed actions	<ul style="list-style-type: none"> The ongoing ICT Transformation programme will see the majority of systems and data migrated to Microsoft Azure cloud hosting, which will reduce the overall risk; and improve Business continuity however further work is underway to improve the current security posture further. Education programme for phishing to continue and this will be linked to the annual information security training. Ongoing Cyber Security Improvement plan in place, including plans to bring all systems in the support of the existing ICT Contract. 		

Risk Description	Previous risk score	Current risk score	Target risk score
Impact of Cost-of-Living Crisis on Residents and Demand for Council Services			
Causes	As residents become more vulnerable there is an increased demand for Council services - this increases pressure on teams and available resources.		
Result	Increased demand will create: <ul style="list-style-type: none"> • Increased waiting time for some services • Issues around the capacity of the workforce to meet this demand • Budget pressure that cannot be contained • The requirement for the Council to administer central government support to residents in a tight timescale • Community cohesion will be compromised. 		
Current treatments and controls	<ul style="list-style-type: none"> • Continual review of impact of cost-of-living crisis will be made based on demand for services, feedback from ward Councillors and performance information- this will lead to an agreed response with cabinet both in terms of direct support and impact on financial sustainability • In the event that the Council is asked to administer support to residents, the resource requirement will be evaluated and will be supported by new burdens funding and cabinet will be engaged on the most effective and efficient manner of providing that support 		
Risk owner	All Assistant Directors		
Proposed actions	The Council will continue to lobby central government for support for residents impacted by the cost-of-living crisis and will continue to direct resources and support to those who need it most reflecting the core purpose objective of protecting the most vulnerable.		

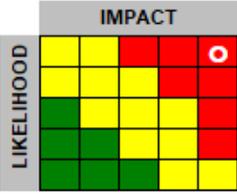
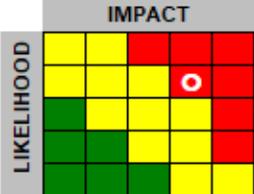
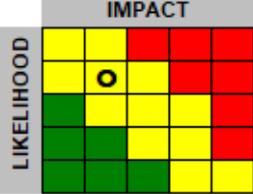
Risk Description	Previous risk score	Current risk score	Target risk score
------------------	---------------------	--------------------	-------------------

<p>Data breach resulting in the wrongful release of personal and/or sensitive information</p>			
<p>Causes</p>	<p>Policies and processes coordinated by Information Management and Governance Executive Group are not adhered to, resulting in a higher incidence of breaches caused by human error System error occurs</p>		
<p>Result</p>	<p>Failure to comply with legal requirements; loss of privacy, distress, or harm to the data subject; damage to Council's reputation; loss of public confidence; and significant financial penalties.</p>		
<p>Current treatments and controls</p>	<ul style="list-style-type: none"> Information management and governance, including data breaches and actions to prevent data breaches, is overseen by the Information Management and Governance Executive Group (IMGEG), which consists of Heads of Service with lead responsibilities for key aspects of IMG (i.e., Data Protection Officer/IG Lead, Senior Information Risk Owner, and Lead officer for ICT infrastructure) supported by other officers with key roles relating to IMG. Each service has designated Information Asset Owners and Information Asset Administrators. Policies, procedures, process, and issues are communicated to these officers through the Information Management and Governance Tactical Group. Support, co-ordination, advice, and guidance is provided corporately, and appropriate training/refresher training is in place. The Council has implemented policies, procedures, and processes to prevent, manage and respond to potential and actual data breaches. 		
<p>Risk owner</p>	<p>All Assistant Directors</p>		
<p>Proposed actions</p>	<ul style="list-style-type: none"> Appropriate resourcing, prioritisation and focus on information management and governance across the Council include the following: Regular monitoring and review by IMGEG of policies, procedures, and processes to prevent, manage and respond to potential and actual data breaches. Ongoing review of information systems to ensure no inappropriate or unforeseen data linkages exist within systems or reports. Review of systems ahead of updates to identify any unintended changes. Ongoing education of staff and monitoring of activity by IAOs and IAAs to identify and prevent areas of human error. Regular review of information contained to ensure information is accurate and any information that should be removed is removed. Regular reporting by IMGEG to SLB and Audit and Governance Committee, as necessary. Maximise the opportunities from the Council's ICT Transformation to increase and embed effective information management and governance. 		

Risk Description	Previous risk score	Current risk score	Target risk score
------------------	---------------------	--------------------	-------------------

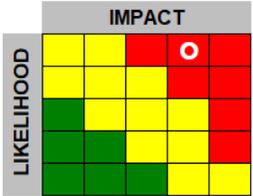
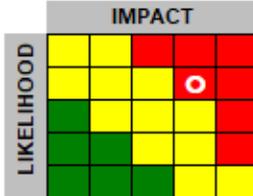
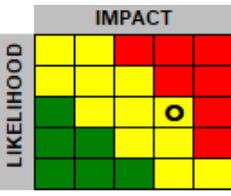
<p>Inadequate capability to prepare for and respond effectively to a major incident affecting the Council or occurring in Sefton as per the Council's responsibilities under the Civil Contingencies Act 2004.</p>				
Causes	A major incident occurs affecting the Council or the Borough			
Result	<ul style="list-style-type: none"> Loss of human life, illness, or serious injury Major damage or destruction to infrastructure, property and/or the environment Disruption or loss of critical services such as transport, communications, utility services Reputational or financial harm to the authority 			
Current treatments and controls	<ul style="list-style-type: none"> Emergency Response Manual and Major Incident Guidance in place. Revised Command and Control structure in place which defines Strategic and Tactical level officers. Emergency Duty Co-ordinators (EDCs) are able to access Resilience Direct containing incident response plans. Relevant training provided to Emergency Duty Co-ordinators and volunteers on an ongoing basis. Five EDCs have now completed Multi Agency Gold Incident Commander (MAGIC) accredited training. Attendance and participation in Merseyside Resilience Forum and joint planning across Merseyside. Humanitarian volunteers in place and regular meetings and training now offered. Continuous development and review of supporting plans. Service Level Business Continuity plans now completed. Business Continuity eLearning package available to all staff Business Continuity risk register completed and review on quarterly basis Business Continuity Policy and strategy have been devised and approved. 			
Risk owner	All Assistant Directors			
Proposed actions	<ul style="list-style-type: none"> A Business Continuity Management System has been devised and is currently being implemented. This includes the following: Six monthly review of BC plans and activation exercise undertaken to confirm accuracy of contact details included. External provider to undertake a BC exercise in Autumn 2022. Review and update of BC manual ongoing. 			

Risk Description	Previous risk score	Current risk score	Target risk score
------------------	---------------------	--------------------	-------------------

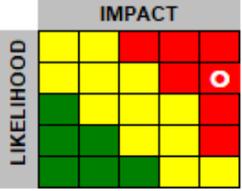
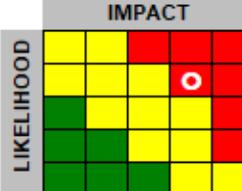
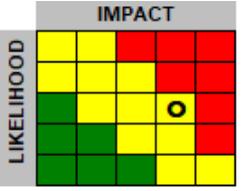
<p>Market failure of Social Care provision across Adult and Children’s</p>			
<p>Causes</p>	<ul style="list-style-type: none"> • Capability and capacity of the available workforce to provide domiciliary care • Lack of diversity of supply in the market to provide choice and control • Impact of Covid-19 and need for mandatory vaccination • Capability and capacity of the available workforce within the care home market 		
<p>Result</p>	<ul style="list-style-type: none"> • Inability to provide packages of care for service users and fulfil statutory duty of care • Lack of alternative providers able to support social care • Poor quality service provision and high costs • Significant increase in unmet needs of service users due to a fragile market that is not developing • Inability to meet sufficiency duty • Growing number of children placed out of borough with more LA's placing young people within Borough, placing additional pressure on ASC markets linked to transitions 		
<p>Current treatments and controls</p>	<ul style="list-style-type: none"> • Market Position Statement and refresh of Children's Sufficiency strategy 22-25 • Strengthen governance - Executive Commissioning Group/Strategic Commissioning Group • Strategic Commissioning Team - increased interim capacity • Commissioning priorities reset and improvement plan in place • Health and Wellbeing Strategy 2020-2025 • Winter Planning/checklist • Robust supply chain review undertaken • Demand Management Programme in adults and children's • Local Dynamic Purchasing system - approved by Cabinet • Cost of Care exercise now in process and on track to meet national reporting requirements for Sep 22 • Re procurement framework development has now commenced and update is planned to Cabinet for June 2022. Time scale for procurement has been completed • Extension of arrangements for block purchasing of hours in place to support hospital discharge and other opportunities to adopt similar arrangement being explore in the South • Fees 22/23 report completed and now progressing through corporate governance arrangements • Weekly escalation meetings with HOS and to DASS in place • Market position for ASC reporting now embedded into system calls 		
<p>Risk owner</p>	<p>ED ASC&H, ED CSC&E</p>		
<p>Proposed actions</p>	<ul style="list-style-type: none"> • Recruitment of Quality Manager will add the ability to refocus Quality assurance resources on identified areas of risk in the market and gather intelligence to inform risks and ensure resilience and capacity • Continue to focus on strategic plans to current contracts to ensure Value for Money and objectives are met. 		

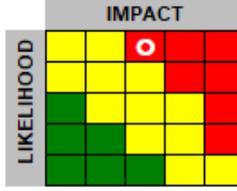
	<ul style="list-style-type: none"> • Development of new opportunities through Sefton Place Based Partnership development • Children's High Risk/High-Cost Project, Commissioning priorities and full work plan in progress with extension • Recruitment for Senior Commissioning Leadership post in process • Recruitment campaign developed with Market with ongoing input from Sefton at Work • Development of contingency plans for provider failure - risk escalation process -links to recruitment of Quality Manager • Cost of care exercises to be concluded and extend to Dom care (Bed base complete) • links maintained with LCR on key market risks (capacity, workforce, cost of living, ceasing of covid funding, demand) • New Procurement for Domiciliary Care to commence in October 2022 -agreed at June Cabinet • LGA Peer challenge completed in July 2022 which will consider market oversight and sustainability • Integrated commission arrangements will develop via new place arrangement
--	---

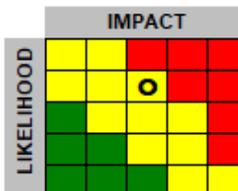
Risk Description	Previous risk score	Current risk score	Target risk score
------------------	---------------------	--------------------	-------------------

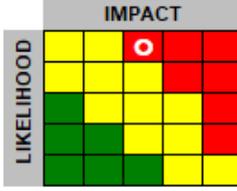
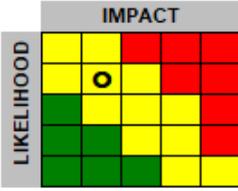
<p>Inflation and cost of care impact on budget availability</p>			
<p>Causes</p>	<ul style="list-style-type: none"> • National Care Crisis reflected at regional and local level • Increasing provider costs – CPI etc • Impact of national decisions such as increase to National Living Wage • Increased pressure to implement Real Living Wage – including to mirror approach adopted by other regional Local Authorities • Workforce issues – recruitment, retention, pay and conditions • Affordability 		
<p>Result</p>	<ul style="list-style-type: none"> • Budgetary impact / Council overspend • Failure to meet statutory obligations • Provider failure • Needs of the population being unmet • Contracts being handed back – leading to potential increased use of non-contracted Providers • Reputational damage 		
<p>Current treatments and controls</p>	<ul style="list-style-type: none"> • Cost of Care exercise commissioned externally, and work is now in progress with external provider • Market management by strategic commissioning re increased efficiencies • Establishment of Local Framework Agreements to manage costs in process • Establishment of Strategic Partnerships with providers • Utilisation of workforce grants to support the market • Involvement with regional forums e.g., NW ADASS Operational Commissioners Group to ensure collaborative approach, updates on key developments • Collaborative fee setting exercise complete- paper to cabinet imminent 		
<p>Risk owner</p>	<p>ED ASC&H</p>		
<p>Proposed actions</p>	<ul style="list-style-type: none"> • Cost of Care Exercise in process across all market sectors • Use of bespoke cost of care tools to calculate costs • Implementation of Local Frameworks to control costs (in process) • Benchmarking with regional authorities • Enhance pooled budget arrangements with Health in development in line with Place arrangements • Integrated approach to commissioning further enhanced (Intermediate care, market sustainability) • Ongoing Demand Management programme – realignment / redistribution of expenditure across service sectors to reflect actual/desired changes in demand • Strategic review of budget in process as part of Sector Led Improvement offer 		

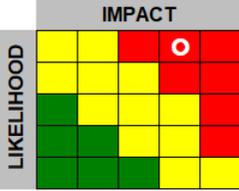
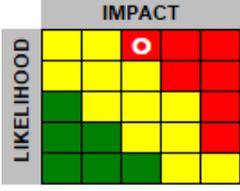
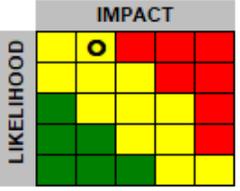
	<ul style="list-style-type: none">• LGA Peer review completed July 2022• Care Cap reform work commenced – paper submitted to ELT
--	---

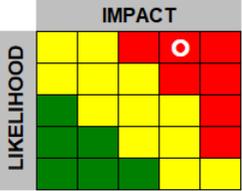
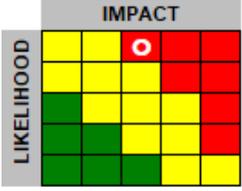
Risk Description	Previous risk score	Current risk score	Target risk score
Failure to meet the targets set out in the Council’s declared climate emergency			
Causes	The Council has declared a climate emergency with a view to becoming a net zero contributor by 2030- the aim of this declaration is to improve the lives of residents, make the Borough a more attractive place to live and work, contribute to addressing the global impact of climate change contribute to stopping the deterioration of the Sefton environment.		
Result	<ul style="list-style-type: none"> • Further deterioration in air quality • Extensive Coastal Erosion • Further deterioration in overall Sefton Environment • Sefton fails to support the drive to reduce carbon emissions that are having a significant impact on climate change • Reduced life expectancy • Reputational damage having declared an emergency and agreed a strategy and implementation plan 		
Current treatments and controls	<ul style="list-style-type: none"> • Council has declared a climate emergency • Council has agreed the Strategy to meet this Declaration • Initial activities all completed • 3-year implementation place agreed by Council • Pathway to net zero articulated in latest annual report including residual amount that maybe left and support that will be required from central government for decarbonisation • Annual Reports track progress and are reported to Cabinet and Council • Initial projects in 3-year period include- move to agile working for staff, street lighting energy scheme, decarbonation work at Bootle and Southport Town Halls and procurement of 100% renewable electricity 		
Risk owner	ED CR&CS and ED People		
Proposed actions	<ul style="list-style-type: none"> • Introduce 100% renewable electricity • Ensure completion of initial 3-year implementation place • Identify and bid for external funding to support change initiatives as without such financial support this will compromise the Council’s ability to meet its target • Work with Combined Authority on communication strategy and leverage the CA to identify external funding and align with their programme of works • Work with the voluntary sector who have also declared a climate emergency - this will support delivery of schemes, external funding generation and community engagement for both organisations. Work on-going with Multi Agency Partnership to galvanise alignment with Partners activity in this area and influence delivery in line with Sefton's Strategy. 		

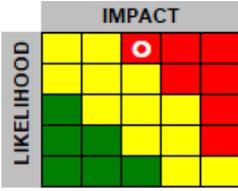
Risk Description	Previous risk score	Current risk score	Target risk score
Failure to Deliver the agreed Children’s Services Improvement Plan			
Causes	The Council does not deliver on the agreed action points and priorities identified within its response to the OFSTED Inspection of 2022. As such, the Council does not meet its target to deliver good Children’s Services		
Result	<ul style="list-style-type: none"> Objectives of Improvement Plan are not met Council does not move to a rating of Good for Children’s Services Poorer outcomes are delivered to children and families within Sefton Continual culture of improvement is not delivered Workforce is unstable with poor recruitment and retention Service does not deliver good value for money Reputation of the Council is tarnished 		
Current treatments and controls	<ul style="list-style-type: none"> Agreed Implementation Plan developed and resourced. DfE Adviser appointed to support the Council and DfE Commissioner undertaking a capacity and capability analysis Improvement Board established with all appropriate representation, which is being reviewed. External diagnostics agreed to be completed in forthcoming months to assess service improvement. Leeds Family Value Programme approved and will support improvement plan Social Worker academy to be developed to support sustainable workforce that is key to improvement Introduced market supplements and ‘golden hello’ payments – all workforce retention and recruitment options are currently being explored including overseas recruitment. (See later dedicated risk) Service structure re-aligned to improvement plan. 		
Risk owner	EDCS & E		
Proposed actions	Risk treatments and controls are new in place at this time. Governance arrangements and controls are continuously being reviewed Working with partner agencies to ensure whole system approach to support the service and system Reviewing the national McAllister review and awaiting Government response		

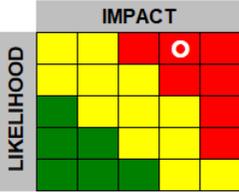
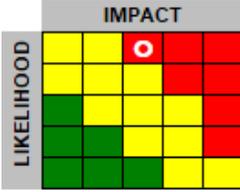
Risk Description	Previous risk score	Current risk score	Target risk score
<p>School debts transferring back to the Council in the event of them being forced into academy status or closing.</p>			
Causes	<p>Schools with Licensed Deficit Budget Agreements with the Council fail an OFSTED Inspection and the Secretary of State for Education issues and Academisation Order to transfer control of the school over to Multi Academy Trust. Governing Bodies of Schools with Licensed Deficit Budget Agreements are not able to provide an action plan and assurance that the school can address its' financial concerns and become viable and so Elected Members formally agree to the closure of the school.</p>		
Result	<ul style="list-style-type: none"> • There are eight Schools who are operating under a Notice of Concern as they have an agreed licensed deficit agreement with the Council or are projected to be in a deficit balance situation in 2021/22. • The overall deficit of the above establishments in 2021/22 is approx.£2.25m 		
Current treatments and controls	<ul style="list-style-type: none"> • All Schools must provide 3-year financial plan to the Council by 30th April each year and get agreement to operate under a Licensed Deficit Agreement. • Along with any Licensed Deficit Budget Agreement Schools are also given a Financial Notice letter which sets out the financial framework under which the Governors and Senior Members of the school must operate while they are in deficit. • Quarterly report to Cabinet Member Children, Schools and Safeguarding on overall financial risk to the Council and performance of each school against the agreed Licensed Deficit Plans. • Termly meetings with Head of Education Excellence and Finance staff with the Chair of Governors and Headteacher of each school operating under a Licensed Deficit Budget Agreement to discuss financial performance against agreed plan. • Discussion of financial performance of schools at termly Schools Causing Concern meetings where educational performance is also discussed and identifies schools that could fail any upcoming OFSTED Inspection. • The option for the Council to remove delegation from the school if an academy order is placed on the school and the Council has concerns regarding the overall deficit position of the school. 		
Risk owner	<p>Assistant Director Children's Services (Education)</p>		
Proposed actions	<ul style="list-style-type: none"> • Continued operation of Licensed Deficit Agreements and scrutiny of school financial plans and ongoing support to Governing Bodies • Meetings between the Council and the Liverpool Archdiocese to develop strategy to support a number of VA Schools who present a significant financial concern to the Council. • Agreement from the DfE to provide the Council with additional financial support through its School Resource Management Advisory Team to review the finances of specific schools and give some external / independent advice on a school's finances. 		

Risk Description	Previous risk score	Current risk score	Target risk score
Demand and Cost of Placements and Packages within Children’s Social Care leads to impact on financial sustainability of the Council			
Causes	Numbers of children requiring residential care increases above the number budgeted for. Cost of placements and packages rises exponentially due to market conditions and inflation. Requirement does not align with the Council's sufficiency strategy hence reliance on more expensive private placements. Opportunities available via fostering and adoption are limited leading to more expensive private placements. Council does not have any internal provision leading to more expensive private placements		
Result	Cost of the service increases beyond what can be contained within the services or Council budget envelope and poorer outcomes are delivered for children.		
Current treatments and controls	<ul style="list-style-type: none"> The Council's sufficiency strategy to reflect current position and this will be used to inform strategic decisions. Review of all existing placements and packages is currently being undertaken to ensure the right support is being provided to children and a full review of the cost model is being undertaken. 		
Risk owner	EDCS & E		
Proposed actions	<ul style="list-style-type: none"> Implementation of immediate care and legal gateway panel to ensure management oversight of all children coming into care. The Council will develop business cases to assess the viability of providing Council owned children's homes which will provide better outcomes for children and ensure value for money. 		

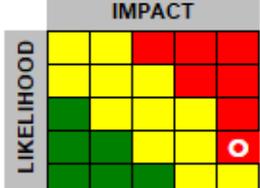
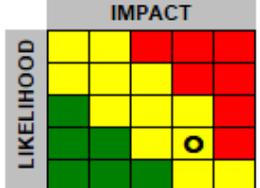
Risk Description	Previous risk score	Current risk score	Target risk score
<p>Children’s Services Workforce – failure to be able to recruit and retain a suitably qualified workforce leading to large turnover of staff, unstable workforce, and poor outcomes for children</p>			
Causes	<p>Inability to recruit qualified personnel – this is a regional and nationwide issue with an increased move to agency working and being part of expensive managed teams. As a result of change in the employment market, staff within the Council make a career choice to work on an agency basis</p>		
Result	<ul style="list-style-type: none"> • Increased staff turnover leading to cases passing between social workers on a regular basis • Poor practice and outcomes for children • Inability to develop team ethos and culture within the service and improve practice • Potential for poor service delivery • Reduced levels of performance management and quality assessment. • Cost of the service far exceeds budget available • Poor morale and higher turnover of permanent staff due to increased pressure on other colleagues. • Increased management resource needed to deal with on-going management, recruitment, and HR issues 		
Current treatments and controls	<ul style="list-style-type: none"> • Workforce strategy being developed to support recruitment and retention of required workforce. • Social Worker Academy to be developed in order that Council can 'grow its own' staff cohort - evidence suggests these increases retention levels. • Workforce Strategy currently includes financial inducements to attract and retain staff including golden hellos and retention payments. • Dedicated webpage for Children's Services staff recruitment. • Some core HR processes have been removed in order to streamline recruitment processes • Dedicated HR Business Support Unit established for Children's Services to move responsibility from service staff thereby increasing capacity in workforce and improve speed of recruitment processes. • Continued engagement with matrix agency framework to discuss availability of social workers. • Review of culture and practice within the service underway to improve retention levels and reputation thereby supporting recruitment. 		
Risk owner	EDCS & E		
Proposed actions	Risk treatments and controls are new in place at this time.		

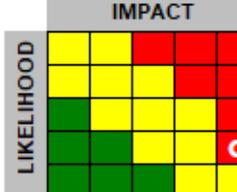
Risk Description	Previous risk score	Current risk score	Target risk score
Failure to mitigate impacts of COVID-19, EU Exit, winter, austerity, on the Sefton economy			
Causes	Lack of support for business Lack of progress on projects that can support recovery Lack of capital and revenue funding from government Impact of wider issues on local businesses (e.g., national retailers) Loss of key employers to the borough and towns, particularly Bootle and HMRC, Santander Impact on key sectors (especially hospitality) in Southport		
Result	<ul style="list-style-type: none"> • Increased business failure • Vacancy/skills gaps/Increased unemployment • Income disparities in Sefton's Lower Super Output areas (north and south Sefton) • Financial and reputational risks to the Council • Impact on communities of port disruption, increased traffic, etc • Loss of reputation • Impact of wider economic change on residents, particularly the most vulnerable 		
Current treatments and controls	<ul style="list-style-type: none"> • Sefton Covid Recovery plans in place and will be replaced by Sefton Economic Strategy (SES) 2022/24 • Consultation on economic evidence base 20 July-17 August 2022 • Feedback will, where appropriate, be fed into the development of a new SES & action plan that will require approval by Cabinet in October 2022. • SES will be overseen by the Economy Cell which will report through the Growth board and Executive Director for Place • Growth programme - Will ensure through regular review and Stewardships that projects if applicable focus on recovery for the Economy • Ongoing business and Employment support via InvestSefton and Sefton@Work in context of an ongoing recovery and replacement EU monies via UKSPF Full engagement in regional growth-related forums • Establishment of multi-stakeholder working groups focused on recovery in key town centres. • Delivery of Southport Town Deal development projects • Submission of Levelling up bid for Bootle 		
Risk owner	Assistant Director of Place (Economic Growth and Housing)		
Proposed actions	<ul style="list-style-type: none"> • The Sefton Economic Strategy is under complete review and will include all actions associated with recovery from pandemic. • Revised SES will be completed for October 2022 Cabinet decision • Actively pursue opportunities for additional external funding via LCR/CA and HMG to develop projects • Investor proposition development and proactive business development activity to ensure attraction and retention of businesses and employers in the borough 		

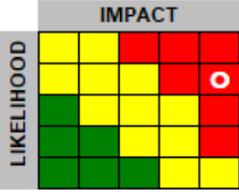
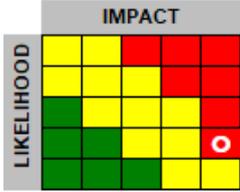
Risk Description	Previous risk score	Current risk score	Target risk score
<p>Ability of the Council to Recruit to its Workforce in order to Deliver its Core Purpose.</p>			
Causes	<p>Due to the contraction of the labour market both nationally and locally the council cannot recruit sufficiently skilled staff in order to meet business need.</p>		
Result	<ul style="list-style-type: none"> • The council does not have the capacity to deliver the services it needs to at the pace or standard required. • Due to the contraction in the market the council cannot recruit to key roles – over the past 12 months this has been evident in Social Care, Regeneration, Procurement, Performance Property and Finance. • Such a scenario places increased pressure on the workforce that cannot be maintained over the long term. • In addition to the lack of candidates in the market seeking permanent employment and a reduction in availability of temporary or agency staff, the cost of bringing in temporary cover is increasing exponentially thus creating budget pressure. 		
Current treatments and controls	<ul style="list-style-type: none"> • The council’s approach to recruitment and retention has been and will continually be the subject of review. • The council is building on the success in some areas and will seek to ‘grow its own’ workforce with the promotion of apprenticeships, the social worker academy, and graduate programmes. • The council will continually seek to enhance its culture in order that staff remain in Sefton. • The council will work with Liverpool City Region Partners to recruit talent nationally and look at training and development programmes across the region that will be attractive to potential candidates. 		
Risk owner	<p>All Assistant Directors</p>		
Proposed actions	<p>This is a new risk and treatments, and controls are new in place at this time.</p>		

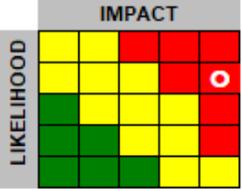
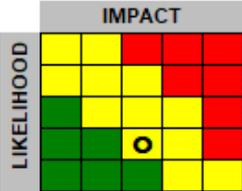
Risk Description	Previous risk score	Current risk score	Target risk score
ASC Workforce – recruitment, availability of suitably qualified staff and retention of current workforce			
Causes	Inability to recruit qualified personnel - regional/nationwide issue Working conditions and work pressures		
Result	<ul style="list-style-type: none"> • Increased waiting times leading to delays in responsiveness for some individuals and carers. • Risk to delivery of certain statutory functions in specific areas, • Potential to miss priority and vulnerable service users • Potential for poor service delivery • Reduction of quality assessment and support planning due to demands on staffing • Challenges to budget management and forecasting • Increase in service user complaints • Poor morale and higher turnover of staff due to increased pressure on other colleagues • Increased management resource needed to deal with HR issues 		
Current treatments and controls	<ul style="list-style-type: none"> • Targeted action to attract and retain key roles e.g., AMHP's, BIA's (enhancement for OOA AMHP now in place) • Processes in place to monitor waiting times and cases pending at Senior Level including action taken to mitigate any potential risk- oversight at strategic performance and resource meeting • Staff induction and training and induction plans reviewed • Personnel and HR policies to address concerns around capability and performance • Process to monitor and manage staff absence - additional support from HR and promotion of wellbeing support • PDR process and assessment of training needs • Professional Practice Forum established • Robust training plan for ASYE Adults programme • Regular staff training events in place • Core training offer in place to support professional development and retention • Empower staff to value continued improvement - Focus on reading time for front line staff • Apprenticeship scheme expansion - opportunities now available across a range of roles and professions - managerial, professional, business and administration to aid development and succession planning • Final draft of Career Progression Framework • Strategic Workforce meeting now in place • OT apprenticeships in place • Increased visibility of workforce metrics via performance framework with further enhancement planned aligned to National Assurance Framework 		

	<ul style="list-style-type: none"> • Refreshed Staff bulletin now developed in collaboration with comms • ASC now represented on NWADASS workforce Board - to ensure regional and national initiatives are engaged with. • Initial phase of work force strategy is in process however further work to be undertaken regarding longer term demands and impact of Integration
Risk owner	Assistant Director of ASC
Proposed actions	<ul style="list-style-type: none"> • People Strategy for ASC at final sign off stage • Recruitment campaign now being implemented including increased use of social media • Peer review completed July 2022 • Strategic review of budget and income in process to support investment • Staff communication strategy has been refreshed and workshops planned with frontline colleagues and leaders (including back to the floor) • Review of existing Apprenticeship arrangements for OT and SW to increase targets and success levels completed. • Review of weekend working in process • Review of agency staff usage across all service areas completed continue to monitor • Development of improved provision of workforce metrics being developed with HR to ensure service meets requirements of National Assurance Framework • Review of key posts and JDs to ensure market competitiveness and compliance with new system approaches • Place based Integrated Workforce strategy to be developed • Review of regional and national workforce initiatives (complete)

Risk Description	Previous risk score	Current risk score	Target risk score
<p>The Council cannot demonstrate it has the capacity or capability to meet the requirements of its Children’s Services improvement plan and move from Inadequate to Good resulting in the recommendation that it becomes a Children’s Trust.</p>			
Causes	<p>DFE commissioner advises that the Council does not have capacity or capability to meet requirements of improvement plan and improve children’s services.</p>		
Result	<ul style="list-style-type: none"> Commissioner recommendation is that Sefton Children’s Services be placed in a Children’s Trust 		
Current treatments and controls	<ul style="list-style-type: none"> Improvement Board has been set up including all major Council leaders, including cabinet members, partners and DfE representatives. Priority given to improvement plan within the Council with capacity and expertise directed to it. Improvement plan to be invested in and aligned to Council’s Medium Term Financial Plan. Required rigour to preparation and delivery of Improvement Plan in place led by cabinet members and CEX and DCS. Regular reporting on progress on improvement plan to be provided to Cabinet and Overview and Scrutiny Committee. 		
Risk owner	<p>EDCS & E</p>		
Proposed actions	<ul style="list-style-type: none"> Work across Sefton Partnership Network to ensure full engagement and ownership of Improvement Plan that will lead to improved outcomes for Children. Council has been successful in its bid for funding from the Leeds Family Value Programme – this £3m investment will support the Council in improving services to children. Following the development of the implementation plan a revised service structure that aligns to the plan has been developed. 		

Risk Description	Previous risk score	Current risk score	Target risk score
<p>Inability to deliver the requirements and commitments for the Growth Programme and its associated Projects</p>			<p>TBC</p>
<p>Causes</p>	<p>Required Capital and Revenue funding not available to deliver the projects for Economic Recovery and Growth. This can be due to unavailability or timing of funds available. External pressures affecting the construction sector, leading to challenges to project deliverability, affordability, or timescales. This includes inflationary cost pressures; insufficient market capacity, contractor availability and contractor capacity; insufficient availability of materials and/or labour; delayed lead-in times for materials or services; rising prices for services, materials, and equipment. Insufficient internal staffing resource, hindering effective and timely delivery.</p>		
<p>Result</p>	<ul style="list-style-type: none"> • Increased business failure • Reputational Damage especially on projects declared already in the public domain. • Increased unemployment • Financial and reputational risks to the Council • Impact on communities. • Loss of reputation • Impact of wider economic change on residents, particularly the most vulnerable 		
<p>Current treatments and controls</p>	<ul style="list-style-type: none"> • Growth Programme and associated Governance and project controls. • Bid process and expertise applied to all existing and new funding opportunities. • Members approval and prioritisation of existing and new projects. • Constant and consistent evaluation and use of Growth Budget. • Opportunities in respect to Capital receipts from asset disposal. 		
<p>Risk owner</p>	<p>ED Place and Assistant Director of Place (Economic Growth and Housing)</p>		
<p>Proposed actions</p>	<ul style="list-style-type: none"> • Immediate review of the Government White Paper on Levelling Up to ensure timely advantage taken of any funding opportunity. • Actively pursue all additional funding available in timely and at the earliest opportunity. • Create and make available Bid Team focused on and challenged with successful bids. • Establish Project Review forums and reporting mechanisms for early visibility of reporting of project progress and any emerging issues - on a project-specific and programme-wide basis. • Proactive external engagement with construction sector and key partners (e.g., LCR CA) to ensure visibility and understanding of risks to the sector and potential mitigants. • Develop and implement procurement strategy to ensure sustained competition, robustness of process and suitable partners for project delivery. • Further refine and strengthen capital project planning, delivery, and governance measures 		

Risk Description	Previous risk score	Current risk score	Target risk score
Failure to adequately maximise the benefits of digital growth to the local community and businesses			
Causes	Budget reductions, inadequate funding levels and capacity to meet needs of strategy.		
Result	<ul style="list-style-type: none"> Digital and technology is a key enabler within multiple workstreams of the authority and its transformation programmes as well as being recognised as an enabler of economic growth. Non-delivery across digital workstreams would impact on key workstreams and economic growth. 		
Current treatments and controls	<ul style="list-style-type: none"> New and emerging challenges around digital infrastructure, inequalities and exclusion, and skills and training are addressed but a whole council approach is required to meet future challenges. 		
Risk owner	ED People		
Proposed actions	<ul style="list-style-type: none"> Key workstreams have been developed around infrastructure (linked to LCR Connect ((the LCRCA Backhaul Network), Digital Training and Skills Board and Digital Inclusion (both business and community focussed). All report into Framework for Change 2020. Overarching purpose is to develop the vision across all themes and to actively seek out collaborative opportunities to meet that vision through partners, VCF sector, LCRCA, private sector provides and central government funding streams. 		

Risk Description	Previous risk score	Current risk score	Target risk score
<p>Failure to effectively manage and support the response to a pandemic incident</p>			
Causes	<p>Major pandemic incident occurs where there are multiple community outbreaks of COVID-19 impacting on the local area and staff. Recovery plans not in place.</p>		
Result	<ul style="list-style-type: none"> • Increased morbidity and mortality • Reduced capacity across the Local Authority and partner organisations. • 20-35% staff absences anticipated in services across the Local Authority and partner organisations. • Services delivery reduced as a result of the implementation of business continuity. • Increased demand of services in response to outbreaks. • Increased social anxiety. • Services, businesses, and schools being temporarily closed. • Surge of demand in supply chains. • Negative socio-economic impact. • High level of media and public interest in the Council's actions • Loss of reputation 		
Current treatments and controls	<ul style="list-style-type: none"> • Sefton Council Strategic Coordination Group (SCG) for COVID-19 established but now stood down. Sefton Governance structure and operational response cells now stood down, but recovery cell is still in place. The arrangements have largely stood down apart from those linked to the Merseyside Resilience Forum, but structure can be stood back up as necessary. • Enhanced working practices to facilitate remote, agile, and home working for majority of staff. • Robust IT systems to allow virtual meetings and extended customer contact centre opening hours. • Pro-active Communications strategy for public facing, internal and multi-agency working, co-ordination of information and guidance updates and out of hours on call Comms rota. • Links to national guidance and Gov.uk latest information repository pushed out via staff intranet, social media, and other partner communications /news platforms. • Sefton Major Incident Guidance Document / Sefton Business Continuity Policy / Sefton Business Continuity Strategy / Service Area COVID-19 BC plans / E- learning module on Business Continuity • Sefton dedicated and knowledgeable teams including Public Health Team and Risk and Resilience Function • Continuous reinforcement of hand hygiene and infection control messages from Public Health both internally and externally. • Regular Communications from HoS and Senior Managers to staff with regard to observation of social distancing and on-going 'stay safe' COVID-19 advice including continue to work at home wherever possible. • Outbreak Board now stood down but regular monitoring reports to Cabinet Member for Health and Wellbeing 		
Risk owner	<p>DPH/CEO</p>		

Proposed actions	<ul style="list-style-type: none">• Council plans have been reviewed although most responsibilities for controlling outbreaks have been removed.• Community testing and contact tracing now disbanded.• MRF multi-agency Strategic Recovery Co-ordinating Group planning ongoing.• Further guidance is awaiting on Council response to increased transmission and /or outbreak management.• Place based planning in progress
-------------------------	--

Corporate Risk Management Handbook

Risk and Audit Service
September 2022

Contents

Page(s)	Item
3	Introduction
4 - 5	Defining Risk
6- 14	Risk Management Process <ul style="list-style-type: none"> • Risk Management Process Model • Risk Identification • Risk Wheel • Trigger and Result • Risk Ownership • Risk Assessment – Scoring • Risk Evaluation Scoring Matrix • Existing Controls • Residual Risk Score • Options for risk response and appropriate response for the levels of risk • Proposed Actions to reduce Residual Risk Score • Target score • Risk Appetite • Response and Assurance • Action Planning • Risk Monitoring • Risk Reporting • Where to record and escalate a risk
15	Annual Assurance
16 - 17	Completing the Risk Implications on Committee and Executive Reports
18 - 24	Annex A <ul style="list-style-type: none"> • Risk Management Strategy • Risk Management Policy Statement • Roles and Responsibilities
25	Annex B <ul style="list-style-type: none"> • Risk Register Template

Introduction

As '**One Council**' we aim to make Sefton a great place to be.

Our vision focuses on six key priorities:

- Economy
- Environment
- The Most Vulnerable
- Health and Wellbeing
- Resilient Communities
- Reshaping the Council

We need to make sure that risk, that prevents or compromises the achievement of our aims and objectives are managed and adequately monitored.

We need to understand the positive and negative aspects of risk as there is potential for events to create opportunities as well as threatening success.

This approach is a fundamental element of the Council's Code of Corporate Governance and forms part of the Annual Governance Statement.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. Whilst it is recognised that it cannot eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable assurance of effectiveness.

On an ongoing basis, the system of internal control is designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The Annual Governance Statement submitted to the Audit and Governance Committee will include a review of the effectiveness of the risk management process.

Defining Risk

‘Factors, events or circumstances that could prevent or negatively impact on the achievement of the Council’s strategic and service plan objectives’

Risk could lead to the Council encountering significant or serious legal, reputation and financial harm. The possibility of ‘risk’ needs to be integral in all planning and decision making and be considered as an integral part of all performance management.

In addition, the performance of strategic partnerships, key suppliers, schools and major projects are important elements that effect the achievement of Sefton’s strategic targets.

Considering the risk profile and changes to scoring enables those that are high or very high to be identified so that they can be escalated and included in Sefton’s Corporate Risk Register. Risks that have factors which lead to a score increase can also be identified before they become ‘high’ so that action plans can be implemented appropriately.

Inherent or gross risk is defined as the assessment of the risk, highlighted as a numerical score, ignoring the effect of the existing controls. Residual or net risk is the assessment of risk, again highlighted as a numerical score, left after the current controls are implemented. The residual score should always be lower or at worst the same value as the inherent score, as this reflects the effectiveness of the current controls. Where the inherent and net score are the same it is indicating that there are either no key controls in place or that the identified key controls are ineffective at mitigating risk. Further actions to manage the risk are normally required to reduce the risk score to a manageable level. The scale and extent of further action required is dependent on the Council’s appetite for risk and further guidance is provided below.

The identified risks and current controls should be regularly monitored to ensure that they are effective. In addition, where there are further actions to reduce the risk score to at or below the Council’s risk appetite these should be regularly reviewed to ensure that the actions are implemented in a timely manner, and they are as effective as originally intended.

The formal risk registers in place, the regular monitoring and implementation of actions are all evidence that help to demonstrate the implementation of risk management within the Council.

Risk management arrangements will be periodically reviewed based upon the severity of the risk together with an annual review of the strategy and process.

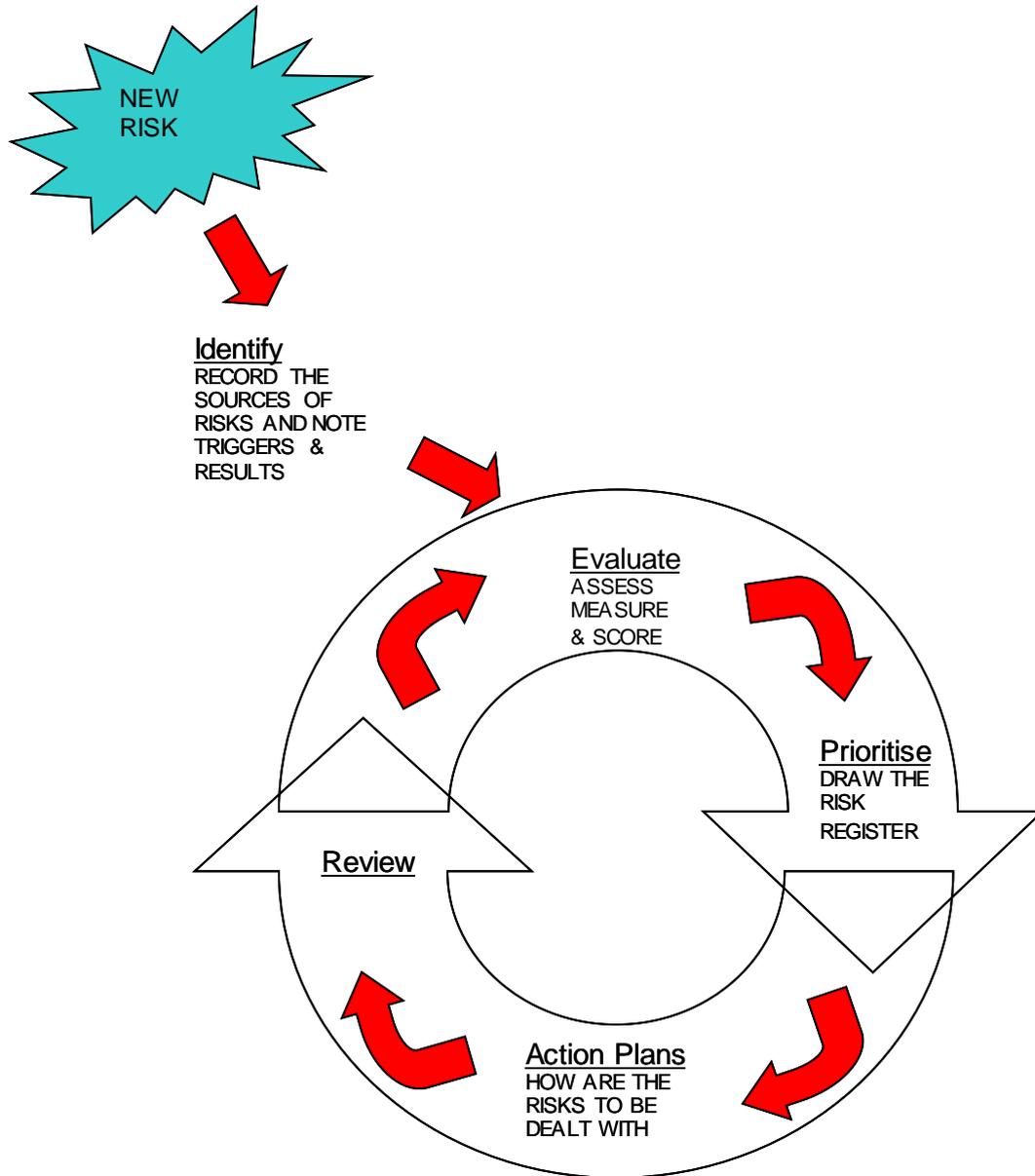
Benefits of Risk Management

- Alerts Councillors and officers as to the key risks that may threaten achievement of the Council's plans
- Enable risk mitigation and management
- Provide appropriate assurance to Councillors, relevant Committees and officers as to the adequacy of arrangements and enhance awareness of risks and appropriate approach
- Demonstrates accountability to regulatory bodies
- Create focus towards objectives
- Help inform and manage change
- Give flexibility in responding to issues
- Support innovation
- Improve transparency and justify decisions
- Inform the budget and MTFP process
- Identify the appropriate level of controls
- Share knowledge in controls
- Protect reputations

Risk Management Process

The process described below details the stepped approach to identifying, assessing and recording risk. This is also represented by the following diagram:

Risk Management Process Model



Risk Identification

Officers should devote sufficient time to identifying risk, as this is the more complex area of risk management. The aim of this stage is to identify and record in a risk register the key risks that could prevent the Council from achieving its objectives. The objectives could stem from the business plan or the Council's 2030 Vision or the objectives for a project. It is important to have a clear shared understanding of the objectives before you start to assess the risk otherwise the risk identification process is likely to be ineffective.

You should ensure that relevant staff to the project or service area are involved in the risk identification process to ensure that a holistic assessment of risk is obtained and gathered.

Risks are normally identified using a systematic approach by considering risks by type such as legal, reputational, financial for example using the Risk Wheel below. Not all risk types are applicable in every assessment of risk however it is a useful tool to run through at each risk identification session. Both internal and external factors that will impact on the achievement of the Council's objectives need to be considered. Once the risk is identified then a structured process can be implemented to ensure that the risk is fully evaluated and appropriately managed.

Risk Wheel



An ideal method to identify risks is through brain storming sessions with relevant staff or where this is not possible through interviews on a one-to-one basis. Risks should be recorded as an uncertainty and the language used should reflect this for example failure to achieve business plan objective.

Key Points

- Keep it simple
- Prioritise the risks in the risk register with the highest scoring risks at the front of the register and the rest of the risks in descending order
- Consider external and internal factors including risk shifting across services
- Consider tried and tested methods and best practice
- Ensure there is a clear link between objectives and risks
- Revisit regularly to ensure the insignificant risks stay that way
- Ensure that responsibilities for risk management are delegated to named individuals

Potential Risk Areas – (examples, not exhaustive)

- | | | |
|---------------------|---------------------------------|------------------------|
| • Managing change | • Integrity of staff | • Funding availability |
| • Reputation damage | • Fraud | • Physical disasters |
| • Legal compliance | • Security of funding | • Data integrity |
| • Government policy | • Debt management | • Operational |
| • Health and safety | • Disaster recovery | • IT failure |
| • E- commerce | • Financial external regulators | • Treasury management |
| • Staff retention | • Ethics / culture | • Stakeholder pressure |

Trigger and Result

The risk identification process should consider and document the triggers (root cause of the risk) and the results (consequences) of risk which add context and an understanding of the dynamics of that risk. The defining of the trigger and results aids the identification of appropriate controls and mitigating actions that can be implemented to prevent the risk occurring or mitigate the impacts or support speedy recovery. Identifying the result creates the understanding of the impacts should the risk be realised.

Triggers are recorded as a statement or a factual event for example a change in government policy. There may be multiple triggers for a risk and care should be taken as to whether they should be recorded together or as separate line in the risk register and scored differently as often the risk scores and the controls used to manage the risk with more than one trigger are different. A common pitfall at this stage is confusing when a risk is a trigger and vice versa. Time should be spent ensuring that the relationship between the risk and trigger is clarified and understood.

The results of the risk are the consequences of the risk occurring for example loss of revenue. There are often multiple consequences of the risk which should be recorded and will help to shape the scoring of the risk.

Risk Ownership

The effective management of risk requires that each risk should have a named owner this is to ensure that ownership of the risk is clearly identified and accountable. Ownership should be vested at individual officer level using their post title and not at team level or entity level.

Risk Evaluation Scoring Matrix

Risk Assessment – Scoring

Risks will be evaluated in accordance with a 5x5 scoring matrix, which is an industry standard approach. The Risk Register template (*Annex B*) should be completed in line with the scoring below.

Select the relevant descriptor for the **Likelihood** of the risk occurring and the same for the **Impact** of the risk. The point at which they intersect indicates the appropriate risk score. There is no multiplication involved.

The initial risk assessment scoring identifies the inherent or gross risk values which ignores the controls in place and should, in the vast majority of cases be higher and in a small minority of cases the same, as the residual risk score. The assessment should consider previous history of similar risks and their impact as well as consideration of whether action would perhaps have automatically been taken to address the risk.

IMPACT				
Insignificant	Minor	Moderate	Significant	Catastrophic
No real interruption to service	Some disruption but can be managed	Disruption of several operational areas	Disruption of all service areas	Total failure of systems and services
One-off minor reduction in performance in one service area	Sustained reduction in performance in one area or reduction in performance across more than one service area	Sustained reduction in performance in more than one service area	Sustained systematic non-performance resulting against most performance targets	Complete performance failure
Financial loss up to £5,000	Financial loss between £5,001 and £20,000	Financial loss between £20,001 and £100,000	Financial loss between £100,001 and £1 million	Financial loss in excess of £1 million
Loss of up to 10% budget	Loss of 10 - 20% budget	Loss of 20 - 40% budget	Loss of 40 - 65% budget	Loss of over 65% budget
Minor injury or discomfort to an individual	Minor injury or discomfort to more than one individual	Major injury to an individual	Major injury to more than one individual	Fatality
Contained within Section/Unit or Service. Complaint from individual/small group, of arguable merit.	Large number of complaints. Social Media comment	Adverse local publicity/local public opinion aware. Statutory prosecution of a non-serious nature.	Adverse publicity in professional/ municipal press affecting perception/ standing in professional/local government community. Major and persistent adverse local publicity	Adverse and persistent national media coverage. Adverse central government response. Officer(s) and/or members forced to resign.

LIKELIHOOD	Almost Certain The event is already occurring or is expected to occur	Circumstances frequently encountered - daily/weekly/monthly >90%	11	16	20	23	25
	Likely The event is likely to occur	Circumstances occasionally encountered - a few times a year 30-90%	7	12	17	21	24
	Possible The event may occur	Possibility of happening at some point within the next 1 - 2 years 10-30%	4	8	13	18	22
	Unlikely The event is not usually likely to occur	Circumstances that may occur within the next 3 years 3-10%	2	5	9	14	19
	Rare The event is only expected to occur in exceptional circumstances	Has happened rarely/never before <3%	1	3	6	10	15

Existing Controls

In this section of the risk register identify the **existing** controls that are in place that are being used to mitigate the risks. These are the specific, relevant controls used to manage the risk.

Controls are defined as “any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved”.

In practical terms controls can be any action that is undertaken from selecting experienced qualified staff to using external providers to give advice to formal procedure manuals. A list of examples of key controls include but not exhaustively:

- Recruitment of qualified experienced staff
- Recruitment procedures
- Business Plan approved by Cabinet
- Team meetings
- Financial procedures
- Formal consent by service users
- Bank reconciliations
- Cabinet approved policies

Residual Risk Score

Following the identification of the existing controls, an assessment of the residual risk score should be undertaken. This score directly identifies the effectiveness of the existing key controls and indirectly the priority to complete further action.

Where the existing controls are ineffective or only provide limited mitigation the residual risk score could be the same or a small reduction against the inherent risk score.

Consideration of risk scores assists management in prioritising resources to mitigate risks. The following table outlines the options normally available for mitigating the risks.

Options for risk response and appropriate response for the levels of risk

There are four standard options for mitigating risk and these are:

- **Terminate** - can you avoid the activity as the risk is unacceptable due to consequences due to the impact on reputation, financial loss or death? This normally applies to risks with very high residual risk scores.
- **Treat** - can you mitigate the risk? the checks and balances which are built into our everyday business processes (the main type of mitigation)
- **Tolerate** - can you accept the risk? This normally applies to very low residual score risks only.
- **Transfer** - can you transfer the risk? For example, through an insurance programme.

The following table outlines the suggested risk treatment options that are related to the level of risk and their related risk register in the Council.

LEVEL/ Risk Register	Options for mitigation of risk
MAJOR/ CRR	<ul style="list-style-type: none"> • Terminate activity • Treat • Transfer
MODERATE/ SRR	<ul style="list-style-type: none"> • Treat • Transfer
MINOR/ ORR	<ul style="list-style-type: none"> • Treat – where cost is not prohibitively expensive • Tolerate

Proposed Actions to Reduce Residual Risk Score

After identifying the residual risk score there should be consideration as to whether further actions are required to reduce the residual risk score to the Council’s risk appetite. Risk appetite will vary dependent on the activity or objective’s importance to the Council. The risk owner is responsible for ensuring that reasonable actions to further mitigate the risk score to the Council’s appetite are identified, allocated and implemented in a timely manner.

For each action that has been identified an assessment should be made of the effectiveness of the action to reduce the residual risk score to the target score.

Target Score

The target score should be completed in the risk register to identify the level of risk exposure we are prepared to tolerate following completion of all the mitigation tasks. The target score should be recorded using the risk descriptors for likelihood and probability considering the Council’s risk appetite.

Risk Appetite

Risk appetite can be defined as ‘the amount and type of risk that the Council is willing to take in order to meet its strategic objectives. Organisations in general will have different risk appetites depending on their sector, culture and objectives. In practice, there is likely to be a range of appetites which exist for different risks, and these may change over time.

The Council is currently developing a risk appetite which will be included in future updates of the Corporate Risk Management Handbook.

Response and Assurance

Response

- Identify how each risk is to be dealt with
- Ensure this reduces the level of risk
- Assess whether the control is cost effective and does not exceed the cost of the risk being realised
- Create an action plan with a named owner
- Ensure action plan is managed
- Don't stifle with control

Assurances

- Is the assurance acceptable?
- Are there are effective controls in place?
- How are the controls tested?
- Is there an auditable trail to demonstrate risk management?

Action Planning

If it is identified that the residual risk score is deemed to be above the Council's risk appetite and should be reduced, further actions should be designed so that when they are implemented, they reduce the residual risk score to the target risk score. In determining the mitigation required to manage a risk, regard must be had to the proportionality of the cost of the mitigation to the cost impact if the risk occurs, it makes no sense if the cost of control exceeded the cost of impact.

A risk action owner, who may not be the risk owner, should be assigned as the named owner and an achievable target time scale for completion should be formally agreed. It is unacceptable to set a target date of "ongoing" as this does not facilitate the effective management of action delivery.

Risk Monitoring

Risk registers of all levels (Corporate, Service, Operational, Project) should be monitored on a quarterly basis to ascertain:

- If all key risks are included
- If new controls need to be put in place
- If any risks can be closed
- The progress in implementing agreed actions. The completed actions should be transferred to the existing key controls column
- If residual risk scores should be rescored, e.g., to reflect completed actions

Risk Registers are dynamic documents; therefore, managers should not wait for the next formal quarterly review to include any newly identified risks in their service area.

Risk Reporting

Where issues are identified in undertaking action to mitigate risk, or where the risk has reduced, then the risk owner should consider either escalating a risk upwards (e.g. from Service Risk Register to Corporate Risk Register) or downscaling the risk (e.g. from Corporate Risk Register to Service Risk Register).

Where to record and escalate a risk

Identify Risks			
Assess Each Risk			
Evaluate Each Risk			
*	Risk Score 1– 6 (Minor Risk)	Risk Score 7 – 18 (Moderate Risk)	Risk Score 19 – 25 (Major Risk)
	Record in Operational Risk Register	Record in Service Area Risk Register	Record on Corporate Risk Register
	Allocate an Owner - Assistant Director/or Service Manager as appropriate	Allocate an Owner - Assistant Director/or Service Manager as appropriate	Allocate an Owner - Executive Director/Assistant Director
	Manage the risk - consider 4 T's which apply	Manage the risk - consider 4 T's which apply	Manage the risk - consider 4 T's which apply
	Define actions, responsible officers and timescales	Define actions, responsible officers and timescales	Define actions, responsible officers and timescales
	Report to Assistant Director	Report to DMT	Report to SLB/ELT & Members as appropriate.
	Review the residual risk	Review the residual risk	Review the residual risk
	Re-assess	Re-assess	Re-assess

* In determining where the risk is recorded, please note:

- The distinction between 'Inherent' and 'Residual' risk; based on the prevailing control environment (as per the 'Existing Controls') column of the register, **it is the 'residual' risk that determines where the risk is recorded.**
- The importance of ensuring that 'Existing Controls' defined against each risk are in place and operate effectively, since reliance is placed on them to reduce the inherent risk value.

- Whilst it is recognised that ‘Projects’ will include their own designated risk registers and arrangements for reporting and accountability, it is important that the principles in terms of risk evaluation and reporting are still applied; any project risks scored as ‘Major’ should always be reported to SLB.
- On a quarterly basis, the Audit and Governance Committee receives a report on the Corporate Risk Register to support the Committee in delivering its responsibilities in respect of risk management.

Annual Assurance

The Chief Executive, Executive Directors and Assistant Directors will provide annual assurance in respect of the development, maintenance and operation of effective control systems for risks under their control. This will provide a key assurance source for the Annual Governance Statement which is prepared by the Council as part of the annual Statement of Accounts. In addition, the Chief Internal Auditor will prepare an Annual Report and Opinion which will comment on the Council’s risk management arrangements.

Risk Management in other Business Processes

The risk management processes defined in other business processes should be complied with. Other business processes include:

Councillors’ Decision Making

- Risk associated with proposals must be considered and be included with the standard reporting procedures for Committee.

Service Planning

- Senior managers must consider the risks to achieving their service plans and ensure that these are recorded in the Service Risk Register.
- Growth and saving proposals should include a risk assessment.
- Reports requesting approval of annual and medium-term plans will include risk assessment.

Business Continuity

- The Civil Contingencies Act 2004 places a statutory responsibility on the local authority to establish a system of Business Continuity Management to ensure that critical services continue to be delivered at a time of disruption.

Project Management

- Risk and issue management is a key part of effective Project Management and should be recorded throughout the lifetime of the project, and link to service and corporate risk registers.

Risk Management Awareness

- The Council is committed to ensuring that all members, officers and partners (where appropriate) have adequate knowledge of the Council’s Risk Management approach and this will be delivered through workshop, briefings and internal communication channels.

**Completing the “Risk Implications” requirements
For Committee and Executive Reports**

1. Reports dealing with Key Decisions contained in the Forward Plan

A Key Decision is defined as follows:

- Any executive decision which is not in the Annual Revenue Budget or Capital Programme approved by the Council, and which requires a gross budget expenditure, saving or virement of more than £100,000 or more than 2% of a Departmental Budget, whichever is the greater.

Or

- Any decision where the outcome will have a significant impact on a significant number of people living or working in two or more Wards.
 - *Such reports would require a risk assessment exercise to have been carried out prior to the report being written.*
 - *The associated risks would need to have been identified and scored according to the prescribed process.*
 - *Mitigating controls should be identified and a ‘residual risk’ score assigned.*
- Any risks above low priority should be set out within the body of the report along with any proposed controls to further mitigate the risks.
- The ‘Risk Implications’ comment should refer to the section of the report dealing with risks.

2. Other Committee and Executive Reports

Reports for decision should contain a comment in respect of risk implications. Several possible scenarios might apply

- A full risk assessment has been carried out - *The exercise should be referred to in the body of the report. The ‘Risk Implications’ comment should refer to the appropriate section of the report.*
- No specific risk assessment has been carried out, but the risks associated with the report are already being addressed as part of the Service Level approach to risk management
The main body of the report should state this, along with the main risks, control measures and proposed new controls. The ‘Risk Implications’ comment should refer to the Service Risk Management process.
- The risks are not, or only partially addressed, either separately or as part of the Service Level approach. - *The ‘Risk Implications’ comment should state this. It should list the potential key risks and should state that a separate exercise will be undertaken and reported to the relevant Cabinet Member.*

Reports for information or decision where there are no risk implications should include the phrase *No risks have been identified* within the 'Risk Implications' comment.

Examples to assist when completing the 'Risk Implications' requirements on Committee Reports

Having completed your risk evaluation, the following standard phrases may assist you with describing the outcome of your risk assessments (choose the most appropriate statement):

- 1) *A risk assessment has been undertaken; the identified risks have been scored in accordance with the process. Mitigating controls have been identified. The details are referred to in the main body of this report.*
- 2) *A risk assessment has been undertaken; the identified risks have been scored in accordance with the process. Mitigating controls have been identified. The residual risk has been entered to the Service / Corporate Risk Register (delete as appropriate). The details are referred to in the main body of this report.*
- 3) *A Risk Assessment has been undertaken. The most significant risk is in not meeting the required outcomes of this report. This is referred to in the main body of the report.*
- 4) *No specific risk assessment has been carried out, but the risks associated with the report are already being addressed as part of the Departmental approach to risk management.*
- 5) *The risks are not, or only partially addressed, either separately or as part of the Departmental approach.*

Annex A

The Risk Management Strategy

The Risk Management Policy

Roles and Responsibilities

Risk Management Strategy

1. The aim of this strategy is to ensure that within Sefton, risks are identified and managed effectively and are aligned with the ISO 31000 standards.
2. Risk Management is to be an integral part of the planning and decision-making processes of the Council.
3. The Strategy is intended to ensure that Risk Management is embedded in the overall planning process.
4. As Risk Management is integral to the planning and decision-making processes, risks will be identified by all levels of management and staff to ensure that the process reflects both a top down and bottom-up approach.
5. The process will be driven by a framework of monitoring, review and reporting both internally and by External Audit.
6. Whilst the process of risk management is routinely undertaken within the Council in a number of areas, both at a strategic level (e.g. Management Assurance Framework) and operationally (e.g. procurement 'Risk Assessment' system), it is recognised that there is scope to develop a more integrated risk management approach that facilitates provision of a clear 'golden thread' that links overarching strategic objectives (as per One Council objectives) with Service Area objectives and then to specific (section based) operational activities. As such, the 'three tier' approach ensures that:
 - All activity throughout the Council is focussed towards supporting strategic objectives, and management are better able to allocate resources efficiently (potential to generate savings).
 - There is a clear alignment between management accountability and responsibility (e.g. The Chief Executive/SLB should only be concerned with the most significant risks).
 - All staff, at all levels, operate with a greater understanding of how their role is valuable to the Council, and the importance of risk mitigation in the fulfilment of their duties (a fully embedded risk management approach).
7. In order to move towards a more formal, integrated, embedded approach, and recognising that such fundamental changes in approach and mind set cannot be achieved overnight, this strategy sets out a plan to bring together and develop existing risk management practices.
8. In tandem with the above developments, it is important that an according level of training is provided, initially at senior management level, and then cascading down to other managers.

Risk Management Policy

Introduction

This policy defines how Sefton will implement the effective management of risks and opportunities.

Risk management is a central part of Sefton's strategic management and its corporate governance. Effective risk management makes sound business sense and is good management.

The focus of good risk management is the identification and treatment of risk.

Risk management should be a continuous and developing process which runs throughout the Council's activities. A systematic approach to identifying and analysing risks is an integral part of all management processes and day-to-day working, rather than a separate initiative.

Risks have always been managed but it is necessary to formalise this process and to make it transparent, as prescribed by 'Delivering Corporate Governance in Local Government' (CIPFA, 2016).

The Chief Executive and SLB have the responsibility for promoting the strategy throughout the Authority. The Executive Director of Corporate Resources and Customer Services is the designated risk champion.

Objectives of the Risk Management Strategy

1. To embed risk management into the culture and operations of the Council.
2. To promote risk management as an integral element of business planning and decision making and performance management.
3. To maintain an effective process of key risks identification, analysis and control.
4. To manage risk in accordance with best practice.
5. To anticipate and respond to changing requirements whether political, economic, social, technological, legislative or environmental (PESTLE)
6. To ensure that there is clear accountability for both the ownership and cost of risk and the tools used to effectively reduce risk.
7. To improve governance and raise awareness of the need for risk management by all those connected with the Council's delivery of services.
8. To increase organisational resilience.
9. To improve stakeholder confidence and trust
10. To reduce the overall cost of risk

The Council aims to achieve these objectives by:

1. Establishing clear roles, responsibilities and reporting lines within the Council for Risk Management.
2. Developing a common approach to the identification and analysis of risk and evaluating the most cost-effective method of treating each significant risk identified.
3. Developing a framework for allocating resources to identified priority risk areas.
4. Reinforcing the importance of effective risk management through training and providing opportunities for shared learning.
5. Incorporating risk management considerations into the Council's decision-making, business planning and performance management processes.
6. Monitoring risk management and internal control arrangements on a regular basis.
7. Reporting to Members and stakeholders on the effectiveness of the strategy.

Key Member Roles and Responsibilities

All Elected Members are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic risks that the Council face and will be made aware of how these risks are being managed through the annual strategic and service planning process.

Members should not seek to avoid, or delegate this overall responsibility, as it is key to their stewardship responsibilities.

Members' Key Responsibilities

Cabinet Member with Corporate Services portfolio will be the Council's Member Champion for Corporate Risk Management.

Cabinet

- Approve the risk management strategy and policy
- Monitor the Council's risk management and internal control arrangements through the Audit and Governance Committee.

Cabinet Members with Portfolio Responsibility

- Will work with Heads of Service to ensure effective Risk Management, by developing action plans for the key risks and establishing relevant PI's to measure their performance through the performance management framework.

Audit and Governance Committee

- Will approve the Annual Governance Statement that reflects the effectiveness of the Council's risk management process.
- Will review the effectiveness of the Council's risk management framework and ensure that it is fit for purpose through quarterly risk reporting.
- Will note the Chief Internal Auditors annual opinion which comments on risk management effectiveness within the Council.

Overview and Scrutiny Committee

- Will review the strategic performance and associated risks of partners, through the powers of the Local Government and Public Involvement in Health Act 2007 and will hold partners to account where appropriate.

Key Officer Roles and Responsibilities

Chief Executive and the Strategic Leadership Board

The Chief Executive and the Strategic Leadership Board play key roles in promoting and embedding risk management within the Authority.

They will:

- Support and promote risk management throughout the Council
- Identify and assess strategic risks on a regular basis

The individual Assistant Directors will be responsible for developing relevant action plans for key risks and establishing KPIs to measure their performance.

Executive Director of Corporate Resources & Customer Services

- Will be the lead officer for the Council on Risk Management.
- Maintain an effective corporate risk strategy and policy and, through the Chief Internal Auditor, report to Audit and Governance Committee on the adequacy of the risk management arrangements.

Executive Directors/Assistant Directors

Will demonstrate commitment to risk management by:

- Incorporating the risk management process into service planning processes
- Prepare, review and refresh service risk registers
- Encouraging staff to be innovative and recognise their achievements.
- Encouraging staff to be open and honest in identifying risks or missed opportunities.
- Ensuring that the risk management process is part of all major projects, partnerships and change management initiatives.
- Regularly monitor and review actions plans and associated KPIs to reduce or control the significant risks.

Managers

- Need to understand their role in the risk management process
- Understand risk management and the benefits in order to achieve their objectives.
- Understand how to evaluate risks and when to accept the right risks in order to pursue an opportunity.
- Maintain sound systems of internal control.

All Employees

- Have responsibility for identifying opportunities as well as risks in their day-to-day duties and take advantage of opportunities or limit the likelihood and impact of risks.

Risk Management Coordinator - Chief Internal Auditor

- Co-ordinate and promote the adoption of the risk management processes across the Council
- Challenge risk identification and evaluation
- Annually review the Corporate Risk Management Handbook including the risk management strategy before proving to the Audit and Governance Committee
- Provide a quarterly update on risk management to the Audit and Governance Committee on behalf of the Executive Director of Corporate Resources and Customer Services.

Risk and Resilience Team.

- Co-ordinate and maintain the central record of the Corporate Risk Register
- Will attend Service Management Meetings to support the revision of service risk registers and escalated risks on the Corporate Risk Register.

Internal Audit

- Internal audit's role is to provide assurance to officers and members on the effectiveness of controls. Internal Audit reflects on the results of the corporate and departmental risk analysis when developing the annual audit plan. In addition, the team will Provide an Annual Opinion to the Audit and Governance Committee which reviews risk management arrangements within Sefton.

Annex B

Risk Register Template

(name of service) Risk Register

Reported to:
Date:

Details of Risk					Inherent Risk Score	Existing Controls	Residual Risk Score	Actions			Target Score	Action Status
Ref	Risk Description	Trigger	Result	Owner				Proposed Action Plans	Owner	Target Date		
1												
2												
3												
4												
5												

This page is intentionally left blank

Agenda Item 7

Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 7 September 2022
Subject:	Procurement – National Procurement Policy, Contract Procedure Rules and Internal Processes		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

Summary:

This report presents

1. updates on national policy direction
2. a refresh of the Contract Procedure Rules for consideration and approval
3. presents the published Modern Slavery Statement and
4. provides an update of progress in respect of Social Value Activity

Recommendation(s):

Committee is asked to

- (1) Consider and approve draft Contract Procure Rules at Annex A
- (2) Note that a full rewrite of the Contract Procure Rules will take place once the updated national guidance is published and a further report will be presented for consideration.
- (3) Note that the Council's [Modern Slavery Statement](#) is published on the Council website and is refreshed annually.

Reasons for the Recommendation(s):

In light of the UK re-joining the WTO Government Procurement Agreement and the proposed national changes a refresh of the Contract Procure Rules is presented (Annex A) to Audit and Governance for consideration and approval. Once national changes are published there will be a full rewrite of the Contract Procedure Rules.

Alternative Options Considered and Rejected: (including any Risk Implications)
NA

Agenda Item 7

What will it cost and how will it be financed?

(A) Revenue Costs

There are no direct revenue implications associated with the recommendations within this report.

(B) Capital Costs

There are no direct capital implications associated with the recommendations within this report.

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): There are no direct resource implications associated with the recommendations within this report.						
Legal Implications:						
Equality Implications: There are no equality implications associated with this report						
Climate Emergency Implications: The recommendations within this report will <table border="1"><tr><td>Have a positive impact</td><td>N</td></tr><tr><td>Have a neutral impact</td><td>Y</td></tr><tr><td>Have a negative impact</td><td>N</td></tr></table> Neutral impact. The content of this report is an propose a refresh to existing Contract Procedure Rules for consideration update. Individual procurement exercises will consider Climate Emergency implications.	Have a positive impact	N	Have a neutral impact	Y	Have a negative impact	N
Have a positive impact	N					
Have a neutral impact	Y					
Have a negative impact	N					

Contribution to the Council's Core Purpose:

Protect the most vulnerable: The Council can use procurement activity as a tool to ensure quality services are available to support the most vulnerable children and adults. Procurement supports a of range of activity to enable vulnerable people to live independently and live the lives they wish to live.
Facilitate confident and resilient communities: Procurement enables a range of activity and services aimed to empower people to become more independent and contribute and engage in their local communities, thereby improving confidence and resilience.
Commission, broker and provide core services: the procurement process supports the Council in securing the best value for money and delivering wider economic, social and energy benefits.

Procurement enables a range of activity to enable vulnerable people to live independently and live the lives they wish to live.
Place – leadership and influencer: The Council can use procurement activity to boost jobs, growth and investment, and to create an economy that is more innovative, resource and energy efficient, and socially-inclusive.
Drivers of change and reform: The Procurement team develop policy and enable the implementation of effective procurement strategies, which support the Council, Commissioners and individual services in making effective sourcing and procurement decisions that can support the delivery change and reform.
Facilitate sustainable economic prosperity: The Council can use procurement activity as a tool to boost jobs, growth and investment, and to create an economy that is more innovative, resource and energy efficient, and socially-inclusive.
Greater income for social investment: Procurement activity supports a range of projects driving change and innovation; with a focus on achieving value for money, compliance, ethical procurement and social value
Cleaner Greener Procurement activity enables a range of projects driving change and innovation; with a focus on minimising the impact of climate change.

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD.6905/22.) and the Chief Legal and Democratic Officer (LD.5105/22) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

Implementation Date for the Decision

Immediately following the Committee meeting.

Contact Officer:	Jan McMahon
Telephone Number:	Tel: 0151 934 4431
Email Address:	jan.mcmahon@sefton.gov.uk

Appendices:

Appendix A Draft Contract Procedure Rules

Background Papers:

There are no background papers available for inspection.

Agenda Item 7

1. Introduction

- 1.1 In December 2020 Cabinet Office issued the 'Transforming Public Procurement' report for consultation. In June 2021 new guidance was published that says job creation, investment in skills and opportunities for local growth should be taken into account by councils and other public bodies when awarding public contracts.
- 1.2 The new guidance, issued to officials in local councils, central government, NHS trusts, police forces and other public organisations, says that the wider benefits of spending public money should be factored into the procurement process.
- 1.3 The first reading of the [Procurement Bill](#) took place on 11th May 2022, starting the Bill's journey through the Lords.
- 1.4 The Cabinet Office is delivering a series of webinars to support contracting authorities with preparing for the change. The Cabinet Office has advised
 - There will be secondary legislation and work is happening on this in parallel to the Bill
 - There will be transition guidance from the old to the new regime e.g., contracting authorities may be able to extend some contracts for longer than currently specified
 - Go live will be in 2023 at the earliest
 - Cabinet Office is planning to undertake a gap analysis now v future to support the change
 - A central Debarment Register will be created
 - There will be additional guidance on Frameworks and mixed procurements (DHSE)
 - Competitive flexible procedure will provide more flexibility for innovation and procurement being outcome focused
 - Work is being done on related learning and development resources and this will include about 10.5 hours of e-learning, knowledge drop ins and deep dives. They will supplement this with policy notices, sample templates, model procedures and case studies.

2. Contract Procedure Rules

- 2.1 In light of the above a refresh of the current Contract Procure Rules (CPRs) is presented at Appendix A for consideration and approval.
- 2.2 Members should be aware that a full rewrite of these in due course to reflect legislative changes.

3. Internal Processes

- 3.1 The Procurement Team with support from the Strategic Support team have recently reviewed the waiver process.
- 3.2 The waiver e-form has been streamlined to make it easier for requesting officers to complete.
- 3.3 To add further rigour to the current process all completed waiver requests will be automatically sent to Procurement Service Manager for review and if required advice will be sought from other relevant teams such as Legal or Finance before receiving final approval to ensure that there has been robust challenge and that the grounds to waive the CPRs are valid.
- 3.4 Once the Procurement Service Manager is satisfied with the request they will send to the appropriate Assistant Director/ Executive Director for approval.
- 3.5 The Contracts Register will continue to be shared with Assistant Directors and Executive Directors to encourage effective forward planning.

4. Modern Slavery

- 4.1 Members of the Committee will recall that in April 2019, a Council motion was passed for the Council to commit to helping eradicate slavery and labour exploitation and a number of principles were agreed.

“This Council commits to helping eradicate slavery and labour exploitation. As an organisation who believes and promotes ethical working standards, we will endeavour to ensure that all Council policies, procedures and practices are fully compliant with relevant slavery and labour standards legislation. We will actively seek to only use suppliers who uphold these principles. We will promote our charter by raising awareness, educating and supporting both within our organisation and those we come into contact with.”

- 4.2 In September 2020, the Home Office introduced new measures to tackle modern slavery in supply chains which will hold businesses and public bodies accountable for tackling modern slavery.
- 4.3 This updated guidance, explains how businesses should comply with the Modern Slavery Act 2015 and requires all large businesses to produce an annual statement for each financial year setting out the steps they have taken to prevent modern slavery in their business and supply chains.
- 4.4 In March 2021, the government announced a review of the Modern Slavery Strategy to ensure that they build on progress to date. They plan to publish a revised strategy in the Spring of 2022 following a period of stakeholder engagement.
- 4.5 The government also announced that the new Single Enforcement Body for employment rights, will have powers to impose financial penalties on organisations who fail to meet their statutory obligations to publish annual modern

Agenda Item 7

slavery statements. Legislative changes through parliament are still required to introduce this.

- 4.6 In March 2021, the government launched an online modern slavery registry which will help bring all modern slavery statements in one place to allow transparency and others to scrutinise the action organisations are taking to prevent modern slavery. This is a voluntary arrangement and the government are encouraging all organisations in the scope of the legislation to submit their statement. <https://www.gov.uk/guidance/add-your-modernslavery-statement-to-the-statement-registry> .
- 4.7 In April 2022 Cabinet Member Regulatory, Compliance and Corporate Services approved that the Council submitted its Modern Slavery Statement for the purpose of transparency.
- 4.8 Members of the Committee are asked to note that the Council's Modern Slavery Statement is published on the Council website ([Modern Slavery Statement](#)) and is refreshed annually.

5. Social Value

- 5.1 The Council has already taken a number of positives steps to ensure that social value is delivered including
- All Procurement staff have received Chartered Institute of Purchasing and Supply Ethical Accreditation, this training ensures that Procurement staff have built their understanding of how to behave ethically and establishes a commitment to ethical behaviour. The training is renewed annually to ensure they have knowledge of up to date good practice.
 - Standard Social Value questions are now embedded in strategic tenders, together with supporting information to advise Bidders what social value is and key local organisations and initiatives they can engage with to deliver social value. On occasions these social value questions have been customised with project specific outcomes attached.
 - In order to support Social Value evaluation a specialist application called Social Value Portal has been procured. This tool allows bidders to put forward proposals tied into specific Themes, Outcomes and Measures which are quantifiable against nationally recognised standards. We are currently trialling the implementation of Social Value Portal on two pilot projects. Once these are completed officers will review lessons learnt and roll out training to Procurement staff and Commissioners. Changes internally and at Social Value portal mean that this work has stalled and started again in 2022/23. Once Social Value Portal is live officers will create a web portal and communication plan to support Suppliers to respond to our Social Value expectations.
 - The implementation of Sefton Crowd which provides an online platform which allows and helps volunteers and community groups to create, promote and gain financial support from people across the borough and beyond. All money raised supports projects aimed at improving the borough and strengthening communities.

- 5.2 A policy has been developed to ensure that Social Value principles are applied in a way that enables the Council to maximise economic, social and environmental benefits for Sefton and its residents. The policy was approved by Cabinet Member Regulatory, Compliance and Corporate Services In August 2022. By adopting this Social Value policy, the Council is confirming its commitment to local and national supply chains that SMBC want to do business with suppliers who have a strong people, environmental and ethical focus within their business.

This page is intentionally left blank

Contract Procedure Rules 2022 - 23



Table of Contents

1.0 CONTRACTS PROCEDURE RULES WHICH APPLY TO ALL CONTRACTS.....	4
1.1 BASIC PRINCIPLES.....	4
1.1.1 Introduction.....	4
1.1.2 Legal Compliance.....	6
1.1.3 Public Contracts Regulations.....	6
1.1.4 EU Principles - Transparency and Non-Discrimination etc.	7
1.1.5 Procurement Documentation.....	7
1.1.6 Contracts where the Council acts as Agent.....	7
1.1.7 Calculating the Financial Value of a contract.....	7
1.1.8 Public Services (Social Value) Act 2012.....	8
1.1.9 Forfeiture in Case of Bribery or Corruption.....	9
1.1.10 Contract sealing.....	10
1.1.11 Contract roadmap.....	10
1.2 OFFICER RESPONSIBILITIES.....	11
1.2.1 Roles and Responsibilities.....	11
1.2.2 Adequate Budget Provision.....	11
1.2.3 Disciplines.....	11
1.2.4 Information Management.....	12
1.2.5 Corporate Contracts.....	13
1.2.6 Bonds and Security.....	13
1.2.7 Contracts – Delay and liquidated damages.....	14
1.2.8 Breach of Contracts Procedure Rules.....	14
1.2.9 Conditions of Contract.....	15
1.2.10 Assignment of Contracts without Consent.....	16
1.2.11 Contract Extensions.....	16
1.2.12 Monitoring of Contracts.....	17
1.2.13 Conflict of Interest.....	18
1.3 COLLABORATIVE ARRANGEMENTS.....	18
1.3.1 Framework Agreements / Dynamic Purchasing System (DPS).....	18
1.3.2 Joint or Partnering Arrangements, Procurement of Consultants.....	18
1.4 E-PROCUREMENT.....	20
1.4.1 Electronic Procurement.....	20
1.5 RECORDS.....	21
1.5.1 Contracts Register.....	21
1.6 INTENTION & AWARD OF CONTRACT AND DEBRIEFING OF CONTRACTORS.....	21
1.6.1 Award Criteria.....	21
1.6.2 Acceptance of Tenders / Quotations.....	23
1.6.3 Debrief – Intention & Award.....	23
1.7 CONTRACT PAYMENTS.....	24
1.7.1 Contract payments/settlements.....	24
1.7.2 Prompt Payment within 30 days.....	25
1.7.3 Instalment Payments.....	25
1.7.4 Authorisation of Payments.....	25
1.7.5 Authorisation of Variations.....	25
1.7.6 Works Contracts – Final Certificate control.....	26

1.7.7 Payments before Completion of Formal Contract	26
1.7.8 Signed Contracts.....	26
1.8 WAIVER OF CONTRACTS PROCEDURE RULES.....	26
1.8.1 - Waiver document.....	26
1.9 PROCUREMENT RISK ASSESSMENT.....	29
1.10 EXPENDITURE APPROVAL PROCESS – PRE PROCUREMENT REPORTING.....	29
1.10.1 Pre-Procurement Reporting	29
1.10.2 Pre-Procurement Approval specifically in respect of Adult’s or Children’s Social Care support packages and placements, and Substance Misuse Residential Rehabilitation placements	31
PART 2: CONTRACTS EXCEEDING THE APPLICABLE SPEND THRESHOLDS.....	32
2.1 Forms of Procurement	33
2.2 Open Procedure Tendering.....	34
2.3 Restricted Procedure Tendering.....	34
2.4 Direct call off from a Framework	35
2.5 Mini competition within a Framework / Dynamic Purchasing System (DPS).....	36
2.6 Invitations to Tender and Interim Custody of Tenders.....	36
2.7 Closing Date for Receipt of Tenders.....	37
2.8 Method of Opening Tenders.....	37
2.9 Evaluation of Tenders.....	37
2.9.1 Evaluation and Award.....	37
2.9.2 Evaluation Panel.....	38
2.9.3 Evaluation Matrix	38
2.9.4 Moderation.....	39
2.9.5 Post Tender Clarification	39
2.9.6 Best and Final Offer (BAFO)	40
2.10 Method of Acceptance of Tender	40
2.11 Errors in Tenders	41
2.12 Indemnity and Health & Safety	41
2.13 Funding Availability	42
2.14 Transfer of Undertakings (Protection of Employment) TUPE Regulations 2006	42
PART 3: CONTRACTS UP TO BUT NOT EXCEEDING THE SPEND THRESHOLDS.....	45
3.1 Competition Requirements.....	45
3.2 Evaluation of Quotations.....	46
3.2.2 Evaluation Panel.....	47
3.2.3 Evaluation Matrix	47
3.2.4 Moderation.....	48
3.2.5 Post Quotation Clarification	48
3.2.6 Best and Final Offer (BAFO)	49
PART 4 – APPROVAL TO AWARD CONTRACTS.....	50
4.1 Low value Procurements - £1 to £20,000	50
4.2 Procurements £20,001 to £150,000	50

Agenda Item 7

4.3 Procurements £150,000 to x 3 Public Contract Regulations (goods and services), 1 x Public Contract Regulations (works)	50
4.4. Procurements above x3 Public Contract Regulations (goods and services), 1 x Public Contract Regulations (works)	51
4.5 Framework direct award	51
Appendix 1 - What level of Procurement Activity is required in respect of Contract Value?	52
Appendix 2 - GLOSSARY OF TERMS.....	53

1.0 CONTRACTS PROCEDURE RULES WHICH APPLY TO ALL CONTRACTS

1.1 BASIC PRINCIPLES

1.1.1 Introduction

1.1.1.1 Minimum requirements

Officers responsible for, or involved in, procurement, commissioning, contract administration or contract management must comply with these Contract Procedure Rules. They lay down **minimum requirements** and a more detailed procedure may be appropriate for a particular contract.

1.1.1.2 Local Government Act 1972

These Contracts Procedure Rules are Standing Orders made under section 135 of the Local Government Act 1972. These rules apply to all Officers of the Council.

1.1.1.3 Scope of contracts

A Contract for the purposes of these Contracts Procedure Rules shall be any agreement between the Council and one or more parties in respect of:

- The carrying out of works for the Council
- The purchase, leasing, or hiring of supplies or materials by the Council
- The supply of consultancy, agency workers and other services to the Council

For the avoidance of doubt these Contracts Procedure Rules shall not apply to: -

- The sale, leasing or purchase of land, or of any interest in land (Officers are requested to note that land transactions are generally subject to best value considerations under Local Government legislation and some property transactions e.g. long building leases etc. may need to take account of Procurement legislation.
- Advice in respect of land and property transactions must be sought from the Executive Director of Corporate Resources and Customer Services (on a case by case basis); or
- Any Contract of Employment

Agenda Item 7

1.1.1.4 Service user choice

There are certain circumstances where the public can access a service of their choice and the Local authority is obliged by regulation to pay the associated costs. This is mainly in regard to Adult Social Care Nursing and Residential Care homes, and Open Access Sexual Health services. In these circumstances client officers must work with Commissioning to ensure that relevant guidance, risk, invoicing and cost is clearly understood, managed and adhered to.

1.1.1.5 Good procurement practice

These contract procedure rules are intended to promote good procurement and commissioning practice, transparency, public accountability, and deter corruption. The best defence against allegations that expenditure has been committed incorrectly or fraudulently is by following the Contracts Procedure Rules.

Officers with an interest in a contract being considered by the Council must give notice of such an interest in writing to the Chief Legal and Democratic Officer. Officers must also declare all relationships of a business or private nature with external contractors or potential contractors to their Assistant Director. Officers who have doubts concerning possible conflicts of interest must review the Council's Code of Conduct also referenced at 1.2.13 in this document. When a potential conflict is identified it is essential for the Officer to make a declaration in the appropriate Department register.

1.1.1.6 Value Added Tax

All values specified in these rules shall be exclusive of Value Added Tax.

1.1.1.7 Constitution

These Contracts Procedure Rules must be read in conjunction with the relevant parts of the Council's Constitution (including the [Financial Procedure Rules](#)).

[Link to the Constitution](#)

1.1.1.8 External Funding

External funders may impose additional requirements in respect of advertising, tendering, scoring and record keeping. In such cases it may be necessary to modify the approach to procurement in specific circumstances.

1.1.1.9 Procurement guidance

If a Client Officer is in any doubt as to if and how the Contracts Procedure Rules are applicable to a prospective procurement then the Corporate Procurement Unit must be contacted for advice and guidance.

1.1.1.10 Schools

These rules will apply to all Sefton Council maintained schools, in accordance with “Fair Funding Guidance: Scheme for Financing Schools.

1.1.1.11 Lord Young reforms

The Public Contracts Regulations, bolstered by the Lord Young Reforms, seek to afford greater opportunity of supply to Small and Medium Enterprises (SME’s). Regulation 46 of the 2015 regulations in particular encourages procuring authorities to considering dividing requirements into Lots for which providers can bid, or formally documenting reasons why dividing of Lots has not taken place.

1.1.1.12 Contract Procedure Rules review

These Contracts Procedure Rules shall be reviewed periodically by the Head of Strategic Support, in consultation with the Executive Director of Corporate Resources and Customer Services and the Chief Legal and Democratic Officer. The frequency of review shall, as a maximum, be annually in order to incorporate any change in legislative spend thresholds.

1.1.2 Legal Compliance

All procurement procedures and contracts shall comply with all legal requirements and no officer or Committee or Board of the Council may seek to avoid them. If in doubt advice must be sought from Assistant Director of Strategic Support or the Council’s Legal Services Department.

1.1.3 Public Contracts Regulations

All relevant contracts must comply fully with the requirements of Public Procurement (Amendment Etc) (EU Exit) (No. 2) Regulations 2020, Public Contracts Regulations 2015 (collectively known as the ‘Public Contract Regulations’ within this document), including Regulation 57, which outlines grounds for mandatory exclusion of bidders from a procurement process.

[Public Contract Regulations 2015](#)

[Public Procurement \(Amendment Etc\) \(EU Exit\) \(No. 2\) Regulations 2020](#)

In particular Regulation 57 (e) (i) addresses the Council’s ability to exclude a bidder for non-payment of taxes by way of a bidder being convicted of: *“the common law offence of cheating the Revenue”*

Agenda Item 7

1.1.4 EU Principles - Transparency and Non-Discrimination etc.

The award process and structure of all contracts shall comply with the Principles of Openness, Fairness, Transparency, Non-Distortion of Competition, Non-Discrimination, Equal Treatment, Proportionality and Mutual Recognition.

1.1.5 Procurement Documentation

All contracts and contractual processes shall be consistent with these Contract Procedure Rules and any all relevant Council Procurement Guidance, and or Procurement Strategy. In the event of a contradiction between any such Guidance or Strategy these Contract procedure Rules shall have precedence.

1.1.6 Contracts where the Council acts as Agent

Where the Council acts as the Agent for any other Local Authority or Public Body or company these Contracts Procedure Rules shall apply unless the Assistant Director of Strategic Support instructs otherwise in writing.

1.1.7 Calculating the Financial Value of a contract

1.1.7.1 Contract values assessment

In deciding the value of contracts for the purposes of applying the requirements of these Contracts Procedure Rules the Client Officer must take into account:

- The **total cost for the lifetime** of the contract (including any proposed optional periods)
- That the value of contracts of like nature shall be aggregated and that aggregate value shall be applied.
- In the case of joint procurement arrangements, the value shall be the value of all parties' purchases under the contract.
- In the case of long term Adults and Children's Social Care contracts which have no defined end date, the total cost will be valued at 4 years for the purpose of applying the Public Contracts Regulations.
- No officer or Committee or Board of the Council may seek to divide potential contracts in order to avoid the requirements of these Contracts Procedure Rules or Public Contracts Regulations.

1.1.7.2 Disaggregation

Officers must not actively seek to disaggregate or fragment prospective spend amounts for the purpose of avoiding specific procurement activity.

1.1.7.3 Procurement Spend Thresholds

The Public Contracts Regulations require particular procurement processes to be utilised where the estimated contract value exceeds predetermined spend thresholds. The current Public Procurement Spend Thresholds (for the whole of the contract including any optional years) are:

Supplies / Services £177,897 (excl VAT)

Works £4,447,447 (excl VAT) (as detailed within Schedule 2 of the Public Contracts Regulations)

Social and Other specific Services £552,950 (excl VAT) for light touch services (as detailed within Schedule 3 of the Public Contracts Regulations)

Note: Spend threshold figures correct as of January 2022, but subject to ongoing change, ordinarily on a two year cycle. Updates to the threshold figures will be updated from time to time on the [Procurement intranet](#).

Both Schedules 2 and 3 of the Regulations can be viewed here:

[Public Contracts Regulations 2015](#)

1.1.8 Public Services (Social Value) Act 2012

1.1.8.1 Social Value statutory duties

Contracting Authorities are under a statutory duty to consider economic, social and environmental well-being issues at the pre-procurement stage of a public service contract:

- How the economic, social and environmental wellbeing of the Local Authority.
- Area might be improved by the proposed contract.
- How in conducting the procurement process, the Council might act with a view to securing that improvement (NB. Only matters that are relevant to what is to be procured can be taken into account and those matters must be proportionate).
- Whether any consultation must be undertaken in relation to social value matters.

The Council goes beyond the provisions of the Public Services (Social Value) Act 2012 in its assessment of social value in alignment with the principles laid out in the Ethical Business Practices.

The Council supported the principles on [Procurement Policy note 5/21](#) that Public procurement should be leveraged to support priority national and local outcomes for the public benefit.

The Council intends to ensure that their approach to social value supports:

- Creating new businesses, new jobs and new skills in the UK.
- Improving supplier diversity, innovation and resilience.
- Tackling climate change and reducing waste.

Agenda Item 7

Ethical business practices (see report to Council 23rd January 2020 page 281)

1.1.8.2 Social Value £20,000 to £100,000 (whole life cost)

Social Value must be considered with appropriate social value questions embedded within the tender questionnaire. Generally, the weighting of social value should 10% of evaluation model, however this weighting can be flexible based on the opportunity within the market to deliver meaningful social value.

Works contracts below £100,000 may be excluded from social value assessment, unless the Officer believes there is a significant opportunity to embed social value into the requirements.

Client Officers are responsible for contract managing the delivery of social value outcomes.

1.1.8.3 Social Value over £100,000 (whole life cost)

Social Value must be considered with use of the Social Value Portal required within the tender questionnaire. The Social Value Portal provides an opportunity for Bidders to detail the proposed social value, quantify the value of the social value against validated standards, and to provide a methodology for the delivery of the social value.

Works contracts above £100,000 are included for use of Social Value Portal

Social Value Portal

1.1.8.4 Social Value weighting

Generally, the weighting of social value should in 10% of evaluation model, however this weighting can be flexible to a maximum of 15% based on the opportunity within the market to deliver meaningful social value.

1.1.8.5 Social Value Contract Management

Client Officers are responsible for contract managing the delivery of social value outcomes. This can be best achieved by the Contractors reporting their Social Value quarterly progress clearly identified with the contract KPI reports. Social Value Portal will proactively work with successful suppliers awarded Contracts to report Social Value outcomes delivered within the tool.

In the event of a Services tender being issued using Public Contract Regulations processes and not including social value a file note should be captured by the Procurement Officer to ensure a justification for not considering social value is captured.

1.1.9 Forfeiture in Case of Bribery or Corruption

There shall be inserted in every contract a clause empowering the Council to cancel the contract and to recover from the contractor the amount of any loss resulting from such cancellation, if the contractor shall have offered or given or agreed to give to any person any gift or consideration of any kind as an inducement or reward for doing or forbearing to do or for having done or having forborne to do any action in relation to the obtaining or execution of the contract or any person in relation to the contract or any other contract with the Council, or if the like acts shall have been done by any person employed by the contractor or acting on the contractor's behalf (whether with or without the knowledge of the contractor), or if in relation to any contract with the Council, the contractor, or any person employed by the contractor or acting on the contractor's behalf shall have committed any offence under the Bribery Act 2010 or shall have given any fee or reward, the receipt of which is an offence under Section 117 of the Local Government Act 1972.

1.1.10 Contract sealing

Every contract which exceeds £100,000 in value with any individual contractor (for the whole of the contract as opposed to the annual value) shall be sealed with the Council's Seal and shall be executed by the Contractor as a Deed. In order that a contract can be sealed the following package of documents must be forwarded in hard copy or electronic PDF format by Central Procurement to Corporate Legal Services:

- The Invitation to Tender (ITT), or Request for Quotation (RFQ) document, Crown Commercial Services G Cloud Order Form (as applicable)
- The successful bidder's ITT or RFQ
- The Internal Authorisation to award a contract as per delegated authority (Cabinet / Cabinet member etc.)
- Copies of the award & acceptance correspondence
- The bidder's in-date insurance cover.
- A summary of questions asked by bidders during the procurement process and responses provided by the Council

Corporate Legal Services shall advise if the Contract will require physical signature or where an electronic signature from the successful supplier will suffice.

Where the Contract being sealed is via a Waiver the following package must be forwarded in hard copy or electronic PDF format to by Central Procurement to Corporate Legal Services.

- The Contract documentation
- The Internal Authorisation to waive Contract Procedure Rules
- The bidder's in-date insurance cover.

1.1.11 Contract roadmap

Agenda Item 7

The Council will ensure that its Contract roadmap is published on its website and that details of procurement pipelines for re-procurement of existing contracts and new requirements are published from April 2022 unless otherwise defined by Law.

1.2 OFFICER RESPONSIBILITIES

1.2.1 Roles and Responsibilities

Ahead of any procurement exercise commencing the roles of all Officers to be involved in the exercise must be determined and responsibilities for undertaking all aspects of the procurement process shall be set out and clearly assigned, in order that the process is properly controlled and undertaken and there is a clear understanding of the requirements of each member of the team throughout the process.

The assignment of roles and responsibilities shall be kept under review throughout the course of the procurement and, in terms of contract management and contract performance management, throughout the term of the contract.

The assignment of roles and responsibilities, including any changes in the assignment of those roles and responsibilities during the course of the procurement, shall be documented within a suitable Procurement Roles and responsibilities Plan.

Roles and Responsibilities documentation will be produced by the Procurement Officer and regularly reviewed to meet this need.

Roles and responsibilities document

<http://intranet.smbc.loc/our-council/procurement.aspx>

1.2.2 Adequate Budget Provision

No Officer should seek to enter into a contract, or purport to enter into a contract, for the provision of supplies, works or services unless there is adequate provision in the agreed Capital Programme and/or agreed Revenue Budgets. If in doubt the Executive Director of Corporate Resources and Customer Services must be consulted.

1.2.3 Disciplines

Ahead of commencing any procurement exercise Officers must give thought to the question of which disciplines need to be considered for either operational involvement in the process or within an advisory support role. For instance, whilst the need for the involvement of Operational and

Procurement Officers is apparent, in addition consideration must be given to the value of other disciplines, which as examples may include but not be limited to:

- Legal
- Audit
- Contribution from Client Support Officers
- Finance
- Human Resources
- Investment and Employment Service
- External Advice/Consultancy – Private or another Local Authority
- External Social Value advice from Social Value Portal

1.2.4 Information Management

Officers must be mindful that throughout any Procurement exercise the governance, management and security of information is vital to both the integrity of the work to be conducted, and potentially the reputation of the Council. Officers must therefore ensure:

- Storage and handling of Procurement or any supporting information or documentation, whether digital, paper or another format is carried out securely.
- Where the information and documentation are in a digital format this may involve using an encrypted fixed or digital device or other suitable and secure mechanism to ensure that access is restricted only to those Officers involved in the procurement project and in accordance with their assigned roles and responsibilities. It may involve Officers using their allocated personal drive within the Council's ICT system, to which access is limited, or creation of a shared folder secured through controlled access rights, password or some other means to prevent unauthorised access.
- All documents forming part of a tender / request for quotation process, (including specifications, tender / ARFQ documents, evaluation documents etc.) must be subject to effective document management, including version control, review and sign-off and shall be held in a readily identifiable folder titled: '**Procurement of [INSERT PROJECT TITLE HERE]**'.
- As a guiding principle, Officers must be mindful that other people, including fellow Officers, not involved in a procurement exercise must not have access to information that relates to it.
- Diligence is employed when conducting discussions that relate to a Procurement exercise. Officers must be mindful of both topics discussed, and the environment within which they are discussed. Consideration must be given to holding discussions in a controlled area, such as an individual's personal office, or a meeting room, in order to ensure that only an invited group of officers are privy to information discussed.
- Officers must also be mindful of the content of telephone conversations held in an uncontrolled environment, if in any doubt that the content of a proposed conversation is sensitive then arrangements must be made to hold that discussion in a controlled area.
- Control is employed when communicating with bidders or potential bidders within a procurement exercise. Officers must ensure that no direct verbal or email communication is entered into with a bidder, bidders or potential bidders, or their representatives. Officers

Agenda Item 7

must ensure that all communication with any bidder or their representative, within any procurement exercise must be carried out in written form, through the Council's electronic opportunities portal, via the Procurement Officer holding responsibility for that.

Procurement Officers must ensure that the Council's Electronic Opportunities portal is utilised where appropriate to store documents created throughout the procurement process in order to build a comprehensive audit trail. Such documents will include, but not be limited to:

- Evaluation Panel members' individual scores and scoring notes
- Moderated scores
- Moderation notes
- Finalised Master Evaluation Matrix
- Versions of Invitation to Tender (ITT) documents
- Versions of Advanced Request for Quotation (ARFQ) documents
- Versions of Selection Questionnaires
- Responses to questions raised by bidders
- Copies of correspondence (for example Mandatory Standstill)

Where procurement processes must be conducted outside of the e sourcing portal, for example Crown Commercial Services G Cloud, email communication is permitted but must be held in appropriate secure storage for audit trail purposes.

1.2.5 Corporate Contracts

A corporate contract exists where the Council has entered into a contract for the provision of supplies, services, or works, and agreed rates for such.

Before procuring supplies, services or works, an Officer shall ascertain whether any corporate contract has been entered into in relation to those supplies, Services or works.

This requirement is mandated on all Council Officers. Any requirement to purchase such supplies, services or works from alternative non-contracted suppliers must first be agreed in accordance with the Waiver Procedure set out in these Contract Procedure Rules.

1.2.6 Bonds and Security

- 1) A performance bond or adequate security (surety) should be considered in all cases.
- 2) A performance bond or other security (including but not limited to 3 below) will be required where:
 - a) the value of the contract is such that the risk of failure is sufficiently high.
 - b) the nature and length of the contract is such that the risk of failure is sufficiently high.

- c) the estimated cost of re-establishing a service if the contract fails is sufficiently high.
 - d) there are known technical difficulties associated with the contract; or
 - e) the circumstances otherwise suggest that a performance bond or other surety is required.
- 3) As an alternative to a bond, where the contractor is a limited company which is part of a larger group, the ultimate holding company may be required to provide a parent company indemnity in addition to or instead of a performance bond or other security.
- 4) The decision as to whether a performance bond or other security is required shall be made by the Assistant Director in consultation with the S151 Officer (or delegated officer). This will be a decision that is determined by commercial, financial, procurement and legal considerations and as such advice may be sought from officers in Finance, Procurement and Legal Services as required.
- 5) If it is decided that there shall be a performance bond or other security the decision as to the precise form of the bond or other security shall be made by the Assistant Director in consultation with the S151 Officer (or delegated officer). This will be a decision that is determined by commercial, financial, procurement and legal considerations and as such advice may be sought from officers in Finance, Procurement and Legal Services as required.

1.2.7 Contracts – Delay and liquidated damages

In the case of Works contracts over the total value of £100,000 and, in any other case where a risk assessment, undertaken at pre procurement stage, considers it necessary, a clause shall be inserted in the contract providing for the payment of liquidated damages (calculated as a genuine pre-estimated of loss) in circumstances where the contract is not completed within the time specified.

Where completion of the contract is delayed it shall be the duty of the relevant Client Officer under the contract to take appropriate action in respect of any claim for liquidated damages as may be provided for within the terms and conditions of the contract.

1.2.8 Breach of Contracts Procedure Rules

Any breach or non-compliance with these Contracts Procedure Rules must, on discovery, be reported immediately to the Assistant Director of Strategic Support, Executive Director of Corporate Resources and Customer Services, and the Chief Internal Auditor.

The Assistant Director Strategic Support, and the Chief Internal Auditor shall consider whether each reported breach or non-compliance presents a significant risk of harm to the Council's

Agenda Item 7

interests and if satisfied that such risk exists shall undertake any necessary investigation and report the findings to the relevant Assistant Director, Executive Director of Corporate Resources and Customer Services and Chief Executive, as appropriate.

Officers must be aware that any non-compliance with Contract Procedure Rules could result in disciplinary action.

1.2.9 Conditions of Contract

In every written contract for the execution of works or the supply of supplies or services, the following clauses shall be inserted (unless Industry Standard Conditions are being used e.g. NEC, JCLI, JCT, Public Health Standard Form etc. in which case they must be checked to see if similar clauses are already included in the standard to avoid any confusion and/or duplication): -

Clause A - The Contractor must comply with the provisions of the Employment and the Trade Union and Labour Relations (Consolidation) Act, 1992, and in particular shall ensure that all persons employed by him or her in relation to the execution of the contract are afforded the rights and facilities specified in those Acts regarding trade union Membership.

Clause B - The Contractor must comply with national equality legislation to deliver services fairly and without unlawful discrimination.

Clause C - The attention of the Contractor must be drawn to the importance of complying in all respects with:

- (i) The provisions of the Equality Act 2010. The Contractor shall have regard to the nine protected characteristics within the Act and must not discriminate either directly or indirectly on the grounds of: - Age, Disability, Gender Re-assignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion, Sex, Sexual Orientation
- (ii) The requirements of the Public Interest Disclosure Act, 1998:
- (iii) The requirements of the Freedom of Information Act 2000 and Regulations made thereunder. The Council's obligations in respect of the said Act are also drawn to the attention of the Contractor.
- (iv) The requirements of the Bribery Act 2010
- (v) The Contractor shall be responsible for the observance of clauses a–c (i)–(iv) above by Sub Contractors employed in the execution of the contract and shall notify the Council of the names and addresses of all such Sub-Contractors.
- (vi) The requirements of the Social Value Act 2012

Health and Safety Conditions of Contract

The Contractor must comply with the 1974 Health and Safety at Work etc. Act (HASWA), Health and Safety Regulations, and Codes of Practice that are approved by the Health and Safety Executive.

The Contractor must comply with the Councils Health and Safety Guidance

Data Protection

The Supplier shall (and shall procure that any of its employees and agents involved in the provision of the Contract shall) comply with any notification requirements under the Data Protection Act 1998 (“DPA”) and shall duly observe all its obligations under the DPA which arise in connection with the Contract.

Where the Supplier is processing Personal Data as a Data Processor for the Council, the Supplier shall ensure that it has in place appropriate technical and contractual measures to ensure the security of the Personal Data (and to guard against unauthorised or unlawful processing of the Personal Data and against accidental loss or destruction of, or damage to, the Personal Data), as required under the DPA: and

- provide the Council with such information as the Council may reasonably
- required to satisfy itself that the Supplier is complying with its obligations under the DPA.
- promptly notify the Council of any breach of the security measures required to be put in place pursuant to this clause; and
- ensure it does not knowingly or negligently do or omit to do anything which places the Council in breach of the Council’s obligations under the DPA.

The provisions of this clause shall apply during the continuance of the contract and indefinitely after its expiry or termination.

The Service Provider shall and shall ensure that its Sub-contractors shall notify the Council within five Working Days if it receives:

- a request from a Data Subject to have access to that person’s Personal Data; or
- a complaint or request relating to the Council’s obligations under the DPA or any other data protection legislation.

1.2.10 Assignment of Contracts without Consent

There shall be inserted in every written contract a clause empowering the Council to cancel the contract and to recover from the contractor the amount of any loss resulting from such cancellation, if the contractor shall have transferred or assigned, whether directly or indirectly, the benefit of the contract without the written consent of the Council, or if the contractor shall have sub-let the contract (except so far as the sub-letting relates to the supply of patent or proprietary articles, raw materials or natural products) without the written consent of the Council.

1.2.11 Contract Extensions

Officers must consider a contractor’s performance throughout the period of contract when considering a contract extension. Officers must question not only the financial aspects of any potential extension, negotiating with the contractor where possible to achieve a competitive financial offering, but must also give thought to whether the quality of supplies or service being

Agenda Item 7

provided to the Council would continue to offer best value to the Council should an extension be offered. Officers must be aware that markets, the providers within those markets, and the level of competition for Council business will change over periods of time.

Officers must consider alongside the award of any optional extension period, what other alternatives may be available to the Council and must offer reasoning as to why such alternatives are not proposed. Officers must ensure that prior to seeking approval of any proposed contract extension; consultation is undertaken with Procurement Service Manager in order to secure a Procurement perspective.

An extension requires the approval of an Assistant Director, Executive Director, Cabinet Member or Cabinet according to the applicable financial thresholds detailed herein.

The value of any contract extension must be calculated in line with Rule 1.1.7.

In terms of compliant process Contracts may be extended beyond the stated core contract period, where provision for such extension was included in the original Invitation to Tender (ITT), or Request for Quotation documents (RFQ), and in respect of EU Procurements, in the OJEU Contract Notice.

In cases where an extension period was not provided for within original ITT, or RFQ documents and in respect of EU Procurements, in the above Public Contract Regulations Contract extension of contracts with a value below the applicable Public Contract Regulations Spend Threshold will require the written approval of the appropriate Assistant Director, Executive Director, Cabinet Member, or Cabinet, following consideration of a written report setting out a justifying business case.

Where the value of expenditure is such that a Public Contract Regulations Spend Threshold would be exceeded then it is not possible to award a long term contract Extension.

Extension on a short term basis will only be authorised in exceptional circumstances. In circumstances where a short term extension is granted, a Public Contract Regulations compliant procurement process must be carried out as a matter of urgency in order to secure a replacement contract. Such action must be considered in consultation with the relevant Procurement Officer and the Assistant Director, Executive Director and must be articulated in a Waiver.

Wherever possible officers must endeavour to plan the necessary pre-procurement reporting, and subsequent procurement activity, in ample time to allow a replacement contract to be secured negating the need for an extension. Consideration must be given to the mobilisation period and obtaining TUPE related information where relevant.

1.2.12 Monitoring of Contracts

Where appropriate, performance indicators or quality standards should be included in the contract documentation as these will be used to monitor the success of the contract. These should include

commitments to delivering social value. Further advice should be sought from colleagues in Procurement and / or Legal Services if commissioners need assistance.

All contracts must be monitored throughout the period of the contract, and the performance of contractors and social value outcomes must be reviewed regularly. Appropriate records of contract monitoring and contractor performance shall be maintained by the relevant service area.

1.2.13 Conflict of Interest

All Officers acting as evaluators on a procurement process shall ensure they have an understanding of the Employees Code of Conduct and declare any potential Conflicts of Interest before commencing on the evaluation of a tender responses.

Employees Code of Conduct

1.3 COLLABORATIVE ARRANGEMENTS

1.3.1 Framework Agreements / Dynamic Purchasing System (DPS)

Contract Procedure Rules 2.1 to 2.3, and 3.1 will not apply where the supplies, works or services in question are to be procured by using a framework agreement or Dynamic Purchasing System (DPS) which itself has been procured through compliance with these Contract Procedure Rules or from a Central Purchasing Body for the purposes of the Public Contracts Regulations.

Where a Central Purchasing Body's framework agreement is used for the first time a Procurement Officer shall obtain copies of that Body's Contract and Award notices and shall confirm the Body's compliance with the Public Contracts Regulations.

1.3.2 Joint or Partnering Arrangements, Procurement of Consultants

1.3.2.1. Partnering Arrangements

A memorandum of understanding must be developed with partners to ensure that resources, support and delivery will be available throughout the development and lifetime of the proposed contract.

A single contract may be delivered by several providers. Partnering involves an integrated team working together to deliver better services to citizens through agreeing mutual objectives, devising a way for resolving any disputes and committing themselves to continuous improvement, measuring progress and sharing the gains.

Agenda Item 7

All parties have a shared goal of delivering services in a cost-effective and timely way that is mutually beneficial.

Partnering arrangements are likely to be contractually based and will need to comply with these Contracts Procedure Rules.

Partnering Arrangements will be entered into ONLY after an appropriate competitive procurement process has identified potential partners and they have been evaluated from a competitive and best value perspective.

Partnering Arrangements will need to identify the following:

- responsibility for each function to be performed,
- the element of risk undertaken by each party,
- the mutual benefits derived from the partnership,
- the individual targets and objectives of the partnership,
- the procedure for reviewing the performance of the partnership,
- the procedure for remedying disputes and the settlement of grievances (including arbitration if required),
- the period for maintaining the partnership,
- the exit procedure at termination of the partnership, which must include the responsibility for staff, premises, service provision, and
- any other relevant matters.
- implications for Social Value, in terms of local supply, employment

1.3.2.2. Joint Procurement

Any joint procurement activity with other local authorities or public bodies, including Membership or use of Purchasing Consortia, shall be agreed via Pre-Procurement Reporting requirements as outlined within 1.10.1.

The Council may also enter into existing public sector framework arrangements, where it is evident that such frameworks represent the optimum solution to the Council in terms of service and cost.

Where any expenditure is committed using standard arrangements such as an accessible framework contract with another local authority, government department, statutory undertaker, public service purchasing consortium or government approved catalogue of procurement sourcing, Officers must be reasonably satisfied that the appropriate procurement procedures have been followed by the body concerned and consider appropriate use of the facility i.e. straight forward call-off, or mini competition.

- Where the Council is working in a joint or partnering arrangement with another body or bodies and, under that arrangement, is the commissioning body, Sefton Council's Contracts Procedure Rules shall apply to contracts entered into under that arrangement.
- Where the Council is working in a joint or partnering arrangement with another body or bodies and, under that arrangement, another body is the commissioning body, the

Contracts Procedure Rules, or equivalent, of that other body shall apply to contracts entered into under the arrangement subject to the approval of a waiver by the Cabinet Member (Regulatory, Compliance & Corporate Services). Where the body has no such Contracts Procedure Rules, the procedures applied by the other body shall comply with the principles and safeguards contained in Sefton Council's Contracts Procedure Rules, and this must be documented in the Terms and Conditions of the Contract.

- Where the Council is working in a joint or partnering arrangement with another body or bodies, the Terms and Conditions for the arrangement shall include powers for the Council to have access to the records, assets, site, employees and sub-contractors of that other body for the purposes of investigating or auditing compliance with the terms of the arrangement and with the relevant procurement rules.

1.3.2.3 Procurement of Consultancy Services

Establishment Control Panel approval must be sought prior to commencement of any procurement activity to secure individual consultancy posts.

For the avoidance of doubt, if a Client Officer wishes to procure a consultancy services contract which will require a series of subject matter experts to deliver the contract, and that there is flexibility for the potential Supplier to substitute staff, and there is no right of control (as the Supplier is free to deliver the requirements in the methodology they deem most appropriate) and there is no expectation of the Suppliers employees working exclusively for the Council, then there is no requirement to gain approval of the 'Establishment Control Panel' prior to commencing the procurement of the services contract.

Client Officers are reminded that the procurement of any consultancy posts is ultimately subject to scrutiny by the 'Establishment Control Panel'. Any Officers procuring Consultancy Services must comply with all aspects of these Contract Procedure Rules in first sourcing any consultant through a competitive process to ensure best value.

Advice must be sought from Central Procurement as to an appropriate competitive process in respect of these Contract Procedure Rules.

1.4 E-PROCUREMENT

1.4.1 Electronic Procurement

Officers must employ an electronic procurement method and shall use only the Council's electronic opportunities portal approved by the Assistant Director of Strategic Support in consultation with the Executive Director of Corporate Resources and Customer Services.

The only exception to this rule shall be where an officer is using an external framework, the use of which has been approved in accordance with CPR 1.3.1. In such circumstances the procurement

Agenda Item 7

work shall be carried out in compliance with the rules of the framework as determined by the framework owner.

1.5 RECORDS

1.5.1 Contracts Register

As part of the Government's Transparency Agenda the Council is required to compile a Contracts Register to capture details of all contracts let by the Council.

All procurement opportunities published on the Council's approved electronic opportunities portal will have the contract award details automatically promoted to the online contracts register, where the contract is valued at £5,000 or above, in line with the Government's transparency agenda.

Where a procurement has not be run through the e-sourcing platform 'The Chest' it is the Client Officers responsibility to complete the Contract Register Form. Advice on completion can be gained from the Procurement Department.

Where the procurement has been run through the e-sourcing platform 'The Chest' the Procurement Officer will manage the creation of the Contract Register entry through 'The Chest'.

[Contract Register Form](#)

[Contract register link](#)

1.6 INTENTION & AWARD OF CONTRACT AND DEBRIEFING OF CONTRACTORS

1.6.1 Award Criteria

Contracts will generally be awarded on the basis of either:

- **MEAT** (*Most Economically Advantageous Tender*) taking into consideration a percentage balance between Cost and Quality, or
- **Lowest Cost** (**NOTE: Whilst 100% Lowest Cost evaluation is permitted in below Public Contract Regulations threshold procurement exercises, Lowest Cost evaluation is only permissible in Public Contract Regulations procurement exercises, where the bidders are first required to meet a*
- *minimum specification of Supplies, Services or Works*)

- **Highest Quality** (*NOTE: within Public Contract Regulations Procurements 100% Quality Evaluation is only permissible where the Council publishes a fixed cost that it will pay to any successful bidder, and so the competition is carried out on Quality only*)

The Assistant Director, Executive Director, or their representative, must define Award Criteria appropriate to the procurement or commission. Commissioners are reminded that achieving value for money in public procurement remains focused on securing from contractors the best mix of quality and effectiveness to deliver the requirements of the contract, for the least outlay over the period of use of the goods or services bought. Commissioners do not have to select the lowest price bid, and that in setting the procurement strategy, drafting the contract terms and evaluating tenders they can and should take a broad view of value or money that includes the improvement of social value.

Award criteria must be designed to secure an outcome giving best value for money for the Council. If further defined within sub criteria, then these must refer only to relevant considerations, and importantly all award and award sub criteria must be openly published within Invitations to Tender (ITT) or Requests for Quotation (RFQ), documentation, as applicable.

If award or award sub-criteria, and applicable weightings are not openly published within the Procurement documentation then they **cannot** be employed within the evaluation process.

The Client, Commissioning, and Procuring Officer are advised to consider the desired outcome of a Commissioning / Procurement exercise, in order to determine a suitable method of evaluation.

Options entail:

Cost / Quality – In this method 100% is divided across cost and quality.

The Commissioner/Procurer must determine an appropriate split commensurate with available budget and desired quality levels (quality meaning, product quality, or service quality, or a combination of the two).

Examples could include:

- 40% Cost, 50% Quality, 10% Social Value
- 30% Cost, 60% Quality, 10% Social Value
- 50% Cost, 35% Quality, 15% Social Value
- Or any other derivative the Commissioner/ Procurer deems appropriate with Social Value having a maximum contribution of 15% as per the Sefton Social Value Policy.

Cost only – In this method, evaluation is carried out on the basis of 100% Cost, where the bidder meets a pre-determined minimum standard of quality.

Only the bidder's Cost will be evaluated, i.e. an increased quality offering above the pre-determined minimum is not acknowledged as providing any additional value because the minimum specification is sufficient for the Council's needs.

Agenda Item 7

Quality only - In this method, evaluation is carried out on the basis of 100% quality, where the Commissioner/ Procurer identifies and publishes a fixed cost that will be committed in full, irrespective of which bidder is awarded the contract. Only the bid quality will be evaluated with an award being made to the bidder demonstrating the highest quality submission for the budget that the Council intends to commit. Bids with Costs exceeding the published budget would be regarded as non-compliant, and so not evaluated.

Evaluation criteria and respective weightings shall be predetermined and clearly indicated in the Pre-Procurement Report and Invitation to Tender (ITT) or Request for Quotation (RFQ) documentation. In addition, the criteria shall be strictly observed at all times throughout the procurement exercise by any officer involved in the evaluation process, so as not to expose the Council to risk of challenge through deviation from the published criteria and weightings.

If in an exceptional case, prior to the receipt of bidder's proposals, this is changed, this must be duly approved (i.e. as per the original pre-procurement approval path). In no circumstance must the award / evaluation criteria be changed post receipt of bidder's proposals.

1.6.2 Acceptance of Tenders / Quotations

It shall be clearly stated in all tender / quotation documents that the Council reserves the right:

- to accept a tender / quotation other than the lowest
- to decline to accept any tender / quotation
- not to award a contract
- for the Council will not be liable for any costs or expenses incurred by Tenderers during the procurement process

Where a bidder's tender / quotation is not accepted then a formal written record must be made detailing the reason/s why.

1.6.3 Debrief – Intention & Award

Mandatory Standstill Period (*historically known as the 'Alcatel' process*)

It is a requirement under the Public Contracts Regulations that any procurement exercise carried out must be concluded with a Mandatory Standstill Period. The purpose of the standstill period is to inform all bidders of the outcome of the procurement exercise, and, if they think that the contract award decision is wrong, to provide bidders with an opportunity to challenge the decision before contract has been awarded, signed and sealed.

The applicable legislation allows bidders to question the procurement exercise and evaluation process within the standstill period of 10 calendar days (where electronic communication has been employed) following dispatch of the award decision letter and commence a formal legal challenge to prevent the contract from being awarded should they have grounds to do so.

Once the contract award decision has been approved by the officer with appropriate delegated authority, as authorised in any pre-procurement report, a letter must be sent to all bidders, providing written feedback to all unsuccessful bidders as to why their bid was unsuccessful and the relevant advantages and characteristics of the successful bid compared to the unsuccessful bidder.

If in any doubt as to the application of the Mandatory Standstill Period then the Corporate Procurement Unit must be contacted for guidance.

IMPORTANTLY:

Officers must be mindful of a challenge to an award decision and the implications that can result must that not be handled appropriately, specifically in relation to areas such as increased cost and workload to the Council and its Officers, alongside potential for reputational damage must the Council mishandle such a situation.

Where a challenge to an award decision arises Officers must at the very least ensure that:

- Verbal communication with challenging bidder/s or their representative/s is not entered into. This includes avoidance of face to face debrief meetings that can become emotionally driven, and result in 'on the spot' responses being given to questions asked without such a response being correctly
- Researched, quality checked and considered.
- Communication with the challenging bidder/s or their representative/s is only carried out in writing via the Council's electronic opportunities portal
- Written responses are quality checked for accuracy and content
- Opinion is sought from the Council's Legal team

The issue is escalated to an appropriate Senior Officer for opinion In respect of contracts established where expenditure falls below Public Contract Regulations spend Thresholds, mindful of the Procurement principles of Openness, Fairness and Transparency, Officers must use discretion as to what degree of debrief is provided, but must endeavour to provide meaningful feedback that enables bidders to understand where a submission could have been stronger, in order that future proposals may be improved.

1.7 CONTRACT PAYMENTS

1.7.1 Contract payments/settlements

Contract payments/settlements shall be made in accordance with procedures referred to in the Financial Procedure Rules.

[Financial Procedure Rules \(within the Council's Constitution\)](#)

Agenda Item 7

The terms upon which the Council will make payments to a contractor must be detailed within the applicable contract.

1.7.2 Prompt Payment within 30 days

The Public Contracts Regulations require a Contracting Authority to include a clause in all public contracts providing that invoices submitted by the contractor shall be verified in a timely manner and payment of undisputed invoices shall be made within 30 days.

Where the contractor enters into a sub-contract the prompt payment provisions must be replicated down the supply chain.

Where a contract contains terms requiring payment more quickly than 30 days (for example because of statutory requirements, or because the parties choose a shorter payment period) then these shorter payment periods will apply to that contract.

Sefton Payment Acceleration Scheme.

The Sefton Payment Acceleration Scheme is a programme to allow suppliers to provide a discount for payment earlier than 30 days. The Scheme should be included in all tenders unless there is justification for not including it within the procurement process (for example restrictions in Grant conditions). Any requirement to bypass the Sefton Payment Acceleration Scheme must be justified in the Pre Procurement Report and agreed in consultation with the Section 151 Officer.

1.7.3 Instalment Payments

Where contracts provide for payment to be made by instalments the appropriate Assistant Director, Executive Director, shall maintain suitable records to show the state of account on each contract.

1.7.4 Authorisation of Payments

Payment to contractors shall be authorised by an authorised certifying officer in accordance with the Department's Scheme of Delegation.

1.7.5 Authorisation of Variations

Officers must consult the Legal Team in respect of any proposed variation, as consideration will need to be given as to whether a proposed variation would constitute a 'material change' to the original contract, necessitating a new procurement. If changes are 'material' then this can put the entire agreement at risk of cancellation, if challenged.

Viable variations to a contract shall be made in writing and shall require prior written authorisation by the appropriate Assistant Director, Executive Director, or on their behalf by an authorised certifying officer.

Where the Contract in question has been formally sealed by the Legal team, then in respect of such variation the sealed contract copy will need to be updated to account for the variation.

1.7.6 Works Contracts – Final Certificate control

No payment shall be made by the Council to the contractor without formal purchase order/formal agreement in place. This must be facilitated by processing a purchase order onto primarily the Councils financial system, Agresso, or the relevant operational system, against which invoices and payments can be processed and monitored.

In the case of Works contracts a final certificate shall not be issued until the Assistant Director, Executive Director, has, to the extent that it is felt necessary, examined all matters relating to the final account.

1.7.7 Payments before Completion of Formal Contract

No payment shall be made by the Council to the contractor without a formal purchase order / formal agreement in place and will only happen following the provision of supplies, services, or works.

Advance payments are not permitted, except small emergency payments in exceptional circumstances with prior authorisation through the Waiver Process set out in these Contract Procedure Rules.

1.7.8 Signed Contracts

Contracts shall be signed on behalf of the Council by a duly authorised officer in accordance with the Scheme of Delegation for Officers

1.8 WAIVER OF CONTRACTS PROCEDURE RULES

1.8.1 - Waiver document

Waivers should only be used in exceptional circumstances. These circumstances include but are not limited to situations where

- it can be clearly demonstrated that there is no genuine competition obtained evidenced by robust market testing
- it can be clearly demonstrated that the requirement is of such a specialist or bespoke nature that only one specialist supplier or provider is able to meet the need
- the need to enter into a Contract arises in circumstances that cannot be reasonably foreseen
- there is explicit Cabinet approval due to exceptional circumstances for example blanket waivers where the normal process to be followed is considered inappropriate.

Agenda Item 7

Waivers must be obtained in advance of the procurement and should not be requested due to a lack of planning.

Waiver approval limits

Value of Waiver	Approved by	Exceptions
Up to £250,00 (Excl VAT)	Assistant Director, Executive Director, Chief Executive	For transactions below £250, given the cost of processing waivers, waiver request forms are not required, appropriate documentation for such instances must be maintained within the service area.
Up to £500,000 (Excl VAT)	Assistant Directors Adults and Children's (for Light Touch Regime contracts)	Light Touch Regime (Social and other specific services (as defined by the Regulations)) £552,950 (Excl. VAT)
£500,001 to £1m (Excl VAT)	Director of Place or Executive Director Children's Services (for Light Touch Regime contracts)	At all times that the Council has a duty to achieve Best Value in making such decisions.

Link to electronic waiver form: [Waiver of Contract Procedure Rules Request Report \(sefton.gov.uk\)](http://sefton.gov.uk/Waiver-of-Contract-Procedure-Rules-Request-Report)

- (a) Where any operational officer is seeking a waiver of any of the Council's Contract Procedure Rules, approval for that waiver must be secured from the Assistant Director within whose remit the procurement or contract sits.
- (b) Where an Assistant Director is seeking a waiver, this application should be submitted to an Executive Director.
- (c) Where an Executive Director is seeking a waiver this application should be submitted to the Chief Executive Officer.

In exceptional circumstances when a waiver is retrospective this must be approved by an Executive Director or the Chief Executive.

- (d) When seeking a waiver of any of the Council's Contract Procedure Rules, the relevant officer shall complete a formal Waiver Request Report in accordance with the procedure set out below and shall submit that report to the Assistant Director, Executive Director, within

whose remit the procurement or contract sits. This Waiver Request Report shall clearly state:

- the particular Contracts Procedure Rule/s to be waived. The presumption should be that the waiver for will detail the specific identified rule(s) to be waived. It will not usually be appropriate to ask for a general waiver i.e. a waiver of all of the Contract Procedure Rules
 - the period of time during which the waiver shall be effective and related value of expenditure for this period
 - Budget Approval – include Budget, Funding and Cost Centre Code
 - Business Case in support of the waiver which must include details of how the following would be achieved despite the waiver:
 - i. Value for Money
 - ii Transparency, propriety and accountability
 - iii. Position of the contract under the Public Contracts Regulations 2015
 - iv. How the contractor was selected
 - v. Identification of potential project risks and controls
 - vi. How the project links with departmental and corporate objectives
 - vii. Whole life costs of the project including the revenue costs associated with the project
 - viii Social Value Benefit
 - ix) In instances relating to Social Care provision where a contract end date cannot be readily determined the Business Case section of the form, must provide information of when a review will take place.
- (e) When considering any request for a waiver of any of the Contract Procedure Rules the relevant Assistant Director, Executive Director, shall seek any necessary advice and guidance from the Procurement service, Legal Services, Finance service or any other specialist team before determining the waiver request.
- (f) All completed waiver requests will be automatically sent to the Procurement Service Manager for review and if required advice will be sought from other relevant teams such as Legal or Finance before receiving final approval to ensure that there has been robust challenge and that the grounds to waive the CPRs are valid and lawful.
- (g) The Assistant Director Executive Director or Chief Executive **MUST** e-mail a copy of the signed waiver form to waivers@sefton.gov.uk to be archived.
- (h) Where any Contracts Procedure Rules are waived, the relevant Officer shall comply with the remaining Contracts Procedure Rules.

Agenda Item 7

[Contracts register form](#)

1.9 PROCUREMENT RISK ASSESSMENT

Early engagement of the Procurement Team within any procurement process is essential as that enables a member of the team to be allocated to a project a foundation stage.

Procurement Officer/s allocated is able to support the development of the Pre Procurement Report that a Client Officer needs to compile and submit in order to secure approval to commence a procurement exercise.

The Procurement Risk Assessment enables the Client Officer to set out the building blocks of the requirement which will enable the Procurement Officer to contribute appropriate documentation. This can be found on the Intranet, and is an online submission:

PROCUREMENT RISK ASSESSMENT

Procurement Officers are required to upload a copy of the Procurement Risk Assessment to the Council's opportunities Portal as a supporting document for that specific procurement exercise

1.10 EXPENDITURE APPROVAL PROCESS – PRE PROCUREMENT REPORTING

1.10.1 Pre-Procurement Reporting

All officers requiring committing expenditure in order to acquire Supplies, Services or Works on behalf of the Council, or a Collaborative group of Councils if in the lead role, must first consider Approval to Commit Expenditure and so to commence the procurement process. In doing this, officers must consider Financial Procedure Rules in every case, schemes of delegation and any relevant budget approval process and must refer to the Executive Director of Corporate Resources and Customer Services where necessary. Where there is a contradiction between these Rules and the Financial Procedure Rules (including schemes of delegation), the Financial Procedure Rules shall take precedence.

It is a requirement of the Chief Executive Officer and the Elected Members that approval to commit expenditure be considered, prior to commencement of any Procurement activity as follows:

(a) Expenditure of £20,000 up to £150,000 - a Pre Procurement report is to be taken to the Officer's Assistant Director

(b) Expenditure of £150,001 up to:

i) 3 x the Spend Threshold for Supplies & Services

(i.e. £567,990 as at January 2020), or ii) The Spend Threshold for Works (i.e. £4,733,252 as at January 2020)

– a Pre Procurement report is to be taken to the Officer's Cabinet Member to seek approval to commence Procurement activity and so commit expenditure.

(c) Expenditure of:

i) Over 3 x the Spend Threshold for Supplies & Services (i.e. £567,990 as at January 2020), or

ii) Over the Spend Threshold for Works (i.e. £4,733.252 as at January 2020)

– A Pre Procurement Cabinet report is to be taken to Cabinet to seek approval to commence Procurement activity and so commit expenditure. Note that delegated authority to award any subsequent Contract which meets the objectives laid out in the Cabinet Report can be given to a Chief Officer, providing the Cabinet Report specifically details the parameters of that delegated authority.

NOTE: The **ONLY** exception to this rule shall be where a prospective procurement satisfies the requirements of a 'Key Decision'. The following information is reproduced from the Council's Constitution to aid officers in determining whether prospective procurement qualifies as a Key Decision: -

"A KEY DECISION is:

a) any executive decision that is not in the Annual Revenue Budget and Capital Programme approved by the Council and which requires a gross budget expenditure, saving or virement of more than £100,000 or more than 2% of a departmental budget, whichever is the greater; or

b) any executive decision where the outcome will have a significant impact on a significant number of people living or working in two or more Wards.

Where a prospective procurement is determined to be a Key Decision then this will need to be entered onto the Forward Plan via liaison with the Democratic Services Team. Officers must be mindful in such circumstances to plan additional time into the procurement process.

A Key Decision relating to a prospective procurement will be considered by Cabinet within a Pre Procurement report.

A Pre-Procurement Report is usually created using the Chief Officer Report Template, except where the report requires Cabinet Approval, where a Cabinet Report is produced.

Pre Procurement reports must set out: -

i) The brief details of the Procurement exercise and the Procurement method to be employed

ii) The basis of evaluation,

Agenda Item 7

- iii) A request that authority be delegated to a nominated officer, such as an Assistant Director, Executive Director, or one of their officers, to approve the resulting post procurement contract award.

The following illustration summarises the Pre Procurement expenditure approval process that these Contracts Procedure Rules detail.

1.10.2 Pre-Procurement Approval specifically in respect of Adult's or Children's Social Care support packages and placements, and Substance Misuse Residential Rehabilitation placements

It is recognised that some individual adult and childcare or support packages and placements, and some substance misuse residential rehabilitation placements cannot be fulfilled using existing Framework Agreements or Dynamic Purchasing systems and, on these occasions, will need to be procured from the open market, via the Council's e-procurement portal.

It is also recognised that in many cases, due to ongoing care requirements, the end date of such contracts cannot be identified at the point of procurement. In such circumstances, and in accordance with the Public Contract Regulations, a period of 4 years should be used to calculate the contract value.

On occasion the anticipated value of these contracts may exceed the normal delegated authority of Assistant Director, Executive Director, and in certain circumstances Cabinet Member too, however due to the restricted amount of time available to procure these often urgent individual care or support service packages, it would not be possible or desirable to always obtain Cabinet Member or Cabinet Pre-Procurement approval.

Consequently, specific provision is made herein and within the Council's Constitution to delegate authority in such circumstances to the relevant senior officers, currently:

- Director of Public Health
- Assistant Director of Adult Social Care,
- Assistant Director of Cared for Children
- Assistant Director of Safeguarding & Quality Assurance
- Assistant Director of Help & Support
- Assistant Director of Educational Excellence

to:

a) approve the commencement of a procurement process for Adult or Children's Social Care contracts or Substance Misuse Residential Rehabilitation placements which are outside the scope of an existing Framework, Dynamic Purchasing System or other budgetary agreement;

and

b) to award contracts following a procurement exercise, and so commit expenditure. To ensure that such procurement is effectively monitored, a report of Adult and /or Children's

delegated procurement approvals will be submitted to the relevant Cabinet Member on a regular basis.

What level of pre-approval is required in respect of Contract Value?

(Officers must ensure that you read and understand The Contract Procedure Rules and do not simply refer to this illustration alone)

FOR EXPENDITURE OVER £50,000 - DECISION PUBLISHED ONLINE

(by Democratic Services via Intranet and Internet)

£20,000 up to £150,000

Assistant Director Responsibility & Accountability

Pre Procurement Chief Officer Report

£177,897 (excl VAT) up to:

i) 3 x the Spend Threshold for Supplies & Services (i.e. £567,330 as at January 2022),
or

ii) The Spend Threshold for Works (i.e. £4,447,447 (excl VAT) as of January 2022)

Cabinet Member Responsibility

Pre Procurement Cabinet Report

Expenditure Over:

i) 3 x the Spend Threshold for Supplies & Services (i.e. £567,330 as of January 2020),
or

ii) The Spend Threshold for Works (i.e. £4,733,252 as at January 2018)

Cabinet Responsibility

Pre Procurement Cabinet Report

KEY DECISION

Cabinet Responsibility - Pre Procurement Report (as determined by Key Decision definition)

PART 2: CONTRACTS EXCEEDING THE APPLICABLE SPEND THRESHOLDS

2.0 Application

Part 2 of these Contracts Procedure Rules shall apply to all contracts exceeding applicable spend thresholds in value, and officers must adhere to the Public Contracts Regulations European Union spend thresholds (for the whole value of the contract including any optional periods) are as follows: -

Agenda Item 7

- a) Supplies / Services - £177,897 (excl VAT)
- b) Works – **£4,447,447** (excl VAT)

Note: Spend threshold figures correct as of January 2022, but subject to ongoing change, ordinarily on a two year cycle. Updated details of changes in threshold figures will be published on the [Procurement website](#).

'Works' means any of the activities specified in schedule 2 of the Public Contracts Regulations
The contents of schedule 2 can be viewed here: -
[2015 Public Contracts Regulations](#)

2.1 Forms of Procurement

2.1.1 There are four main forms of procurement available for contracts exceeding European Union Spend Thresholds: -

- (a) Open Procedure Tendering
- (b) Restricted Procedure Tendering
- (c) Direct Call Off from a Framework
- (d) Mini competition within a Framework or a Dynamic purchasing System

Other procurement procedures include Competitive Procedure with Negotiation, Competitive Dialogue and Innovation Partnership. These other procedures are for use in complex contracts or limited circumstances where a solution is not readily available in the market.

2.1.2 Procurement of services which are classified as falling within Schedule 3 – 'Social and Other Specific Services' of the Public Contracts Regulations, must be considered against a higher European Union spend threshold (for the whole value of the contract including any optional periods) of:

£663,540 (inc VAT) £552,950 (excl VAT)

Note: Spend threshold figure correct as of January 2022, but subject to ongoing change, ordinarily on a two year cycle. Updated details of changes in threshold figures will be published on the [Procurement website](#).

Where this spend threshold is exceeded officers shall follow the applicable, and Schedule 3 specific, 'Light Touch Regime' with the assistance of Officers of the Corporate Procurement Unit

2.1.3 This process shall not remove or modify the responsibility of the relevant Assistant Director, Executive Director, to take such steps as may be reasonably necessary to safeguard the Council's interest.

2.1.4 In order to determine a suitable procurement approach to a specific market, officers may first engage with the Procurement team to carry out non-committal soft market testing in order

appreciate the level of interest, and numbers of providers that exist in a particular market. This must be conducted in a way that competition is not distorted. If a Procurement process is then required, a level playing field between bidders MUST be maintained.

2.1.5 For all above threshold tenders The Council shall give public Contract Notice of its intention to enter into such arrangements. Such Contract Notice shall be published electronically, within Find a Tender and Contracts Finder, via its electronic opportunities portal.

[Find a tender](#) [Contracts Finder](#)

2.1.6 For all above threshold tenders the Assistant Director, Executive Director, evaluation panel, shall evaluate all submissions using the award criteria and weightings in the published tender documents and the Procurement Officer shall maintain a copy of the marked evaluation and moderation matrix

2.2 Open Procedure Tendering

2.2.1 This Rule shall apply where the Cabinet or Cabinet Member has agreed that procurement activity be commenced, and where the applicable spend thresholds detailed in Contracts Procedure rule 2.0 are exceeded.

Commissioners and/or Procurement Officers shall follow an Open Procedure specifically where the market for the requirement is identified as limited in terms of supplier numbers, and so the number of submitted bids is likely to be low.

Within an Open procedure, the opportunity must be made available to the marketplace for a minimum of 30 calendar days.

2.2.3 The Contract Notice shall state the nature and purpose of the proposed contract, it shall provide interested providers with an electronic Invitation to Tender (ITT) document setting out particulars of the contract into which the Council wish to enter, together with specification, standard and special terms and conditions, the award criteria and weightings, the closing date for tenders, the Council's requirements as to the procedures for submission of tenders, and invite providers to submit a completed ITT proposal within the specified period stated in the public notice.

2.3 Restricted Procedure Tendering

2.3.1 This Rule shall apply where the Cabinet or Cabinet Member has agreed that procurement activity be commenced, and where the applicable spend thresholds detailed in Contracts Procedure Rule 2.0 are exceeded Commissioners and/or Procurement Officers shall follow a

Agenda Item 7

Restricted Procedure specifically where there is likely to be a substantial number of providers in the marketplace and so a high number of responses would be expected, or the supplies, works or services are of a specialist nature.

2.3.2 The procedure is a two stage process. The first stage is a Selection stage and allows the Commissioner / Procurer to restrict the marketplace. Within a Restricted procedure the opportunity must be made available to the marketplace for a minimum of 30 calendar days.

2.3.3 A shortlist of providers is created at selection stage by using a standard Selection Questionnaire (SQ) to evaluate and score minimum requirements that contractors must meet. Importantly such requirements must be relevant and proportional to the contract in question. The minimum period of time that must be afforded to shortlisted bidders, within a restricted procedure, at Invitation to Tender (ITT) stage is 25 calendar days.

2.3.4 The Contract Notice shall state the nature and purpose of the proposed contract, it shall provide interested providers with an electronic Selection Questionnaire (SQ) document setting out particulars of the contract into which the Council wish to enter, together with the selection criteria and weightings, the closing date for submission of SQ's and the Council's requirements as to the procedures for submission of PQQ's, and invite providers to submit a completed SQ proposal within the specified period stated in the public notice.

2.3.5 At the second stage of the procedure, the Award stage, Invitations to Tender (ITT) for the contract shall, where possible, be sent to not less than five of the highest scoring providers who expressed an interest in tendering and submitted a SQ within the specified time-scale, and that have met the minimum requirements.

2.3.6 The ITT documents must state the particulars of the contract into which the Council wish to enter, together with specification, performance indicators, quality standards, standard and special terms and conditions, the award criteria and weightings, the closing date for tenders, the Council's requirements as to the procedures for submission of tenders and invite providers to submit a completed ITT proposal within a specified period.

2.4 Direct call off from a Framework

2.4.1 This Rule shall apply where the Cabinet or Cabinet Member has agreed that procurement activity be commenced. Where an officer identifies a pre-tendered compliant framework, whether that be owned by Sefton Council, or owned by an external organisation but available to the Council, then where such a framework allows, and in line with the requirements laid down above, a direct call off may be made and a purchase order placed with an organisation that represents best value against the requirement, negating the need for a procurement exercise. It should be noted that use of a Framework may represent best value for the Council. This will often be an efficient, timely and cost-effective procurement route.

2.4.2 Where possible, goods, services, or works, should be obtained from Public sector purchasing consortia (frameworks) where the Council is a member, or has access, such as Yorkshire Purchasing Organisation (YPO).

2.5 Mini competition within a Framework / Dynamic Purchasing System (DPS)

2.5.1 This Rule shall apply where the Cabinet or Cabinet Member has agreed that procurement activity be commenced. Where an officer identifies a pre-tendered compliant framework or DPS, whether that be owned by Sefton Council, or owned by an external organisation but available to the Council, and such a framework or DPS has a requirement to further compete for an award of business, a mini competition must be carried out. This will require the creation of an Invitation to Tender (ITT) document which is issued to all Framework or DPS providers. setting out particulars of the contract into which the Council wishes to enter, together with the award criteria and weightings, the closing date for tenders, the Council's requirements as to the procedures for submission of tenders and invite providers to submit a completed ITT proposal within an appropriate period as defined by the Client Officer.

2.6 Invitations to Tender and Interim Custody of Tenders

2.6.1 All Invitations to Tender shall include the following:

- (The Council will only be issuing and receiving Invitations To Tender electronically. Tenders submitted by any other means shall not be considered.
- A requirement for tenderers to complete fully and sign or otherwise authorise the Form of Tender,
- All electronic responses will be held within a secure online sealed tender box that is only accessible by the appointed Verifier after the specified fixed time and date.
- All Invitations to Tender must specify the supplies, works or services that are required in sufficient detail to enable the submission of competitive offers, together with the terms and conditions of the contract that will apply.
- A description of the Award Procedure and a definition of the Award Criteria in objective terms and in descending order of importance with weightings.
- Notification that Tenders are submitted to the Council on the basis that they are compiled at the tenderer's risk and expense
- Notification that amendments must not be made to the contract documents by the tenderer

2.6.2 A record of tenders received in pursuance of these Contracts Procedure Rules shall be recorded within the Council's electronic opportunities portal or where appropriate a secure storage folder, maintained by the Procurement Service Manager designated for that purpose.

Agenda Item 7

2.6.3 An electronic contract register will be maintained by the Procurement Team and circulated to the Strategic Leadership Board by the Assistant Director of Strategic Support on a regular basis. Service areas are required to review the Contract Register on a regular basis to inform forward planning.

2.7 Closing Date for Receipt of Tenders

2.7.1. Tenders received within the Council's electronic opportunities portal, after the predetermined close date and time, will not be considered.

2.8 Method of Opening Tenders

2.8.1 In respect of tender submissions received electronically, ONLY a Verifying officer as designated within the Council's electronic opportunities portal will have permission to open online sealed tender submissions.

2.9 Evaluation of Tenders

2.9.1 Evaluation and Award *(for above threshold procurements)*

2.9.1.1 Commissioners are reminded that achieving value for money in public procurement remains focused on securing from contractors the best mix of quality and effectiveness to deliver the requirements of the contract, for the least outlay over the period of use of the goods or services bought. Commissioners do not have to select the lowest price bid, and that in setting the procurement strategy, drafting the contract terms and evaluating tenders they can and should take a broad view of value or money that includes the improvement of social value.

2.9.1.2 Tenders shall be evaluated and awarded on the basis of the value for money they offer to the Council in line with either: -

- MEAT (*Most Economically Advantageous Tender*) Principles. Criteria must be relevant to the contract and apportioned between Cost and Quality in a ratio reflecting the risk and value of the contract

or

- Lowest Cost. The Council must publish a minimum specification of Supplies, Services or Works which bidders are required to meet

or

- Highest Quality. The Council must publish a fixed cost that it will pay to any successful bidder, and so bidders are evaluated on the highest quality that can be provided for that fixed cost as determined and documented in advance of Tenders being invited.

2.9.1.3 Tenders shall be evaluated and awarded in accordance with criteria and weightings set out in the Procurement Documentation and must not be changed at any time during the process. Should the Cost element of a tender evaluation involve a Cost Model, Basket of Goods, or Basket of Works, then consideration must be given, ahead of commencing the procurement exercise, to publishing that detail within the procurement document. Where it is felt inappropriate to publish the detail then officers must consider lodging that detail with the Legal team for the duration of the bidding period and only access the detail once the bidding period has closed. Where a Cost Model, Basket of Goods or Basket of Works is employed in the Cost Element of an Evaluation, the content **MUST NOT** be changed once bids are received.

2.9.2 Evaluation Panel

2.9.2.1 Evaluation Panels must be established prior to the issue of the Invitation to Tender documents, to ensure that they are engaged with the process and understand the evaluation criteria and weightings.

2.9.2.2 Evaluation Panels must include representation from the client department/key stakeholders and must consist of a minimum of two operational officers or external evaluators in addition to any procurement officer.

2.9.2.3 Where an Interview / Presentation session has been planned into an evaluation, the evaluation panel members must be consistent with the panel members that have undertaken other elements of the evaluation. Ahead of any Interview / Presentation session, evaluation panel members must ensure that they are familiar with the content of the tender submissions of the bidders invited to that session. All interview / presentation sessions must be attended by a Procurement Officer to ensure compliance to the evaluation approach.

2.9.3 Evaluation Matrix

2.9.3.1 The Evaluation Matrix will consist of defined evaluation criteria and weightings. Marks and scores must be brought through from the ITT document to reflect what is material to the award of a particular contract.

2.9.3.2 criteria shall have a number of marks allocated to signify to tenderers the relative importance of each criterion.

2.9.3.3 Scores – All bids must be scored consistently against a scoring scheme which must be included in the Invitation to Tender. **IMPORTANTLY** evaluation panel members cannot employ any scoring scheme which differs from the scoring scheme published in the ITT document. For example, panel members must not introduce half marks where these do not exist within the published scoring scheme, and for which there is no published narrative.

2.9.3.4 All scores and notes made by the evaluation panel must be recorded in writing and used for reference if further moderation is required.

Agenda Item 7

2.9.3.4 Section 2.9.4 of these rules advises on the need for moderation, and this is essentially to manage out subjectivity in an evaluation process. Where an evaluation contains an Interview / Presentation stage then quality scores attributed up to that point must be moderated in order to ensure that any decision taken to invite a shortlist of bidders to Interview / Presentation is based on correct and accurate scoring.

2.9.3.5 Where an Interview / Presentation stage is employed within an evaluation then officers must seek to manage this stage incorporating the following advice:

- Should a Presentation be required from a shortlist of invited bidders, then all shortlisted bidders must equally be informed, ahead of the Presentation, via the Council's electronic opportunities portal, of:
 - the theme that the bidder must base their presentation on (and this must be relevant to the subject of the procurement).
 - the time limit applied to the Presentation
 - where Interview questions are to be asked then all shortlisted bidders must equally be informed, ahead of the Interview session, via the Council's electronic opportunities portal:
 - the number of questions that will be asked
 - the marks that will be allocated to each question

2.9.3.6 Comprehensive notes of all Interview / Presentation Sessions must be recorded and fed into the evaluation matrix as these will be required to support the scoring allocated and enable feedback to be given to unsuccessful bidders.

2.9.4 Moderation

2.9.4.1 The Evaluation Panel will discuss their individual scores and must reach agreement on a moderated panel score and justifying comments.

2.9.4.2 Any moderated scores and applicable justifying comments must be recorded in the Evaluation Matrix accompanying the procurement.

2.9.4.3 All notes may be the subject of information requests or legal challenge against award of a contract. It is crucial that accurate notes justifying awarded scores are maintained throughout and relate solely to the relevant award criteria.

2.9.5 Post Tender Clarification

2.9.5.1 Post Tender Clarification is to be requested and returned via the Council's electronic opportunities portal. Importantly, post tender clarification may only be sought in relation to an element of the bidder's submission that has been provided, and which needs further understanding.

Post Tender Clarification however cannot be used to seek from the bidder some element of the submission which has been omitted, and as such seeking provision of such omission would provide the bidder with an unfair advantage.

2.9.5.2 Evaluation scores can only be amended where specific clarification has been requested relating to the award criteria.

2.9.5.3 All clarification questions and returns must be noted and any amended scores which result from clarification are to be updated in the Evaluation Matrix.

2.9.6 Best and Final Offer (BAFO)

Officers are informed that in respect of procurements exceeding the applicable Spend Threshold, there is NO provision within the Public Contracts Regulations for a BAFO stage to be employed in any procurement procedure other than the much specialised Competitive Dialogue, Competitive Procedure with Negotiation and Innovation Partnership Procedure.

2.10 Method of Acceptance of Tender

2.10.1 Tenders may be accepted by the relevant Officer to who delegated authority to approve a contract award was sought in a related pre-procurement report provided that all of the following apply: -

2.10.1.1 In the case of an Open procedure, bids have been sought from the marketplace as a whole. Or, in the case of a restricted procedure, where possible, five or more tenders have been invited following a selection stage, in accordance with contracts procedure rules

2.10.1.2 the tender proposed to be accepted is either:

- the highest score if Cost and Quality in line with MEAT principles have been stated as the basis for award, or
- the Lowest Cost if Cost has been stated as the basis for award where a published minimum specification is met, or
- The Highest Quality if Quality has been stated as the basis for award where the bid meets the fixed cost that the Council has set.

2.10.2 There may be instances where due to the dynamics of a marketplace, or the specifics of the Council's requirements, only 1 tender bid is received. The Council is able to consider a single bid however Officers will naturally be concerned as to maintaining a competitive position for the Council where there is an apparent lack of competition within a marketplace. In support of this there is provision within the Public Contracts Regulations that allow a Procurement to be switched to a Negotiated Procedure in certain circumstances. Regulation 32 (the link to which is detailed below) sets out the circumstances under which this process variation can be employed, but importantly the regulation includes the ability to switch to a Negotiation where '*Competition is absent for technical reasons*'

Agenda Item 7

[The Public Contracts Regulations 2015 - Regulation 32](#)

Where an Officer proposes to utilise the provisions under Regulation 32, and vary the procurement process, then a report will need to be taken to the level to which Pre Procurement Approval was originally secured, in order to gain further approval to the process variation.

Any subsequent Negotiation which takes place must be carried out in writing via the Council's electronic opportunities portal.

2.10.3 Where an Officer proposes to reject a tender despite meeting the stated criteria officers must seek Assistant Director, Executive Director, Approval following advice from Central Procurement.

2.11 Errors in Tenders

2.11.1 If before the date of entry into a contract it is discovered that an error has been made in the tender it shall be dealt with as follows: -

2.11.1.1 Building Contracts – in accordance with the National Building Specification (NBS) Guide, Alternative 1 or Alternative 2.

2.11.1.2 Other Contracts – the Tenderer must be given the opportunity of confirming the offer or of amending it to correct genuine and obvious arithmetical errors.

2.11.3 Clarification surrounding such errors shall be sought in writing via the Messaging facility within the Council's Electronic Opportunities Portal, or where a tender is taking place outside of the Electronic Opportunities Portal (for example Crown Commercial Services G Cloud) to align with the relevant Framework approach, communication should be shared by email and held in a secure storage location.

2.11.4 Should a bidder, in amending an arithmetical error, reflect a change in the bid that directly relates to the determined award criteria, then the bid must be re-scored as necessary. If a bidder opts to formally withdraw a bid altogether then it shall receive no further consideration.

2.12 Indemnity and Health & Safety

2.12.1 Every contract shall contain clauses

2.12.1.1 requiring the contractor to observe and perform in relation to the work to be carried out under the contract the requirements of the Health & Safety at Work etc. Act 1974 or of any Regulations or Codes of Practice made under the authority of that Act and to comply with any lawful requirements of the Health and Safety Executive in relation to such work; and there shall be reserved to any duly authorised Officer of the Council the right of access to the site for the purpose of ensuring compliance with the requirements of this Clause (ii) that have regard to Sustainability and to the requirements of the Equality Act 2010.

2.12.2 In every contract the contractor shall be required to indemnify the Council against:

2.12.2.2 any claim which may be made in respect of Employers' Liability against the Council or the contractor by any workmen employed by the contractor or any sub-contractor in the execution of the works or the provision of supplies and services.

2.12.2.3 any claim for Public Liability, i.e. for bodily injury, or damage to, property of third parties; (iii) any claim which may be made under the Health and Safety at Work etc. Act, 1974 (HASWA) against the Council or the contractor/sub-contractor unless such claim is substantially due to the neglect of the Council or any of its Officers; and the contractor shall when required by the Assistant Director and Executive Director of Corporate Resources and Customer Services produce satisfactory evidence that it is insured against any such claims.

2.12.2.4 Levels of indemnity cover, must be considered for topics such as Employers Liability, Public Liability, and Professional Indemnity as appropriate to the topic in question

2.12.2.5 The responsibility rests with the Client Officer, to assess the risk surrounding the prospective procurement and settle upon levels of indemnity appropriate and proportional to the requirement. Where required, guidance in respect of Indemnity and assessing risk must be sought from relevant officers of the Council (i.e. Insurance, Health & Safety, Legal).

2.12.2.6 Where the appropriate levels of indemnity are determined through risk assessment supported by appropriate guidance from specialist Officers, bidders through a procurement process must confirm that such indemnity will be in place must a contract be awarded.

2.13 Funding Availability

Officers are advised that Contract conditions must state:

“The price agreed for the contract is subject to the ongoing availability of sufficient funding. In the event that during the contract period the Council does not have sufficient funds to cover the price of the contract the Contractor will develop and agree a contract variation with the Commissioner / Procurer such that the contract price remains within the funding available.

In the event that agreement cannot be reached the dispute resolution procedure set out within the contract will be followed.”

2.14 Transfer of Undertakings (Protection of Employment) TUPE Regulations 2006

2.14.1 The Regulations apply to a business transfer but more regularly within the Authority it applies to service provision changes. This means that Officers commissioning / procuring Services must be aware of the impact of the TUPE Regulations. The Regulations impose a number of obligations on relevant parties and a failure to address the demands of TUPE could result in

Agenda Item 7

significant penalties, decisions and awards being made against the Authority which we clearly want to avoid. An outsourcing will likely carry TUPE implications and even if TUPE is deemed not to apply the potential implications must be considered as early as possible.

Another purpose of the Regulations is to ensure that in a situation where contractual delivery of a service is moving from one provider to another, i.e. by way of a procurement exercise, then affected workers' employment rights and entitlements are protected. This can include pension rights. In such circumstances the Authority may be deemed to be the client however the Council must be aware of the potential implications and requirements of the legislation and acknowledge these appropriately within Tender/outsourcing documentation and contracts.

The Council's Procurement and Legal teams and HR must be consulted in order to fully understand any potential impact on a procurement in order to protect the Council's position and address TUPE in writing, where appropriate.

Additionally, clauses within any contract where TUPE is likely to apply must be included relating to ensuring that the Council can request staffing information at any point throughout the duration of the contract.

2.14.2 Pensions issues when transferring out staff

This is a high-level summary of the pensions issues that Sefton MBC must consider when looking to outsource a function where that outsource may potentially involve a TUPE transfer of staff and where those staff are / or may be members of the Local Government Pension Scheme ("LGPS").

There is an obligation placed upon employers to ensure that current LGPS members retain the right to continue to pay into the LGPS, and eligible members retain the right to join.

This is very likely to be an issue where a service of function is outsourced for the first time from Sefton MBC to a new service provider (a first generation transfer).

However, it can and does regularly arise where there is a subsequent transfer from one service provider to another (a second, third or subsequent generation transfer).

For the avoidance of doubt this issue will only arise where both of the following elements are present:

- employees are in line to transfer from Sefton MBC or from an existing service provider to a new service provider; and
- some or all of those employees are either current LGPS members or are eligible to join LGPS.

If the above elements are present, advice should be taken from Sefton HR and / or Sefton Legal Services in relation to these issues before the procurement process commences.

This is because these issues will need to be dealt with in either the Advance Request For Quotation or the Invitation To Tender.

There are various obligations and implications that must be considered and these can be addressed in part in the contractual documentation.

New contractors will need to consider, amongst other things, the following:

- They are likely to be required to enter into an admission agreement whereby the new contractor becomes an admitted body (a type of Scheme Employer). The other parties to this agreement must be the Administering Authority (Merseyside Pension Fund) and the Scheme Employer (Sefton MBC).
- They will need to know what obligations and responsibilities are placed upon them when they become an admitted body. They must know this before they submit a proposal as this can have significant costs and implications for them.

For example:

- they will need to know the level of employer pension contributions they will be required to pay, and this will depend on the demographic of the transferring members and the number, but certainly anything in the region of 23% plus of payroll can be expected.
- there may be the requirement for a bond to be put in place to cover certain associated risks to the LGPS; and
- there is likely to be a requirement to obtain an actuarial valuation in relation to the affected employees and they will need to budget for this and build this into their timeframes.

It is unwise to assume that the potential new contractors understand the risks and it is worthwhile verifying that this is the case. It is not likely to be in Sefton's MBC's best interests or those of either the new contractor or the affected employees to rely on the ignorance of a potential contractor. It is important that both parties have understood the risks involved so that no unexpected issues arise during, or at the end of, the contract term.

2.15 Equality

2.15.1 The Council must comply with its duties under equalities legislation, and consider equality and diversity when procuring goods, works, or services from external providers as explained in <https://intranet.smbc.loc/staff/training/equality-diversity.aspx>

2.15.2 An Equality Impact Assessment must be undertaken on the proposed contract prior to the tender being issued, except where such an assessment would not be relevant.

2.15.3 Where relevant, the supplier may be required to report on Equality as part of contract management arrangements.

2.16 Modern Slavery

2.16.1 The Council must comply with its duties regarding Modern Slavery. The following link covers appropriate Officer awareness training and guidance: <https://intranet.smbc.loc/intranet-features/news/human-trafficking-and-modern-slavery-awareness-training.aspx>

2.16.2 The Council will expect suppliers to comply with the Modern Slavery Act and any relevant policies, and disclose any investigations, offences, or prosecutions, under the Modern Slavery Act by them or their supply chain.

PART 3: CONTRACTS UP TO BUT NOT EXCEEDING THE SPEND THRESHOLDS

3.1 Competition Requirements

3.1.1 Public Contract Regulations spend thresholds (for the whole value of the contract including any optional periods) are as follows: -

a) Supplies / Services - **£177,897 (excl VAT)**

b) Works - **£4,733,252 (excl VAT)**

c) Social and Other Specific Services - **£552,950 (excl VAT) Light Touch**

Note: Spend threshold figures correct as of January 2022, but subject to ongoing change, ordinarily on a two year cycle. Future changes to the thresholds will be published on the [Procurement website](#)

'Works' means any of the activities specified in schedule 2 of the Public Contracts Regulations 2015 'Social and Other Specific Services' are as defined in Schedule 3 of the Public Contracts Regulations 2015

The contents of schedules 2 and 3 of the Regulations can be viewed here: -

[2015 Public Contracts Regulations](#)

3.1.2 In order to determine a suitable procurement approach to a specific market, Officers may first choose to carry out non-committal soft market testing in order appreciate the level of interest, and numbers of providers that exist in a particular market. This must be conducted in a way that competition is not distorted.

3.1.3 If a Procurement process is then required, a level playing field between bidders MUST be maintained.

3.1.4 Where the estimated cost of any supplies, works or services to be ordered on behalf of the Council is less than the applicable Spend Threshold shown above then proposals shall be invited as outlined below:

3.1.4.1 Less than £20,000: proof of two written quotations is necessary in order to satisfy that best value is achieved. This responsibility rests with the Client Officer, NOT Officers of the Procurement Unit

3.1.4.2 Between £20,000 and the applicable Spend Threshold: a procurement risk assessment must be submitted to the Procurement team, which will determine the route to market, subject to a minimum of three electronic invitations via the Council's electronic opportunities portal, or

3.1.4.3 In the case of procurement relating to "commercial activities", as defined within the Council's Financial Procedure Rules, for all contract values up to but not exceeding the spend thresholds, appropriate procurement processes shall be undertaken, with guidance and oversight from the Council's Investment Board.

3.1.4.4 To comply with national transparency requirements, all contracts above £5,000 will need to be recorded on the Council's Contract Register. Where the Client Officer /Procurement Officer opts to publish a Request For Quotation opportunity openly, and where that opportunity is valued at £25,000 or more, then in addition to being managed on the Council's Electronic Opportunities Portal, this must also be advertised on the Government's 'Contracts Finder' Facility. Officers of the Procurement Unit will assist with this task.

3.1.4.5 Officers are reminded that the use of a Selection Questionnaire in order to narrow a marketplace in a below spend threshold exercise is **forbidden** under the Public Contracts Regulations

3.2 Evaluation of Quotations

3.2.1 Evaluation and Award (for below EU spend threshold procurements)

3.2.1.1 Quotations shall be evaluated and awarded on the basis of the value for money they offer to the Council in line with one of the following options:

- Cost and Quality - in a ratio reflecting the risk and value of the contract
- Lowest Cost. - where a detailed requirement specification is met as determined and documented in advance of Quotations being invited.

Agenda Item 7

- Highest Quality – where the budget that the Council is willing to commit is published to bidders and bidders are assessed on the quality that they can offer for that budget

3.2.1.2 Quotations shall be evaluated and awarded in accordance with the criteria and weightings set out in the Procurement Documentation and must not be changed at any time during the process.

3.2.1.3 Should the Cost element of a quotation evaluation involve a Cost Model, Basket of Goods, or Basket of Works, then consideration must be given, ahead of commencing the procurement exercise, to publishing that detail within the procurement document.

3.2.1.4 Where a Cost Model, Basket of Goods or Basket of Works is employed in the Cost Element of an Evaluation, the content **MUST NOT** be changed once bids are received.

3.2.2 Evaluation Panel

3.2.2.1 Evaluation Panels must be established prior to the issue of the Quotation documents, to ensure that they are engaged with the process and understand the evaluation criteria and weightings.

3.2.2.2 Evaluation Panels for procurements based on a mix of Cost and Quality must include representation from the client department/key stakeholders and must consist of a minimum of two operational Officers. Where the basis of evaluation is Cost only then the Procurement Officer can be one of the evaluators.

3.2.2.3 Where an Interview / Presentation session has been planned into an evaluation, the evaluation panel members must be consistent with the panel members that have undertaken other elements of the evaluation. Ahead of any Interview / Presentation session, evaluation panel members must ensure that they are familiar with the content of the Quotations of the bidders invited to that session.

3.2.3 Evaluation Matrix

3.2.3.1 The Evaluation Matrix will consist of defined evaluation criteria and weightings. Marks and scores must be brought through from the Quotation document to reflect what is material to the award of a particular contract.

3.2.3.2 criteria shall have a number of marks allocated to signify to bidders the relative importance of each criterion.

3.2.3.3 Scores – All bids must be scored consistently against a scoring model which must be included in the Quotation document.

3.2.3.4 All scores and notes made by the evaluation panel must be recorded in writing and used for reference if further moderation is required. Individual Panel Member's scores and associated

notes along with moderated evaluation panel scores and final justifying notes must be uploaded to the Council's electronic opportunities portal or where a tender is taking place outside of the Electronic Opportunities Portal (for example Crown Commercial Services G Cloud) to align with the relevant Framework approach, must be held in a secure storage location.

3.2.3.5 Section 3.2.4 of these rules advises on the need for moderation, and this is essentially to manage out subjectivity in an evaluation process. Where an evaluation contains an Interview / Presentation stage then quality scores attributed up to that point must be moderated in order to ensure that any decision taken to invite a shortlist of bidders to Interview / Presentation is based on correct and accurate scoring.

3.2.3.6 Where an Interview / Presentation stage is employed within an evaluation then Officers must seek to manage this stage incorporating the following advice:

- Should a Presentation be required from a shortlist of invited bidders, then all shortlisted bidders must equally be informed, ahead of the Presentation, via the Council's electronic opportunities portal, of:
- the theme that the bidder must base their presentation on (and this must be relevant to the subject of the procurement).
- the time limit applied to the Presentation

3.2.3.7 Where an Interview / Presentation session has been planned into an evaluation, the evaluation panel members must be consistent with the officers that have undertaken other elements of the evaluation. Ahead of any Interview / Presentation session, evaluation panel members must ensure that they are familiar with the content of the tender submissions of the bidders invited to that session. All interview / presentation sessions must be attended by a Procurement Officer to ensure compliance to the evaluation approach.

3.2.3.8 Comprehensive notes of all Interview / Presentation Sessions must be recorded and fed into the evaluation matrix as these will be required to support the scoring allocated and enable feedback to be given to unsuccessful bidders.

3.2.4 Moderation

3.2.4.3 The Evaluation Panel will discuss their individual scores and must reach agreement on a moderated panel score and justifying comments.

3.2.4.2 Any moderated scores and applicable justifying comments must be recorded in the Evaluation Matrix accompanying the procurement.

(c) All notes may be the subject of information requests including from the Public Procurement Review Service. It is crucial that accurate notes justifying awarded scores are maintained throughout and relate solely to the relevant award criteria.

3.2.5 Post Quotation Clarification

Agenda Item 7

3.2.5.1 Post Quotation Clarification is to be requested and returned via the Council's electronic opportunities portal, or where a tender is taking place outside of the Electronic Opportunities Portal (for example Crown Commercial Services G Cloud) to align with the relevant Framework approach, communication should be shared by email and held in a secure storage location.

3.2.5.2 Post quotation clarification may only be sought in relation to an element of the bidder's submission that has been provided, and which needs further understanding.

3.2.5.3 Post Quotation Clarification however cannot be used to seek from the bidder some element of the submission which has been omitted, and as such seeking provision of such omission would provide the bidder with an unfair advantage.

3.2.5.4 Evaluation scores can only be amended where specific clarification has been requested relating to the award criteria.

3.2.5.6 All clarification questions and returns must be noted and any amended scores which result from clarification are to be updated in the Evaluation and Moderation Matrix.

3.2.6 Best and Final Offer (BAFO)

3.2.6.1 For below Spend Threshold procurements which are not conducted as a Framework Further Competition only, these Contracts Procedure Rules facilitate Officers employing a BAFO stage within a procurement exercise.

3.2.6.2 The purpose of the BAFO stage, is to enable the Client / Procuring Officer to afford an opportunity to all bidders in a procurement exercise, which have not failed any pass/fail element of the evaluation, a final opportunity to improve their overall offer to the Council. This should enable the Council to seek best value.

3.2.6.3 The BAFO stage must be conducted through the Council's electronic opportunities portal, it must be provided to all 'compliant' bidders equally (i.e. those bidders that have passed all pass/fail elements of the evaluation), and must set a deadline for submission of BAFO's, to be returned via the Council's electronic opportunities portal.

3.2.6.4 Upon receipt of any number of BAFO's the Client / Procuring Officer will examine the contents of each BAFO.

3.2.6.5 A BAFO can be an improvement of any element of the bidder's 'offer' i.e. it may contain, for example;

- A lower Cost
- An improvement in the quality offering
- A value added element (such as an extended warranty on supplies)

Or any combination of these.

3.2.6.6 Where a BAFO is submitted Client / Procuring Officers must ensure that any improvements in a bidder's offer are reflected in the applicable evaluation matrix, rescoring bidder's submissions only where appropriate.

PART 4 – APPROVAL TO AWARD CONTRACTS

4.1 Low value Procurements - £1 to £20,000

The approval to award any Contract shall be confirmed by the Client Officer who will ensure that the Assistant Director is aware of the award

4.2 Procurements £20,001 to £150,000

The approval to award any Contract shall be articulated in a Chief Officer Report and approved by the Assistant Director.

4.3 Procurements £150,000 to x 3 Public Contract Regulations (goods and services), 1 x Public Contract Regulations (works)

The approval to award shall be approved by the relevant Cabinet Member in consultation with the relevant Assistant Director.

Agenda Item 7

4.4. Procurements above x3 Public Contract Regulations (goods and services), 1 x Public Contract Regulations (works)

The approval to award shall be articulated in a Cabinet Report and approved by the Cabinet. Where defined in the Pre Procurement Report or in a Cabinet delegation a Chief Officer Report can be used to articulate the award, with approval by the Assistant Director, Executive Director, in consultation with the relevant Cabinet Member and where appropriate with the Executive Director of Corporate Resources and Customer Services.

4.5 Framework direct award

Where a Framework direct award is being undertaken, approval shall be subject to the same provisions as rules 4.1 to 4.4.

The following illustration summarises Procurement Process that these Contracts Procedure Rules detail

Appendix 1 - What level of Procurement Activity is required in respect of Contract Value?

Value	£1 - £20,000	£20,001 to Public Contract Regulations spend threshold	Above Public Contract Regulations Spend
Sourcing requirements	2 written quotes	Minimum 3 quotes or tender advertised	Open to the marketplace via Find a tender and Contracts Finder portals
Responsibility to lead sourcing activities	Client Officer	Procurement	Procurement
Sourcing document	Not required	Request for Quotation	Invitation to Tender

Appendix 2 - GLOSSARY OF TERMS

Advanced Request for Quotation (ARFQ)

Initiating step of a procurement process in which providers are invited to submit quotations for the supply of specific and clearly defined supplies, services, or works during a specified timeframe, the value of which falls below the applicable European Union Spend Threshold.

Assignment

The transfer of the benefits and obligations of a contract from one Contractor to another.

BAFO (Best and Final Offer)

The step of inviting providers that have submitted compliant proposals within a procurement process to refine their offering, either by an improvement of the Cost, the Quality, Value Added benefits, or a combination of these factors.

Whilst the use of a BAFO step is permitted and encouraged in procurement exercises with a value below the applicable EU spend threshold, it is forbidden in the majority of over EU spend threshold exercises.

Central Purchasing Body

A Central Purchasing Body is a contracting authority that:

- acquires supplies or services intended for one or more contracting authorities, or
- awards public contracts for works, supplies or services intended for one or more Contracting Authorities; or

concludes framework agreements for works, supplies or services intended for one or more contracting authorities for one or more Contract Authorities

Commercial Activities

Relates solely to activities meeting the definition of “commercial activities” within the Council’s Financial Procedure Rules

Client Officer

The Officer who is responsible for defining the requirements and approvals required for any tender exercise.

Commissioning

Commissioning is process by which we decide how to use and prioritise the total resources available in order to improve outcomes for citizens in the most efficient, effective and sustainable

way. The process covers the entire cycle of assessing the needs of people, designing and securing a cost-effective approach in order to deliver better outcomes, and monitoring performance to determine whether the approach commissioned is fit for purpose, or needs to be replaced with a more effective redesigned approach. This may include the procurement of goods, works or services.

Contracting Authority

The State, regional or local authorities, bodies governed by public law or associations formed by one or more such authorities or one or more such bodies governed by public law and includes central government authorities.

Contract Payment Profile Retention

Amounts are deducted from payments due to the contractor (retention) over the course of the contract, the value of such deductions may be dependent on the achievement of performance milestones; at the end of the contract, any such retentions are released to the contractor on satisfactory completion (including any relevant defects period).

Deposited Cash Bond

A payment made by a contractor 'up-front' (or deducted from a first payment due) that is held by the Council as security until the contract is satisfactorily complete

Dynamic Purchasing System (DPS)

A completely electronic system for commonly used purchases the characteristics of which, as generally available on the market, meet the requirements of the Contracting Authority and is open throughout its duration to any Contractor which satisfies the selection criteria.

E-Procurement

A method of carrying out a procurement exercise using an electronic internet based tool such as the Council electronic opportunities portal.

Economic Operator

Any person or public entity or group of such persons and entities, including any temporary association of undertakings, which offers the execution of works or a work, the supply of products or the provision of services on the market.

Evaluation Matrix

A Microsoft Excel based document which sets out the evaluation criteria and weightings detailed within a procurement document and against which bidders' submissions and scores are recorded.

Agenda Item 7

Framework Agreement

An agreement which establishes the terms under which a Contractor will enter into Contracts with the Contracting Authority throughout the duration of the Framework. A Contractor may be awarded a Contract which extends beyond the termination of the framework, provided the Contract is entered into before the framework expires and it is proportionate. Contracts awarded at the end of framework that have a disproportionate duration may amount to an abuse of the Public Contracts Regulations.

Invitation to Tender (ITT)

Initiating step of a competitive tendering process in which providers are invited to submit sealed bids for the supply of specific and clearly defined supplies, services, or works during a specified timeframe

Light Touch Regime (LTR)

A specific set of rules for certain service contracts including certain social, health and education services as set out in Schedule 3 of the Public Contracts Regulations.

Liquidated Damages

A pre-determined level of damages (calculated as a genuine pre-estimate of loss), which the Council shall be entitled to deduct from the Contractor in the event of his failure to complete the contract within a specified time.

Moderation Matrix

A document which sets out the evaluation criteria and weightings detailed within a procurement document and against which bidders' submissions and scores are discussed by the evaluation panel and moderated recorded

Open Procedure

A procurement procedure which makes the opportunity available to the marketplace as a whole.

Parent Company Guarantee

A parent company guarantee is a declaration provided by the parent company of the main contractor which commits the parent to stepping in and honouring the terms of the contract if the Contractor must fail to do so and /or paying compensation (up to a stated maximum) in respect of loss incurred by the Council as a result of non- performance.

Performance Bond

A performance bond is a guarantee provided by a surety (usually a bank or insurance co. to pay compensation (up to a stated maximum sum) in respect of loss suffered by the Council should a contractor fail to fulfil its contractual obligations.

Public Contracts Regulations (PCR)

The Public Contract Regulations 2015 (as amended) and the Public Procurement (Amendment Etc) (EU Exit) Regulations 2020, set out the procedures that must be followed when certain public sector contracts are to be offered to the marketplace.

Procurement

Procurement, in the terms of the Public Contracts Regulations, is defined as the acquisition by means of a public contract of works, supplies or services by one or more contracting authorities from economic operators chosen by those contracting authorities, whether or not the works, supplies or services are intended for a public purpose.

Restricted Procurement

A procurement process that first narrows the marketplace in order that Quotations or tenders are sought from a limited group of providers

Request for Quotation (RFQ)

Initiating step of a procurement process in which providers are invited to submit quotations for the supply of specific and clearly defined supplies, services, or works during a specified timeframe, the value of which falls below the applicable European Union Spend Threshold. RFQ's are generally evaluated on 100% Cost.

Selection Questionnaire (SQ) (formerly Pre-Qualification Questionnaire PQQ)

The first stage in a two stage restricted tendering procedure where interested providers complete a questionnaire compiled by the Council for the purpose of selecting a short list of interested providers to whom Invitations to Tender are to be issued.

NOTE: Use of a Selection Questionnaire is ONLY permissible in EU Procurement Procedures. The 2015 Public Contract Regulations prohibit the use of Pre-Qualification Questionnaires in 'below EU' Procurement procedures

SME

Small and medium-sized enterprises (SMEs) are non-subsidiary, independent firms which employ less than a given number of employees. The most frequent upper limit designating an SME is 250 employees, as in the European Union.

Social Value

Seeks to maximise the additional benefits that can be created by providing benefits above and beyond the core services. Award criteria can include social, economic, and environmental matters, although these must be linked to the subject matter of the contract.

Agenda Item 7

Surety

A person or organisation who takes responsibility for another's performance of an undertaking.

Voluntary Ex-Ante Transparency (VEAT) Notice

A VEAT notice is a means of advertising the intention to let a contract without opening it up to formal competition. A contracting authority may decide that a contract does not require prior publication through a contract notice on Find a Tender.

This page is intentionally left blank

Agenda Item 8

Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 7 September 2022
Subject:	Review of Members Code of Conduct Complaints 2021-22		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

Summary:

The report provides a summary of complaints received in the municipal year 2021 to 2022 that Members of Sefton Council had breached its Members Code of Conduct.

Recommendation(s):

(1) That the report be noted.

Reasons for the Recommendation(s):

The keep the committee informed of complaints received that Members had breached its Code of Conduct for Members in accordance with the terms of reference for the committee.

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

Agenda Item 8

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): None	
Legal Implications: Localism Act 2011	
Equality Implications: There are no equality implications.	
Climate Emergency Implications: The recommendations within this report will	
Have a positive impact	N
Have a neutral impact	Y
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	Y

Contribution to the Council's Core Purpose:

Protect the most vulnerable: N/A
Facilitate confident and resilient communities: N/A
Commission, broker and provide core services: N/A
Place – leadership and influencer: Having a robust Members Code of Conduct adhered to by all members will demonstrate that members are accountable to the citizens of the borough. The Code is designed to protect the democratic role of members, encourage good conduct and safeguard the public's trust in local government.
Drivers of change and reform: N/A
Facilitate sustainable economic prosperity: N/A
Greater income for social investment: N/A
Cleaner Greener: N/A

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD6890/22.) has been consulted and any comments have been incorporated into the report. The Chief Legal and Democratic Officer is the author of the report.

(B) External Consultations

None

Implementation Date for the Decision

Immediately following the Committee meeting.

Contact Officer:	David McCullough
Telephone Number:	Tel: 0151 934 2008
Email Address:	david.mccullough@sefton.gov.uk

Appendices:

There are no appendices to this report

Background Papers:

There are no background papers available for inspection.

1. Introduction/Background

1.1 Under the Localism Act 2011 all councils must adopt a code of conduct dealing with the conduct that is expected of members and co-opted members when they are acting in that capacity.

1.2 Under section 27 of the Localism Act 2011, a relevant authority must:

- Promote and maintain high standards of conduct by its members and co-opted members.

- When discharging its duty, adopt a voluntary code dealing with the conduct that is expected of members and co-opted members of the authority when they are acting in their capacity as members (that is in an official capacity).

Agenda Item 8

1.3 Section 28(6) requires a relevant authority (other than a parish council) to have arrangements in place to deal with complaints that its code of conduct has been breached.

1.4 At the Full Council meeting on 18th May 2021 the Council adopted a new Code of Conduct and members received bespoke training by a specialist external training provider on the new Code on 13th September 2021.

2.0 **Summary of Complaints received in 2021-22**

2.1 Two complaints were received during the municipal year 2020-21 and a summary of each is provided below.

3 **Complaint A**

3.1 A complaint was received from a member of the public in relation to a video a member posted on social media. The complainant alleged that the posting of the video infringed copyright law. However, the video was posted prior to the member becoming a member of the Council and therefore, there it was not a valid complaint under the Code of Conduct.

4.1 **Compliant B**

4.2 A complaint was received from a member of the public about a press release from a member which they considered to be offensive and that the member in question breached the Code on the grounds that the member failed to treat others with respect, did not act solely in the public good and did not consider the issues with an open mind.

4.3 Attempts to resolve the complaint informally failed and the matter was referred to a meeting of the Audit and Governance Initial Assessment Sub-Committee.

4.4 The Sub-Committee decided to take no further action in relation to the complaint as they considered that the comments in the press release were factually correct and derived from an officer's report which was later submitted to a committee of the Council.

4.5 The complaint was offered the opportunity for the matter to be reviewed by the Audit and Governance Review Sub-Committee, but they chose not to do so.

5.0 **Conclusion**

5.1 In the municipal year 2021 to 2022 two complaints were received that Sefton members had breached its Code of Conduct for Members. All the complaints were made by members of the public and for the reasons set out above none of the complaints led to a full investigation and were concluded without any adverse findings being made.

5.2. In comparison in the municipal year 2020 to 2021 six complaints were received, all from members of the public and none led to a full investigation.

Agenda Item 9

Report to:	Audit and Governance Committee Council	Date of Meeting:	7 September 2022 15 September 2022
Subject:	Audit and Governance Committee Annual Report 2021-2022		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

Summary:

To formally present the Annual Report of the Audit and Governance Committee 2021-2022.

Recommendations:

1. Recommendation to the Audit and Governance Committee:

That the Audit and Governance Committee be requested to:

Agree and refer the 2021-2022 Annual Report of the Audit and Governance Committee to the Council for approval, as detailed in Appendix 1.

2. Recommendation to the Council:

That Council be requested to approve the Annual Report of the Audit and Governance Committee 2021-2022.

Agenda Item 9

Reasons for the Recommendations:

To comply with the Terms of Reference of the Committee as set out in Chapter 7 of the Councils Constitution.

Alternative Options Considered and Rejected: (including any Risk Implications)

No alternative options have been considered – To comply with the formal reporting mechanism.

What will it cost and how will it be financed?

There are no direct financial implications arising from this report.

(A) **Revenue Costs** – see above

(B) **Capital Costs** – see above

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets):	
None	
Legal Implications:	
None	
Equality Implications:	
There are no equality implications.	
Climate Emergency Implications:	
The recommendations within this report will	
Have a positive impact	Neutral
Have a neutral impact	Neutral
Have a negative impact	Neutral
The Author has undertaken the Climate Emergency training for report authors	Yes
There are no direct climate emergency implications arising from this report. Any climate emergency implications arising from matters referred to in the Annual Report would have been contained in reports when they were presented to Members during the previous year; or will be contained in future reports during the forthcoming year.	

Contribution to the Council's Core Purpose:

Protect the most vulnerable: None directly applicable to this report
Facilitate confident and resilient communities: None directly applicable to this report
Commission, broker and provide core services: Good governance is about how the Council ensures that it is doing the right things, in the right way, for the communities we serve. Good governance will enable the Council to pursue its vision and secure its agreed objectives in the most effective and efficient manner.
Place – leadership and influencer: None directly applicable to this report
Drivers of change and reform: None directly applicable to this report
Facilitate sustainable economic prosperity: None directly applicable to this report
Greater income for social investment: None directly applicable to this report
Cleaner Greener: None directly applicable to this report

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD 6906/22) and the Chief Legal and Democratic Officer (LD 5106/22) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

Not applicable

Implementation Date for the Decision

Immediately following the Council meeting.

Contact Officer:	Ruth Appleby
Telephone Number:	Tel: 0151 934 2181
Email Address:	ruth.appleby@sefton.gov.uk

Agenda Item 9

Appendices:

The following appendices are attached to this report:

Appendix 1: Annual Report of the Audit and Governance Committee 2021-2022

Appendix 2: Audit and Governance Work Programme for 2021-2022

Appendix 3: Terms of Reference of the Audit and Governance Committee

Appendix 4: Audit and Governance Committee Training and Development Programme 2022-2024

Background Papers:

There are no background papers available for inspection.

1. Introduction and Background

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Position statement on Audit Committees states that Audit Committees are a key component of an authority's governance framework. Their function is to provide an independent and high level resource to support good governance and strong public financial management.
- 1.2 The Position Statement also states that "The audit committee should be held to account on a regular basis by the group to which it is accountable. For a local authority audit committee, this will be the Council. The aspects that should be specifically considered include:
 - whether the committee has fulfilled its agreed terms of reference
 - whether the committee has adopted recommended practice
 - whether the development needs of committee members have been assessed and whether committee members are accessing briefing and training opportunities
 - whether the committee has assessed its own effectiveness or been the subject of a review and the conclusions and actions from that review
 - what impact the committee has on the improvement of governance, risk and control within the authority".
- 1.3 Within the Chartered Institute of Public Finance and Accountancy (CIPFA) model Terms of Reference (2018), which the Council adopted in May 2021, there is a requirement to publish an annual report on the work of the committee as well as to report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

- 1.4 The proposed requirement stems from good practice to outline an Annual Report of the Audit and Governance Committee to the Council setting out all the activities/decisions taken by the Committee during that year. The report should as a result enhance accountability of the Committee and its decision making and good governance
- 1.5 The Annual Report of the Audit and Governance Committee outlines the Committee's work and achievements over the year ending 31 March 2022 and demonstrates to residents and Council stakeholders the important role that is carried out by the Committee and its contribution to the Council's overall governance arrangements.

2. Audit and Governance Committee Terms of Reference and Work Programme

- 2.1 Following adoption of the model Terms of Reference of the Committee by the Council in May 2021 this is the second Audit and Governance Annual Report that has been produced and approved by the Chair of the Committee. The Annual Report, along with the Work Programme of the Committee, was developed further in 2021-2022 to ensure that the Committee remained effective in addressing all elements of the adopted model Terms of Reference.
- 2.2 Appendix 2 to the report sets out the Work Programme of the Committee covered in 2021-2022 comprising the schedule of meetings for the Committee and the reports to be considered at each of those meetings.
- 2.3 The Work Programme for each Municipal Year is an important element of planning the year ahead as it ensures that the Committee remains on target in reviewing the effectiveness of the Committee and is effectively monitoring/reviewing the Terms of Reference of the Committee (Appendix 3 to the report). Appendices 2 and 3 work hand-in-hand in that all elements of the Terms of Reference are monitored through the submission of reports/briefings to the Committee. It is also important to note that an element of flexibility in relation to the Work Programme is applied in order that any ad hoc/urgent pieces work may be undertaken/reviewed by the Committee as and when required.

This page is intentionally left blank



**Audit and Governance
Committee
Annual Report 2021-2022**

**Councillor Dave Robinson
Chair**

Agenda Item 9

Introduction by the Chair of the Audit and Governance Committee



It gives me great pleasure to introduce the 2021/22 Annual Report of the Audit and Governance Committee.

The report informs the Council of the broad range of work undertaken by the Committee in fulfilling its Terms of Reference and in doing so provides assurances on the effectiveness of the Committee in meeting its obligations.

The Committee's Terms of Reference were developed in accordance with the CIPFA guidance and the detailed Committee Work Programme provides further assurances that the Terms of Reference are reviewed.

I wish to place on record my appreciation to the Executive Director of Corporate Resources and Customer Services and his team for all their hard and work and continued support to members in ensuring the success of meeting remotely.

I look forward to working with Committee members and officers who support the Committee during 2022-2023.

1.0 Introduction

1.1 The Audit and Governance Committee has delegated responsibilities from Council. This report provides details of how the Committee has discharged those responsibilities and delivered against its terms of reference which can be found in the Council's Constitution and at Appendix 3 to this report.

1.2 The purpose of the Audit and Governance Committee is to:

- provide independent assurance to the Council in respect of the effectiveness of the Council's governance arrangements, risk management framework and the associated control environment; and
- independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment.

1.3 The key benefits of an effective audit Committee are:

- increasing awareness regarding the effectiveness and continued development of the Council's governance arrangements;
- providing additional assurances on the robustness of the Council's governance arrangements through a process of independent and objective review;
- reducing the risks of illegal or improper acts;
- increasing public confidence in the objectivity and fairness of financial and other reporting;
- contributing to performance improvements in assurance levels and awareness of the need for strong internal control including the implementation of audit recommendations;
- reinforcing the importance and independence on internal and external audit and similar review processes; and
- promotes high standards of ethical behaviour by developing, maintaining and monitoring performance and Codes of Conduct for Members of the Council (including co-opted members and other persons acting in a similar capacity).

1.4 Audit and Governance Committee Work Programme

The Committee's Work Programme is a rolling and flexible schedule of work that should be undertaken by the Committee. The programme is designed to ensure that the Committee remains on track with its ambitious schedule of work.

The Chartered Institute of Public Finance and Accountancy (CIPFA) publication - "Practical Guidance for Local Authorities and Police" recommends as good practice, the provision of an annual Work programme to enable Audit and Governance Committees to discharge their duties in accordance with their Terms of Reference.

Agenda Item 9

Adherence to the work plan ensures that the Audit and Governance Committee has a structured, consistent approach to fulfilling its responsibilities as detailed in the CIPFA guidance.

In May 2021, the meeting of the Adjourned Annual Council agreed the adoption of a new model Terms of Reference for the Audit and Governance Committee. This was based on the Chartered Institute of Public Finance and Accountancy's (CIPFA's) publication – "Practical Guidance for Local Authorities and Police" which sets out CIPFA's guidance on the role, function and operation of audit committees in local authorities and police bodies and represents best practice for audit committees in local authorities throughout the UK and for police audit committees in England and Wales. The Terms of Reference have been enhanced to reflect the Committee's Governance role which is not detailed in the guidance.

Following approval of the Terms of Reference by the Adjourned Annual Council, a proposed Work Plan was approved by the Audit and Governance Committee on 15 September 2021.

The Work Programme for each Municipal Year is an important element in planning the year ahead as being closely aligned with the Terms of Reference, it ensures that the Committee has a structured, consistent approach to fulfilling its responsibilities within the Terms of Reference and helps to ensure the effectiveness of the Audit and Governance Committee. It is also important to note that a degree of flexibility is applied in order that any ad hoc / urgent reports may be considered by the Committee as and when required.

The Work Programme for 2021 to 2022 is set out in Appendix 2 to this report.

2.0 Year 2021-2022

Meetings of the Audit and Governance Committee were held on the following dates during 2021/22:

- 23 June 2021
- 15 September 2021
- 15 December 2021
- 16 March 2022

Further information on the Audit and Governance Committee Meetings, including agendas and minutes is available at the following link: [Sefton Council](#)

As indicated in the Work Programme, reports submitted related to the following areas:

- Internal Audit
- Risk Management
- Accounts, Financial Statements and Treasury Management
- Information Governance/Constitution Updates
- Miscellaneous / Ad hoc reports

2.1 Internal Audit

To support the Committee in monitoring progress of Internal Audit work within the year the following reports were presented:

Meeting	Reports
15 September 2021	Annual Report and Opinion of the Chief Internal Auditor
15 December 2021	Follow up of Audit Agreed Actions
16 March 2022	Internal Audit Charter and Annual Audit Plan 2022-2023

2.2 Risk Management

The following reports on the management of risk within the Council during the year were presented to the Audit and Governance Committee:

Meeting	Reports
23 June 2021	Corporate Risk Management
23 June 2021	Risk and Audit Service Performance
15 September 2021	Corporate Risk Management
15 September 2021	Risk and Audit Service Performance
15 December 2021	Corporate Risk Management
15 December 2021	Risk and Audit Service Performance
16 March 2022	Corporate Risk Management
16 March 2022	Risk and Audit Service Performance

2.3 Accounts, Financial Statements & Treasury Management

The following Financial and Treasury Management reports were presented to the Audit and Governance Committee:

Meeting	Reports
---------	---------

Agenda Item 9

15 September 2021	Draft Statement of Accounts 2020/2021
15 September 2021	Treasury Management Outturn and Position to 31 July 2021
15 December 2021	Statement of Accounts 2020/2021
15 December 2021	Treasury Management Position to September 2021
15 December 2021	Review of Risk Based Verification for Housing Benefit and Local Council Tax Reduction Claims
17 March 2021	Treasury Management Position to January 2022

2.4 **Information Governance/Constitution Updates**

Within the financial year significant work was undertaken on the Council's governance arrangements and issues in relation to the constitution. These issues were presented to the Audit and Governance committee in advance of progression to Council for approval where required and are reflected below:

Meeting	Reports
23 June 2021	Amendments to Motions at Full Council
15 September 2021	Information Management and Compliance
15 September 2021	Audit and Governance Annual Report 2021-2022
15 September 2021	Procurement – National Procurement Policy, Contract Procedure Rules and Internal Processes
15 September 2021	Review of Members Code of Conduct Complaints 2020-2021
15 September 2021	Review of Whistleblowing Complaints
15 December 2021	Annual Fraud Report
16 March 2022	Sefton Council Annual Money Laundering Policy Update
16 March 2022	ICT Acceptable Usage Policy
16 March 2022	Audit and Governance Committee Member Training and Development
16 March 2022	Audit and Governance Committee Work Programme 2022-2023

2.5 **Miscellaneous Reports**

The following ad hoc reports, including an item submitted by a Member of the Audit and Governance Committee in accordance with Rules 115 and 116 of Chapter 4 of the Constitution were considered by the Audit and

Governance Committee:

Meeting	Reports
23 June 2021	Ernst and Young reports on: <ul style="list-style-type: none"> • Certification of Claims and Returns Annual Report 2019-2020 • Annual Audit Letter for the year ended 31 March 2020 • 2020/2021 Auditor work on Value for Money (VFM) Arrangements • Sustainability of Local Authority Financial Reporting and External Audit in England – The Sir Tony Redmond Independent Review
23 June 2021	Item submitted by a Member of the Audit and Governance Committee in accordance with Rules 115 and 116 of Chapter 4 of the Constitution – Bootle Strand and Surrounding Area – Sir Ron Watson
15 September 2021	Presentation by the Executive Director Place on Bootle Strand and Surrounding Area (in response to Sir Ron Watson’s report on 23/6/22

3.0 Assurance Activity 2021/2022

- 3.1 In order for the Committee to draw conclusions about the effectiveness of the Council’s internal control framework, governance and risk management it gained assurances from a number of sources.

- 3.2 The Accounts and Audit (England) Regulations 2015 require the Council to maintain an adequate and effective internal audit which is discharged by the Section 151 Officer. The Chief Internal Auditor works with Internal Audit to provide assurances for both Members and management on the effectiveness of the control framework.

- 3.3 The Committee received and considered reports in relation to the Annual Report and Opinion of the Chief Internal Auditor that provided a summary of the work of internal audit during 2021-2022 and the Chief Internal Auditor’s opinion on the overall control environment operating within the Council during the year. This report is a key requirement of the Public Sector Internal Audit Standards. As part of the Chief Internal Auditor’s reporting the impact of the Covid pandemic for 2020/21; the transition to homeworking by officers – which had gone smoothly; the substantial change in the risk environment of the Council and a revised audit plan that had been drafted to identify the new risks were reported and considered.

- 3.4 The Committee also received regular updates in relation to the performance and key activities of the Risk and Audit Service to each

Agenda Item 9

Meeting and agreed revisions to the Internal Audit Plan for 2021/22.

4.0 Risk Management

4.1 Risk Management continues to be a key component to service planning and regular monitoring of the corporate risk register is a vital of the Committee. The Committee routinely received reports in that respect. Throughout 2021/22 risks had been re-scored in accordance with the assessment guidance included in the Corporate Risk Management handbook. Members welcomed the continuance of the regime of receiving a short presentation from a risk owner on one of the risks listed in the Corporate Risk Register, which provided Members with further insight into risks associated with particular service areas and allowed for a further layer of scrutiny and challenge. During 2021/2022 the Committee received the following presentations:

- Executive Director Place – on the risks relating to the impact on the Sefton economy of Covid-19, EU Exit, winter and austerity.
- Head of Children’s Social Care on the risks associated with Children’s Social Care
- Executive Director Adult Social Care and Health on the risks associated with Adult Social Care.
- Executive Director Corporate Resources and Customer Services on the risk associated with financial sustainability relating to the Council’s housing development company.

4.2 The Committee also considered and regularly reviewed the performance and key activities of the Risk and Audit Service during 2021/2022 and were provided with Internal Audit Plans and contributions made by the Health and Safety, Insurance, Assurance and Risk and Resilience teams.

5.0 Treasury Management

5.1 The Audit and Governance Committee has a responsibility to provide a level of scrutiny in relation to treasury management policies and practices, and as such, the Committee considered the treasury management outturn position for the period 2021/22 which provided a review which included the implications of changes resulting from regulatory, economic and market factors affecting the Council’s treasury management position along with the treasury management activities undertaken to 31 March 2022.

5.2 The Committee also considered quarterly progress reports on the treasury management position and performance against prudential indicators. As a continuing result of the pandemic, the Council’s Treasury Management activities took on even greater importance especially around cash flow management and the investment of significant grant sums that the Council was distributing on behalf of central government-

these were reported continually to Audit and Governance committee through the year and Council in accordance with the agreed Strategy.

6.0 Statement of Accounts and External Auditors

- 6.1 At its meeting held on 15 September 2021 the Committee considered the draft un-audited Statement of Accounts for 2020/21 in advance of the final audited Statement of Accounts which was expected to be presented for approval in December 2021.
- 6.2 The Committee also considered the report by Ernst and Young LLP, the Council's external auditors, setting out an overview of the 2020/21 audit strategy, including an assessment of key risks and a planned audit strategy in response to those risks. Members scrutinised the draft statement of accounts robustly by asking questions of both the Section 151 Officer and the Council's external auditor.
- 6.3 The expected final Statement of Accounts 2020/21 was considered on 15 December 2021 and included the Annual Governance Statement for consideration and approval. In addition, and the Report of the Independent External Auditors and the proposed 'Letter of Representation' letter from Sefton Metropolitan Borough Council to the External Auditors – Ernst & Young LLP (EY), were also considered.
- 6.4 The Statement of Accounts 2020/21 provided information about the Authority's finances in respect of the cost of the Authority's services and what the Authority's assets and liabilities were at the end of the year.
- 6.5 The EY audit had focused on the following areas with no significant issues having been found:
- Misstatements due to fraud or error (Fraud Risk).
 - Risk of fraud in revenue and expenditure recognition (Fraud Risk).
 - Valuation of pension fund assets and liabilities in the Local Government Pension Scheme (Significant Risk).
 - Valuation of land and buildings (Significant Risk).
 - New Central Government Grants and other Covid-19 funding streams (Significant Risk).
 - Investments and Subsidiaries (Inherent Risk).
 - Going Concern (Inherent Risk).

The EY report indicated that the areas of the audit still to be completed were:

- Valuation of land and buildings;
- completion of our internal consultation process on our audit

Agenda Item 9

assessment and review of the Council's proposed going concern disclosures;

- final quality review procedures by the engagement partner and quality reviewer;
- review of the final version of the financial statements;
- completion of subsequent events review; and
- receipt of the signed management representation letter and accounts.

The report indicated that an update report detailing any changes made to the Statement of Accounts from that presented to the Committee, would be presented to Audit and Governance Committee scheduled to take place on 16 March 2022. However, due to a technical accounting issue relating to the valuation of infrastructure assets that have been raised nationally the audit of the Statement of Accounts is yet to be completed. CIPFA has consulted on changes to the Accounting Code of Practice which will allow for the issue to be resolved and the audit to be concluded. However, it is currently unknown how long this process will take.

7.0 Information Governance/Constitution Updates and other Miscellaneous reports falling within the Committee's Terms of Reference

Within the financial year significant work was undertaken on the Council's governance arrangements and issues in relation to the constitution. These issues were presented to the Audit and Governance committee in advance of progression to Council for approval where required and are reflected below:

- 7.1 On 23 June 2021 the Committee considered a report on **Amendments to Motions at Full Council** recommending that motions could be dealt with in the same manner as when meetings had been held remotely due to the Covid-19 pandemic, whereby notice of an amendment to a motion was emailed to the Chief Legal and Democratic Officer no later than 4 pm on the day before the Full Council meeting using a template for submission and stating the names of the mover and seconder of the amendment. If approved as a valid amendment, the notice of the amendment was circulated to all Members by email no later than 4 pm on the day of the Full Council meeting. The report proposed that this process continue and be written into the Constitution. The Audit and Governance Committee did not approve the recommendation on the grounds that it would be wrong to stifle the cut and thrust of debate at Full Council meetings.
- 7.2 At its Meeting held on 15 September 2021 the Committee considered the following key reports:
- 7.2.1 **Information Management and Compliance** – informing members of

the Council's approach to information governance and management and the consequences of not having appropriate arrangements in place together with details of information compliance in 2020/2021. The report outlined the current training in the form of eLearning course which enables staff and Councillors to gain a working knowledge of the legislation governing Information Compliance and advice on how to stay within the law when conducting their day-to-day activities including:

- Collecting Information.
- Maintaining Accurate Information.
- Do's & Don'ts when working with information.
- Sharing information.
- Storage & Security of information.
- Information incidents and what to do if it happens to you.
- Rights of Access to Information.
- Direct Marketing and Newsletters.
- Disposal of information

The course content is reviewed to ensure alignment to best practice and changes in the security risk profile; the next update will include increased information around cyber.

The report also provided an update on Freedom of Information requests in accordance with the Freedom of Information Act; Subject Access and disclosure requests; data incidents in respect of the Council's legal obligation to take appropriate measures to prevent unauthorised or unlawful processing, accidental loss, and destruction of or damage to personal data; and the on-line self-assessment tool – the Data Security and Protection Toolkit – All organisations that have access to NHS patient data and systems must use this Toolkit to provide assurance that they are practising good data security and that personal information is handled correctly.

7.2.2 **National Procurement Policy, Contract Procedure Rules and Internal Processes**

The Committee approved the refresh of the Council's Contract Procedure Rules and noted the published Modern Slavery Statement, which is updated annually and can be viewed on the Council's website at the following link:

<https://www.sefton.gov.uk/media/1265/modern-slavery-statement.pdf>.

The Committee also noted that a full rewrite of the Contract Procedure Rules would take place once the updated national guidance was published when a further report would be submitted for consideration by the Audit and Governance Committee.

7.2.3 **Review of Members Code of Conduct Complaints** – which provided a summary of complaints received in the municipal year 2020 to 2021

Agenda Item 9

that Members of Sefton Council had breached its Members Code of Conduct, indicating that six complaints had been received alleging that Sefton members had breached its Code of Conduct for Members. All the complaints had been made by members of the public and for the reasons set out in the report none of the complaints had led to a full investigation and had been concluded without any adverse findings being made. Four of the six complaints had concerned social media posts.

- 7.2.4 **Review of Whistleblowing Complaints** –which apprised the Committee of all complaints received by the Council via its whistleblowing policy in the municipal year 2020 to 2021 in accordance with the terms of reference of the committee and the terms of the policy.

The Policy which had been approved by the Audit and Governance Committee on 19 June 2019 can be found on the Council's intranet and internet pages:
[Whistleblowing policy \(sefton.gov.uk\)](https://www.sefton.gov.uk/whistleblowing-policy).

The report indicated that during the municipal year 2020 to 2021 the Council had received six referrals under its Whistleblowing Policy. Three of the referrals had made anonymously and for the other three feedback was provided on the outcome of the referral.

- 7.3 At its meeting on 15 December 2021 the Committee considered the **Annual Counter Fraud Report 2020-2021** which provided assurance on the effectiveness of Sefton Council's ('the Council') arrangements in countering fraud, bribery and corruption and the work carried out during the past financial year to minimise the risk of fraud. This supported the requirements of the Accounts and Audit Regulations (England) 2015, which states that the Council must have measures in place 'to enable the prevention and detection of inaccuracies and fraud'. The report also met one of the key actions from Sefton's self- assessment against the Chartered Institute of Public Finance and Accountancy (CIPFA's) Code of Fraud Practice that the Audit and Governance Committee receives regular quarterly updates on counter fraud activity of the Assurance Team.

The report provided an update on counter fraud activities during the period 1 April 2020 to 31 March 2021, demonstrated how the Council dealt with some of the fraud risks it was subjected to and outlined how resources available had been used to tackle fraud and emerging priorities going forward.

- 7.4 At its Meeting held on 16 March 2022 the Committee considered the following key reports:

- 7.4.1 **ICT Acceptable Usage Policy** – The Committee gave its approval for

the revised security policy relating to the authority's ICT estate – ensuring that Sefton's ICT was operating in line with industry standards for ICT Security Management. The policy document was a yearly review of the ICT Acceptable Usage Policy previously reviewed by the Audit and Governance Committee on 16 December 2020. The revised policy was given final approval by Council on 21 April 2022.

7.4.2 Sefton Council Annual Money Laundering Policy Update – The report advised that Guidance from the Chartered Institute of Public Finance and Accountancy ("CIPFA") indicated that local authorities should comply with the underlying spirit of the legislation and regulations. Failure by a member of staff to comply with the procedures set out in this Policy may lead to disciplinary action being taken against them and may also lead to a conviction under Proceeds of Crime Act 2002 and Money Laundering Regulations 2017. The Sefton Council Anti-Money Laundering policy had been approved by Audit & Governance Committee on 16 December 2020 and there had been no changes in the regulations and no contraventions of the Anti-Money Laundering policy had occurred since then.

7.5 On 23 June 2021, the Committee considered a report submitted by a Member of the Audit and Governance Committee in accordance with Rules 115 and 116 of Chapter 4 of the Constitution on Bootle Strand, and Surrounding Area and the Committee agreed that a response to the issues raised be provided in the form of a presentation by the Executive Director Place at the following meeting. Accordingly, the Executive Director Place provided a comprehensive presentation on Bootle Strand and Surrounding Areas at the meeting held on 15 September 2021. The Presentation slides were provided to Members following the meeting and also placed in the Mod Gov Library.

8.0 Audit and Governance Committee Member Training and Development

To comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) advice that regular briefings and training are essential to keep Audit and Governance Committee Members up-to-date, confident and effective in their role, on 16 March 2022 the Committee gave its approval for a programme of Audit and Governance Committee briefing sessions based on the key competencies outlined by CIPFA which would be held for one hour prior to scheduled meetings of the Audit and Governance Committee. Details of the programme of briefings are set out in Appendix 4 to this report.

The report also indicated that as the Audit and Governance and Treasury Management functions cut across all Council business it would be helpful for 2 courses to be available for all Sefton Councillors – namely (1) Introduction to Audit and Governance and (2) Treasury Management. The Committee therefore gave its approval for both of these courses to

Agenda Item 9

be included in the Member Development Handbook provided to Councillors at the start of the Municipal Year. This is in line with CIPFA code which states:

“The responsible officer will ensure that board/council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively”.

CIPFA stresses the importance of Audit and Governance Committee Members being committed to and ‘buying into’ training and development regardless of previous knowledge and skills they had when they joined the committee; ensuring that their knowledge is kept up to date, giving them more confidence and understanding of their role as A&G Committee members and helping to facilitate effective, participation and decision making at meetings.

To further support Audit and Governance Committee Members, a comprehensive library of information is available in the Audit and Governance Committee folder found in the Mod Gov Library, comprising CIPFA information documents and slides from A&G member briefing sessions - accessed via the following link: smbc-modgov-03/ecCatDisplay.aspx?sch=doc&cat=13922

9.0 Outcomes / Achievements

The work undertaken by the Committee has provided additional assurance of the robustness of the Council’s arrangements regarding corporate governance, risk management and internal management of controls. The Committee has added value through the importance placed upon governance issues, risk management, anti-fraud and assurances that key risks are being mitigated.

The introduction of a Work Programme for the Audit and Governance Committee is seen as a positive step in ensuring that the Committee remains on track with its ambitious schedule of work.

The introduction of a programme of Member Briefings to be held prior to each Committee Meeting based on key competencies outlined by CIPFA will help ensure that Members have the necessary skills to carry out their role effectively.

10.0 Conclusion

Agenda Item 9

- 10.1 The Committee has the benefit of being well supported by Council officers including the Section 151 Officer, the Monitoring officer and the Chief Internal Auditor as well as the Council's external auditors.
- 10.2 During 2021/22 the Audit and Governance Committee has consolidated the progress that has been made in previous years in providing robust scrutiny and challenge of the Committees Terms of Reference and in doing so the Committee has continued to have a real and positive contribution to the governance arrangements of the Council.
- 10.3 In order to build on the key achievements of 2021/22 and in looking forward to the Committee's work programme for 2022-2023 the Committee will:
- Continue to review all elements of the governance arrangements associated with Audit and Governance Committee ensuring that best practise is adopted in a timely fashion;
 - Continue to support the Council in managing the risk of fraud and corruption.
 - Continue to support the work of audit.
 - Continue to consider the effectiveness of the Council's risk management arrangements.
 - Continue to provide effective challenge and scrutiny of all areas of the Audit and Governance Terms of Reference giving the appropriate assurances to the Council.
 - Continue to provide Audit and Governance Committee Members with training to help ensure that they remain up-to-date, confident and effective in their role on the Committee.

This page is intentionally left blank

Audit and Governance Committee Annual Work Programme 2021/22

Agenda item	Inclusion rationale	June	July If required	Sep.	Dec.	March
Produce annual report of the Audit and Governance Committee (to full Council)	Terms of Reference			√		
Review of effectiveness of the Audit and Corporate Governance Committee – complete self- assessment	Good practice	√				
Review Audit and Corporate Governance Committee training requirements	Good practice			√		
Review and approve Annual Work Plan for the Audit and Governance Committee	Good practice					√
Review of the Audit and Corporate Governance Committee's Terms of Reference	Good Practice				√	
Internal Audit						
Page 185 Performance update on Risk and Audit Team including: <ul style="list-style-type: none"> • Audit Team • Health and Safety • Counter Fraud • Insurance and other risk areas such as Business Continuity 	Terms of Reference	√		√	√	√
Annual Opinion of the Chief Internal Auditor including: <ul style="list-style-type: none"> • review of impairment on independence and objectivity • QAIP • Assessment against PSIAS and LGAN 	Terms of Reference	√				
Approval of the Annual Internal Audit Plan and review of Internal Audit Charter	Terms of Reference					√
Provide a report on the completion of audit recommendations including those not implemented within a reasonable timescale	Terms of Reference				√	
Annual report on the follow up of Internal Audit recommendations	Terms of Reference				√	
Risk Management						

Audit and Governance Committee Annual Work Programme 2021/22

Agenda item	Inclusion rationale	June	July If required	Sep.	Dec.	March
Review of the Quarterly Corporate Risk Register	Terms of Reference	✓		✓	✓	✓
Approval of the review of the Corporate Risk Management Handbook	Terms of Reference				✓	
Provide a regular report on health and safety	Terms of Reference	✓		✓	✓	✓
Monitor role						
Reporting of the anti- fraud, bribery and corruption strategy	Terms of Reference	✓		✓	✓	✓
Provide an annual report on the Council's anti fraud strategy	Terms of Reference			✓		
Review of Whistleblowing Policy	Terms of Reference				✓	
Review of Financial Procedure Rules (if required)	Terms of Reference				✓	
Review of CIPFA Financial Management Code	Good Practice	✓				
Review of the Members Code of Conduct	Terms of Reference			✓		
Review the annual governance statement	Terms of Reference			✓		
Provide an annual report on the Council's Anti-Money Laundering Policy	Terms of Reference				✓	
Accounts, Financial Statements & Treasury Management						
Approval of the audited Statement of Accounts (including the Annual Governance Statement, the external auditor's audit results report and the Letter of Representation)	Terms of Reference			✓		
External Auditor Annual Audit Letter	Terms of Reference		✓			

Audit and Governance Committee Annual Work Programme 2021/22

Agenda item	Inclusion rationale	June	July If required	Sep.	Dec.	March
External Auditor Annual Report re. grant work	Terms of Reference	√				
Treasury Management Outturn	Terms of Reference			√		
Treasury Management In-Year Position	Terms of Reference			√	√	√
Write-offs of debt above £10,000 (if required)	Terms of Reference	√		√	√	√

This page is intentionally left blank

AUDIT AND GOVERNANCE COMMITTEE

TERMS OF REFERENCE

Constitution Chapter 7 Regulatory and Other Committees

Committee	Membership	Functions
8 Audit and Governance committee	10 Members of the Authority to form a politically balanced Committee	To consider and approve the Council's accounts, internal control systems and corporate governance issues.

Statement of purpose

77 The Audit and Governance Committee is a key component of Sefton's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

78 The purpose of the Audit and Governance Committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of Sefton's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, risk and control

79 To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.

80 To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and

Agenda Item 9

effectiveness of the council's framework of governance, risk management and control.

- 81 To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 82 To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- 83 To monitor the effective development and operation of risk management and Corporate Governance in the Council.
- 83 To monitor progress in addressing risk-related issues reported to the committee including the Corporate Risk Register.
- 85 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 86 To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- 87 To monitor the following activities:
- Counter-fraud/ bribery strategy, actions and resources.
 - Whistleblowing
 - Money Laundering
 - Council Complaints Process including make payments or provide other benefits in cases of maladministration etc. under Section 92 of the Local Government Act, 2000 in excess of £1,000.
 - Breaches of Financial Procedure Rules and Contract Procedure Rules
- 88 To review the governance and assurance arrangements for significant partnerships or collaborations and where appropriate obtain annual third party assurance statements.
- 89 To make recommendations to Council for amendments to the Constitution including financial procedure rules.

Agenda Item 9

- 90 To make recommendations to the Council on the adoption, implementation and maintenance and review of a local Code of Conduct for Members – co-opted Members and officers of the Council.
- 91 To determine effective training of Councillors and Co-opted Members in matters of conduct and advice to individuals on issues relating to the treatment of interests and on the propriety of conduct generally.
- 92 To deal with the arrangements for Councillors to receive dispensations to speak on, or participate in, matters in which they have an interest.
- 93 To determine the appropriate action on matters referred to the Committee by the Monitoring Officer including disciplinary matters relating to the conduct of individual and/or groups of Councillors including alleged misuse of a Members Self-Maintained Website.
- 94 To ensure compliance throughout the Council with all appropriate Codes of Conduct, including the Protocol for relationships between members and officers of Sefton Council, and procedures from time to time determined by the Committee
- 95 To deal with appropriate matters referred to it from other Committees.
- 96 To determine any applications for the grant and supervision of exemptions from political restrictions in accordance with Section 3A of the Local Government and Housing Act 1989.
- 97 To determine whether a valid petition for a Community Governance review has been received and to determine the terms of reference for such a review, how the review will be conducted including the required consultation and consider replies to a consultation and then make a recommendation to Full Council on the preferred outcome. The Committee has the authority to establish a working group to undertake the committee's responsibilities in this regard.

Internal audit

Agenda Item 9

- 98 To approve the internal audit charter.
- 99 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- 100 To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 101 To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- 102 To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- 103 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.
- 104 To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include
 - a) updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work
 - b) regular reports on the results of the Quality Assurance Improvement Plan (QAIP)
 - c) reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Assurance Note (LGAN), considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement (AGS).
 - d) to consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.

- 105 To consider the head of internal audit's annual report:
- a) The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of internal audit.
 - b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the AGS.
- 106 To consider summaries of specific internal audit reports as requested.
- 107 To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- 108 To contribute to the QAIP and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- 109 To consider a report on the effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations (see Appendix A).
- 110 To provide free and unfettered access to the Audit and Governance Committee Chair for the head of internal audit, including the opportunity for a private meeting with the committee.

External audit

- 111 To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.
- 112 To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- 113 To consider specific reports as agreed with the external auditor.

Agenda Item 9

- 114 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 115 To commission work from internal and external audit.
- 116 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Other Assurance areas

- 117 To consider the Council's arrangements for health and safety and receive regular assurances and assessments on the effectiveness of these arrangements.
- 118 To consider write-offs of debt/ assets above £10,000.
- 119 To regularly review the Council's Treasury Management activities

Financial reporting

- 120 To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- 121 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

- 122 To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.
- 123 To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

Agenda Item 9

124 To publish an annual report on the work of the committee.

This page is intentionally left blank

APPENDIX 4

Proposed Schedule of Member Briefing Sessions for 2022-2023 and 2023-2024 Municipal Years - based on the CIPFA recommended Core Areas of Knowledge for Audit and Governance Committee Members

<u>2022-2023 Municipal Year</u>		
Knowledge area / Training Date / Facilitator	Details of core knowledge required	How the audit committee member is able to apply the knowledge
<p><u>Treasury management</u></p> <p>16 March 2022</p> <p><i>Also, to be provided to all Councillors at a later date (tbc) as part of the Member Development Programme</i></p> <p>Facilitators: Treasury Management Consultants - Arlingclose</p>	<p>Effective Scrutiny of Treasury Management is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: regulatory requirements; treasury risks; the organisation's treasury management strategy; the organisation's policies and procedures in relation to treasury management.</p> <p style="text-align: center;">See also Treasure Your Assets (CfPS).</p>	<p>Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny.</p>
<p><u>Organisational knowledge</u></p> <p>22 June 2022</p> <p>Facilitators:</p> <ul style="list-style-type: none"> • Executive Director Corporate Resources and Customer Services • Chief Legal and Democratic Officer 	<p>An overview of the governance structures of the authority and decision-making processes.</p> <p>Knowledge of the organisational objectives and major functions of the authority.</p>	<p>This knowledge will be core to most activities of the audit committee including review of the AGS, internal and external audit reports and risk registers.</p>

Agenda Item 9

Knowledge area /Training Date / Facilitator	Details of core knowledge required	How the audit committee member is able to apply the knowledge
<p><u>Audit committee role and functions</u> (Chapters 3 and 6)</p> <p>7 September 2022</p> <p>Facilitator:</p> <ul style="list-style-type: none"> • Chief Legal and Democratic Officer 	<p>An understanding of the audit committee’s role and place within the governance structures. Familiarity with the committee’s terms of reference and accountability arrangements.</p> <p>Knowledge of the purpose and role of the audit committee.</p>	<p>This knowledge will enable the audit committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others.</p>
<p><u>Financial management and accounting</u> (Chapter 4)</p> <p>(Annual Statement of Accounts)</p> <p>23 November 2022</p> <p>Facilitators:</p> <ul style="list-style-type: none"> • Executive Director of Corporate Resources and Customer Service • Service Manager - Finance 	<p>Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them.</p> <p>Understanding of good financial management principles.</p> <p>Knowledge of how the organisation meets the requirements of the role of the CFO, as required by The Role of the Chief Financial Officer in Local Government (CIPFA, 2016) and the CIPFA Statement on the Role of Chief Financial Officers in Policing (2018).</p>	<p>Reviewing the financial statements prior to publication, asking questions.</p> <p>Receiving the external audit report and opinion on the financial audit .</p> <p>Reviewing both external and internal audit recommendations relating to financial management and controls.</p> <p>The audit committee should consider the role of the CFO and how this is met when reviewing the AGS.</p>

Agenda Item 9

Knowledge area /Training Date / Facilitator	Details of core knowledge required	How the audit committee member is able to apply the knowledge
<p><u>Governance</u> (Chapter 4)</p> <p>14 December 2022</p> <p>Facilitator:</p> <ul style="list-style-type: none"> • Chief Legal and Democratic Officer 	<p>Knowledge of the seven principles of the CIPFA / Solace Framework and the requirements of the AGS.</p> <p>Knowledge of the local code of governance.</p>	<p>The committee will review the local code of governance and consider how governance arrangements align to the principles in the framework.</p> <p>The committee will plan the assurances it is to receive in order to adequately support the AGS.</p> <p>The committee will review the AGS and consider how the authority is meeting the principles of good governance.</p>
<p><u>Internal audit</u> (Chapter 4)</p> <p>15 March 2023</p> <p>Facilitator:</p> <p>Chief Internal Auditor</p>	<p>An awareness of the key principles of the PSIAS and the LGAN.</p> <p>Knowledge of the arrangements for delivery of the internal audit service in the authority and how the role of the head of internal audit is fulfilled.</p>	<p>The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards.</p> <p>The audit committee will review the assurances from internal audit work and will review the risk-based audit plan. The committee will also receive the annual report, including an opinion and information on conformance with professional standards.</p> <p>In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed.</p> <p>The audit committee chair is likely to be interviewed as part of the external quality assessment and the committee will receive the outcome of the assessment and action plan</p>

Agenda Item 9

--	--	--

<u>2023-2024</u> <u>Municipal Year</u>		
Knowledge area /Training Date / Facilitator	Details of core knowledge required	How the audit committee member is able to apply the knowledge
<p><u>External audit</u> (Chapter 4)</p> <p>June 2023</p> <p>Facilitators:</p> <ul style="list-style-type: none"> • External Auditors (EY) • Service Manager - Finance 	<p>Knowledge of the role and functions of the external auditor and who currently undertakes this role.</p> <p>Knowledge of the key reports and assurances that external audit will provide</p> <p>Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken.</p>	<p>The audit committee should meet with the external auditor regularly and receive their reports and opinions.</p> <p>Monitoring external audit recommendations and maximising benefit from audit process.</p> <p>The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service area.</p>
<p><u>Financial management and accounting</u> (Chapter 4)</p> <p>(Annual Statement of Accounts)</p> <p>Date: September 2023 – <i>tbc</i> - <i>depending on the date of the A&G meeting for consideration of the Statement of Accounts</i></p> <p>Facilitators:</p> <ul style="list-style-type: none"> • Executive Director of Corporate Resources and Customer Service • Service Manager – Finance 	<p>Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them.</p> <p>Understanding of good financial management principles.</p> <p>Knowledge of how the organisation meets the requirements of the role of the CFO, as required by The Role of the Chief Financial Officer in Local Government (CIPFA, 2016) and the CIPFA Statement on the Role of Chief Financial Officers in Policing (2018).</p>	<p>Reviewing the financial statements prior to publication, asking questions.</p> <p>Receiving the external audit report and opinion on the financial audit .</p> <p>Reviewing both external and internal audit recommendations relating to financial management and controls.</p> <p>The audit committee should consider the role of the CFO and how this is met when reviewing the AGS.</p>

Agenda Item 9

Knowledge area / Training Date / Facilitator	Details of core knowledge required	How the audit committee member is able to apply the knowledge
<p><u>Risk management</u> (Chapter 4)</p> <p>December 2023</p> <p>Facilitator: Chief Internal Auditor</p>	<p>Understanding of the principles of risk management, including linkage to good governance and decision making.</p> <p>Knowledge of the risk management policy and strategy of the organisation.</p> <p>Understanding of risk governance arrangements, including the role of members and of the audit committee.</p>	<p>In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces. Keeping up to date with the risk profile is necessary to support the review of a number of audit committee agenda items, including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts.</p> <p>Typically, risk registers will be used to inform the committee.</p> <p>The committee should also review reports and action plans to develop the application of risk management practice</p>
<p><u>Counter fraud</u> (Chapter 4)</p> <p>March 2024</p> <p>Facilitator: Chief Internal Auditor</p>	<p>An understanding of the main areas of fraud and corruption risk to which the organisation is exposed.</p> <p>Knowledge of the principles of good fraud risk management practice in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)</p> <p>Knowledge of the organisation's arrangements for tackling fraud.</p>	<p>Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy.</p> <p>An assessment of arrangements should support the AGS and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment.</p>

Agenda Item 9

2024-2025 Municipal Year		
Knowledge area /Training Date / Facilitator	Details of core knowledge required	How the audit committee member is able to apply the knowledge
<p><u>Values of good governance</u> (Chapter 5)</p> <p>June 2024</p> <p>Facilitator: Chief Legal and Democratic Officer</p>	<p>Knowledge of the Seven Principles of Public Life.</p> <p>Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff</p> <p>Knowledge of the whistleblowing arrangements in the authority</p>	<p>The audit committee member will draw on this knowledge when reviewing governance issues and the AGS.</p> <p>Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported.</p>

This page is intentionally left blank

Agenda Item 10

Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 7 September 2022
Subject:	Treasury Management Outturn 2021/22 and Position to July 2022		
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:	Yes	Included in Forward Plan:	Yes
Exempt / Confidential Report:	No		

Summary:

This outturn report provides Members with a review of the Treasury Management activities undertaken during 2021/22 and an update to 31st July 2022. Audit & Governance Committee receives this outturn report to allow monitoring against the Treasury Management Policy & Strategy and Prudential Indicators approved by Cabinet and Council in March 2021.

Recommendation(s):

Members are requested to note the Treasury Management position during 2021/22 and the update to 31st July 2022, to review the effects of decisions taken in pursuit of the Treasury Management Strategy and to consider the implications of changes resulting from regulatory, economic and market factors affecting the Council's treasury management activities.

Reasons for the Recommendation(s):

To ensure that Members are fully apprised of the treasury activity undertaken during 2021/22 and also to 31st July 2022 in order to meet the reporting requirements set out in Sefton's Treasury Management Practices and those recommended by the CIPFA code.

Alternative Options Considered and Rejected: (including any Risk Implications)

N/A

What will it cost and how will it be financed?

- (A) Revenue Costs**
None

Agenda Item 10

(B) Capital Costs

None

Implications of the Proposals:

<p>Resource Implications (Financial, IT, Staffing and Assets): A shortfall in investment income has been experienced for 2021/22 financial year. An overachievement against the target income for 2022/23 is forecast.</p>									
<p>Legal Implications: The Council has a statutory duty under the Local Government Act 2003 to review its Prudential Indicators and Treasury Management Activities.</p>									
<p>Equality Implications: There are no equality implications.</p>									
<p>Climate Emergency Implications:</p> <p>The recommendations within this report will</p> <table border="1"> <tr> <td>Have a positive impact</td> <td>N</td> </tr> <tr> <td>Have a neutral impact</td> <td>Y</td> </tr> <tr> <td>Have a negative impact</td> <td>N</td> </tr> <tr> <td>The Author has undertaken the Climate Emergency training for report authors</td> <td>N</td> </tr> </table> <p>The Council has during 2021/22 and 2022/23, invested its reserves and balances overnight with either banks or money market funds in order to maintain high security and liquidity of such balances. It has not had the opportunity to invest in longer term financial instruments or investment funds for which there may be a chance to consider the impact on the Council's Climate Emergency motion.</p> <p>In the event that the Council has more surplus balances available in future that may lead to longer term investing, the Council will take account of the climate emergency when discussing the options available with the Treasury Management Advisors.</p>		Have a positive impact	N	Have a neutral impact	Y	Have a negative impact	N	The Author has undertaken the Climate Emergency training for report authors	N
Have a positive impact	N								
Have a neutral impact	Y								
Have a negative impact	N								
The Author has undertaken the Climate Emergency training for report authors	N								

Contribution to the Council's Core Purpose:

Protect the most vulnerable: n/a
Facilitate confident and resilient communities: n/a
Commission, broker and provide core services: n/a
Place – leadership and influencer: Good treasury management supports strategic planning and promotes innovative, affordable and sustainable capital investment projects through application of the CIPFA Prudential Code.
Drivers of change and reform: The Treasury Management function ensures that cash flow is adequately planned, and cash is available when needed by the Council for improvements to the borough through its service provision and the Capital Programme.

Facilitate sustainable economic prosperity: Pursuit of optimum performance on investments activities and minimising the cost of borrowing and the effective management of the associated risk continues to contribute to a balanced budget for the Council.
Greater income for social investment: n/a
Cleaner Greener: n/a

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD 6911/22) is the author of the report.

The Chief Legal and Democratic Officer (LD5111/22) has been consulted and any comments have been incorporated into the report.

(B) External Consultations

The Council's external Treasury Management Advisors: Arlingclose have provided advice with regards to Treasury Management activities undertaken during the financial year.

Implementation Date for the Decision

Immediately following the meeting.

Contact Officer:	Graham Hussey
Telephone Number:	0151 934 4100
Email Address:	Graham.Hussey@sefton.gov.uk

Appendices:

None

Background Papers:

There are no background papers available for inspection.

Agenda Item 10

BACKGROUND:

1. Introduction

1.1. The CIPFA Prudential Code for Capital Finance in Local Authorities (The Prudential Code) was introduced following the Local Government Act 2003. The Prudential Code details a number of measures / limits / parameters (Prudential Indicators) that, to comply with legislation, must be set in respect of each financial year to ensure that the Council is acting prudently and that its capital expenditure proposals are affordable.

1.2. A requirement of the Prudential Code is the reporting to Cabinet and Full Council of the outturn position of indicators following the end of the financial year. In accordance with this requirement, this report outlines the 2021/22 outturn for the following Prudential Indicators:-

- i. Capital Expenditure (Section 2);
- ii. Capital Financing Requirement (Section 3.1);
- iii. Gross Debt and the CFR (Section 3.2);
- iv. Borrowing Limits (Section 3.3);
- v. Financing Costs as a proportion of Net Revenue Stream (Section 3.4);
- vi. Treasury Management Indicators (Section 6).

1.3. The Treasury Management Policy and Strategy Statements are agreed annually by the Council as part of the budget process. A requirement of the Policy Statement is the reporting to Cabinet and Full Council of the results of the Council's treasury management activities in the previous year. Treasury management in this context is defined as:

'The management of the authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'

1.4. In accordance with the above this report outlines the results of treasury management activities undertaken in 2021/22 covering the following issues:

- borrowing strategy and practice
- compliance with Treasury Limits
- compliance with Prudential Indicators
- investment strategy and practice.

1.5. The Council's Treasury Management activities have been under significant pressure throughout 2021/22 as a result of the continuing economic recovery from the coronavirus pandemic, together with the inflationary pressures created by the war in Ukraine, and higher interest rates. Pro-active management of cash balances was key to ensuring cash was available in response to exceptional need and the continued distribution of government Covid relief funding.

1.6. The results of treasury management activities in 2021/22 are reflected in the net expenditure on Capital Financing Costs included within the Council's Revenue Budget. The Capital Programme is also agreed annually as part of the budget

process. It sets out the anticipated capital expenditure to be incurred within the year.

2. Capital Expenditure

- 2.1. The original estimate for 2021/22 expenditure together with the actual capital expenditure calculated on an accruals basis for the financial year is as follows:

	Estimate £m	Actual £m
Capital Expenditure	52.343	32.536

- 2.2. Capital expenditure in 2021/22 was £19.807m less than the original estimate reported in March 2021. The Council has therefore remained within the limits for expenditure set at the start of the year. The variation is due to the phasing of capital budgets and grant allocations to future years. These adjustments were approved by Cabinet and Council as part of the monthly budget monitoring for the capital programme during 2021/22.
- 2.3. A full report on capital expenditure and the out-turn position for 2021/22 can be found in the separate Financial and Corporate Performance report also presented at this meeting.

3. The Council's Overall Borrowing Need

3.1. Capital Financing Requirement

- 3.1.1. The Capital Financing Requirement (CFR) reflects the Authority's underlying need to borrow for capital purposes and is based on historic capital financing decisions and the borrowing requirement arising from the financing of actual capital expenditure incurred in 2021/22.
- 3.1.2. The Council is currently internally borrowed meaning it temporarily uses its own cash balances to fund some capital schemes instead of external borrowing, a strategy which saves the cost of interest payments on loans. This reflects the current national low interest rates for investment of cash balances and the need to find savings for the revenue budget.
- 3.1.3. The actual level of Capital Financing Requirement as at 31 March 2022 compared to the initial estimate for 2021/22 is as follows:

	Estimate £m	Actual £m
Capital Financing Requirement	240.055	233.137

- 3.1.4. As mentioned in paragraph 2.2 (above), the level of capital expenditure for 2021/22 was less than anticipated and therefore the requirement for the financing of this expenditure from borrowing is also lower.

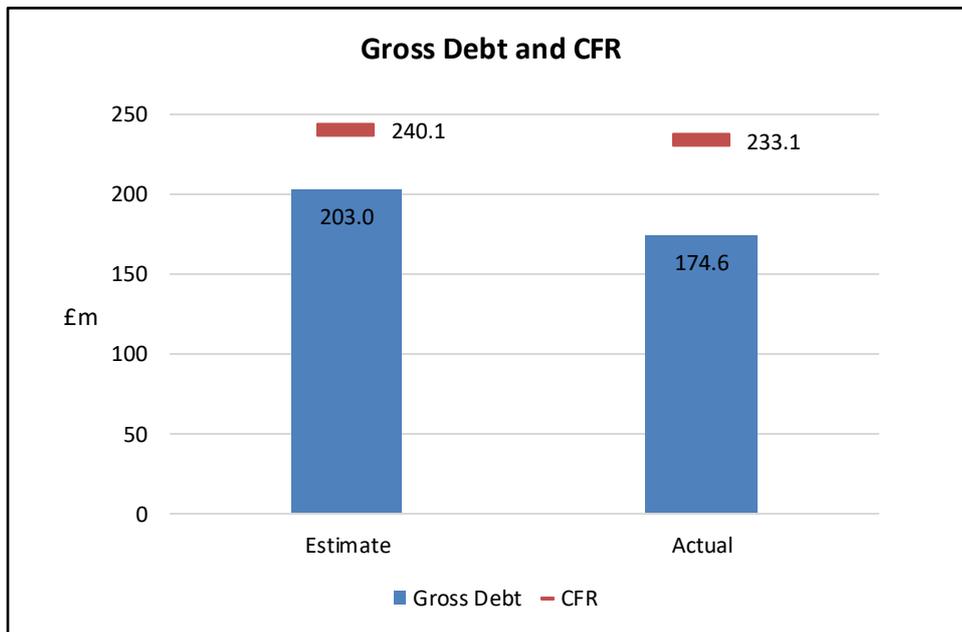
Agenda Item 10

3.2. Gross Debt and the CFR

3.2.1. CIPFA's Prudential Code for Capital Finance in Local Authorities includes the following statement as a key factor of prudence:

"In order to ensure that over the medium-term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years."

3.2.2. In the report to Cabinet and Council in March 2021, it was stated that the Authority would comply with this requirement in 2021/22. During the financial year, gross external borrowing did not exceed the total of the Capital Financing Requirement. The chart below shows the out-turn position compared to the original estimate:



3.3. Borrowing Limits

	2021/22 £m
Authorised limit	245.000
Operational boundary	230.000
Maximum Gross Borrowing Position	193.791

3.3.1. The Operational Boundary sets a boundary on the total amount of long term borrowing that the Council is estimated to enter into. It reflects an estimate of the Authority's current commitments, existing capital expenditure plans, and is consistent with its approved Treasury Management Policy Statement and practices.

3.3.2. The Authorised Limit sets a limit on the amount of external borrowing (both short and long term) that the Council can enter into. It uses the Operational Boundary as its base but also includes additional headroom to allow for exceptional cash movements.

3.3.3. The Maximum Gross Borrowing Position shows the highest level of actual borrowing undertaken during 2021/22 financial year. This level remained within the Operational Boundary and did not exceed the Authorised limit.

3.4. Financing Costs as a Proportion of Net Revenue Stream

3.4.1. This indicator measures the financing costs of capital expenditure as a proportion of the net resource expenditure of the General Fund.

	Estimate 2021/22	Actual 2021/22
Financing Costs / Net Revenue	3.8%	4.2%

3.4.2. The overall ratio is slightly higher than the original estimate by 0.4%. As noted earlier (paragraph 3.1.4.), the requirement for financing capital expenditure from borrowing in 2021/22 was lower than anticipated. This borrowing was anticipated to be financed internally and therefore no additional interest charges were included in the estimate of financing costs. Income recharges for the cost of borrowing were forecast however to represent a cost of borrowing to Council services, but these have now been delayed to future years when the capital spend will be incurred. This has had the effect of increasing the financing costs in the current year and thus increasing the ratio. Revenue streams have also decreased when compared to the original estimate which has marginally impacted on the ratio.

3.4.3. The above variance is considered minor and financing costs for 2021/22 remain at affordable levels with the total borrowing requirement remaining below the operational boundary set at the beginning of the year.

4. Borrowing Strategy and Practice

4.1. The Council's debt portfolio at the 31st March 2022 and a comparison to the position at the end of last financial year is summarised as follows:

Actual Debt Outstanding	31st March 2021 £m	31st March 2022 £m
Public Works Loans Board	185.434	167.205
Other Long-Term Liabilities	8.355	7.415
TOTAL	193.789	174.620

4.2. The category of other long-term liabilities represents transferred debt from the Merseyside Residuary Body (£1.750m) and finance lease liabilities (£5.665m).

Agenda Item 10

- 4.3. The Council's PWLB debt activity during 2021/22 is summarised in the following table:

Movement in Year	Actual £m
PWLB opening debt 1 st April 2021	185.434
Less principal repayments	(18.229)
Add new borrowing	-
Closing PWLB debt 31st March 2022	167.205

- 4.4. The policy of internally borrowing, running down the Authority's cash balances rather than taking out new borrowing, continued with regards to the Capital Programme in 2021/22 as no new expenditure was financed from external borrowing.
- 4.5. The average rate of interest on Council loans with the Public Works Loans Board (PWLB) in 2021/22 and a comparison to the previous year is shown below:

	2020/21	2021/22
Average PWLB Interest Rate in Year	3.54%	3.74%

- 4.6. The average rate of interest is based upon the total interest amount paid as a proportion of loan principal held. The increase in the average rate of interest from 2020/21 to 2021/22 has resulted from maturing loans during the year reducing the balance of principal held, but interest payments remaining proportionally higher due to historic loans within the portfolio that were taken out when rates were much higher.

5. Debt Maturity Profile

- 5.1. This is a profile measuring the amount of borrowing that is fixed rate maturing in each period as a percentage of total borrowing that is fixed rate:

Fixed Rate Debt Maturity	Upper Limit	Lower Limit	Actual 31st March 2022
Under 12 months	35%	0%	9%
12 months and within 24 months	40%	0%	18%
24 months and within 5 years	50%	0%	9%
5 years and within 10 years	50%	0%	15%
10 years and within 15 years	75%	0%	11%
15 years and above	90%	25%	38%

5.2. The spread of debt across the various maturity periods shows how the authority has acted prudently and controlled its exposure to refinancing risk by not having overly large amounts of debt concentrated in one period, especially those in the shorter term.

6. Compliance with Treasury Limits

6.1. The following Treasury Limits were approved by Council during the 2021/22 Budget Setting process:

6.1.1 Borrowing Limits

	Limit £m	Maximum Borrowing 2021/22 £m
Authorised Borrowing Limit	245.000	193.791
Short Term Borrowing Limit	30.0	0.0

6.1.2 Investment Limits

	Upper Limit	Maximum Invested 2021/22
Principle sums invested for longer than 365 days	40%	5%

6.2. The amounts above show the maximum amounts borrowed or invested during the year compared to the limits set. The Council therefore remained within the limits for borrowing and investments set for the year and no short term borrowing was undertaken.

7. Investment Strategy and Practice

7.1. The Council invests all available cash balances, which includes school balances and the insurance fund, following a policy of obtaining maximum returns whilst minimising risks.

i. **Externally Managed Investments**

No externally managed funds are held.

ii. **Internally Managed Investments**

The Council's available funds during the year averaged £104.984m and were managed internally with advice from our treasury consultants.

7.2. The level of the Council's investments during 2021/22 and comparable figures from the previous year are summarised in the following table:

Agenda Item 10

	2020/21	2021/22
Total Investment of Cash Balances at year end	£70.26m	£98.69m
Average Investment Balance during the year	£88.01m	£104.98m
Average Return on Investments	0.36%	0.27%

- 7.3. In 2021/22 a weighted average return of 0.27% was achieved. The majority of the funds are invested with major banks and Money Market Funds (MMF's), with the remaining balance of £5m invested with the CCLA Property Fund. The return of 0.27% can be disaggregated into a return of 0.07% on bank and MMF investments, whilst 3.82% was returned by the CCLA investment.
- 7.4. The Bank Rate remained at 0.10% at the beginning of financial year. The Council therefore expected to receive significantly lower income from its cash and short-dated money market investments, including money market funds in 2021/22, as rates on cash investments remained close to zero percent. The continuing economic recovery from coronavirus pandemic, together with the war in Ukraine, higher inflation, and higher interest rates were major issues over the period. Improved returns on cash instruments followed the increases in Bank Rate in December, February and March but the full effect of these increases on the Council's investments will not be felt until 2022/23.
- 7.5. These external economic factors have therefore impacted the actual performance of investments that have under-achieved against the total budget for 2021/22 as follows:

Budget Profile	Budget £m	Actual £m	Variance £m
Outturn 2021/22	0.415	0.275	0.140

8. Treasury Position for 2022/23 – Update to 31st July 2022

8.1. Investments held at the 31/07/2022 comprise the following:

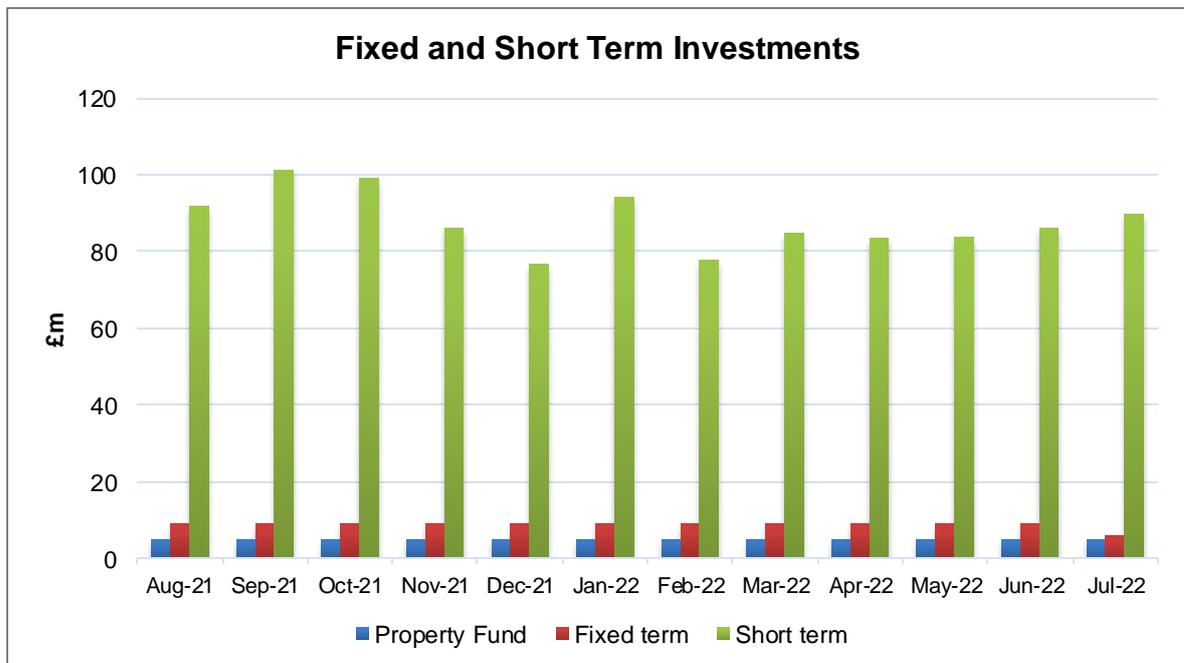
Institution	Deposit £m	Rate %	Maturity	Rating
Money Market Funds:				
Aberdeen	10.07	1.19	01.08.22	AAA
Aviva	10.07	1.27	01.08.22	AAA
Blackrock	9.85	1.18	01.08.22	AAA
BNP Paribas	10.07	1.25	01.08.22	AAA
Goldman-Sachs	10.07	1.18	01.08.22	AAA
HSBC	10.07	1.16	01.08.22	AAA
Invesco	5.30	1.28	01.08.22	AAA
Morgan Stanley	4.51	1.15	01.08.22	AAA
Federated Investors	9.89	1.35	01.08.22	AAA
Insight	9.89	1.28	01.08.22	AAA
Total	89.79			
Notice Accounts:				
Natwest	3.00	0.40	01.08.22	A+
Santander	3.00	0.74	27.09.22	A+
Total	6.00			
Property Fund:				
CCLA	5.00	3.13	n/a	n/a
Total	5.00			
TOTAL INVESTMENTS	100.79			

8.2. The Authority holds significant invested funds, representing grant income received in advance of expenditure plus balances and reserves held. The cash is initially held in a number of highly liquid Money Market Funds to ensure security of the funds until they are required to be paid out. This approach is consistent with the Council's approved Treasury Management Policy and Strategy for 2022/23. The balance of investments is therefore expected to fall over the coming months as the income is fully expended.

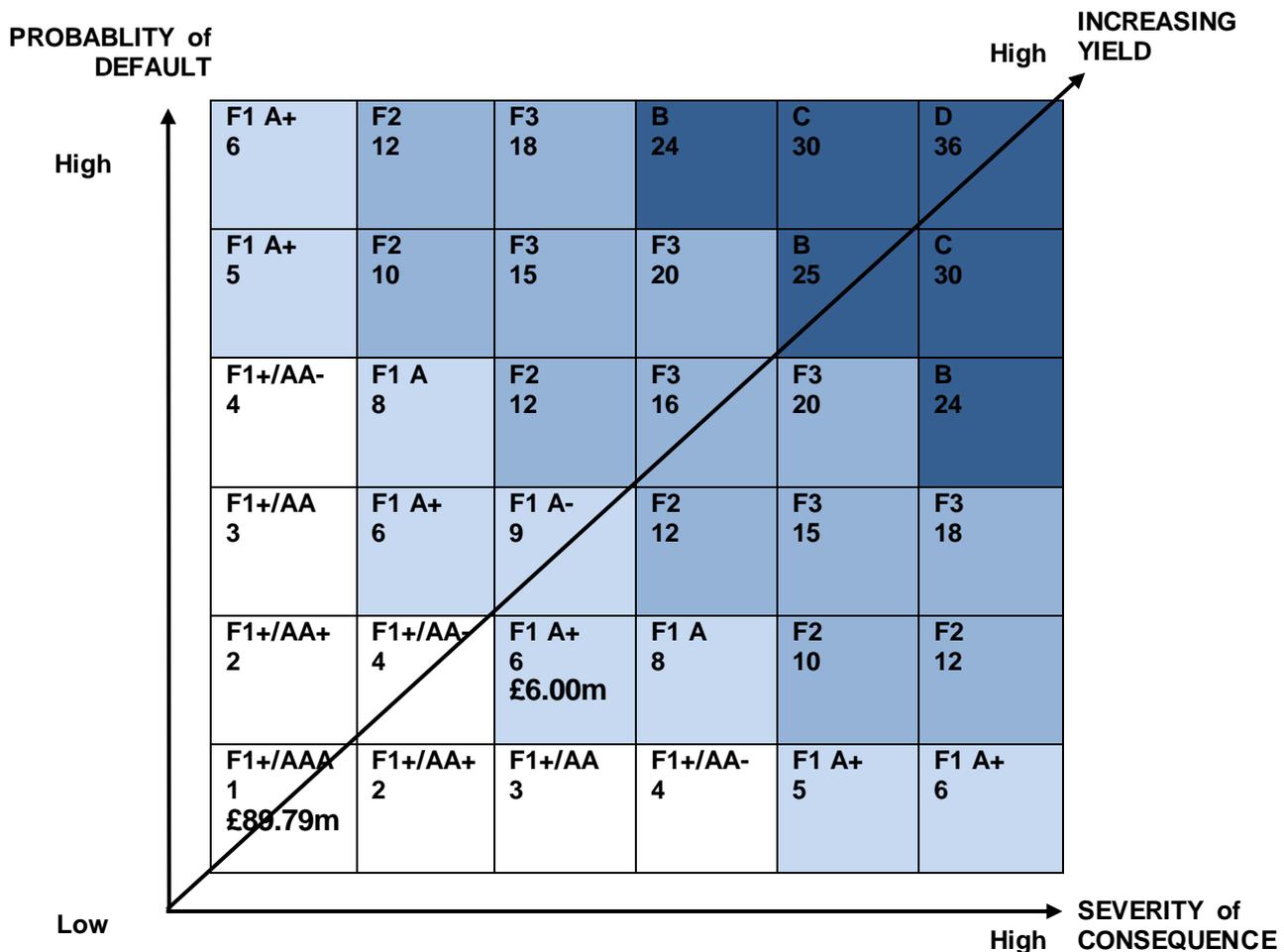
8.3. All of the investments made since April 2022 have been with organisations on the current counterparty list. The maximum level of investment permitted in the Treasury Management Strategy in any one institution, or banking group, is currently £15m. Whilst the maximum should be retained, in light of current economic conditions, a day to day operational maximum of 10% of the total portfolio is currently being imposed for investments. This will spread the risk for the Council but will have a small detrimental impact on the returns the Council will receive in the future. The Council has remained within that boundary during the year. At present, it is not expected that there will be any need to review this limit.

Agenda Item 10

- 8.4. The Council will only invest in institutions that hold a minimum Fitch rating of A- for banking institutions, or AAA for money market funds. The ratings applied to investment grade institutions, and the much riskier speculative grade institutions, as defined by Fitch, have been placed into a risk matrix (paragraph 8.8).
- 8.5. An investment has been made with the Church, Charities and Local Authority Investment Fund (CCLA) in June 2014. CCLA invest in commercial property which is rented out to enterprises such as retail units, warehousing, and offices. The majority of properties owned are in the south of the country where the market is often more buoyant than the north. The Council has in effect bought a share of the property portfolio and returns paid are in the region of 4%. This is seen as a long-term investment with the potential for the capital value of the investment to vary as property prices fluctuate.
- 8.6. The Net Asset Value (NAV) of the Property Fund has increased over a 12-month period to July 2022 from 310.71p per unit to 358.11p per unit, an increase of 13%. The income yield on the Property fund at the end of July 2022 was 3.13% which, although lower than returns received in the past, still represents a reasonable return on the Council's investment.
- 8.7. The ratio of overnight deposits (short term) to fixed term investments and the property fund is shown below:



- 8.8. The matrix below shows how the Council has set its risk appetite by being risk averse and putting security and liquidity before yield when investing:



SEFTON RISK TOLERANCE:

Risk Level	Score	Grade	Amount Invested
LOW	1 - 4	Investment Grade	£89.79m
LOW - MEDIUM	5 - 9	Investment Grade	£6.00m
MEDIUM	10 - 20	Investment Grade	-
HIGH	21 - 36	Speculative Grade	-

8.9. The Council will continue to maximise any investment opportunities as they arise although it is not envisaged that any substantial increase in returns can be achieved for the remainder of the current financial year as balances available for investment will be held in short term deposits to allow the council to respond to any exceptional demands for cash as they arise. The security and availability of cash will be prioritised over improved yields as per the agreed Treasury Management Strategy and advice received from Sefton's treasury management advisors.

9. Interest Earned

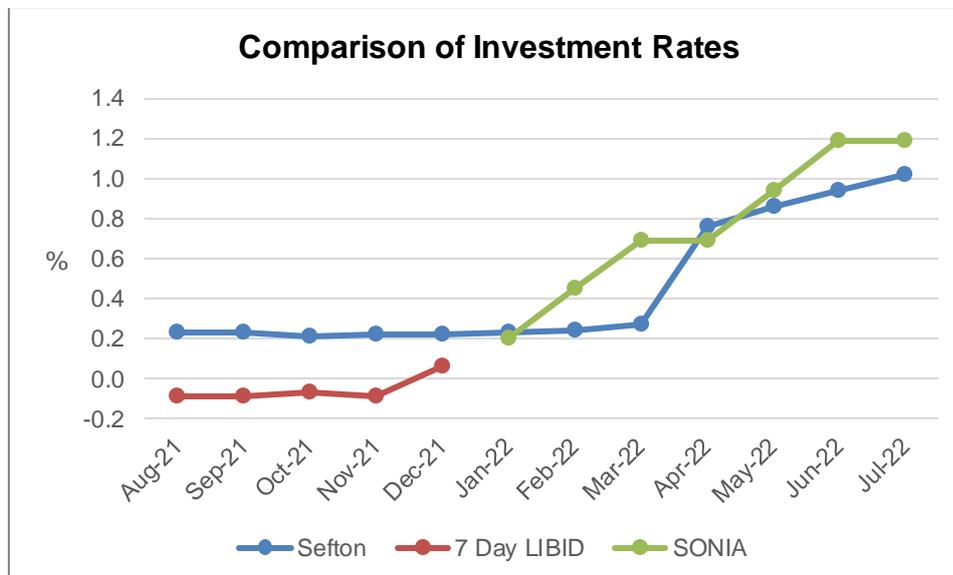
9.1. The actual performance of investments against the profiled budget to the end of July 2022 and the forecast performance of investments against total budget at year end is shown below:

Agenda Item 10

	Budget £m	Actual £m	Variance £m
Jul-22	0.246	0.328	0.082

	Budget £m	Forecast £m	Variance £m
Outturn 2022/23	0.789	1.095	0.306

- 9.2. The amount of investment income received to the end of July has exceeded the level of income forecast in the budget for 2022/23. Investment rates have increased significantly between April and July 2022 largely in response to rises in interest rates (see 9.3. below). This trend is set to continue with a further rise in the bank rate predicted in September and December 2022 (see paragraph 10 below). The full year forecast for investment income has therefore been adjusted accordingly and an overachievement compared to the target income for 2022/23 is expected.
- 9.3. The Council has achieved an average rate of return on its investments of 1.02%. The chart below shows the average rate of return plotted against the 7-day LIBID and SONIA benchmarks.



- 9.4. On 5th March 2021 the Financial Conduct Authority announced the cessation of the LIBOR benchmark from the start of 2022. This deadline has now passed and as a result some LIBOR benchmarks such as the 7-day LIBID have been discontinued. LIBOR has primarily been replaced by the Sterling Overnight Index Average (SONIA) benchmark as the new widespread reference rate.
- 9.5. On the advice of its treasury management advisors, Sefton has adopted the SONIA rate as a replacement for the 7-day LIBID when benchmarking its investment performance from January 2022 onwards. As can be seen from the chart above, Sefton's investments have slightly underperformed (by 0.17%) compared to SONIA

to the end of July 2022, although the investment income received is above the target set in the 2022/23 budget as shown in paragraph 9.1 (above).

10. Interest Rate Forecast

10.1. Arlingclose, the Council's treasury advisors, have provide the following interest rate view:

	Current	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
Official Bank Rate													
Upside risk	0.00	0.00	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Arlingclose Central Case	1.75	2.25	2.75	2.75	2.75	2.50	2.25	2.00	1.75	1.75	1.75	1.75	1.75
Downside risk	0.00	-0.25	-0.75	-0.75	-0.75	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Arlingclose Central Case	2.00	2.50	3.00	3.00	2.90	2.55	2.30	2.05	1.90	1.90	1.90	1.85	1.85
Downside risk	0.00	-0.25	-0.75	-0.75	-0.75	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
5yr gilt yield													
Upside risk	0.00	0.65	0.85	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Arlingclose Central Case	1.87	2.00	2.05	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Downside risk	0.00	-0.40	-0.45	-0.50	-0.50	-0.50	-0.55	-0.55	-0.60	-0.60	-0.65	-0.65	-0.65
10yr gilt yield													
Upside risk	0.00	0.65	0.85	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Arlingclose Central Case	2.05	2.20	2.30	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20
Downside risk	0.00	-0.40	-0.45	-0.50	-0.50	-0.50	-0.55	-0.55	-0.60	-0.60	-0.65	-0.65	-0.65
20yr gilt yield													
Upside risk	0.00	0.65	0.70	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Arlingclose Central Case	2.47	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Downside risk	0.00	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60
50yr gilt yield													
Upside risk	0.00	0.65	0.70	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Arlingclose Central Case	2.26	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30
Downside risk	0.00	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

- **The MPC is particularly concerned about possible fiscal loosening, the tight labour market, sterling weakness and the willingness of firms to raise prices and wages.**
- **The MPC will therefore raise Bank Rate more quickly and to a higher level to dampen aggregate demand and reduce the risk of sustained higher inflation. Arlingclose expects Bank Rate to rise to 2.75% by December with a 50bps rise in September, followed by 25bps steps in November and December.**
- **However, the economy will therefore slow more drastically, necessitating cuts in Bank Rate during the second half of 2023.**
- **Gilt yields will rise slightly from current levels due to rising inflation and central bank policy expectations, offset by weakening growth expectations. The medium-term path for yields has flattened, as lower policy expectations are now priced in.**
- **The risks around the gilt yield forecasts are significantly on the upside over the short term. Over the medium term, the balance of risks is broadly balanced.**
- **Monetary policymakers are pushing through with monetary tightening even as global recessionary risks rise, particularly in the EZ and UK.**

Agenda Item 10

- *The inflationary impact of the Ukraine invasion may be easing in some areas, but wholesale gas prices continue to be driven higher, with significant implications for UK inflation rates. The BoE now forecasts CPI inflation to exceed 13%, with energy and fuel prices contributing half of that amount. With no resolution to the Ukraine conflict in sight and winter approaching, it is difficult to see these pressures easing.*
- *High sustained inflation will lead to zero or negative GDP growth for Q2 2022 onwards in the UK, due to negative real household disposable income growth. Data suggest that households are curtailing spending in response to higher prices. BoE sources, however, suggest that businesses remain confident of passing higher costs on. Further fiscal intervention is likely but could have inflationary implications.*
- *The UK labour market is tight and nominal wage growth is running above pre-COVID levels. Higher wage growth will be a contributory factor to sustained above-target inflation and is a key concern for the MPC. Real wage growth will however be unlikely for most workers. Weaker economic activity should eventually lead to lower demand for labour and reduce wage pressure.*
- *The Bank of England has signalled a more forceful stance on inflation, due to apparent broader-based inflationary effects and probably some concerns over the fiscal outlook, given the current Tory leadership contest. The MPC is also being pressured by hawkish US policy, which has weakened sterling. Its previous moderate approach balancing inflation and growth appears to have been put aside – it is now seeking to aggressively dampen demand to offset the tight supply picture.*
- *Given the hawkish shift by the MPC, Arlingclose has raised its forecast for Bank Rate over the next few months. Rate cuts have been projected sooner in the medium term.*
- *Bond yields have recently eased from June's highs as the weaker global outlook has been priced into economic projections. The US remains the main driver of global yields; aggressive policy in the US, further strengthening the dollar, increases the inflation and recession risks for other countries and will lead to substantial volatility across financial markets. Quantitative tightening (QT) adds a further level of uncertainty for the gilt yield outlook.*

11. Compliance with Treasury and Prudential Limits

- 11.1. As at the end of July 2022, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

Agenda Item 11

Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 7 September 2022
Subject:	Draft Statement of Accounts 2021/2022		
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 draft unaudited 2021/2022 Statement of Accounts for consideration.

Recommendation(s):

The Audit and Governance Committee is asked to:

- (1) Receive and consider the draft 2021/2022 Statement of Accounts and provide feedback to officers on the issues identified; and,
- (2) Note the timetable for the completion of the external audit that will be conducted by Ernst and Young LLP.

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 2021/2022 prior to its publication.

The deadline for publication of the final approved Statement of Accounts is 30 November 2022. However, the regulations allow for a delay in publication where the audit has not yet been completed. This report explains that there may be a delay in completing the audit for 2021/2022.

Alternative Options Considered and Rejected: (including any Risk Implications)

None

Agenda Item 11

What will it cost and how will it be financed?

(A) Revenue Costs

N/A

(B) Capital Costs

N/A

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets):

None

Legal Implications:

None

Equality Implications:

There are no equality implications.

Climate Emergency Implications:

The recommendations within this report will

Have a positive impact	N
Have a neutral impact	Y
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	N

There are no Climate Emergency implications as a result of this report.

Contribution to the Council's Core Purpose:

Effective Financial Reporting supports each theme of the Councils Core Purpose.

Protect the most vulnerable:

See comment above

Facilitate confident and resilient communities:

See comment above

Commission, broker and provide core services:

See comment above

Place – leadership and influencer:

See comment above

Drivers of change and reform:

See comment above

<u>Facilitate sustainable economic prosperity:</u> See comment above
<u>Greater income for social investment:</u> See comment above
<u>Cleaner Greener:</u> See comment above

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services is the author of this report (FD 6935/22).

The Chief Legal and Democratic Officer has been consulted and has no comments on the report (LD 5135/22).

(B) External Consultations

None

Implementation Date for the Decision

Immediately following the Committee meeting.

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

Appendices:

The following appendix is attached to this report:

Appendix A - Draft Statement of Accounts 2021/2022

Background Papers:

There are no background papers available for inspection.

Agenda Item 11

1. **Background / Current Position on the Completion of the Audit of the Statement of Accounts 2020/2021 and 2021/2022**

- 1.1 Since 2010/2011 the Audit and Governance Committee has only been required to approve the Statement of Accounts following the completion of the Audit. Since 2017/2018 this 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).
- 1.2 However, for 2021/2022 the deadline for approving the audited Statement of Accounts has been changed to 30 November (with a deadline of 31 July for the publication of the draft accounts). This was in response to the Redmond Review into the audit of local government which highlighted the fragility of the local audit market. The Government have announced that from 2022/2023 (to 2027/2028) the deadline for approving the audited Statement of Accounts will be 30 September rather than 31 July.
- 1.3 Members will recall that the final Statement of Accounts was presented for approval at this Committee in December 2021. It was noted that the audit had yet to be completed at that time, and that delegated authority was granted to the Chair to approve the final Statement of Accounts for 2021/2022 should any revisions be required. Subsequent to this, and prior to the audit being finalised, an accounting issue was raised nationally relating to the methodology for the valuation of infrastructure assets. CIPFA conducted a consultation on potential changes to the Accounting Code of Practice to resolve the issue, but no definitive response resulted. CIPFA is proposing to undertake a further consultation. The outcome of this process has the potential to require the 2020/2021 accounts to be restated. It is unclear how long this will take but until this is resolved the audit cannot be concluded.
- 1.4 The 2021/2022 Draft Statement of Accounts was due to be published by the 31 July 2022. The 2021/2022 draft Statement of Accounts have been produced using the same methodology for the valuation of infrastructure assets as used in previous years. Therefore, any changes proposed to the valuation methodology will also require the 2021/2022 draft accounts to be restated. It was unclear if the draft accounts could be published given the above issue was still outstanding. It has now considered that the draft accounts can be published, and this took place on 30 August 2022.
- 1.5 The audit of the Statement of Accounts has yet to commence. It should be noted that due to the delays in completing the audit of the 2020/2021 Statement of Accounts, no interim audit was undertaken, which has been possible in previous years. At this time, given that the outstanding accounting issue may not be resolved it is possible that the audit will not be finalised by the end of November 2022. If this is the case, then the special meeting to approve the final audited Statement of Accounts, provisionally scheduled for 23 November 2022, would need to be postponed until such time as the audit is able to be completed.
- 1.6 Although regulations require the publication of the Statement of Accounts for 2020/2021 by 30 November 2022, 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”*.

- 1.7 The 2021/2022 draft Statement of Accounts have now been published and are presented to this Committee to allow additional time for consideration in advance of the final, audited, accounts being presented to the Committee. Any changes made following the audit will be highlighted in the accompanying report. It should be noted that in recent years there haven’t been a significant number of changes between the draft version and the final audited version.

2 The Content of the Statement of Accounts

- 2.1 The 2021/2022 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 4 March 2021, the Council approved a revenue budget for 2021/2022 of £191.974m which included £1.208m relating to the expenditure of Parish Councils.

- 2.3 At that time, it was anticipated that balances for non-school budgets would total £9.984m at 31 March 2022. As a result of an underspend of £2.794m in 2020/2021 the anticipated year-end balances position was revised to £12.778m. The 2021/2022 Budget assumed an increase in general balances of £1.5m as part of a strategy to increase balances and ensure financial resilience.

- 2.4 Overall, actual expenditure for 2021/2022 on General Fund services (excluding Schools’ delegated expenditure) was £2.021m lower than the Base Estimates which has increased General Fund Balances further. The Authority’s Non-School General Fund balances at 31 March 2022 shown in the Draft Statement of Accounts are therefore **£14.799m**.

- 2.5 The Statement of Accounts (attached as an **Appendix**) is 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

Agenda Item 11

- 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 30 August 2022.
- 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 2021/2022 there have been no significant changes to how the Statement of Accounts are produced or presented.

Sefton Council



STATEMENT OF ACCOUNTS 2021/2022 (Draft)

**As Certified by the Executive
Director of Corporate Resources
and Customer Services
on 30th August 2022**

Agenda Item 11

Contents

<u>Section</u>	<u>Page</u>
1. Narrative Report	1
2. Statement of Responsibilities for the Statement of Accounts	25
3. Comprehensive Income and Expenditure Statement	27
4. Movement in Reserves Statement	29
5. Balance Sheet	31
6. Cash Flow Statement	33
7. Notes to the Financial Statements - Expenditure and Funding Analysis	35
8. Other Notes to the Financial Statements	37
9. Collection Fund	109
10. Group Accounts	113
11. Annual Governance Statement	129
12. Independent Auditors' Report to the Members of Sefton Council	145
13. Glossary	149
14. Abbreviations	157
15. Useful Addresses	159

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 2021/2022. As a result of the Government's previous austerity program, the Council's core grant funding was reduced every year over a ten-year period between 2010/2011 and 2019/20. By 2019/2020 core Government grant funding had reduced by more than 50%. 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. During this period the Council has also seen a rise in demand for statutory services, most notably social care services provided to vulnerable adults and children.

For 2021/22, the Government announced a £3.5 million (3.4%) increase in the Sefton Council's core grant funding, which included a £2.5 million increase in Social Care Grant in recognition of the social care pressures faced by local authorities. This is the second year in which funding has increased since 2010/11, however, core grant funding remains lower than it was in 2015/16 in cash terms.

As a result of the previous funding cuts and the increase in demand for statutory services, the Council has needed to identify and agree savings of £233 million within its financial plans between 2010/11 and 2019/20. The impact of these savings 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, the recommendations of this review have been implemented over the following years. The LGA were due to follow up the initial review with a visit in 2020, however, this was postponed because of the coronavirus pandemic. The LGA have since revisited the Council in April 2022 to assess progress against their recommendations.

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 three main strands, Economic Growth and Strategic Investment, Council of 2023 and Demand Management. The Council has also developed a Climate Change Emergency Plan that represents its commitment to reducing carbon emissions.

The challenges faced by the Council have been compounded over the past two years as a result of the Coronavirus (COVID-19) pandemic, which has resulted in further increases in demand for services, loss of income from fees and charges and reductions in business rates and council tax receipts compared to pre-pandemic levels.

The recent sharp increases in energy costs and other inflationary pressures such as the fuel price increases have added further pressure on the Councils budget for 2022/23 and in the medium term, however, the Council continues to closely monitor its financial position and is taking steps to mitigate these pressures.

Coronavirus (COVID-19)

The coronavirus pandemic has affected all our lives over the past 2 years 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.

Economic Impact

The economic impacts on Sefton were still being felt during 2021/22, with 8,200 jobs furloughed in the borough in May 2021, 7,200 individuals claiming through the self-employed income support scheme (SEISS) in July 2021, and 1,300 more working age households claiming council tax support in June 2021 compared to February 2020.

Support for Businesses and Residents

Sefton has continued to support its residents and businesses during 2021/22, making around 24,000 grant payments to businesses worth over £101 million since the start of the pandemic, awarding £16.063 million of Covid-19 related business rate reliefs (expanded retail discounts and nursery relief) in 2021/22 and using the Government's Covid Support Funding to provide food vouchers to children who qualified for free school meals over the Christmas, half term and summer holidays as well as emergency living assistance and other types of support as shown below:

Covid Support Funding 2021/22	Local Support Grant £ million	Household Support Fund £ million
Affordable Warmth Team	0.023	0.066
ASDA Vouchers	0.000	0.162
Emergency Living Assistance	0.128	0.619
Energy Project Plus – Meter top-up vouchers	0.000	0.011
Free School Meals (Food Vouchers)	0.945	1.301
Foodbank – Contribution to foodbanks	0.000	0.035
Winter safe packs – Distributed by the Fire Service	0.000	0.020
Winter Coat Project / Winter Pyjamas	0.000	0.054
Admin & Management	0.057	0.167
Total	1.153	2.435

Impact on Council Services

Covid-19 has had a significant 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 significant demand increases. This has led to a significant increase in the overall cost of service provision.

The pandemic has continued to have a significant impact on the Councils income streams in 2021/22:

- Fees and charges for car parking, leisure facilities, and adult social care have experienced reductions as a result of the continuation of Covid restrictions in 2021.
- Business rates income collection rates remain lower than pre-pandemic levels (97.3% in 2021/22 compared to 99.0% in 2018/19).
- Council tax income collection rates remain lower than pre-pandemic levels (94.8% in 2021/22 compared to 96.0% in 2018/19).

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.

To assist Council's the Government continued to provide additional COVID support funding during 2021/22.

An overview of Sefton Council

Sefton Councillors in 2021/2022

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 31 March 2022 is identified below:

Labour	43
Liberal Democrat and Progressive Alliance Group	8
Conservative	8
Lydiate, Maghull, Aintree & Lunt Community Independents	5
Independents Group	2

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 adopted. 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.

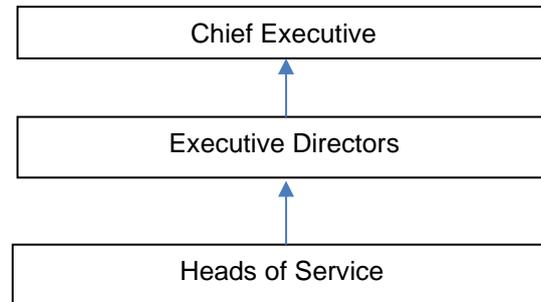
Strategic Management

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.

Agenda Item 11

Narrative

The posts shown below formed the Strategic Leadership Board in April 2022.



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.

Heads of Service: (1) Adult Social Care, (2) Children's Social Care, (3) Communities, (4) Commercial Development, (5) Economic Growth and Housing, (6) Education (7) Highways and Public Protection, (8) Legal and Democratic Officer / Monitoring Officer, (9) Operational In-House Services, (10) Public Health & Wellbeing, and (11) Strategic Support.

The changes to the Strategic Leadership Board in recent years 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 2021/2022 the Council employed 2,752 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.

The Council is due to start to review its Vision and the Council Core purpose again in 2023, building upon the work previously undertaken, assessing the impact of Vision 2030 and developing Vision 2035.

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 were due to follow up the initial review with a visit in 2020, however, this was postponed because of the coronavirus pandemic. The LGA have since revisited the Council in April 2022 to assess progress against their recommendations. A report was presented to Cabinet on 28 June 2022, which concluded that the Council had worked purposefully and had seen an improved approach across all the areas.

Framework for Change 2020 programme

In March 2021, the Council approved the continuation of the Framework for Change 2020 Programme as part of its budget setting process along with the commencement of all appropriate activity required to deliver the programme as it develops.

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. It aims to develop new ways of working that will improve efficiency and deliver 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 - Streetscene - Education Excellence - Special Educational Needs and Disability (SEND)
Economic Growth and Strategic Investment	Town Centre Regeneration, Large Employment Sites, Strategic Transport Schemes, Coast Access Gateways, Industry sector development, Housing, Employment and Skills, and Investment.

Climate Change Emergency

As a coastal borough, Sefton feels the effects of climate change more keenly than other parts of the UK. Extreme weather will impact negatively on our communities and businesses and we must do all in our power to reduce the likelihood of an extreme weather event.

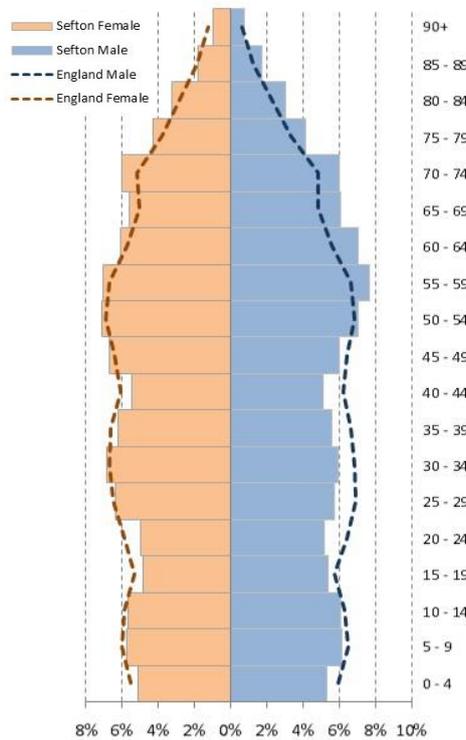
On 18th July 2019, Sefton joined 60% of UK local authorities in declaring a climate emergency in response to the growing consensus worldwide that urgent action. The Council has since developed a Climate Emergency Strategy and a Climate Change Emergency Action Plan in response to the declaration.

Sefton Council will focus its efforts on energy use reduction as well as exploring the potential for green infrastructure and offsetting. This work will be aligned to the delivery of the Sefton 2030 Vision and the Council's Core Purpose with the aim of making Sefton a better place to live and work. The Council's aim is to achieve 100% clean energy by 2030 and reduce demand across our organisation to work towards becoming net carbon zero by 2030.

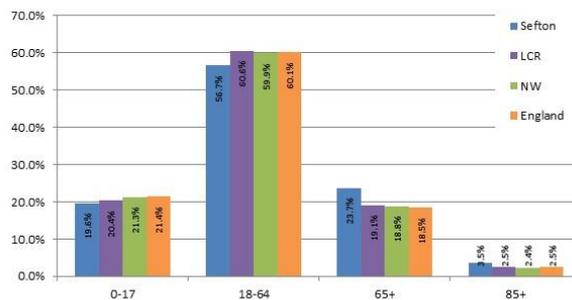
Achieving these aims will require investment in developing renewable energy generation, use of biogas produced through waste streams and agricultural waste stock, carbon offsetting, and moving to low carbon fleet vehicles as well as adapting the way we deliver services to reduce energy usage.

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 2020, indicated that Sefton's total population was 275,899. The figures also showed that 24% of Sefton's residents are aged 65 and over; this is above the Liverpool City Region - LCR, North West and England averages (all 19%). Sefton is ranked 71st out of 309 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, NW & England (2019)



At 24%, Sefton has the 6th highest proportion of over 65's across the 39 North West local authorities and is highest of the six Liverpool City Region (LCR) authorities.

Sefton is the 41st highest LA for the proportion of residents aged 85 and over throughout England and is the 5th highest in the North West, at 3.5% of the overall population, Sefton is again higher than the LCR, North West and national proportions of 2%. The Borough is again the highest of the six LCR 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 2020 / Population Projections 2018]

Performance information

Core Funding

Business Rates: There was no change in the standard business rate multiplier in 2021/22. The Council billed £58.224m of business rates charges in 2021/22 (excludes prior year adjustments), this was £25.061m higher than the net amount billed in 2020/21. The increase in business rates charges was largely due to a reduction in retail discounts from 1 July 2021, as the Government wound down the level of support provided to businesses following the removal of Coronavirus restrictions. The council collected 97.3% of the amount billed in the year, up from 96.4% in 2020/21. A deficit of £11.810m is reported in the Collection Fund in 2021/22 of which Sefton Council's retained share is £11.692m (99.0%). A large proportion of this deficit is due to the continuation of expanded retail discounts in 2021/22 which the Government announced in March 2021 after the Council's budget was set. This additional relief is fully funded by Section 31 Grant, leaving an underlying surplus of £4.189m in 2021/22. The underlying surplus was largely due to a reduction in the provision for appeals as a large number of appeals against the 2010 Rating List were settled in the year. The deficit recorded on the Collection Fund will be recovered over the next two years (2022/23 and 2023/24).

Council Tax: The Council increased its council tax band D charge by £81.49 (4.99%) in 2021/22. This included a social care precept of 3.0%. The Council billed £179.126m of council tax charges in 2021/22 (including precepts) of which 94.8% was collected in the year, down from 95.0% in 2020/21. A surplus of £3.842m is reported in the Collection Fund in 2021/22 of which Sefton Council's share is £3.229m (84.0%). The surplus is largely due to housing growth and a reduction in council tax support claimants (compared to the number estimated). The surplus recorded on the Collection Fund will be distributed over the two years (2022/23 and 2023/24).

Government Grant Funding: During 2021/2022, Sefton's core grant funding (including Settlement Funding Assessment, New Homes Bonus, Improved Better Care Fund, and Social Care Grant) increased by £3.5m (3.4%), which included a £2.5 million increase in Social Care Grant in recognition of the increased social care pressures faced by local authorities.

Future Funding: In December 2021, the Secretary of State for Levelling Up, Housing and Communities announced a one-year finance settlement for local government which once again included a significant amount of one-off funding which may not continue in future years. The Government has previously announced their intention to introduce a new funding distribution formula using updated population data as well as resetting business rate retention baselines from 2022/23. The impact of these changes is currently unknown and recent political and economic developments mean that it is uncertain that they will be implemented. This leaves Sefton's future funding levels uncertain and makes medium-term financial planning difficult. Also, the long-term impact of the Covid-19 pandemic, increasing demand for services, the impact of Brexit, and the recent spike in inflation (fuel and energy costs in particular) has significantly increased the financial pressure on local government. Despite this uncertainty, the Council has prepared and agreed a Medium-Term Financial Plan for the period 2022/23 to 2024/25 setting out its approach to funding service provision over the next three years. This plan will be subject to review and revision as impact of current economic pressures develops and additional information on future funding levels becomes available.

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 benefit claimant rate in Sefton in February 2022 was 4.8%. Sefton is slightly lower than the rates seen across LCR (5.3%) and the North West (4.9%) yet is higher than the national rate (4.4%). Compared to the previous year the number of unemployed people in Sefton has considerably reduced (approximately 3,795 / 33%), 2022 has the second highest number of claimants in the last nine years (with 2021 having the highest).
- The economic activity rate in Sefton is 75.8%, lower than the rates seen across the city region (77.1%), the regionally (76.9%) and nationally (79.1%)
- There are currently 121,700 Sefton residents in employment (73.2% employment rate).
- 61.4% of residents are educated to NVQ Level 3 or above similar to the national average (61.2%).
- In 2021, the average full-time earnings for residents of Sefton is £589 per week, or £30,508 per annum, 4% lower than the English average.
- The National Living Wage increased to £9.50 per hour in April 2022 for over-23s only.
- 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 Deby 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: NOMIS Claimant count by sex and age February 2022, ONS Annual Population Survey October 2020 September 2021 / January to December 2020, ONS Annual Survey of Hours and Earnings – Residents Analysis 2021, The National Minimum Wage 2022, IMD 2015/19]

Social Care

Sefton’s Adult Social Care dealt with 23,280 contacts during 21/22, 33% of these related to new clients. Sefton supported 5498 clients in long term community or residential services during the year, along with providing support to 378 carers.

At the 31st March 2021, there were 2,165 Children in Need, a rate of 400.2 per 10,000 population aged 0 to 17, considerably higher than that of England (321.2), North West (367) and Sefton’s Statistical Neighbours average (360.2). At the same time 252 children were subject to a Child Protection Plan which was 46.6 per 10,000 population aged 0 -17, again higher than the national figure (41.4), but lower than the Borough’s Statistical neighbour (47.5) and regionally (47). With 613 children recorded as Looked After as at 31st March 2021, as with Children in Need and Child Protection Plans, the

Agenda Item 11

Narrative

Children Looked After rate is considerably higher than that seen nationally (113 compared to 67 per 10,000 children aged 0 - 17) the Statistical Neighbour group (88.7) and North West (97) were also considerably lower.

The second extension year of the Sefton Turnaround Programme was completed on 31st March 2021. The target of 357 families was reached with the cohort being 'turned around' meaning that the LA could draw down funding from the government of £800 per family. This generated £285 600 worth of funding to support interventions provided by Social Workers to support families. The second extension year commenced on 1st April 2021 and is due to end on 31st March 2022. The target is to turn 357 families round within the timeframe which will generate a further £285 600 of funding. The name and marketing of the Turnaround Programme has now been changed to the 'Supporting Families' Programme.

The second extension year of the Sefton Turnaround Programme commenced on 1st April 2021 and ended on 31st March 2022. The target was to turn 372 families round within the timeframe which was met. This has generated a further £297 600 of funding to support interventions provided by Social Workers to support families. The name and marketing of the Turnaround Programme has now been changed to the 'Supporting Families' Programme.

[Sources: Sefton Adult Social Care, B1 Children in Need and Episodes of Need 2021, D4 Child Protection Plans 2021, LA – Children looked after 31 March by Characteristics 2021, LAIT April 2021, 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 fourth year of a five-year contract with Agilisys Ltd for the provision of IT services to the Council. This agreement has enabled the Council to reduce the annual costs of IT services, and it has also allowed the Council to benefit from the innovation and best practice which Agilisys has implemented for other local authorities.

The Council has continued to develop its agile working which enables Council officers to work from various locations as required by their role, and the Council is using new IT initiatives to support this. The Council has upgraded its main telephony system to a cloud-hosted solution so that calls can be made and received irrespective of location. Increased use of the Microsoft Teams solution allows officers to hold meetings online this reducing the requirement to travel, which aligns with the Council's aspirations to reduce its impact on the environment. In addition, the Council is nearing the completion of the migration of its Council systems and data to cloud hosting.

An improved broadband offer to Sefton schools has been implemented, which provides faster connectivity and better value for money.

Councillors continue to use 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 continues to improve and develop its digital offering to customers. The Council website has been redesigned in early 2022 and further improvements will be made as part of the continuing website development programme. The development and 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 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. Continued leverage of the Council's Microsoft software is constantly being explored and progressed; this provides efficiency improvements to the Council and ensures we maximise our financial investment. The Council is also working on further rollout of intelligent automation technology to improve and streamline back-office processes.

In response to Sefton's wider Digital offer and Sefton's newly published Technology Enabled Care Solutions Strategy 2021-24, the Council is actively exploring the design and implementation of TEC solutions which will allow older and/or vulnerable adults to live independently at home. The Council launched Ask SARA, an online self-assessment, information and guidance tool, which is designed to provide individuals, their families and carers, with advice and guidance to access equipment to support independent living, and is piloting Brain in Hand, an app for young people aged 16-25 with low level mental health diagnoses who will benefit from using the app to support them to achieve greater independence and autonomy over their own wellbeing. The Council is also planning pilots in 22/23 to support development in remote monitoring to support independent living in shared settings.

Financial Overview

Revenue Budget Process / Council Tax

Unlike in previous years, the Council was unable to formulate a multi-year budget plan due to the one year Local Government Finance Settlement and the lack of clarity over future settlements. The Council identified a budget shortfall for 2021/2022 of £8.997m. Specific options to contribute to the budget shortfall in 2021/2022 were identified, including a 4.99% increase in Council Tax (including a 3% 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.

The Council experienced significant budget pressures in some service areas, particularly Children's Social Care, Children with Disabilities, Home to School Transport and Operational In-House Services. However, the Council did identify underspending in other areas as well as implementing various mitigating actions during the year to ensure there would be no overspend, particularly in light of the financial pressures due to COVID19. These measures enabled the outturn position to be a net underspend of £2.021m.

Financial risks up to 2022/2023

The budget reductions identified in the budget for 2021/2022 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 had 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 2021/2022 budget represented the twelfth successive year of budget reductions for Sefton Council and has required more challenging solutions to achieve a balanced budget for 2021/2022.

Delivering savings over such a long period has had a significant impact on the delivery of Council services. In developing the approach to delivering the 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 pillars which will help the Council deliver against its stated objectives including financial sustainability. These are:

- Economic Growth and Strategic Investment;
- Council of 2023;
- Demand Management.

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

Revenue Financial Performance of the Council 2021/2022

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 4 March 2021, the Council approved a revenue budget for 2021/2022 of £191.974m, which included £1.208m relating to the expenditure of Parish Councils. At that time, it was anticipated that balances for non-school budgets would total £9.984m at 31 March 2022. As a result of an underspend of £2.794m in 2020/2021 the anticipated year-end balances position was revised to £12.778m. The 2021/2022 Budget assumed an increase in general balances of £1.5m as part of a strategy to increase balances and ensure financial resilience.

Overall, actual expenditure for 2021/2022 on General Fund services (excluding Schools' delegated expenditure) was £2.021m lower than the Base Estimates which has increased General Fund Balances further.

The Authority's reported Non-School General Fund balances at 31 March 2022 are therefore £14.799m as shown in the following table:

Non-School General Fund Balances	£m
Actual Non-School General Fund Balances at 31 March 2021	-11.278
Plus Budgeted Contribution to Balances	-1.500
Plus underspend in comparison to the 2021/2022 Base Estimate:	-2.021
Actual Non-School General Fund Balances at 31 March 2022	-14.799

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	4.015	1.120	2.914	4.034	0.019
Adult Social Care	98.125	92.715	2.255	94.970	-3.155
Children's Social Care	47.754	52.883	-0.242	52.641	4.887
Communities	17.274	16.126	-0.987	15.139	-2.135
Corporate Resources	4.828	26.051	-21.799	4.252	-0.576
Economic Growth & Housing	6.548	3.120	2.924	6.044	-0.504
Education Excellence	11.000	10.811	0.247	11.058	0.058
Education Excellence - Schools	0.000	-5.143	5.143	0.000	0.000
Health and Wellbeing	18.724	17.216	0.697	17.913	-0.811
Highways & Public Protection	11.231	7.442	3.339	10.781	-0.450
Operational In-House Services	14.004	13.814	0.437	14.251	0.247
Other Services	2.923	2.072	0.745	2.817	-0.106
Total Service Net Expenditure	236.426	238.227	-4.327	233.900	-2.526
Corporate Items	-18.871	21.611	-39.927	-18.316	0.555
Levies	34.568	34.568	-	34.568	-
Parish Precepts	1.208	1.208	-	1.208	-
Total Net Expenditure	253.331	295.614	-44.254	251.360	-1.971
Financed by:					
Council Tax Payers	-141.553	-141.553	-	-141.553	-
Business Rates Top-Up	-21.315	-21.315	-	-21.315	-
Retained Business Rates	-29.105	-29.105	-	-29.105	-
General Government Grants	-62.858	-92.714	29.806	-62.908	-0.050
Total Financing	-254.831	-284.687	29.806	-254.881	-0.050
Amount Funded from / contributed to (-) General Balances	-1.500	10.927	-14.448	-3.521	-2.021

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: -

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

- Operational In-House 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:

Adult Social Care – Adult Social Care underspent in 2021/22 by £3.155m. Reports to Cabinet during the year highlighted that there were a number of significant assumptions and uncertainties relating to COVID-19 and other areas that would impact on the outturn position at the year-end. The Demand Management Programme continued throughout the year, and further savings were identified that had a significant part-year impact in 2021/22 which was a major factor in the service underspending. Monthly budget monitoring reports later in 2021/22 made reference to these issues and an underspend of £2.3m was included in the forecast pending finalisation of the issues.

Children’s Social Care: Children’s Social Care overspent in 2021/22 by £4.887m. A significant overspend was forecast consistently through the year and relates to the overspends on accommodation and Agency workers. This budget is demand led, and as such, is particularly volatile, depending on the increasing numbers of children becoming looked after and where they are accommodated. The overspend increased towards the end of the year, which was as a result of some high-cost cases and highlights the pressures that the budget can experience, together with the higher than budgeted for costs of agency members of staff that are required as a result of increased demand and a lack of permanent staff who are available in the labour market.

Communities: The surplus of £2.135m primarily relates to reduced expenditure on sports facilities due to them being closed in line with COVID19 guidance and reduced activity when they were allowed to open. There were other vacancy savings across the Council, as well as additional grant funding made available to offset existing costs in the year.

Health and Wellbeing - A net surplus of £0.811m was brought about primarily due to savings on contracts procured during the year, including on substance misuse and health prevention 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 underspent by £2.613m in 2021/2022. This comprised an underspend of £2.767m across Individual Schools’ delegated budgets, and a decrease in the level of DSG school funds held by the Local Authority during 2021/2022 in respect of the Supply Teachers scheme (£0.107m) and the Business Rates scheme (£0.047m). Movements in Schools’ balances during 2021/2022 can be summarised as follows:

Schools’ Balances	£m
Schools’ balances as at 1 April 2021	-15.676
Overspend on Schools’ Delegated Budgets	-2.613
Schools’ balances at 31 March 2022	-18.289

The Council’s Centrally Retained DSG balances 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 2021, was a deficit of £6.615m. During 2021/2022, this deficit has grown considerably, mostly due to the significant overspending of High Needs. This has taken the balances into a net deficit position of £11.097m (see below).

<u>Centrally Retained DSG Balances</u>	<u>1 April 2021</u>	<u>Movement 2021/2022</u>	<u>31 March 2022</u>
	£m	£m	£m
Schools Block	-0.521	-0.240	-0.761
Early Years Block	-1.113	0.477	-0.636
High Needs Block	8.249	4.245	12.494
	6.615	4.482	11.097

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. As a result of the statutory requirements introduced for 2020/21, this balance is now held on the Balance Sheet as an Unusable Reserve, the Dedicated Schools Grant Adjustment Account.

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 planned period. In addition, the Council is participating in the DfE's Delivering Better Value Programme, which will provide additional support to help the Council move into a financially sustainable position on High Needs. 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 additional 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 2022/2023, 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 2021/2022

The Capital Programme Capital Allocation 2021/2022 report was approved by Council on 4 March 2021. 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 2021/2022 report highlighted Government grant funding for 2021/2022 of £1.812m for schools, £3.865m for transport and £4.251m for Better Care Fund, giving a total grant allocation of £9.928m. Of the £1.812m for schools, £0.346m was ring-fenced Devolved Formula Capital Grant (DFC), and £1.466m was Capital Maintenance Grant. Of the £3.865m for transport,

Agenda Item 11

Narrative

£0.990m was the Local Integrated Transport Block Grant, £1.800m was the Highway Maintenance Block Grant, £0.900m was the Additional Key Route Network Grant, and £0.175m was Pothole Funding.

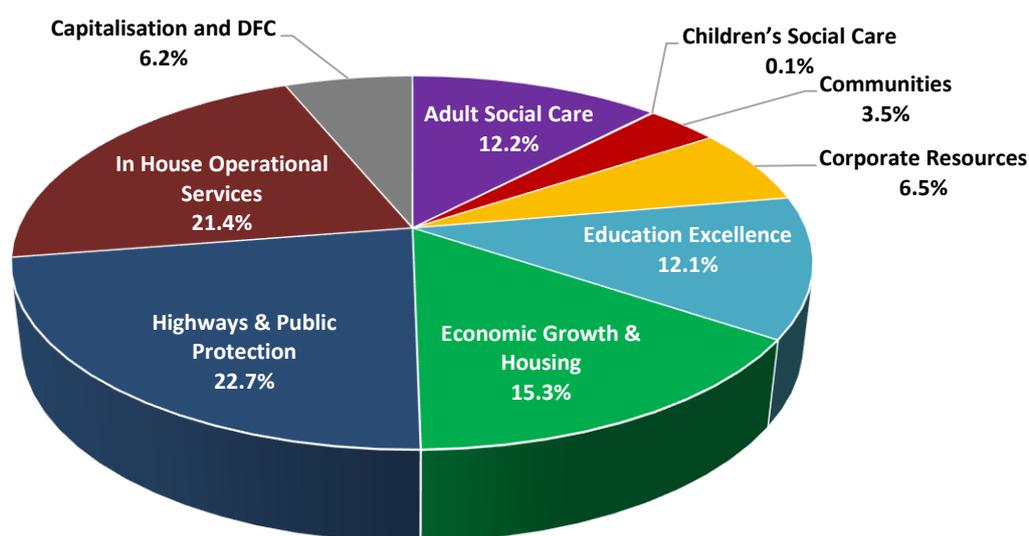
Capital Expenditure in 2021/2022

In 2021/2022 the Authority spent £32.536m on capital projects. Examples of some of the major areas of spend include expenditure on Schools programme (£3.952m), Highways Integrated schemes (£1.924m), Highways Carriageway maintenance (£3.227m), LED Street Lighting Scheme (£1.595m), Adult Social Care (£3.932m), Growth and Strategic Investment projects (£4.445m), and the Vehicle Replacement Programme (£5.247m).

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

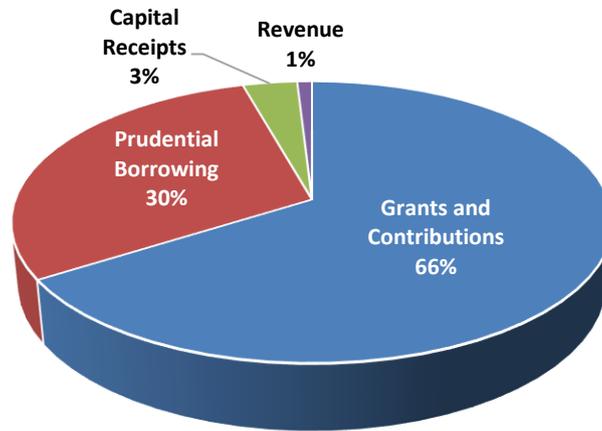
Sefton's Capital Expenditure for 2021/2022

	<u>£m</u>	<u>%</u>
Adult Social Care	3.932	12.2
Children's Social Care	0.025	0.1
Communities	1.150	3.5
Corporate Resources	2.131	6.5
Economic Growth & Housing	4.990	15.3
Education Excellence	3.952	12.1
Highways & Public Protection	7.400	22.7
In House Operational Services	6.951	21.4
Capitalisation and DFC	2.005	6.2
	32.536	100.0



Financing of Sefton's 2021/2022 Capital Expenditure

<u>Source of Finance</u>	<u>£m</u>	<u>%</u>
Grants and Contributions	21.474	66
Prudential Borrowing	9.650	30
Capital Receipts	1.110	3
Revenue	0.302	1
	32.536	100



Total capital expenditure consists of the following additions:

<u>Type of Asset</u>	<u>£m</u>
Fixed Assets:	
- Property, Plant & Equipment	16.276
- Infrastructure	9.149
- Investment Properties	1.113
- Assets Under Construction	0.945
Intangible Assets (e.g. software licences)	1.345
Revenue Expenditure Funded from Capital Under Statue	3.708
	<u>32.536</u>

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 30 August 2022.

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.

(c) Balance Sheet (pages 31 - 32)

The Balance Sheet shows the value as at 31 March 2022 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 - 108)

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 109 - 112)

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 113 – 128)

This section incorporates the accounts of both Sefton and its wholly owned subsidiaries, Sefton New Directions Limited, Sefton (ACS) Development Company Limited (Sandway Homes) and Sefton Hospitality Operations Limited, to provide details of the Council's financial activities as a Group.

(i) Annual Governance Statement (pages 129 - 160)

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 161 - 164)

(k) Glossary (pages 165 - 172)

(l) Abbreviations (pages 173 – 174)

(m) Useful Addresses (page 175)

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 2021/2022 (the Code).

There have been no material changes to the accounting policies in 2021/22.

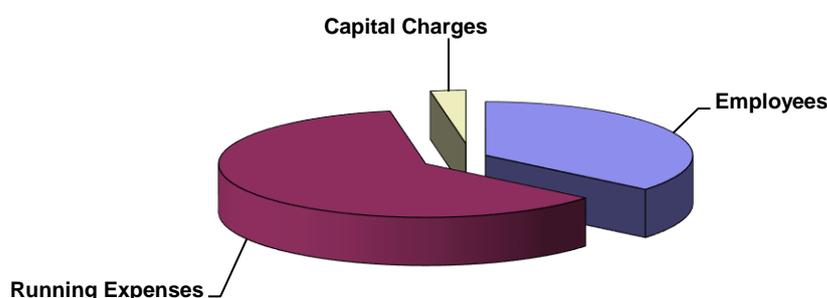
However, it should be noted that for the valuation of infrastructure assets, the same method has been used as used in the draft 2020/2021 accounts. There is an ongoing consultation about the methodology for valuation of such assets which has the potential to require both the 2020/2021 and the 2021/22 accounts to be restated.

Analysis of the Income and Expenditure Account

The tables and charts below summarise the Authority's **gross** revenue expenditure within the General Fund for 2021/2022 and highlights the main sources of General Fund Financing for 2021/2022.

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

Expenditure Type	<u>£m</u>	<u>%</u>
Employees	256.935	36
Running Expenses	436.922	61
Capital Charges	19.721	3
	713.578	100



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 (Crosby) Limited.

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 2021/2022 this limit was set at £245m; the Council stayed within this figure during the year.

As at 31 March 2022, the Council had outstanding borrowing of £168.433m (£186.790m as at 31 March 2021). This includes local authority bonds, stocks, mortgages and loans from the Public Works Loans Board (PWLB). At 31 March 2022, accrued interest of £1.208m, was due to be repaid within 12 months.

During 2021/2022, no new long-term borrowing from the PWLB was required to fund capital expenditure. Principal of £18.229m was repaid during the year of which £14.520m related to Equal Instalments of Principal (EIP) loans and £3.708m related to Annuity loans.

Interest on long-term borrowing from the PWLB totalled £6.526m during the year (£6.932m in 2020/2021).

In line with its Treasury Management Policy and Strategy the Council makes daily investment decisions. At 31 March 2022, the Council had short-term investments of £93.690m (£65.260m at 31 March 2021). The Council had no short-term deposits with banks and building societies (£0.000m at 31 March 2021). The Council had long term investments with the Church and Charities Local Authority (CCLA) Property Fund (£6.319m).

Pension Liability

As at 31 March 2022 the Pensions Liability figure in the Balance Sheet includes a net deficit on the Local Government Pension Scheme Fund attributable to Sefton of £390.099m (£448.597m as at 31 March 2021). 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 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 2022 there was a net deficit relating to unfunded Teachers' Pensions attributable to Sefton of £5.699m (£6.316m as at 31 March 2021). 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 2020/2021 accounts include a provision for the cost of NNDR checks, challenges and appeals. The total value of the Provision as at 31 March 2022 is £21.354m (£23.886m as at 31 March 2021). Sefton's share of the Provision as at 31 March 2022 is £21.140m (£23.647 as at 31 March 2021).

The only material write-offs in 2021/2022 relate to revaluation losses on the Authority's assets. These total £0.6m (£6.0m in 2020/2021).

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 £14.799m. This level of Balances is considered the least necessary given the financial risks faced by the Council, including the impact of current levels of inflation, Children's Social Care and other pressures on the Council's financial position in 2021/2022 and future years.

The Council has £30.122m of capital resources available as at 31 March 2022 (£27.530m as at 31 March 2021). These are amounts already received that will be used to fund the Council's Capital Investment Plan in 2022/2023 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 £81.253m of Earmarked Reserves as at 31 March 2022 (£98.313m as at 31 March 2021). These are described in Note 35. This includes previously received revenue grants and contributions that have yet to be applied. The significant amount in Earmarked Reserves is mainly due to S31 Business Rates grants received to compensate the Council for the loss of income due to the government introducing an expanded retail relief scheme (this grant will offset the resulting deficit in 2022/2023) as well as COVID19 funding received in 2021/2022 which will be utilised in 2022/2023. 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 £98.669m of Unusable Reserves as at 31 March 2022 (negative £218.967m as at 31 March 2021). 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 £396m (£390m 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 no longer being in deficit. 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 net positive £45.793m. This reduced positive 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.

Statement of Accounts 2020/2021

The audit of the Statement of Accounts for 2020/2021 has yet to be concluded. There is an ongoing national issue about the methodology for the valuation of infrastructure assets. CIPFA conducted a consultation on potential changes to the Accounting Code of Practice to resolve the issue, but no definitive response resulted. CIPFA is proposing to undertake a further consultation. The outcome of this process has the potential to require the 2020/2021 accounts to be restated. It is unclear how long this will take but until this is resolved the audit cannot be concluded.

The 2021/2022 draft Statement of Accounts have been produced using the same methodology for the valuation of infrastructure assets as used in previous years. Therefore, any changes proposed to the valuation methodology will also require the 2021/2022 draft accounts to be restated.

Conclusion

During the 2021/2022 financial year, the Council has continued to experience significant additional spending pressures but has been able to contain such costs within the overall budget. The overall outturn position is an underspend which has been added to General Balances.

Decisions taken for the agreed 2022/2023 budget will increase General Fund balances from the 31 March 2022 position by £2.9m. However, the challenges presented by the significant impact of inflation mean that the Council will need to utilise some of these balances in order to stabilise local authority finances in the short term whilst the economy recovers. We will be looking to the Government to provide additional financial support beyond the amounts already announced. 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.

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

Agenda Item 11

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 Executive Director of Corporate Resources and Customer Services.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Executive Director of Corporate Resources and Customer Services Responsibilities

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

In preparing this Statement of Accounts, the Executive Director of Corporate Resources and Customer Services 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 Executive Director of Corporate Resources and Customer Services has also:

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

Executive Director of Corporate Resources and Customer Services 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 2022, and its income and expenditure for the financial year ended 31 March 2022.

Stephan Van Arendsen
 Executive Director of Corporate Resources and Customer Services
 Date: 30 August 2022

DRAFT

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.

2020/2021			Note	2021/2022		
Gross Expenditure	Gross Income	Net Expenditure / Income (-)		Gross Expenditure	Gross Income	Net Expenditure / Income (-)
£000s	£000s	£000s		£000s	£000s	£000s
1,235	-89	1,146	<u>Continuing Operations</u>	1,232	-8	1,224
149,663	-46,985	102,678	Strategic Management	150,016	-55,066	94,950
42,322	-243	42,079	Adult Social Care	56,406	-2,094	54,312
40,161	-7,647	32,514	Children's Social Care	31,283	-11,896	19,387
113,589	-78,354	35,235	Communities	109,668	-77,286	32,382
15,731	-8,259	7,472	Corporate Resources	11,313	-11,433	-120
14,716	-1,810	12,906	Economic Growth and Housing	16,730	-2,243	14,487
187,329	-187,489	-160	Education Excellence	204,436	-196,789	7,647
18,138	-23,383	-5,245	Education Excellence - Schools	21,483	-25,907	-4,424
24,492	-7,360	17,132	Health and Wellbeing	29,259	-9,301	19,958
27,021	-9,468	17,553	Highways and Public Protection	29,798	-10,453	19,345
16,139	-6,184	9,955	Operational In-House Services	17,292	-4,043	13,249
650,536	-377,271	273,265	Corporate Unallocated Costs			
			Net Cost of Services	678,916	-406,519	272,397
			<u>Other Operating Income and Expenditure</u>			
		1,179	Precepts paid to Parish Councils			1,208
		34,795	Levies			34,662
		-261	Loss / Gain (-) on the disposal of non-current assets			-1,686
		-950	8 Other Operating Income			-973
		34,763				33,211
			<u>Financing and Investment Income & Expenditure</u>			
		8,066	9 Interest payable and similar charges			7,268
		8,527	51 Net Interest on the Net Pension Defined Benefit Liability			9,141
		-431	Interest Receivable			-326
		-2,196	20 Income and Expenditure on Investment Properties			-2,459
		4,631	20 Changes in the Fair Value of Investment Properties			-3,076
		38	Changes in the Fair Value of Financial Instruments			-944
		18,635				9,604
			<u>Taxation and Non-specific Grant Income</u>			
		-135,944	Income from Council Tax			-146,265
		-19,504	Non-Domestic Rates Income			-56,227
		-141,758	17 Non-Ringfenced Government Grants			-92,023
		-20,725	17 Capital Grants and Contributions			-19,043
		-317,931				-313,558
		8,732	5 Surplus (-) / Deficit on Provision of Services			1,654
		-1,418	38 Surplus (-) / Deficit on Revaluation of non-current assets			-25,814
		31,613	40 Re-measurement of the Net Defined Benefit Liability			-87,803
		30,195	Other Comprehensive Income and Expenditure			-113,617
		38,927	Total Comprehensive Income and Expenditure			-111,963

Agenda Item 11

Income and Expenditure Statement

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 2021/2022</u>	General Fund Balance	Earmarked Reserves Account	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Notes 38 to 43)	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2021	-26,954	-98,313	-4,788	-22,742	-152,797	218,967	66,170
<u>Movements in Year</u>							
Total Comprehensive Income and Expenditure	1,654	0	0	0	1,654	-113,617	-111,963
Adjustments between accounting basis and funding basis under regulations (Note 7)	9,273	0	-1,472	-1,120	6,681	-6,681	0
Net Increase before Transfers to Earmarked Reserves	10,927	0	-1,472	-1,120	8,335	-120,298	-111,963
Transfers to / from Earmarked Reserves (Note 35)	-17,060	17,060	0	0	0	0	0
Decrease / Increase (-) in Year	-6,133	17,060	-1,472	-1,120	8,335	-120,298	-111,963
Balance at 31 March 2022	-33,087	-81,253	-6,260	-23,862	-144,462	98,669	-45,793

<u>Movements in Reserves in 2020/2021</u>	General Fund Balance	Earmarked Reserves Account	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Notes 38 to 43)	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2020	-17,807	-35,888	-2,877	-17,757	-74,329	101,572	27,243
Reporting of DSG Reserves Deficit to new Adjustment Account at 1 April 2020	0	-4,385	0	0	-4,385	4,385	0
Restated Balance at 1 April 2020	-17,807	-40,273	-2,877	-17,757	-78,714	105,957	27,243
<u>Movements in Year</u>							
Total Comprehensive Income and Expenditure	8,732	0	0	0	8,732	30,195	38,927
Adjustments between accounting basis and funding basis under regulations (Note 7)	-75,919	0	-1,911	-4,985	-82,815	82,815	0
Net Increase before Transfers to Earmarked Reserves	-67,187	0	-1,911	-4,985	-74,083	113,010	38,927
Transfers to / from Earmarked Reserves (Note 35)	58,040	-58,040	0	0	0	0	0
Decrease / Increase (-) in Year	-9,147	-55,810	-1,911	-4,985	-74,083	113,010	38,927
Balance at 31 March 2021	-26,954	-98,313	-4,788	-22,742	-152,797	218,967	66,170

Agenda Item 11

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>2021</u> £000s		<u>Note</u>	<u>31 March</u> <u>2022</u> £000s
455,352	Property, Plant and Equipment	18	506,737
11,532	Heritage Assets	19	11,532
49,110	Investment Property	20	32,338
0	Intangible Assets		896
6,502	Long Term Investments	23	13,064
5,207	Long Term Debtors	24	5,825
527,703	Long-Term Assets		570,392
163	Short Term Investments	25	101
11,513	Assets Held for Sale	26	12,004
710	Inventories		623
49,618	Short Term Debtors	27	53,659
33,154	Prepayments	27	22,775
66,410	Cash and Cash Equivalents	28	98,328
161,568	Current Assets		187,490
-21,567	Short Term Borrowing	54	-34,719
-56,951	Short Term Creditors	29	-62,534
-18,168	Receipts in Advance	30	-52,924
-942	Deferred Liabilities	32	-934
-97,628	Current Liabilities		-151,111
-28,260	Provisions	31	-24,985
-167,225	Long Term Borrowing	54	-133,714
-7,415	Deferred Liabilities	32	-6,481
-454,913	Pensions Liability	51	-395,798
-657,813	Long Term Liabilities		-560,978
-66,170	Net Assets / Liabilities (-)		45,793

Agenda Item 11

Balance Sheet

31 March 2021 £000s	Balance Sheet (Continued)	Note	31 March 2022 £000s
	<u>Reserves</u>		
	<u>Usable Reserves</u>		
-15,676	General Fund - Delegated Schools	34	-18,288
-11,278	General Fund - Non Delegated Services	34	-14,799
-98,313	Earmarked Reserves	35	-81,253
-4,788	Capital Receipts Reserve	36	-6,260
-22,742	Capital Grants and Contributions Unapplied	37	-23,862
-152,797			-144,462
	<u>Unusable Reserves</u>		
-68,324	Revaluation Reserve	38	-92,943
-229,033	Capital Adjustment Account	39	-237,434
310	Financial Instruments Adjustment Account		251
-376	Pooled Investment Funds Adjustment Account		-1,319
454,913	Pensions Reserve	40	395,798
49,481	Collection Fund Adjustment Account	41	17,646
5,381	Accumulated Absences Account	42	5,573
6,615	Dedicated Schools Grant Adjustment Account	43	11,097
218,967			98,669
66,170	Total Reserves		-45,793

The Notes on pages 35 to 108 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>2020/2021</u> £000s		Note	<u>2021/2022</u> £000s
	<u>Operating Activities</u>		
8,732	Net deficit on the provision of services		1,654
-36,554	Adjustments to net surplus or deficit on the provision of services for non-cash movements	46	-88,818
21,504	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	46	22,615
-6,318	Net cash flows from Operating Activities		-64,549
	<u>Investing Activities</u>		
21,524	Purchase of property, plant and equipment, investment property and intangible assets		28,408
999	Purchase of short-term and long-term investments		5,618
-3,075	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		-2,561
-19,310	Other receipts from investing activities		-18,862
138	Net cash flows from Investing Activities		12,603
	<u>Financing Activities</u>		
-43,561	Cash receipts of short- and long-term borrowing		0
0	Other receipts from financing activities		-1,143
480	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		504
21,239	Repayments of short- and long-term borrowing		20,667
600	Other payments for financing activities		0
-21,242	Net cash flows from Financing Activities	46	20,028
-27,422	Net decrease / (increase) in cash and cash equivalents		-31,918
-38,988	Cash and cash equivalents at the beginning of the reporting period		-66,410
-66,410	Cash and cash equivalents at the end of the reporting period	28	-98,328

Agenda Item 11

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>2021/2022</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	1,120	104	1,224
Adult Social Care	92,715	2,235	94,950
Children's Social Care	52,883	1,429	54,312
Communities	16,126	3,261	19,387
Corporate Resources	26,051	6,331	32,382
Economic Growth and Housing	3,120	-3,240	-120
Education Excellence	10,811	3,676	14,487
Education Excellence - Schools	-5,143	12,790	7,647
Health and Wellbeing	17,216	-21,640	-4,424
Highways and Public Protection	7,442	12,516	19,958
Operational In-House Services	13,814	5,531	19,345
Corporate Unallocated Costs	13,956	-707	13,249
Net Cost of Services	250,111	22,286	272,397
Other Operating Income and Expenditure	35,776	-2,565	33,211
Financing and Investment Income & Expenditure	9,727	-123	9,604
Taxation and Non-specific Grant Income	-284,687	-28,871	-313,558
Other Income and Expenditure	-239,184	-31,559	-270,743
Deficit/(Surplus) on Provision of Services	10,927	-9,273	1,654

Opening General Fund Balance	-125,267
Plus: Surplus in the Year	10,927
Closing General Fund Balance	-114,340
Analysis of Closing General Fund Balance:	
General Fund - Delegated Schools	-18,288
General Fund - Non-Delegated Services	-14,799
Earmarked Reserves	-81,253
Closing General Fund Balance	-114,340

Agenda Item 11

The following table shows the comparative information for 2020/2021:

2020/2021	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	1,042	104	1,146
Adult Social Care	99,936	2,742	102,678
Children's Social Care	40,981	1,098	42,079
Communities	22,508	10,006	32,514
Corporate Resources	30,708	4,527	35,235
Economic Growth and Housing	5,747	1,725	7,472
Education Excellence	9,154	3,752	12,906
Education Excellence - Schools	-7,207	7,047	-160
Health and Wellbeing	16,405	-21,650	-5,245
Highways and Public Protection	9,380	7,752	17,132
Operational In-House Services	13,491	4,062	17,553
Corporate Unallocated Costs	13,524	-3,569	9,955
Net Cost of Services	255,669	15,366	273,265
Other Operating Income and Expenditure	35,880	-1,117	34,763
Financing and Investment Income & Expenditure	9,461	9,174	18,635
Taxation and Non-specific Grant Income	-368,197	50,266	-317,931
Other Income and Expenditure	-322,856	58,323	-264,531
Deficit/(Surplus) on Provision of Services	-67,187	75,919	8,732

Opening General Fund Balance	-58,080
Plus: Surplus in the Year	-67,187
Closing General Fund Balance	-125,267
Analysis of Closing General Fund Balance:	
General Fund - Delegated Schools	-15,676
General Fund - Non-Delegated Services	-11,278
Earmarked Reserves	-98,313
Closing General Fund Balance	-125,267

8 OTHER NOTES TO THE FINANCIAL STATEMENTS

1 PRIOR PERIOD COMPARATORS - TRANSFERS OF FUNCTIONS BETWEEN SERVICES

During 2021/2022 the Council transferred some elements of the Communities service into Children's Social Care and Education Excellence. In addition, an element of Corporate Resources transferred to Adult Social Care. The amounts are not considered material enough to warrant a Prior Period Adjustment to ensure comparability between the two years.

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:

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 Agriculture – will only apply to local authorities in limited circumstances.

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 54, 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 has a material interest in Sandway Homes Limited, an entity which engages in housebuilding activity. It has been deemed that Sandway Homes Limited is a subsidiary of the Council and group accounts are required to be prepared.
- The Council has a material interest in Sefton Hospitality Operations Limited, an entity which engages in hospitality activity. It has been deemed that Sefton Hospitality Operations Limited is a subsidiary of the Council and group accounts are required to be prepared.
- The Council has joint working arrangements with NHS CCGs in 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 £4.024m has been expended on both services in 2021/22. The Council does not consolidate both elements into its financial statements but only accounts for its own expenditure (see Note 10).
- 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

Agenda Item 11

Notes to the Financial Statements

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):

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 2022 is £506.737m.</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 £50.7m.</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 £1.086m 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 2022 is £32.338m.</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 £3.2m.</p>

<p>Provision for NDR Checks, Challenges & Appeals</p>	<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 2022. The total provision recorded on the Collection Fund is £21.353m (Sefton's share is £21.139m).</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 £0.500m in the total provision (Sefton's share would be £0.495m).</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 2022 would require an increase of £2.977m in the total provision (Sefton's share would be £2.947m).</p>
<p>Pensions Liability</p>	<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 2022 the value of assets was £1,552.692m and liabilities was £1,156.894m. The net liability is therefore £395.798m.</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 49, as required by the Code of Practice.</p>
<p>Arrears</p>	<p>At 31 March 2022, Sefton had a net balance of sundry debtor accounts issued by the Authority but not yet paid of £27.569m. A review of significant balances suggested that an impairment of doubtful debts of approximately 15% (£4.029m) was appropriate for these accounts.</p> <p>At 31 March 2022, Sefton had a balance of Council Tax arrears (including Court Costs) of £32.691m (Sefton's share only). A review of significant balances suggested that an impairment of doubtful debts of approximately 76% (£24.749m) was appropriate for these accounts.</p> <p>At 31 March 2022, Sefton had a balance of NDR arrears (including Court Costs) of £9.069m (Sefton's share only). A review of significant balances suggested that an impairment of doubtful debts of approximately 93% (£8.402m) was appropriate for these accounts.</p> <p>At 31 March 2023, Sefton had a balance of Housing Benefit arrears of £5.555m. A review of significant balances suggested that an impairment of doubtful debts of approximately 43% (£2.394m) was appropriate for these accounts.</p> <p>However, in the current economic climate it is possible that such allowances would not be sufficient.</p>	<p>If collection rates were to deteriorate, an increase of 10% in the amount of the impairment of doubtful debts would require an additional £7.248m to be set aside as an allowance.</p>

Agenda Item 11

Notes to the Financial Statements

5 EXPENDITURE AND INCOME ANALYSED BY NATURE

2020/2021 £000s		2021/2022 £000s
	<u>Expenditure</u>	
242,532	Employee benefit expenses	256,935
378,650	Other service expenses	397,981
34,145	Depreciation, amortisation and impairment	19,721
8,068	Interest Payments	7,270
35,974	Precepts and Levies	34,663
-261	Loss on the disposal of assets	0
8,527	Net Interest on the Net Pension Defined Benefit Liability	9,141
707,635	Total Expenditure	725,711
	<u>Income</u>	
-53,460	Fees, charges and other service income	-64,227
-450	Interest and Investment Income	-335
-155,448	Income from council tax and non-domestic rate income	-202,493
-489,545	Government Grants and Contributions	-457,002
-698,903	Total Income	-724,057
8,732	Deficit on the Provision of Services	1,654

6 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis in 2021/2022

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	104	0	104
Adult Social Care	605	1,626	4	2,235
Children's Social Care	67	1,359	3	1,429
Communities	1,803	1,561	-103	3,261
Corporate Resources	3,847	2,478	6	6,331
Economic Growth and Housing	-3,864	859	-235	-3,240
Education Excellence	3,264	411	1	3,676
Education Excellence - Schools	158	7,995	4,637	12,790
Health and Wellbeing	0	365	-22,005	-21,640
Highways and Public Protection	12,068	669	-221	12,516
Operational In-House Services	3,808	2,600	-877	5,531
Corporate Unallocated Costs	1,376	-480	-1,603	-707
Net Cost of Services	23,132	19,547	-20,393	22,286
Other Income and Expenditure	-33,874	9,141	-6,826	-31,559
Surplus (-) or Deficit	-10,742	28,688	-27,219	-9,273

Adjustments between Funding and Accounting Basis in 2020/2021

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	104	0	104
Strategic Support Unit	0	0	0	0
Adult Social Care	1,452	1,293	-3	2,742
Children's Social Care	102	999	-3	1,098
Communities	8,825	1,509	-328	10,006
Corporate Resources	2,281	2,251	-5	4,527
Economic Growth and Housing	1,242	721	-238	1,725
Education Excellence	3,476	277	-1	3,752
Education Excellence - Schools	-127	4,270	2,904	7,047
Health and Wellbeing	0	154	-21,804	-21,650
Highways and Public Protection	7,250	598	-96	7,752
Operational In-House Services	2,583	2,312	-833	4,062
Corporate Unallocated Costs	2	-2,067	-1,504	-3,569
Net Cost of Services	27,086	12,421	-21,911	17,596
Other Income and Expenditure	-24,129	8,527	73,925	58,323
Surplus (-) or Deficit	2,957	20,948	52,014	75,919

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.
- **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.

Agenda Item 11

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>2020/2021</u> £000s		<u>2021/2022</u> £000s
-89	Strategic Management	-8
-20,020	Adult Social Care	-20,173
-119	Children's Social Care	-241
-2,214	Communities	-5,544
-4,539	Corporate Resources	-5,928
-3,333	Economic Growth and Housing	-3,763
-854	Education Excellence	-1,304
-2,244	Education Excellence - Schools	-4,175
0	Health and Wellbeing	0
-6,803	Highways and Public Protection	-8,624
-9,035	Operational In-House Services	-9,938
-3,260	Corporate Unallocated Costs	-3,556
-52,510	Net Cost of Services	-63,254
-950	Other Income and Expenditure	-973
-53,460	Surplus on the Provision of Services	-64,227

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 2021/2022</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	-20,634			20,634
Revaluation losses on non-current assets	-636			636
Movements in the market value of Investment Properties	3,076			-3,076
Amortisation of intangible assets	-448			448
Capital grants and contributions applied	8,679			-8,679
Revenue expenditure funded from capital under statute - Gross	-3,708			3,708
Revenue expenditure funded from capital under statute – Related Capital Grants and Contributions	3,579			-3,579
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	0			0
Amortisation of Deferred Income re. Crosby PFI Scheme	107			-107
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	6,557			-6,557
Capital expenditure charged against the General Fund	302			-302
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	13,079		-13,079	
Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	-2,716		2,716	
Application of grants to capital financing transferred to the Capital Adjustment Account			9,243	-9,243
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,686	-1,686		
Transfers to Usable Capital Receipts not relating to the disposal of assets	875	-875		
Use of the Capital Receipts Reserve to finance new capital expenditure		1,089		-1,089

Agenda Item 11

Notes to the Financial Statements

Adjustments in 2021/2022 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.	944			-944
Adjustments primarily involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-52,838			52,838
Employer's pensions contributions and direct payments to pensioners payable in the year	24,150			-24,150
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	31,834			-31,834
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	-192			192
Adjustment primarily involving the Dedicated Schools Grant Adjustment Account: Transfer of Dedicated Schools Grant (DSG) over/(underspend) to the DSG Adjustment Account	-4,482			4,482
Total Adjustments	9,273	-1,472	-1,120	-6,681

The table below provides comparative figures for 2020/2021:

Adjustments in 2020/2021	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	-19,396			19,396
Revaluation losses on non-current assets	-6,030			6,030
Movements in the market value of Investment Properties	-4,631			4,631
Amortisation of intangible assets	0			0
Capital grants and contributions applied	14,540			-14,540
Revenue expenditure funded from capital under statute - Gross	-4,050			4,050
Revenue expenditure funded from capital under statute – Related Capital Grants and Contributions	3,120			-3,120

Adjustments in 2020/2021 Continued	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-2,060			2,060
Amortisation of Deferred Income re. Crosby PFI Scheme	107			-107
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	6,159			-6,159
Capital expenditure charged against the General Fund	62			-62
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	6,243		-6,243	
Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	-57		57	
Application of grants to capital financing transferred to the Capital Adjustment Account	0		1,201	-1,201
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	2,322	-2,322		
Transfers to Usable Capital Receipts not relating to the disposal of assets	753	-753		
Use of the Capital Receipts Reserve to finance new capital expenditure		1,164		-1,164
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.	-38			38
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-42,562			42,562
Employer's pensions contributions and direct payments to pensioners payable in the year	21,614			-21,614
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	-49,188			49,188
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	-656			656

Agenda Item 11

Notes to the Financial Statements

Adjustments in 2020/2021 Continued	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustment primarily involving the Dedicated Schools Grant Adjustment Account:				
Transfer of Dedicated Schools Grant (DSG) over/(underspend) to the DSG Adjustment Account	-2,230			2,230
Total Adjustments	-75,919	-1,911	-4,985	82,815

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>2020/2021</u> £000s	<u>Other Income</u>	<u>2021/2022</u> £000s
-744	Capital Receipts re. Former Council Dwellings	-775
-9	Other Capital Receipts not relating to the Disposal of Council Assets	-100
-197	Sefton's share of a VAT Shelter Agreement with One Vision Housing	-98
-950		-973

9 **INTEREST PAYABLE AND SIMILAR CHARGES**

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

<u>2020/2021</u> £000s		<u>2021/2022</u> £000s
7,081	External Interest Charges	6,597
334	Finance Charge re. Leasing Agreements	317
651	Finance Charge re. PFI Schemes	354
8,066	Total	7,268

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 £1.271m from CCG's (£1.349m in 2020/2021) and £1.204m from Sefton Council (£1.648m in 2020/2021), £2.475m in total (£2.997m in 2020/2021), 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 Clinical Commissioning Group (CCG) 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 £0.783m from South Sefton CCG (£0.722m in 2020/2021) and £0.766m from Sefton Council (£0.721m in 2020/2021); £1.549m in total (£1.443m in 2020/21), 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 key themes underpinning the agreement 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.
- Ageing Well
- Integration and Transformation

The Improved Better Care Fund (iBCF) has also been used to Protect Social Care Fees and used to fund a pilot Rapid Response Reablement Service which has now become a permanent service.

Financial performance in the year was as follows:

<u>2020/2021</u> £'000		<u>2021/2022</u> £'000
	<u>Contributions</u>	
-15,247	South Sefton CCG	-16,782
-10,205	Southport & Formby CCG	-12,072
-20,087	Sefton Council	-20,339
-45,539	Total Contributions	-49,193
43,045	Total Expenditure	48,227
-2,494	Variance	-966

The variance of £0.966m relates to £0.866m of capital expenditure in the pooled fund arrangement and £0.099m of Integration and Transformation expenditure. The 2021/22 Disabled Facilities grant allocation of £4.823m was utilised to fund expenditure of £3.957m in 2021/22, the balance will be carried forward to be used in future years as part of 3-year Capital programming. The surplus from Integration and Transformation posts of £0.099m was due to delay in recruitment to part year posts, this will be placed in reserve and utilised in 2022/23 as agreed by Health & Wellbeing Board.

Agenda Item 11

11 EXTERNAL AUDIT COSTS

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

<u>2020/2021</u> £000		<u>2021/2022</u> £000
98	Fees for external audit services carried out by the appointed auditors	153
16	Fees payable for the certification of grant returns	18
0	Fees payable in respect of any other services	0
114	Total	171

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 77 Members who were paid allowances in 2021/22 as some were only for part of the year (66 members in 2020/21) as shown below:

<u>2020/2021</u> £000s		<u>2021/2022</u> £000s
622	Basic Allowances	636
232	Special Responsibility Allowances	244
0	Expenses	0
854	Total	880

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 2021/2022

<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	1	61	62	£0.490m
£20,001 - £40,000	0	13	13	£0.359m
£40,001 - £60,000	0	1	1	£0.047m
Total	1	75	76	£0.896m

Exit Packages in 2020/2021

<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	27	30	57	£0.261m
£20,001 - £40,000	1	6	7	£0.179m
£40,001 - £60,000	1	2	3	£0.135m
£60,001 - £80,000	1	0	1	£0.062m
Total	30	38	68	£0.637m

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>2020/2021</u>		<u>Remuneration Band</u>	<u>2021/2022</u>	
<u>Employed on 31/03/21</u>	<u>Left during the year</u>		<u>Employed on 31/03/22</u>	<u>Left during the year</u>
82	1	£50,000 - £54,999	74	1
28	1	£55,000 - £59,999	40	2
28	0	£60,000 - £64,999	22	1
29	0	£65,000 - £69,999	23	1
19	0	£70,000 - £74,999	33	0
12	0	£75,000 - £79,999	9	1
6	0	£80,000 - £84,999	6	0
4	0	£85,000 - £89,999	7	0
0	0	£90,000 - £94,999	1	0
1	0	£95,000 - £99,999	1	0
0	0	£100,000 - £104,999	1	0
2	0	£105,000 - £109,999	2	0
0	0	£120,000 - £124,999	1	0
0	0	£130,000 - £134,999	1	0

Non-Teaching Staff (including schools)				
<u>2020/2021</u>		<u>Remuneration Band</u>	<u>2021/2022</u>	
<u>Employed on 31/03/21</u>	<u>Left during the year</u>		<u>Employed on 31/03/22</u>	<u>Left during the year</u>
34	1	£50,000 - £54,999	28	0
26	0	£55,000 - £59,999	33	1
5	1	£60,000 - £64,999	7	0
8	0	£65,000 - £69,999	7	1
0	0	£70,000 - £74,999	4	0
6	0	£75,000 - £79,999	2	1
1	0	£80,000 - £84,999	1	0
7	0	£85,000 - £89,999	7	0
6	0	£115,000 - £119,999	4	0
0	0	£120,000 - £124,999	1	0
1	0	£150,000 - £154,999	0	0
0	0	£155,000 - £159,999	1	0

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 2021/2022:

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		158,552	0	0	158,552	28,375	186,927
Executive Director - People		119,884	0	0	119,884	21,381	141,265
Executive Director - Place		119,884	0	0	119,884	21,282	141,166
Executive Director of Adult Social Care and Health		119,884	0	0	119,884	21,456	141,340
Executive Director of Children's Social Care and Education	(a)	31,747	0	0	31,747	5,536	37,283
Executive Director of Corporate Resources and Customer Services		119,884	0	0	119,884	21,362	141,246
Head of Strategic Support		87,547	0	0	87,547	15,652	103,199
Head of Adult Social Care	(b)	99,314	0	0	99,314	17,707	117,021
Head of Children's Social Care		87,547	0	0	87,547	15,514	103,061
Head of Communities	(c)	91,993	0	0	91,993	16,237	108,230
Head of Economic Growth and Housing		87,547	0	0	87,547	15,600	103,147
Head of Education Excellence	(d)	58,364	0	0	58,364	10,500	68,864
Head of Health and Wellbeing (Director of Public Health)		89,913	0	0	89,913	12,830	102,743
Head of Highways and Public Protection		87,547	0	0	87,547	15,873	103,420
Head of Operational In-House Services (previously Locality Services)	(e)	59,776	0	0	59,776	10,901	70,677
Head of Commercial Development		87,547	0	0	87,547	15,636	103,183

- a) The Executive Director of Children's Social Care and Education left on 4th July 2021. It was then covered on an interim basis by an external contractor for the remainder of the year. The substantive pay for the post is £119,884.
- b) The Head of Adult Social Care post was appointed to on 13th December 2021. It had been covered on an interim basis since the beginning of the year. The substantive pay for the post is £87,547.
- c) The Head of Communities post was appointed to on 1st October 2021. It had been covered on an interim basis since the beginning of the year. The substantive pay for the post is £87,547.
- d) The Head of Education Excellence post was appointed to on 1st August 2021. It had been covered on an interim basis by an external contractor since the beginning of the year. The substantive pay for the post is £87,547.
- e) The Head of Operational In-House Services post was appointed to on 26th July 2021. It had previously been vacant since the beginning of the year. The substantive pay for the post is £87,547.

Senior Officers remuneration in 2020/2021:

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		152,481	0	0	152,481	27,629	180,110
Executive Director - People		118,112	0	0	118,112	21,371	139,483
Executive Director - Place	(a)	26,683	0	0	26,683	4,779	31,462
Executive Director of Adult Social Care and Health		118,112	0	0	118,112	21,444	139,556
Executive Director of Children's Social Care and Education		118,112	0	0	118,112	21,391	139,503
Executive Director of Corporate Resources and Customer Services		118,112	0	0	118,112	21,317	139,429
Head of Strategic Support		86,253	0	0	86,253	15,644	101,897
Head of Adult Social Care	(b)	64,690	0	0	64,690	11,719	76,409
Head of Children's Social Care		86,253	0	0	86,253	15,509	101,762
Head of Communities		86,253	0	0	86,253	15,621	101,874
Head of Economic Growth and Housing		86,342	0	0	86,342	15,567	101,909
Head of Education Excellence	(c)	12,531	0	0	12,531	1,799	14,330
Head of Health and Wellbeing (Director of Public Health)		89,888	0	0	89,888	12,942	102,830
Head of Highways and Public Protection		86,253	0	0	86,253	15,607	101,860
Head of Locality Services	(d)	62,401	0	0	62,401	11,045	73,445
Head of Commercial Development		86,253	0	0	86,253	15,600	101,853

- f) The previous Executive Director – Place left on 21st April 2020. The previous Executive Director – Projects was appointed to the post on 1st February 2021.
- g) The Head of Adult Social Care post was appointed to on an interim basis on 1st July 2020. It had previously been vacant.
- h) The previous Head of Education Excellence left their post on 18th May 2020. The post has remained vacant but has been covered on an interim basis by an external contractor for the remainder of the year.
- i) The previous Head of Locality Services left their post on 17th December 2020. The post remained vacant for the remainder of the year.

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 2021/2022 are as follows:

Agenda Item 11

Notes to the Financial Statements

	<u>Central Expenditure</u> £000s	<u>Individual Schools Budget</u> £000s	<u>Total</u> £000s
Final DSG for 2021/22 before academy and high needs recoupment			-233,804
Academy and high needs figure recouped for 2021/22			66,595
Total DSG after Academy and high needs recoupment for 2021/22			-167,209
Plus: Brought forward from 2020/21			-0
Less: Carry forward to 2022/23 agreed in advance			0
Agreed initial budgeted distribution in 2021/22	-48,710	-118,499	-167,209
In year adjustments	353	8	361
Final budgeted distribution for 2021/22	-48,357	-118,491	-166,848
Actual central expenditure	52,839		52,839
Actual ISB deployed to schools		118,491	118,491
Local authority contributions in 2021/22	0	0	0
In Year Carry forward to 2022/23	4,482	0	4,482
Carry forward to 2022/23 agreed in advance			0
DSG unusable reserve at end of 2020/21			-6,615
Addition to DSG unusable reserve at end of 2021/22			-4,482
Total of DSG unusable reserve at end of 2021/22			-11,097
Net DSG position at the end of 2021/22			-11,097

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>2020/2021</u> £000s	<u>Credited to Taxation and Non-specific Grant Income</u>	<u>2021/2022</u> £000s
	<u>Non-Ringfenced Government Grants</u>	
-21,249	Non-Domestic Rates Top-Up Grant	-21,315
-421	New Homes Bonus	-155
-51,114	Business Rates Relief - S31 Grant	-26,408
-2,107	Independent Living Fund - Transition Funding	-2,107
-9,315	Additional Social Care Funding	-11,820
0	Council Tax Support Grant	-3,473
0	Lower Tier Services Grant	-430
-13,692	COVID-19 Emergency Funding	-8,063
-43,408	Other Specific COVID Funding	-17,489
-756	Other Non-Ringfenced Government Grants	-763
-142,062		-92,023

Agenda Item 11

Notes to the Financial Statements

2020/2021 £000s	Credited to Taxation and Non-specific Grant Income	2021/2022 £000s
	<u>Capital Grants and Contributions</u>	
-7,028	Liverpool City Region Combined Authority – Transport Grants	-5,681
-3,869	Better Care Fund	-4,823
-2,721	Liverpool City Region Combined Authority – Growth Projects Grants	-3,358
-1,996	Department for Education Capital Grants	-3,239
0	MHCLG - Towns Fund	-1,875
-574	Environment Agency - Northwest Regional Coastal Monitoring Grant	-851
-3,117	Department of Transport Capital Grants	0
-1,477	Other Capital Grants and Contributions	-1,932
57	Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	2,716
-20,725		-19,043

2020/2021 £000s	Grants Credited to Services	2021/2022 £000s
	<u>Revenue Grants</u>	
-155,710	Dedicated Schools Grant	-166,617
-68,270	Housing Benefit Subsidy	-64,672
-21,803	Public Health Grant	-22,006
-9,106	Pupil Premium	-9,153
0	Adult Social Care Covid Funding	-5,931
-3,274	Education Funding Agency	-3,471
-1,489	SMART Testing	-2,604
0	Household Support Fund	-2,435
-2,574	Universal Infant Free School Meals	-2,428
-1,251	COVID Pupil Premium Catch-up	-1,418
-1,302	PE and Sport Funding	-1,302
0	COVID Local Support Grant	-1,153
-818	Skills Funding Agency	-1,084
-757	Retrofit Grant	-1,066
-962	Housing Benefit Administration	-916
-899	Supporting Families Programme (previously Troubled Families)	-843
-829	Arts Council	-727
-925	Discretionary Housing Payments	-699
0	Ways to Work	-643
0	Domestic Abuse - New Burdens	-606
-395	Rough Sleeper Initiative	-580
-561	PFI Grant	-561
0	Work Programmes	-525
-342	Police and Crime Commissioner	-509
0	Homelessness Reduction - New Burdens Grant	-501
0	School Led Tutoring Grant	-494
0	Drug Treatment Grant	-489
0	DfE Leeds Family Values Model	-448
0	Holiday Activity Fund	-427
-417	Local Council Tax Support Administration	-426
-4,577	Teachers' Employer Pension Grant	-399
-347	Youth Justice Board	-376
0	Adult Weight Management	-346
0	Community Connectors	-340
-305	NNDR Administration Grant	-302
-313	School Improvement Grant	-293
-312	Unaccompanied Asylum-Seeking Children	-238
-1,513	Teachers Pay Grant	-141
-1,109	COVID Winter Grant	-108
-70	Syrian Refugees (Home Office)	-81
-2,238	Discretionary Business Grant Funding	0
-1,424	COVID Clinically Extremely Vulnerable Grant	0
-355	Free School Meals Supplementary Grant	0
-342	Next Steps Accommodation	0

Agenda Item 11

Notes to the Financial Statements

2020/2021 £000s	Grants Credited to Services	2021/2022 £000s
-280	Transformation Challenge Award Fund	0
-3,786	Other Revenue Grants	-4,528
-288,655		-301,886
	Capital Grants	
-3,120	Capital Grants utilised to fund Revenue Expenditure Funded from Capital Under Statute	-3,579
	Contributions	
-25,653	Health Contributions	-27,943
-3,697	School Contributions and Donations	-5,521
-1,013	Other Local Authorities	-1,806
-4,620	Other Contributions	-5,201
-34,983		-40,471
-489,545	Total Revenue and Capital Grants	-457,002

18 PROPERTY PLANT AND EQUIPMENT

Movement on Balances

Movements in 2021/2022:

	Other Land and Buildings (OL&B)	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 2021	289,657	22,541	246,233	23,133	8,008	0	589,572
Additions	9,020	6,845	9,150	410	62	945	26,432
Revaluations - recognised in the Revaluation Reserve	26,969	0	0	0	-1,155	0	25,814
Revaluations – recognised in the Surplus/Deficit on the Provision of Services	-11,200	0	0	0	-738	0	-11,938
Derecognition - Disposals	-23	-8,942	0	0	0	0	-8,965
Reclassifications:							
To Assets Held for Sale	-200	0	0	0	-291	0	-491
To Surplus Assets	-5,858	0	0	-410	6,268	0	0
From Investment Properties	19,119	0	0	0	1,781	0	20,900
At 31 March 2022	327,484	20,444	255,383	23,133	13,935	945	641,324
<u>Accumulated Depreciation and Impairment</u>							
At 1 April 2021	-41,547	-15,878	-76,795	0	0	0	-134,220
Depreciation Charge	-9,309	-4,014	-7,311	0	0	0	-20,634
Revaluations - recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Accumulated Depreciation written out upon impairment	11,302	0	0	0	0	0	11,302
Derecognition - Disposals	23	8,942	0	0	0	0	8,965
Reclassifications	0	0	0	0	0	0	0
At 31 March 2022	-39,531	-10,950	-84,106	0	0	0	-134,587

Agenda Item 11

Notes to the Financial Statements

Net Book Value							
At 1 April 2021	248,110	6,663	169,438	23,133	8,008	0	455,352
At 31 March 2022	287,953	9,494	171,277	23,133	13,935	945	506,737

Movements in 2020/2021:

	Other Land and Buildings (OL&B)	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 2020	292,005	19,987	235,875	22,862	16,728	0	587,457
Additions	7,891	2,554	10,358	271	0	0	21,074
Revaluations - recognised in the Revaluation Reserve	666	0	0	0	752	0	1,418
Revaluations – recognised in the Surplus/Deficit on the Provision of Services	-9,169	0	0	0	-273	0	-9,442
Derecognition - Disposals	-590	0	0	0	-1,470	0	-2,060
Reclassifications:							
To Assets Held for Sale	-2,264	0	0	0	-7,999	0	-10,263
From Investment Properties	1,118	0	0	0	270	0	1,388
At 31 March 2021	289,657	22,541	246,233	23,133	8,008	0	589,572
<u>Accumulated Depreciation and Impairment</u>							
At 1 April 2020	-35,480	-12,685	-70,071	0	0	0	-118,236
Depreciation Charge	-9,479	-3,193	-6,724	0	0	0	-19,396
Revaluations - recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Accumulated Depreciation written out upon impairment	3,412	0	0	0	0	0	3,412
Derecognition - Disposals	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
At 31 March 2021	-41,547	-15,878	-76,795	0	0	0	-134,220
<u>Net Book Value</u>							
At 1 April 2020	256,525	7,302	165,804	22,862	16,728	0	469,221
At 31 March 2021	248,110	6,663	169,438	23,133	8,008	0	455,352

Depreciation

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

Agenda Item 11

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	-

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 2022, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2022/2023 and future years which are budgeted to cost £18.418m. Similar commitments at 31 March 2021 were £7.170m. The major commitments are:

Scheme	Expenditure approved and contracted at 31 March 2022 £000s
LED Street Lighting Upgrade	10,000
Marine Lake Events Centre	3,176
Crosby Lakeside Redevelopment	1,545
Highways Accessibility Programme - Scarisbrick Avenue	822
Dunes Splashworld – Essential Repairs	565

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 will show 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							
<u>Valued at Current Value in:</u>							
2021/2022	169,466	0	0	0	6,321	0	175,787
2020/2021	32,287	0	0	0	1,011	0	33,298
2019/2020	13,961	0	0	0	2,097	0	16,058
2018/2019	102,471	0	0	0	329	0	102,800
2017/2018	2,321	0	0	0	579	0	2,900
Assets valued at Historic Cost	0	20,444	255,383	23,133	3,598	945	303,503
Assets not subject to Revaluation	6,978	0	0	0	0	0	6,978
At 31 March 2022	327,484	20,444	255,383	23,133	13,935	945	641,324

Notes:

- Surplus Assets shown as valued at Historic Cost relates to land valued at historic cost upon purchase.
- Other Land and Buildings not subject to revaluation mainly relates to office refurbishments being depreciated.

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:

2020/2021				2021/2022		
Art Collection	Other	Total		Art Collection	Other	Total
£000s	£000s	£000s		£000s	£000s	£000s
9,704	1,828	11,532	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
0	0	0	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".

Agenda Item 11

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>2020/2021</u> £000s		<u>2021/2022</u> £000s
-2,320	Rental Income from Investment Property	-2,680
124	Direct operating expenses arising from Investment Property	221
-2,196	Net gain	-2,459

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 2022, the Authority had no contractual obligations for the construction or enhancement of investment property in 2022/2023 and future years. There were also no similar commitments at 31 March 2021.

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

<u>2020/2021</u> £000s		<u>2021/2022</u> £000s
55,300	Balance at the start of the year	49,110
1,079	Additions – Subsequent expenditure	1,051
0	Disposals	0
-4,631	Net gains / losses (-) from fair value adjustments	3,077
	<u>Reclassifications:</u>	
-1,118	- To Other Land and Buildings	-19,119
-270	- To Surplus Assets	-1,781
-1,250	- To Assets Held for Sale	0
49,110	Balance at the end of the year	32,338

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 INTANGIBLE ASSETS

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

The amortisation of £0.448m charged to revenue in 2021/2022 (£0.000m in 2020/2021) was charged to the ICT Administration, Adult Social Care and Green Sefton cost centres and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

Agenda Item 11

At 31 March 2022, the Authority had contractual obligations for the construction or enhancement of intangible assets in 2022/2023 and future years of £0.376m. There were also no similar commitments at 31 March 2021.

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

<u>2020/2021</u> £000s	Purchased Software Licences	<u>2021/2022</u> £000s
0	Gross Carrying Amount	0
-0	Accumulated Amortisation	0
0	Net carrying amount at start of the year	0
0	Purchases in the year	1,345
0	Amortisation in the year	-448
0	Revaluations	0
0	Net carrying amount at the year end	897
	<u>Comprising:</u>	
0	Gross Carrying Amount	1,345
0	Accumulated Amortisation	-448
0		897

22 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.

<u>2020/2021</u> £000s	Capital Financing Requirement	<u>2021/2022</u> £000s
230,300	Opening Capital Financing Requirement	230,150
	<u>Capital Expenditure</u>	
21,074	Property, Plant and Equipment	26,432
1,079	Investment Properties	1,051
0	Intangible Assets	1,345
4,050	Revenue expenditure funded from capital under statute	3,708
	<u>Sources of Finance</u>	
-1,164	Capital Receipts	-1,089
-18,860	Grants and Contributions	-21,501
-62	Direct Revenue Contributions	-302
	<u>Provision for Repayment of Debt</u>	
-6,159	Statutory Provision for financing capital investment	-6,557
-108	Amortisation of Deferred Income re. Crosby PFI	-107
230,150	Closing Capital Financing Requirement	233,130

<u>2020/2021</u> £000s	Explanation of movements in the year	<u>2021/2022</u> £000s
	<u>Decrease (-) / Increase in underlying need to borrow:</u>	
6,117	Increase in underlying need to borrow	9,644
-6,267	Provision for Repayment of Debt	-6,664
150	Increase (+) / Decrease (-) in Capital Financing Requirement	2,980

23 LONG TERM INVESTMENTS

31 March 2021 £000s		31 March 2022 £000s
5,376	Churches & Charities Local Authority LAMIT Property Fund	6,320
1	Sefton New Directions (see Note 54 for more details)	1
1,125	Sandway Homes (see Note 54 for more details)	6,743
6,502	Total	13,064

24 LONG TERM DEBTORS

31 March 2021 £000s		31 March 2022 £000s
87	<u>Transferred Services</u> Merseyside Residuary Body	80
87		80
5,048	<u>Other</u> Long Term Sundry Debtor Accounts	5,680
72	Loan to Plaza Community Cinema	65
5,120		5,745
5,207	Total	5,825

25 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:

31 March 2021 £000s		31 March 2022 £000s
163	Accrued Interest Receipts	101
163	Total	101

26 ASSETS HELD FOR SALE

2020/2021 £000s	Movements in the year	2021/2022 £000s
0	Balance Outstanding at start of the year	11,513
2,264	<u>Assets transferred from:</u> - Other Land and Buildings	200
7,999	- Surplus Assets	291
1,250	- Investment Properties	0
11,513	Balance Outstanding at the year-end	12,004

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).

Agenda Item 11

Notes to the Financial Statements

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.

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

27 **SHORT TERM DEBTORS AND PREPAYMENTS**

31 March 2021 £000s	<u>Short Term Debtors</u>	31 March 2022 £000s
	<u>Amounts Falling Due Within One Year</u>	
8,440	Central Government Bodies	3,292
3,600	HM Revenue and Customs	3,920
328	Academies	289
7,905	Other Local Authorities	7,539
7,331	NHS Bodies	12,289
27,421	Council Tax Payers	32,691
7,687	NNDR Payers	9,069
19,805	Other Entities and Individuals	24,145
82,517		93,234
	<u>Less Impairment</u>	
-20,244	Council Tax Payers	-24,749
-7,124	NNDR Payers	-8,402
-5,531	Other Entities and Individuals	-6,424
-32,899		-39,575
49,618	Net Debtors	53,659

31 March 2021 £000s	<u>Prepayments</u>	31 March 2022 £000s
2,007	Early Years Providers	2,204
1,005	ICT Contracts	1,453
853	Direct Payments	4,230
28,272	Payment of Pension Contributions to Merseyside Pension Fund	14,023
1,017	Other	865
33,154	Net Debtors	22,775

28 **CASH AND CASH EQUIVALENTS**

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

31 March 2021 £000s		31 March 2022 £000s
59	Cash in hand of officers	64
1,085	Bank current accounts	4,539
65,266	Short-term deposits with banks and building societies	93,725
66,410	Total Cash and Cash Equivalents	98,328

29 SHORT TERM CREDITORS

31 March 2021 £000s		31 March 2022 £000s
-4,752	HM Revenue and Customs	-4,682
-20,100	Government Departments	-14,787
-3,049	Other Local Authorities	-2,661
-1,520	NHS Bodies	-2,873
-22,149	Other entities and individuals	-31,958
-5,381	Accumulated Absences	-5,573
-56,951	Total	-62,534

30 RECEIPTS IN ADVANCE

31 March 2021 £000s		31 March 2022 £000s
-4,417	Planning Section 106 Agreements	-5,524
-3,073	Rechargeable Works	-11,221
-930	Council Tax Payers	-1,187
-3,099	NDR Payers	-3,025
0	COVID Additional Relief Fund	-4,478
0	Council Tax Energy Rebate Scheme	-17,140
-6,649	Other entities and individuals	-10,349
-18,168	Total	-52,924

31 PROVISIONS

Movements in provisions during 2021/2022 were as follows:

		1 April 2021 £000s	Additions in Year £000s	Applied In Year £000s	Released In Year £000s	31 March 2022 £000s
	Long-term					
(a)	Internal Insurance Cover	-4,613	-743	524	987	-3,845
(b)	Provision for NDR Appeals	-23,647	-789	3,296	0	-21,140
		-28,260	-1,532	3,820	987	-24,985

Movements in provisions during 2020/2021 were as follows:

		1 April 2020 £000s	Additions in Year £000s	Applied In Year £000s	Released In Year £000s	31 March 2021 £000s
	Long-term					
(a)	Internal Insurance Cover	-3,997	-1,298	682	0	-4,613
(b)	Provision for NDR Appeals	-18,702	-6,693	1,748	0	-23,647
		-22,699	-7,991	2,430	0	-28,260

(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.

Agenda Item 11

Notes to the Financial Statements

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

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

The amount paid to the Council plus the amount outstanding under this arrangement is £3.743m, 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 has been estimated at £21.140m 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 2022 (£23.647m on 31 March 2021).

The provision made is the Council's best estimate of the actual liability as at the 31 March 2022. 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.

32 DEFERRED LIABILITIES

31 March 2021 £000s		31 March 2022 £000s
	Short Term	
-438	Merseyside Residuary Body	-438
-214	Finance Lease Liability – Crosby Baths PFI	-187
-183	Finance Lease Liability – Property, Plant and Equipment	-202
-107	PFI Deferred Income	-107
-942	Total Short Term	-934
	Long Term	
-1,750	Merseyside Residuary Body	-1,313
-1,859	Finance Lease Liability – Crosby Baths PFI	-1,671
-3,162	Finance Lease Liability – Property, Plant and Equipment	-2,960
-644	PFI Deferred Income	-537
-7,415	Total Long Term	-6,481

Wirral MBC manages debt on behalf of the former Merseyside Residuary Body. Sefton MBC (along with the other Merseyside Districts, **Page 292** Levying Bodies), as a successor body, inherited

debt relating to services transferred to its control. The amount outstanding in respect of Sefton MBC was £1.751m at 31 March 2022 (£2.188m at 31 March 2021).

33 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>2021</u> £	<u>Income</u> £	<u>Expenditure</u> £	<u>Balance at</u> <u>31 March</u> <u>2022</u> £
<u>Children's Services</u>				
Bootle Holiday Camp - Children	23,699	65	0	23,764
Wignall Scholarship	12,708	35	0	12,743
<u>Corporate Services</u>				
Netherton Green Trust	14,046	0	0	14,046
<u>Other</u>				
Mayor of Sefton's Charity Fund	33,869	0	0	33,869
Total	84,322	100	0	84,422
<u>The balances are invested as follows:</u>				
Government Securities	300			300
Sefton Cash Balances	84,022			84,122
Total	84,322			84,422

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 2021. The movements in the year were not available at the time these accounts were approved in August 2022. The opening balance in this note has been adjusted to reflect the Charity Fund's final audited accounts for 2020/2021.

34 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

Agenda Item 11

Notes to the Financial Statements

uncertainty. General Fund Balances attributable to the Council are held as a prudent measure against future uncertainty.

<u>2020/2021</u> £000s	Non-School General Fund Balances	<u>2021/2022</u> £000s
-6,984	Balance at 1 April	-11,278
-4,294	Increase in Balances	-3,521
-11,278	Balance at 31 March	-14,799

<u>2020/2021</u> £000s	School General Fund Balances	<u>2021/2022</u> £000s
-10,823	Balance at 1 April	-15,676
-4,853	Increase in Balances	-2,612
-15,676	Balance at 31 March	-18,288

35 EARMARKED RESERVES

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

	Movements in 2021/2022	<u>1 April</u> <u>2021</u> £000s	<u>Transfers</u> <u>in</u> £000s	<u>Transfers</u> <u>Out</u> £000s	<u>31 March</u> <u>2022</u> £000s
(a)	Environmental Warranty	-9,000	0	0	-9,000
(b)	Insurance Fund	-961	-987	0	-1,948
(c)	Transforming Sefton	-3,503	-691	1,961	-2,233
(d)	Redundancy Reserve	-1,326	0	0	-1,326
(e)	Community Transition Fund	-481	0	96	-385
(f)	Contamination Clearance	-1,438	0	59	-1,379
(g)	Rating Appeals / Reduction in NDR Income Reserve	-38,784	-17,981	38,460	-18,305
(h)	Secondary School Deficit Reserve	-750	-250	0	-1,000
(i)	Council Tax - spreading of 2020/2021 Deficit Reserve	0	-2,872	0	-2,872
(j)	Business Rates - spreading of 2020/2021 Deficit	0	-3,265	0	-3,265
(k)	Revenue Grants and Contributions Unapplied	-30,754	-15,852	18,136	-28,470
(l)	Other Earmarked Reserves	-11,316	-1,885	2,133	-11,069
	Total	-98,313	-43,784	60,844	-81,253

	Movements in 2020/2021	<u>1 April</u> <u>2020</u> £000s	<u>Transfers</u> <u>in</u> £000s	<u>Transfers</u> <u>Out</u> £000s	<u>31 March</u> <u>2021</u> £000s
(a)	Environmental Warranty	-9,000	0	0	-9,000
(b)	Insurance Fund	-1,371	0	410	-961
(c)	Transforming Sefton	-5,466	-639	2,602	-3,503
(d)	Redundancy Reserve	-2,000	0	674	-1,326
	Capital Priorities Fund	-42	0	42	0
(e)	Community Transition Fund	-659	0	178	-481
(f)	Contamination Clearance	-1,500	0	62	-1,438
(g)	Rating Appeals / Reduction in NDR Income Reserve	0	-38,784	0	-38,784
(h)	Secondary School Deficit Reserve	0	-750	0	-750

(k)	Regeneration Schemes Reserve	-193	0	193	0
	Revenue Grants and Contributions Unapplied	-14,616	-18,286	2,148	-30,754
(l)	Other Earmarked Reserves	-5,426	-6,517	627	-11,316
	Total	-40,273	-64,976	6,936	-98,313

(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 may be required to make significant savings in future years in order to meet the demands of reducing external resources and increased spending pressures which may 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) **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.

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

(g) **Rating Appeals / Reduction in NDR Income Reserve** - In response to COVID19, the Government introduced an expanded Business Rates retail relief scheme in 2020/2021. This resulted in a significant deficit on the Collection Fund which will be recovered in 2021/22. However, the Council received S31 grants to offset the reliefs granted which were received in 2020/21. These have therefore been reserved so they can be used to offset the deficit in 2021/22.

(h) **Secondary School Deficit Reserve** – Budget Council in February 2020 approved the creation of a reserve to fund the potential deficits of Secondary Schools should they transfer to academy status. A contribution of £0.250m was included in the 2021/22 budget.

(i) **Council Tax - spreading of 2020/2021 Deficit Reserve**– Due to the impact of COVID19 on collection rates and the number of claimants of Council Tax Reduction Scheme support, the Government amended regulations so that the resulting deficit could be spread across future years rather than all in the following year. The 2021/2022 budget included a contribution to a reserve which will be utilised to offset the impact of the deficit on the 2022/2023 and 2023/2024 budgets.

(j) **Business Rates - spreading of 2020/2021 Deficit Reserve**– Due to the impact of COVID19 on collection rates, the Government amended regulations so that the resulting deficit could be spread across future years rather than all in the following year. The 2021/2022 budget included a contribution to a reserve which will be utilised to offset the impact of the deficit on the 2022/2023 and 2023/2024 budgets.

Agenda Item 11

Notes to the Financial Statements

(k) **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.

(l) **Other Earmarked Reserves** – There are a number of other earmarked reserves held by the Council. These include reserves for Adult Social Care Pressures (£2.743m), Economic Recovery (£1.500m), the Formby Pool Sinking Fund (£1.428m) and the Investment Strategy Reserve (£0.557m).

36 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.

<u>2020/2021</u> £000s		<u>2021/2022</u> £000s
-2,877	Balance at 1 April	-4,788
	<u>Receipts in the Year</u>	
-2,322	Sale proceeds credited to the Comprehensive Income and Expenditure Account as part of the gain/loss on disposal of non-current assets	-1,686
-744	Capital Receipts from Former Council House Sales	-775
-9	Other Capital Receipts not relating to the Disposal of Council Assets	-100
	<u>Applied in the Year</u>	
1,164	Applied to finance new capital expenditure	1,089
-4,788	Balance at 31 March	-6,260

37 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.

<u>2020/2021</u> £000s		<u>2021/2022</u> £000s
-17,757	Balance at 1 April	-22,742
-6,243	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-13,079
58	Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	2,716
1,200	Transferred to the Capital Adjustment Account	9,243
-22,742	Balance at 31 March	-23,862

38 REVALUATION RESERVE

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

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

- disposed of and the gains are realised.

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

<u>2020/2021</u> £000s		<u>2021/2022</u> £000s
-69,636	Balance at 1 April	-68,324
-5,083	Upward revaluation of assets	-43,165
3,665	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	17,351
-1,418	Surplus (-) / Deficit on revaluation of non-current assets not posted to the Surplus / Deficit on the Provision of Services	-25,814
1,187	Difference between fair value depreciation and historical cost depreciation	1,195
1,543	Accumulated gains on assets sold or scrapped	0
2,730	Amount written off to the Capital Adjustment Account	1,195
-68,324	Balance at 31 March	-92,943

39 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.

<u>2020/2021</u> £000s		<u>2021/2022</u> £000s
-236,118	Balance at 1 April	-229,033
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</u>	
19,396	Depreciation of non-current assets	20,634
6,030	Revaluation of non-current assets	636
0	Amortisation of intangible assets	448
930	Revenue expenditure funded from capital under statute	129

Agenda Item 11

Notes to the Financial Statements

2,060	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	0
-107	Amortisation of Deferred Income re. Crosby PFI Scheme	-107
28,309		21,740
	<u>Amounts written out to the Revaluation Reserve</u>	
-1,187	Difference between fair value depreciation and historical cost depreciation	-1,195
-1,543	Accumulated gains on assets sold or scrapped	0
-2,730		-1,195
	<u>Capital financing applied in the year</u>	
-1,164	Capital receipts applied to finance capital expenditure	-1,089
-14,540	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to finance capital expenditure	-8,679
-1,200	Transfer from the Capital Grants and Contributions Unapplied Account to finance capital expenditure	-9,243
-6,159	Statutory provision for the financing of capital investment	-6,557
-62	Capital expenditure charged to the General Fund	-302
-23,125		-25,870
	<u>Other Movements</u>	
4,631	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-3,076
4,631		-3,076
-229,033	Balance at 31 March	-237,434

40 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.

<u>2020/2021</u> £000s		<u>2021/2022</u> £000s
402,352	Balance at 1 April	454,913
31,613	Re-measurements (Liabilities and Assets)	-87,803
42,562	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	52,838
-21,614	Employer's pensions contributions and direct payments to pensioners payable in the year	-24,150
454,913	Balance at 31 March	395,798

41 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.

<u>2020/2021</u> £000s		<u>2021/2022</u> £000s
293	Balance at 1 April	49,481
49,188	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	-31,835
49,481	Balance at 31 March	17,646

42 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.

<u>2020/2021</u> £000s		<u>2021/2022</u> £000s
4,725	Balance at 1 April	5,381
	<u>Transactions in Year</u>	
-4,725	Settlement or cancellation of accrual made at the end of the preceding year	-5,381
5,381	Amounts accrued at the end of the current year	5,573
656	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	192
5,381	Balance at 31 March	5,573

43 DEDICATED SCHOOLS GRANT ADJUSTMENT ACCOUNT

Regulations effective from 1 April 2020 require that a Schools Budget deficit must be carried forward to be funded from future Dedicated Schools Grant (DSG) income, unless permission is sought from the Secretary of State for Education to fund the deficit from the General Fund. They also require that where a local authority has a deficit on its Schools Budget relating to its accounts for a financial year beginning on 1 April 2020, 1 April 2021 or 1 April 2022, it must not charge the amount of that deficit to a revenue account, but instead record any such deficit in a separate account. The Dedicated Schools Grant Adjustment Account has been created for that purpose and the in-year deficit for 2020/21 and cumulative deficit brought forward as at 1 April 2020 have been transferred into that account.

Further details on the deployment of DSG are provided in Note 16.

2020/2021 £000s		2021/2022 £000s
0	Balance at 1 April	6,615
4,385	transfer of the opening Dedicated Schools Grant deficit from Earmarked Reserves	0
2,230	Reversal of the deficit on the Dedicated Schools Grant within the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	4,482
6,615	Balance at 31 March	11,097

44 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 30 August 2022. 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 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

45 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 17. In addition, Sefton paid £16.229m to HM Revenue and Customs for Employers' National Insurance Contributions. Amounts owed from and to Central Government at 31 March 2022 are shown in Notes 26 and 28.

Members' Interests

Members of the Council have direct control over the Council's financial and operating policies. During 2021/2022, works and services to the value of £0.337m 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 £0.478m 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>2021/2022</u>	Income £000s	Expenditure £000s	Debtors £000s	Creditors £000s
One Vision Housing	-1,161	337	1	-30
Bosco Society	-1	478	0	0

<u>2020/2021</u>	Income £000s	Expenditure £000s	Debtors £000s	Creditors £000s
One Vision Housing	-186	519	31	-3
Bosco Society	-1	616	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, Sandway Homes, Sefton Council for Voluntary Service and Sefton New Directions.

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

<u>2021/2022</u>	Income £000s	Expenditure £000s	Debtors £000s	Creditors £000s
Merseyside Police and Crime Commissioner	-331	19,105	596	-12
Merseyside Fire and Rescue Authority	-471	7,516	190	-57
Parish Councils	0	1,208	0	0
Merseyside Integrated Transport Authority	-74	18,828	1	0
Merseyside Recycling and Waste Authority	-1,689	15,511	355	0
Merseyside Pensions Authority - Employers' Contributions	0	4,392	0	-930
MerseyCare NHS Foundation	-676	10,244	401	-966
Sefton New Directions Limited	-46	9,970	29	-103
Sandway Homes	-108	1,200	0	0
Sefton CVS	-6	2,161	0	0

<u>2020/2021</u>	Income £000s	Expenditure £000s	Debtors £000s	Creditors £000s
Merseyside Police and Crime Commissioner	-549	18,095	145	-1,111
Merseyside Fire and Rescue Authority	-124	7,525	6	-616
Parish Councils	-48	1,177	5	-16
Merseyside Integrated Transport Authority	0	18,851	48	0
Merseyside Recycling and Waste Authority	-1,919	15,622	40	0
Merseyside Pensions Authority - Employers' Contributions	0	19,080	0	0
MerseyCare NHS Foundation	-17	3,916	124	-433
Sefton New Directions Limited	-57	10,946	21	-24
Sandway Homes	-2,424	1,391	3,556	0
Sefton CVS	-1	2,159	0	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 current Assistant Director of People (Operational In-House Services) (formerly the Head of Operational In-House Services) is a Council appointed representative on the Formby Pool Trust Board. There are no other senior officer relationships. Any significant financial transactions for any relevant organisations would be disclosed in the table above under Other Public Bodies.

There are no senior officer car loans outstanding at the end of 2021/2022.

Subsidiary and associated companies

Details of the Council's interest in companies is set out in Note 45.

Note: If organisations are no longer related parties in 2021/2022, they are not shown in 2020/2021.

Agenda Item 11

Notes to the Financial Statements

46 CASH FLOW STATEMENT

OPERATING ACTIVITIES

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

<u>2020/2021</u> £000s		<u>2021/2022</u> £000s
	<u>Adjustments to net surplus or deficit on the provision of services for non-cash movements</u>	
-19,395	Depreciation charged to CIES	-20,634
-6,030	Revaluation Losses charged to CIES	-636
-4,631	Movements in the Market Value of Investment Properties	3,076
0	Amortisation of Intangible Assets	-448
-20,948	Reversal of non-cash items relating to retirement benefits debited to the CIES	-28,688
413	Movement in Long-Term Debtors	632
-20	Movement in Inventories	-87
-1,335	Movement in Short-term Debtors	4,933
31,385	Movement in Prepayments	-10,379
-17,809	Movement in Short-term Creditors	-5,106
7,377	Movement in Receipts in Advance	-34,756
-5,561	Movement in Provisions (Long-Term)	3,275
-36,554		-88,818
	<u>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</u>	
261	Gain (+) / Loss (-) on Sale of Fixed Assets	1,686
20,726	Capital Grants and Contributions credited to the CIES	19,042
753	Capital receipts not related to disposals	875
-236	Other Adjustments	1,012
21,504		22,615

The cash flows for operating activities include the following items:

<u>2020/2021</u> £000s	The cash flows for operating activities include the following items:	<u>2021/2022</u> £000s
-367	Interest received	-388
7,805	Interest Paid	7,398

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>2021/2022</u>	<u>31 March</u> <u>2021</u> £000s	Financing Cash Flows £000s	Acquisitions £000s	Other non- financing Cash Flows £000s	<u>31 March</u> <u>2022</u> £000s
Short-term Borrowing	-21,567	-13,282	0	130	-34,719
Long-term Borrowing	-167,225	33,511	0	0	-133,714
Short-term Deferred Liabilities	-942	8	0	0	-934
Long-term Deferred Liabilities	-7,415	934	0	0	-6,481
Short-Term Debtors	49,618	-1,086	0	5,127	53,659
Short-Term Creditors	-56,951	-57	0	-5,526	-62,534
Total	-204,482	20,028	0	-269	-184,723

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

Agenda Item 11

Notes to the Financial Statements

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>2020/2021</u>	<u>31 March 2020</u>	Financing Cash Flows	Acquisitions	Other non-financing Cash Flows	<u>31 March 2021</u>
	£000s	£000s	£000s	£000s	£000s
Short-term Borrowing	-16,617	-4,689	0	-261	-21,567
Long-term Borrowing	-149,153	-18,072	0	0	-167,225
Short-term Deferred Liabilities	-918	-24	0	0	-942
Long-term Deferred Liabilities	-8,357	942	0	0	-7,415
Short-Term Debtors	49,131	395	0	92	49,618
Short-Term Creditors	-41,868	206	0	-15,289	-56,951
Total	-167,782	-21,242	0	-15,458	-204,482

47 **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.

The Company's accounts for 2021/2022 will be able to 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 filing of accounts of both companies is required by Companies House by 31 December 2022.

Sefton Hospitality Operations Ltd

In May 2021 Sefton Hospitality Operations Limited, a company limited by shares and wholly owned by Sefton MBC, was incorporated. The Company is registered as providing hospitality services.

The Company is in the process of producing accounts for 2021/2022 which will need to be filed at Companies House by 31 December 2022. However, as the Company has undertaken limited trading during 2021/2022 (the Company's main trading operation at Crosby Lakeside, The Lake House, opened in August 2022) the accounts of the Company will not be consolidated into the Group Accounts on the grounds of materiality.

48 **OPERATING LEASES**

Authority as a Lessee

The Council employs operating leases to obtain the use of certain vehicles and equipment. During 2021/2022 operating lease payments totalled £0.015m (£0.027m in 2020/2021).

In addition, the Council leases a number of properties from third parties under operating lease agreements. During 2021/2022 lease rentals paid for properties under these lease agreements totalled £0.093m (£0.118m in 2020/2021).

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

Agenda Item 11

Notes to the Financial Statements

31 March 2021 £000s		31 March 2022 £000s
118	Not later than one year	68
251	Later than one year and not later than five years	237
2,321	Later than five years	2,321
2,690		2,626

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 2021/2022 lease rentals received from these operating lease agreements totalled £5.417m (£5.222m in 2020/2021).

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

31 March 2021 £000s		31 March 2022 £000s
5,030	Not later than one year	4,975
15,690	Later than one year and not later than five years	15,225
277,294	Later than five years	276,581
298,014		296,782

49 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:

31 March 2021 £000s		31 March 2022 £000s
2,017	Other Land and Buildings	1,838
2,017		1,838

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

31 March 2021 £000s		31 March 2022 £000s
	Finance lease liabilities (net present value of minimum lease payments):	
183	• Current	202
3,162	• Non-current	2,960
1,833	Finance costs payable in future years	1,536
5,178	Minimum lease payments	4,698

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

	Minimum Lease Payments		Finance Lease Liabilities	
	<u>31 March</u> <u>2021</u> £000s	<u>31 March</u> <u>2022</u> £000s	<u>31 March</u> <u>2021</u> £000s	<u>31 March</u> <u>2022</u> £000s
Not later than one year	480	480	183	202
Later than one year and not later than five years	1,920	1,920	942	1,040
Later than five years	2,777	2,297	2,220	1,920
	5,177	4,697	3,345	3,162

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 2021/2022 £0.020m contingent rents were payable by the Authority (£0.020m were paid in 2020/2021).

Authority as Lessor

The Authority did not lease out any properties on finance leases in 2021/2022 (none in 2020/21).

50 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 2021/2022 were £1.297m (£1.607m in 2020/2021) with government grants of £0.561m received in the year (£0.561m in 2020/2021).

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

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

Agenda Item 11

Commitments under PFI Contract	Reimbursement of Capital Expenditure £000s	Interest £000s	Service Charge £000s
Contract Payments in 2022/2023	187	254	877
Contract Payments between 2023/2024 and 2026/2027	1,252	862	3,383
Contract Payments between 2027/2028	419	112	901

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:

2020/2021 £000s		2021/2022 £000s
-2,279	Balance outstanding at start of year	-2,072
207	Payments during the year	213
-2,072	Balance outstanding at the year-end	-1,859

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:

2020/2021 £000s	Other Land & Buildings: PFI Assets	2021/2022 £000s
	<u>Cost or Valuation</u>	
9,680	Opening Balance at 1 April	9,680
0	Additions	0
0	Revaluations	1,676
9,680	Closing Balance at 31 March	11,356
	<u>Depreciation and Impairments</u>	
-813	Opening Balance at 1 April	-1,090
-277	Depreciation Charge	-277
0	Revaluations	1,367
-1,090	Closing Balance at 31 March	0

2020/2021 £000s	Other Land & Buildings: PFI Assets	2021/2022 £000s
	<u>Balance Sheet Amount</u>	
8,867	Opening Balance at 1 April	8,590
8,590	Closing Balance at 31 March	11,356

51 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 12,200 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 2022, the Authority's own contributions equate to approximately 0.22%.

In 2021/2022, the Council paid £14.394m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of teachers' pensionable pay. The figures for 2020/2021 were £14.171m and 23.68%. Contributions of £1.200m remained payable at the year-end. The contributions due to be paid in 2022/2023 are estimated to be £14.374m.

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 2021/2022 these contributions amounted to £0.744m, representing 1.22% of teachers' pensionable pay. The figures for 2020/2021 were £0.902m and 1.51%.

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 8,000 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the NHS Pension Scheme during 2021/2022, the Authority's own contributions equate to less than 0.001% (0.001% in 2020/2021).

In 2021/2022, the Council paid £0.026m to NHS Pensions in respect of retirement benefits, representing 16.3% of the employees' pensionable pay. The figures for 2020/2021 were £0.026m and 16.3%. Contributions of £0.002m remained payable at 31 March 2022 (£0.002m at 31 March 2021). The contributions due to be paid in 2022/2023 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.

Agenda Item 11

Notes to the Financial Statements

In 2021/2022, the Council paid £19.006m to the MPF in respect of retirement benefits, representing 17.13% of employees' pensionable pay. The figures for 2020/2021 were £18.428m and 17.14%. Contributions of £0.930m remained payable at 31 March 2022 (£0.843m at 31 March 2021).

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 2021/2022 these contributions amounted to £1.290m representing 1.16% of pensionable pay. The figures for 2020/2021 were £1.351m and 1.26%.

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:

<u>2020/2021</u>		<u>Comprehensive Income and Expenditure Statement</u>	<u>2021/2022</u>	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
33,333	0	<u>Cost of Services:</u> Current Service Cost	42,987	0
153	0	Curtailment Cost	155	0
538	0	Administration Expenses	555	0
0	0	Effect of Settlements	0	0
11	0	Past Service Cost	0	0
8,373	154	<u>Financing and Investment Income and Expenditure:</u> Net Interest Cost	9,016	125
42,408	154	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	52,713	125
31,403	210	Re-measurement of the Net Defined Benefit Liability	-87,805	2
73,811	364	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	-35,092	127

<u>2020/2021</u>		<u>Movement in Reserves Statement</u>	<u>2021/2022</u>	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
-42,408	-154	Reversal of net charges made to the Deficit for the Provision of Services for post-employment benefits in accordance with the Code	-52,713	-125
20,712	902	<u>Actual amount charged against the General Fund for pensions in the year:</u> <ul style="list-style-type: none"> employers' contributions payable to the scheme retirement benefits payable direct to pensioners 	23,405	744

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:

<u>2020/2021</u>			<u>2021/2022</u>	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
-1,513,855	-6,316	Present Value of the Defined Benefit Obligation	-1,546,993	-5,699
1,065,258	0	Fair Value of Plan Assets	1,156,894	0
-448,597	-6,316	Net Liability arising from defined benefit obligation	-390,099	-5,699

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

<u>2020/2021</u>			<u>2021/2022</u>	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
1,302,339	6,854	Opening Balance at 1 April	1,513,855	6,316
33,333	0	Current Service Cost	42,987	0
30,900	154	Interest Cost on Pension Liabilities	31,470	125
6,784	0	Contributions from scheme participants	7,017	
0	0	Remeasurement Gains (-) and Losses:		
		- Actuarial Gains / Losses arising from changes in demographic assumptions	-11,950	-47
203,173	312	- Actuarial Gains / Losses arising from changes in financial assumptions	-2,825	32
-26,280	-102	- Experience Gains / Losses	3,892	17
-36,558	-902	Benefits paid	-37,608	-744
153	0	Curtailment Cost	155	0
0	0	Settlements	0	0
11	0	Past Service Cost	0	0
1,513,855	6,316	Closing Balance at 31 March	1,546,993	5,699

Agenda Item 11

Notes to the Financial Statements

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

2020/2021			2021/2022	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
906,841	0	Opening Balance at 1 April	1,065,258	0
22,527	0	Interest Income	22,454	0
145,490	0	Remeasurement Gains / Losses (-): - The return on plan assets, excluding the amount included in the net operating expense	76,922	0
20,712	902	Contributions from Employer	23,406	744
6,784	0	Contributions from Employees into the Scheme	7,017	0
-36,558	-902	Benefits paid	-37,608	-744
-538	0	Administration Expenses	-555	0
1,065,258	0	Closing Balance at 31 March	1,156,894	0

Local Government Pension Scheme Assets Comprised:

2020/2021			2021/2022	
Quoted £000s	Unquoted £000s		Quoted £000s	Unquoted £000s
24,075	0	Cash and Cash Equivalents	24,820	0
		Equities:		
161,174	21,199	- UK	169,922	19,223
249,483	109,615	- Global	258,211	126,732
410,657	130,814		428,133	145,955
		Bonds:		
13,742	0	- UK Government	12,460	0
35,473	0	- UK Corporate	33,836	0
84,368	0	- UK Index Linked	96,746	0
5,752	0	- Overseas Corporate	5,673	0
-3,515	0	- Derivative Contracts	-3,797	0
135,820	0		144,918	0
		Property:		
0	50,493	- UK Direct Property	0	62,654
1,917	18,749	- Property Managed (UK)	1,424	17,799
0	24,394	- Property Managed (Global)	0	28,954
1,917	93,636		1,424	109,407
		Alternatives:		
0	21,305	- Private Equity (UK)	119	32,870
0	69,135	- Private Equity (Global)	0	72,147
1,704	6,392	- Other Alternatives (UK)	1,780	4,747
0	39,628	- Other Alternatives (Global)	0	40,583
1,385	38,669	- Infrastructure (UK)	0	51,856
0	30,360	- Infrastructure (Global)	0	34,650
320	20,879	- Opportunities (UK)	0	21,359
1,491	37,071	- Opportunities (Global)	1,899	40,227
4,900	263,439		3,798	298,439
577,369	487,899	Total Assets (Quoted / Unquoted)	603,093	553,801
	1,065,258	Total Assets		1,156,894

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 2019.

The principal assumptions used by the actuary have been:

2020/2021		2021/2022
	<u>Mortality assumptions (years):</u>	
	Local Government Pension Scheme:	
21.0	Longevity at 65 for current pensioners: Men	20.9
24.1	Longevity at 65 for current pensioners: Women	24.0
22.6	Longevity at 65 for future pensioners: Men	22.4
26.0	Longevity at 65 for future pensioners: Women	25.9
	Teachers' Pension Scheme Unfunded Liabilities:	
21.0	Longevity at 65 for current pensioners – aged 65: Men	20.9
24.1	Longevity at 65 for current pensioners – aged 65: Women	24.0
12.5	Longevity at 65 for current pensioners – aged 75: Men	12.5
15.0	Longevity at 65 for current pensioners – aged 75: Women	15.0
	<u>Other assumptions</u>	
2.7%	Rate of Inflation - CPI	3.4
4.2%	Rate of increase in salaries	4.9
2.8%	Rate of increase in pensions	3.5
2.1%	Rate for discounting scheme liabilities (LGPS)	2.8
2.1%	Rate for discounting scheme liabilities (TPS Unfunded Liabilities)	

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 £000s	Decrease in Assumption £000s
<u>Local Government Pension Scheme</u>		
Longevity (increase or decrease in 1 year)	47,146	-47,146
Rate of Inflation (increase or decrease by 0.1%)	24,962	-24,962
Rate of Increase in Salaries (increase or decrease by 0.1%)	2,732	-2,732
Rate of Increase in Pensions (increase or decrease by 0.1%)	24,962	-24,962
Rate for Discounting Scheme Liabilities (increase or decrease by 0.1%)	-24,565	24,565
Investment Returns (increase or decrease by 1%)	-11,609	11,609

Agenda Item 11

Notes to the Financial Statements

Teachers' Additional Unfunded Pensions		
Longevity (increase or decrease in 1 year)	344	-344
Rate of Inflation (increase or decrease by 0.1%)	32	-32
Rate for Discounting Scheme Liabilities (increase or decrease by 0.1%)	-32	32

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 16 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 2023 is £20.596m.

The total payments expected to be made by the Council to former teachers receiving additional unfunded pensions in the year to 31 March 2023 is £0.744m.

The weighted average duration of the defined benefit obligation for Local Government Pension Scheme members is 16 years in 2021/2022 (16 years in 2020/2021). The weighted average duration for former teachers receiving additional unfunded pensions is 6 years in 2021/2022 (6 years in 2020/2021).

52 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 an Earmarked Reserve of £1.380m 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 was nil for Sefton New Directions Limited and £1.077m for Agilisys Limited. The values are highly dependent on market conditions at the time of the valuation and can vary significantly between valuations.

53 **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 £1.1m until the end of the arrangement.

54 **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	
	31/03/2021 £000s	31/03/2022 £000s	31/03/2021 £000s	31/03/2022 £000s
Fair Value through Profit or Loss				
Investments	6,502	13,064	163	101
Amortised Cost				
Debtors	5,207	5,825	41,877	44,960
Cash and cash equivalents	0	0	66,410	98,328
Total Financial Assets	11,709	18,889	108,450	143,389
Non-financial assets - Debtors	0	0	7,741	8,609
Total	11,709	18,889	116,191	151,998

<u>FINANCIAL LIABILITIES</u>	Long Term		Current	
	31/03/2021 £000s	31/03/2022 £000s	31/03/2021 £000s	31/03/2022 £000s
Amortised Cost				
Borrowing	167,225	133,714	21,567	34,718
Creditors	0	0	60,100	62,534
Service Concessions and Finance Lease Liabilities	7,415	6,481	942	934
Total Financial Liabilities	174,640	140,195	82,609	98,186

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.

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 2022		
	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	944	0	944
Total net gains/ losses (-)	944	0	944
Interest Revenue			
Financial assets measured at fair value through profit or loss	326	0	326
Total Interest Revenue	326	0	326
Interest Expense	7,268	0	7,268

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

	31 March 2021		
	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	-38	0	-38
Total net gains/ losses (-)	-38	0	-38
Interest Revenue			
Financial assets measured at fair value through profit or loss	431	0	431
Total Interest Revenue	431	0	431
Interest Expense	-8,066	0	-8,066

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.

Agenda Item 11

Notes to the Financial Statements

Recurring Fair Value Measurements	Input level in Fair Value Hierarchy	Valuation technique used to measure Fair Value	31 March 2021 £000s	31 March 2022 £000s
Financial Instruments - CCLA	Level 1	Unadjusted quoted prices in active markets for identical shares	5,376	6,319

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 2022), 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 2021		31 March 2022	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Financial Liabilities held at amortised cost				
Borrowing-PWLB	186,770	220,831	168,413	182,714
Borrowing-Other	2,022	2,022	20	20
Short-term Creditors	56,951	56,951	62,534	62,534
PFI and finance lease liabilities	8,357	8,357	7,415	7,415
Total	254,100	288,161	238,382	252,683

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 2021		31 March 2022	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Investments	163	163	101	101
Cash and Cash Equivalents	66,410	66,410	98,328	98,328
Short-term Debtors	41,877	41,877	44,960	44,960
Long-term Debtors	5,207	5,207	5,825	5,825
Total	113,657	113,657	149,214	149,214

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.

55 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- Viability rating: A Active in sterling markets	£25m (the Authority currently operates an operational limit of £10m)
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 £10m)
Deposits with money market funds	Sovereign rating: AAA	£15m

Agenda Item 11

Notes to the Financial Statements

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 capacity to pay financial commitments), Building Societies that 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 15 financial years, adjusted to reflect current market conditions:

Estimated maximum exposure at 31/03/21		Amount at 31/03/22	Historical experience of default	Historical experience adjusted for market conditions at 31/03/22	Estimated maximum exposure to default & uncollectability at 31/03/22
£000s		£000s A		C	£000s (A x C)
0	Deposits with Banks	9,000	0	0	0
0	Deposits with Money Market	84,725	0	0	0
0	Deposits Other	0	0	0	0
730	Customers	27,569	3.29%	3.29%	907
696					907

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 Council does have an investment with the Churches & Charities Local Authority LAMIT Property Fund (CCLA) – this investment is in accordance with the Council's Treasury Management Policy.

The profile of investments by country is shown below:

	Total Investments at 31 March 2021 £000s	Total Investments at 31 March 2022 £000s
United Kingdom Banks	0	9,000
Other: CCLA	5,376	6,319
	5,376	15,319

Although the Authority does not generally allow credit for customers, £15.301m of the £27.569m balance is past its due date for payment. The total debt amount can be analysed by age as follows:

	31 March 2021 £000s	31 March 2022 £000s
Less than three months	9,841	15,415
Three months to one year	5,748	4,676
More than one year	6,604	7,478
	22,193	27,569

A provision for bad debts relating to customers exists which totals £4.029m at 31 March 2022 (£2.955m at 31 March 2021). This provision relates to a wide variety of assets of which none are individually

Agenda Item 11

Notes to the Financial Statements

significant. The provision was increased by £1.075m in 2021/2022 (£0.319m in 2020/2021) and £0.001m was written-off during the year (£0.045m in 2020/2021).

Of this debt £5.680m is secured against properties at 31 March 2022 (£5.048m as at 31 March 2021). These properties are held as collateral but cannot be pledged or resold unless the owner defaults.

Liquidity Risk

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

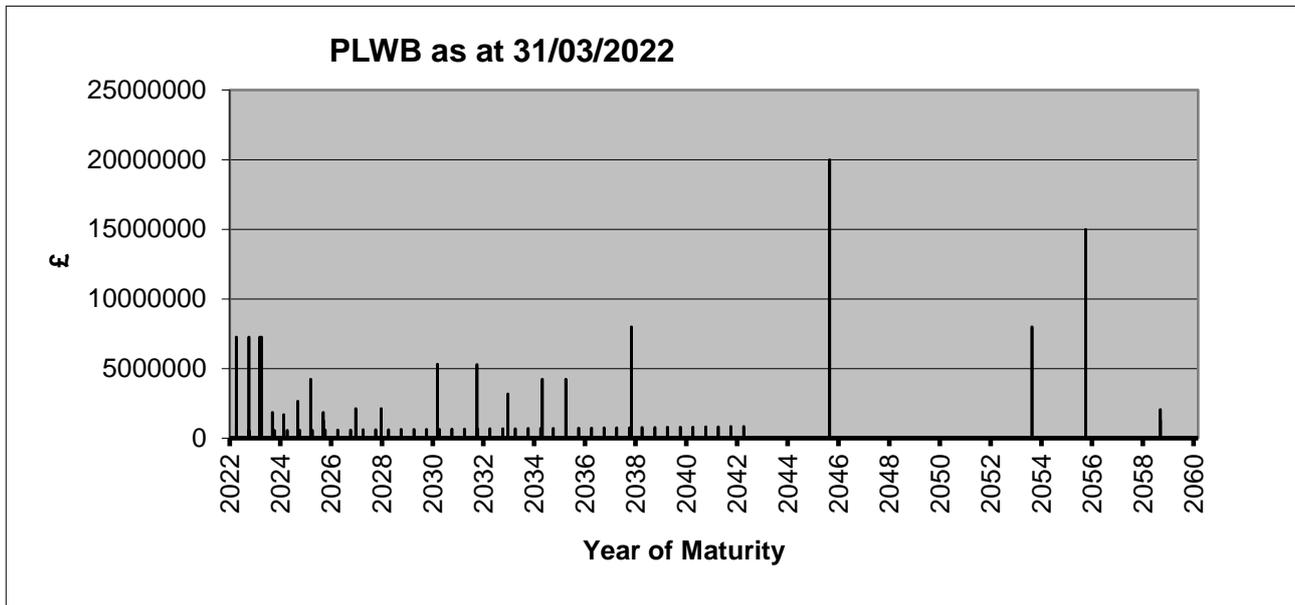
The risk for the Authority is that it will need to replace its borrowings at a time when interest rates are unfavourable, leading to additional ongoing financing costs. The strategy for the Council is to ensure that by careful planning of the repayment date for new and replacement loans, and (when economic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

<u>Without Interest 31 March 2021</u> £000s	<u>With Interest Due 31 March 2021</u> £000s	Analysis of Loans by Type:	Range of Interest Rates Payable (%)	<u>Without Interest 31 March 2022</u> £000s	<u>With Interest Due 31 March 2022</u> £000s
186,770	273,518	Public Works Loan Board	1.91 – 7.13	168,413	248,506
0	0	Money Market		0	0
16	16	Individuals	0.00	16	16
0	0	Other Local Authorities		0	0
2,006	2,006	Other	0.00 – 6.50	4	4
188,792	275,540	Total		168,433	248,526

<u>Without Interest 31 March 2021</u> £000s	<u>With Interest Due 31 March 2021</u> £000s	Analysis of Loans by Maturity:	<u>Without Interest 31 March 2022</u> £000s	<u>With Interest Due 31 March 2022</u> £000s
21,587	28,242	Maturing within one year	34,738	40,904
33,511	39,676	Maturing in 1-2 years	11,916	16,690
24,211	37,544	Maturing in 2-5 years	15,599	28,144
21,021	39,628	Maturing in 5-10 years	24,333	42,111
23,861	37,555	Maturing in 10-15 years	18,728	31,505
15,747	25,535	Maturing in 15-20 years	15,920	25,174
22,496	30,320	Maturing in 20-25 years	20,841	28,079
0	5,608	Maturing in 25-30 years	0	5,608
23,000	27,698	Maturing in 30-35 years	23,000	26,727
3,358	3,734	Maturing in 35-40 years	3,358	3,584
0	0	Maturing in 40-45 years	0	0
0	0	Maturing in more than 45 years	0	0
188,792	275,540	Total	168,433	248,526

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.

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%.

Agenda Item 11

Notes to the Financial Statements

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 2021 £000s		31 March 2022 £000s
870	Increase in interest receivable on variable rate investments (and resultant impact on the Surplus or Deficit on the Provision of Services)	1,029
-20,721	Decrease in fair value of fixed rate loans (no impact on Other Comprehensive Income and Expenditure)	16,024
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.

56 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 August 2023 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 current high levels of inflation, and the ongoing impact 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 is still experiencing a reduction in income in the current year, with losses of fees and charges and Council Tax and Business Rates. The current high levels of inflation and the pandemic is also still resulting in the Council bearing significant extra costs, particularly in social care.

The Council has received additional grant support from Government in 2021/22 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. It is estimated that this funding will offset a significant proportion of costs and income losses, with no residual losses currently included in the Council's budget monitoring position for the year.

Current cash and cash-equivalents of £98m 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 August 2023, including downside scenarios for cash collection and the ongoing impact of reduction on fees and charges. The low point in liquidity is in March 2023 due to the cumulative impacts of the downside 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 2023, 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 was no planned use of the Council's General Fund Balances to support the short- or medium-term budgets. However, given the current high levels of inflation and service pressures in areas such as Children's Social Care, the Council has now agreed to utilise some General Fund Balances to meet these pressures in 2022/2023 – however, they will remain above the 3.5% absolute minimum level required. The use of these balances will necessitate their replenishment, and plans will be developed to do this in line with the Council's track record of achieving savings required by difficult financial decisions.

The Council recognise that Collection Fund losses from 2020/2021 can be carried forward and funded over three 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 2020/2021*.

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 of the Statement of Accounts 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.

(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 current 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 - current value, determined using the basis of existing use,
- Surplus assets - fair value, determined as the amount that would be paid for the asset in its existing use.
- All other assets - current 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 current 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 current value.

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

Agenda Item 11

recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

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

Depreciation

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

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

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 current value less costs to sell. Where there is a subsequent decrease to current value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in current 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.

2020/2021			<u>INCOME AND EXPENDITURE ACCOUNT</u>	Note	2021/2022		
<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>				
	-165,572	-165,572	<u>Council Tax</u> Income from Council Tax Payers			-178,820	-178,820
	-2,945	-2,945	<u>Transfers from the General Fund</u> Hardship Relief / Care leavers Discounts			-375	-375
-29,890		-29,890	<u>Business Rates</u> Income from Business Ratepayers	2	-56,440		-56,440
0	-2,348	-2,348	<u>Contributions</u> Contributions towards previous year's deficit	3	-39,206	-1,764	-40,970
-29,890	-170,865	-200,755	TOTAL INCOME		-95,646	-180,959	-276,605
			<u>EXPENDITURE</u>				
	166,267	166,267	<u>Distribution of Resources</u> Council Tax	5		170,167	170,167
66,838		66,838	Non-domestic Rates Income	6	68,605		68,605
537		537	Transitional Protection Payments		603		603
305	15	305	<u>Transfers to the General Fund</u> Cost of Collection Allowance Council Tax Benefit		303	7	303
4,351	6,857	11,208	<u>Impairment of Debts / Appeals</u> Provision for Bad and Doubtful Debts	7	1,272	5,179	6,451
4,995		4,995	Provision for Appeals	8	-2,533		-2,533
616	0	616	<u>Contributions</u> Contributions towards previous year's surplus	3	0	0	0
77,642	173,139	250,781	TOTAL EXPENDITURE		68,250	175,353	243,603
47,752	2,274	50,026	MOVEMENT ON FUND BALANCE		-27,396	-5,606	-33,002

Agenda Item 11

Collection Fund

2020/2021			INCOME AND EXPENDITURE ACCOUNT (continued)	Note	2021/2022		
Business Rates	Council Tax	Total			Business Rates	Council Tax	Total
			COLLECTION FUND BALANCES				
-1,746	2,404	658	Balances Brought Forward		46,006	4,678	50,684
47,752	2,274	50,026	Movement in Year		-27,396	-5,606	-33,002
46,006	4,678	50,684	BALANCES AT YEAR END		18,610	-928	17,682
			BALANCES TO BE ALLOCATED				
45,546	3,934	49,480	Sefton MBC		18,424	-778	17,646
0	505	505	Police and Crime Commissioner		0	-110	-110
460	193	653	Fire and Rescue Authority		186	-33	153
0	46	46	Combined Authority		0	-7	-7
46,006	4,678	50,684			18,610	-928	17,682

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 2021/2022 (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*	65.2	5/9	36.2
A	11,571.8	6/9	15,047.9
B	20,243.3	7/9	15,744.8
C	25,102.5	8/9	22,313.4
D	13,184.9	9/9	13,184.9
E	7,553.3	11/9	9,231.8
F	3,591.6	13/9	5,187.9
G	2,455.3	15/9	4,092.1
H	216.8	18/9	433.5
	94,984.5		85,272.3
Adjustment for estimated collection rate (98.25%)			-2,558.2
Adjustment for Ministry of Defence properties			8.0
Council Tax Base			82,722.1

* 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 BUSINESS RATES INCOME

Income from business rate payers reported in the Income and Expenditure Account has increased by -£26.550 million in 2021/22 largely as a result of a reduction in the amount of expanded retail discounts and nursery relief. Expanded retail discounts and nursery relief of £15.609m was awarded in 2021/22 (£41.941m awarded in 2020/21). Sefton's share of the cost of these discounts (99%) is fully funded by Central Government via a Section 31 Grant which is paid to the Council's General Fund Income and Expenditure Account.

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

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

Council Tax	<u>2020/2021</u> £000	<u>2021/2022</u> £000
Sefton Council	-1,974	-1,484
Merseyside Police and Crime Commissioner	-252	-191
Merseyside Fire and Rescue Service	-98	-72
Liverpool City region Combined Authority	-24	-17
	-2,348	-1,764

Business Rates	<u>2020/2021</u> £000	<u>2021/2022</u> £000
Sefton Council	610	-38,814
Merseyside Fire and Rescue Service	6	-392
	616	-39,206

4 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	2020/2021	2021/2022
Standard Business Rate Multiplier	51.2p	51.2p
Small Business Rate Multiplier	49.9p	49.9p

The total non-domestic rateable value on Sefton's Rating List was £180,991,064 at 31 March 2022 (£181,970,214 at 31 March 2021).

5 PRECEPTS AND DEMANDS ON THE COLLECTION FUND

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

Council Tax	<u>2020/2021</u> £000	<u>2021/2022</u> £000
Sefton Council (Including Parish Precepts)	139,830	143,037
Merseyside Police and Crime Commissioner	17,997	18,775
Merseyside Fire & Rescue Authority	6,826	6,783
Liverpool City Region Combined Authority	1,613	1,572
	166,267	170,167

Agenda Item 11

Collection Fund

6 SHARES OF NON-DOMESTIC RATES INCOME

Business rates income is shared on the following basis:

Business Rates	Share %	2020/2021 £000	2021/2022 £000
Sefton Council	99%	66,169	27,919
Merseyside Fire & Rescue Authority	1%	668	686
	100%	66,838	68,605

7 PROVISION FOR BAD AND DOUBTFUL DEBTS

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

Council Tax	2020/2021 £000	2021/2022 £000
Balance at 1 April	-15,030	-21,919
Write-offs in year	-32	-8
Increase / Decrease in Year	-6,857	-5,179
Balance at 31 March	-21,919	27,106

Business Rates	2020/2021 £000	2021/2022 £000
Balance at 1 April	-3,269	-7,019
Written-off in year	601	-23
Increase / Decrease in Year	-4,351	-1,272
Balance at 31 March	-7,019	-8,314

8 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	2020/2021 £000	2021/2022 £000
Balance at 1 April	-18,891	-23,886
Movement in the Year	-4,995	2,533
Balance at 31 March	-23,886	-21,353

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. In addition, it wholly owns Sandway Homes Limited, a housing development company, and Sefton Hospitality Operations Limited, a hospitality company.

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,
- Group Balance Sheet,
- Group Cash Flow Statement, and,
- Notes to the Group Accounts.
- A summary of the financial statements for Sefton New Directions and Sandway Homes.

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

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

Sefton New Directions

The main effect of consolidation has been to increase revenue reserves by £4.191m (£0.423m decrease as at 31 March 2021), 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 £4.697m in 2021/2022 (a £0.506m deficit in 2020/2021). It should be noted that the main reason for the surplus in 2021/2022 is a change in the accounting treatment of the Company's pension liability. As Sefton Council is the full guarantor for the Company's pension liability, the directors have deemed the derecognition of the liability to be appropriate.

After adjusting for Movements on Reserves the surplus recorded by Sefton New Directions Limited was £0.009m in 2021/2022 (a £0.469m deficit in 2020/2021).

No dividend was paid in 2021/2022 (a dividend of £0.111m was paid in 2020/2021).

Copies of the Company's accounts for 2021/2022 will be able to 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.

Agenda Item 11

Group Accounts

The filing of accounts of both companies is required by Companies House by 31 December 2022. The amounts consolidated within the Group Accounts are based on the Company's draft accounts which are still to be finalised. For the year ending 31st March 2022, the Company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The main effect of consolidation has been to reduce revenue reserves by £2.886m in 2021/2022 (£1.839m in 2020/2021) representing the Authority's 100% share of accumulated net deficit in the Company.

The Group Comprehensive Income and Expenditure Statement records a deficit for Sandway Homes Limited of £1.047m in 2021/2022 (£0.505m in 2020/2021).

It should be noted that the financial performance in 2021/2022 is reflective of the Company transitioning into the early construction phase of its phase 1 development programme.

Sefton Hospitality Operations Limited

In May 2021 Sefton Hospitality Operations Limited, a company limited by shares and wholly owned by Sefton MBC, was incorporated. The Company is registered as providing hospitality services.

The Company is in the process of producing accounts for 2021/2022 which will need to be filed at Companies House by 31 December 2022. However, as the Company has undertaken limited trading during 2021/2022 (the Company's main trading operation at Crosby Lakeside, The Lake House, opened in August 2022) the accounts of the Company will not be consolidated into the Group Accounts on the grounds of materiality (net expenditure is less than £0.150m).

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.

2020/2021			Note	2021/2022		
Gross Expenditure	Gross Income	Net Expenditure / Income (-)		Gross Expenditure	Gross Income	Net Expenditure / Income (-)
			<u>Continuing Operations</u>			
1,235	-89	1,146	Strategic Management	1,232	-8	1,224
149,663	-46,985	102,678	Adult Social Care	150,016	-55,066	94,950
42,322	-243	42,079	Children's Social Care	56,406	-2,094	54,312
40,161	-7,647	32,514	Communities	31,283	-11,896	19,387
113,589	-78,354	35,235	Corporate Resources	109,668	-77,286	32,382
15,731	-8,259	7,472	Economic Growth and Housing	11,313	-11,433	-120
14,716	-1,810	12,906	Education Excellence	16,730	-2,243	14,487
187,329	-187,489	-160	Education Excellence - Schools	204,436	-196,789	7,647
18,138	-23,383	-5,245	Health and Wellbeing	21,483	-25,907	-4,424
24,492	-7,360	17,132	Highways and Public Protection	29,259	-9,301	19,958
27,021	-9,468	17,553	Locality Services	29,798	-10,453	19,345
16,139	-6,184	9,955	Corporate Unallocated Costs	17,292	-4,043	13,249
707	-237	470	Sefton New Directions - Net	750	-776	-26
312	124	436	Sandway Homes - Net	977	21	998
0	111	111	Sefton New Directions – Net Out Dividend Paid	0	0	0
651,555	-377,273	274,282	Net Cost of Services	680,643	-407,274	273,369
		1,179	<u>Other Operating Income and Expenditure</u>			
		34,795	Precepts paid to Parish Councils			1,208
		-261	Levies			34,662
		-950	Loss on the disposal of non-current assets			-1,686
		34,763	Other Operating Income			-973
						33,211
		8,066	<u>Financing and Investment Income & Expenditure</u>			
		8,640	Interest payable and similar charges			7,268
		-365	Net Interest on the Net Pension Defined Benefit Liability			9,141
		-2,196	Interest Receivable			-278
		4,631	Income and Expenditure on Investment Properties			-2,459
		38	Changes in the Fair Value of Investment Properties			-3,076
		18,814	Changes in the Fair Value of Financial Instruments			-944
						9,652
		-135,944	<u>Taxation and Non-specific Grant Income</u>			
		-19,504	Income from Council Tax			-146,265
		-141,758	Non-Domestic Rates Income			-56,227
		-20,725	Non-Ringfenced Government Grants			-92,023
		-317,931	Capital Grants and Contributions			-19,043
						-313,558
		9,928	Deficit on Provision of Services			2,675
		-111	Taxation			17
		9,817	Group Deficit			2,691

Agenda Item 11

Group Accounts

2020/2021			Continued from previous page	2021/2022		
Gross Expenditure	Gross Income	Net Expenditure / Income (-)		Gross Expenditure	Gross Income	Net Expenditure / Income (-)
		-1,418	Surplus (-) / Deficit on Revaluation of non-current assets			-25,814
		31,659	Re-measurement of the Net Defined Benefit Liability			-87,803
		0	Movement on Transfer Out of Defined Benefit Pension Liability			-4,687
		-9	Deferred Tax re. Actuarial losses/gains on pension fund assets and liabilities for Sefton New Directions Limited			0
		30,232	Other Comprehensive Income and Expenditure			-118,304
		40,049	Total Comprehensive Income and Expenditure			-115,613

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.

<u>Movements in Reserves in 2021/2022</u>	Council	New Directions	Sandway Homes	Total Usable	New Directions	Council	Total Council	Total Group
	Usable Reserves £000	Surplus £000	Surplus £000s	Reserves £000	Pensions Reserve £000	Unusable Reserves £000	Reserves £000	Reserves £000
Balance at 1 April 2021	-152,797	423	1,839	-150,535	83	218,967	66,170	68,515
<u>Movements in Year</u>								
Total Comprehensive Income and Expenditure	1,654	-4,614	1,047	-1,913	-83	-113,617	-111,963	-115,613
Adjustments between accounting basis and funding basis under regulations (Note 7 of single entity accounts)	6,681	0	0	6,681	0	-6,681	0	0
Net Increase (-) / Decrease before Transfers to Earmarked Reserves	8,335	-4,614	1,047	4,768	-83	-120,298	-111,963	-115,613
Transfers to / from Earmarked Reserves (Note 35 of single entity accounts)	0	0	0	0	0	0	0	0
Increase in Year	8,335	-4,614	1,047	4,768	0	-120,298	-111,963	-115,613
Balance at 31 March 2022	-144,462	-4,191	2,886	-145,767	0	98,669	-45,793	-47,098

Agenda Item 11

Group Accounts

<u>Movements in Reserves in 2020/2021</u>	Council	New Directions	Sandway Homes	Total Usable	New Directions	Council	Total Council	Total Group
	Usable Reserves £000	Surplus £000	Surplus £000s	Reserves £000	Pensions Reserve £000	Unusable Reserves £000	Reserves £000	Reserves £000
Balance at 1 April 2020	-74,329	-157	0	-74,486	46	101,572	27,243	27,132
Reporting of DSG Reserves Deficit to new Adjustment Account at 1 April 2020	-4,385	0	0	-4,385	0	4,385	0	0
Restated Balance at 1 April 2020	-78,714	-157	0	-78,871	46	105,957	27,243	27,132
Sandway Homes – Deficit Brought Forward	0	0	1,334	1,334	0	0	0	1,334
<u>Movements in Year</u>								
Total Comprehensive Income and Expenditure	8,732	580	505	9,817	37	30,195	38,927	40,049
Adjustments between accounting basis and funding basis under regulations (Note 7 of single entity accounts)	-82,815	0	0	-82,815	0	82,815	0	0
Net Increase (-) / Decrease before Transfers to Earmarked Reserves	-74,083	580	1,839	-71,664	37	113,010	38,927	41,383
Transfers to / from Earmarked Reserves (Note 35 of single entity accounts)	0	0	0	0	0	0	0	0
Increase in Year	-74,083	580	1,839	-71,664	37	110,780	38,927	41,383
Balance at 31 March 2021	-152,797	423	1,839	-150,535	83	218,967	66,170	68,515

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'.

<u>31 March</u> <u>2021</u> £000s		<u>Note</u>	<u>31 March</u> <u>2022</u> £000s
459,430	Property, Plant and Equipment	5	515,350
11,532	Heritage Assets		11,532
49,110	Investment Property		32,338
0	Intangible Assets		896
6,501	Long Term Investments		6,320
5,207	Long Term Debtors		5,825
531,780	Long-Term Assets		572,261
163	Short Term Investments		101
11,513	Assets Held for Sale		12,004
711	Inventories		623
44,893	Short Term Debtors	6	51,515
36,753	Prepayments		22,775
70,841	Cash and Cash Equivalents	7	103,313
164,874	Current Assets		190,331
-21,567	Short Term Borrowing		-34,719
-60,862	Short Term Creditors	8	-64,353
-19,243	Receipts in Advance	8	-54,471
-54	Provisions	9	-39
-942	Deferred Liabilities		-934
-102,668	Current Liabilities		-154,516
-28,260	Provisions		-24,985
-167,225	Long Term Borrowing		-133,714
-7,415	Deferred Liabilities		-6,481
-459,601	Pensions Liability		-395,798
-662,501	Long Term Liabilities		-560,978
-68,515	Net Assets		47,098

Agenda Item 11

Group Accounts

31 March 2021 £000s	Balance Sheet (Continued)	Note	31 March 2022 £000s
	<u>Reserves</u>		
	<u>Usable Reserves</u>		
-15,676	General Fund - Delegated Schools		-18,288
-11,278	General Fund - Non-Delegated Services		-14,799
423	New Directions - Profit and Loss Account		-4,191
1,839	Sandway Homes - Profit and Loss Account		2,886
-91,698	Earmarked Reserves		-81,253
-4,788	Capital Receipts Reserve		-6,260
-22,742	Capital Grants and Contributions Unapplied		-23,862
-143,920			-145,767
	<u>Unusable Reserves</u>		
-68,324	Revaluation Reserve		-92,943
-229,033	Capital Adjustment Account		-237,434
310	Financial Instruments Adjustment Account		251
-376	Pooled Investment Funds Adjustment Account		-1,319
454,996	Pensions Reserve		395,798
49,481	Collection Fund Adjustment Account		17,646
5,381	Accumulated Absences Account		5,573
			11,097
212,435			98,669
68,515	Total Group Reserves		-47,098

The Notes to the single entity accounts on pages 35 to 108, and to the Group Accounts on pages 121 to 125 form part of the financial statements (note that the disclosures on pages 125 to 127 are for information only and do not form part of the financial statements).

Agenda Item 11

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>2020/2021</u> £000s		<u>Note</u>	<u>2021/2022</u> £000s
	<u>Operating Activities</u>		
9,817	Net Deficit on the provision of services		2,691
-42,322	Adjustments to net surplus or deficit on the provision of services for non-cash movements		-84,807
21,504	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		22,615
-11,001	Net cash flows from Operating Activities	10	-59,501
	<u>Investing Activities</u>		
25,276	Purchase of property, plant and equipment, investment property and intangible assets		28,424
999	Purchase of short-term and long-term investments		0
-3,075	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		-2,561
-19,310	Other receipts from investing activities		-18,862
3,890	Net cash flows from Investing Activities		7,001
	<u>Financing Activities</u>		
-43,561	Cash receipts of short- and long-term borrowing		0
0	Other receipts from financing activities		-1,143
480	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		504
21,239	Repayments of short- and long-term borrowing		20,667
600	Other payments for financing activities		0
-21,242	Net cash flows from Financing Activities		20,028
-28,353	Net decrease / increase (-) in cash and cash equivalents		-32,472
-42,488	Cash and cash equivalents at the beginning of the reporting period		-70,841
-70,841	Cash and cash equivalents at the end of the reporting period	7	-103,313

NOTES TO THE GROUP ACCOUNTS

1 INTRODUCTION

The notes below include details of where the inclusion of Sefton New Directions Limited and / or Sandway Homes 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 DISCLOSURE OF AUDIT COSTS

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

<u>2020/2021</u> £000		<u>2021/2022</u> £000
14	Fees payable to Hazlewoods LLP for external audit services	17
14	Total	17

Sandway Homes didn't incur any fees relating to external audit and inspection. Sefton's expenditure on audit costs is shown in Note 11 to the single entity accounts.

3 ASSETS ON OPERATING LEASES

Sefton New Directions Limited made operating lease payments of £0.074m in 2021/2022 relating to Land and Buildings and other assets (£0.058m in 2020/2021). Sefton New Directions has obligations to make payments for operating leases in future years as follows:

<u>31 March</u> <u>2021</u> £000s		<u>31 March</u> <u>2022</u> £000s
60	Not later than one year	54
162	Later than one year and not later than five years	124
510	Later than five years	503
732		681

Sandway Homes had no operating leases. Sefton's expenditure on operating leases is shown in Note 48 to the single entity accounts.

4 PARTICIPATION IN PENSION SCHEMES

Sefton New Directions Limited and Sandway Homes employees are eligible to join defined contribution pension schemes. The pension cost charge for the year relates to the contributions paid in the year by the companies.

Sefton New Directions employees were previously eligible to join the same Local Government Pension Scheme as those employees in Sefton, i.e., a defined benefit scheme. Until 2020/2021 this was accounted for as a defined benefit scheme. However, for 2021/2022, due to Sefton Council being a full guarantor for the pension liability, the directors of the Company have deemed that the derecognition of the liability is appropriate. Pension contributions in respect of the defined benefit contribution scheme are now charged when contributions are paid.

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

Agenda Item 11

Group Accounts

2020/2021		Comprehensive Income and Expenditure Statement	2021/2022	
Sefton Council £000s	Sefton New Directions Limited £000s		Sefton Council £000s	Sefton New Directions Limited £000s
33,333	872	<u>Cost of Services:</u> Current Service Cost	42,987	0
153	4	Curtailment Cost	155	0
538	14	Administration Expenses	555	0
11	0	Past Service Cost	0	0
8,527	113	<u>Financing and Investment Income & Expenditure:</u> Net Interest Cost	9,141	0
42,562	1,003	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	52,838	0
31,613	46	Actuarial Losses / Gains (-) on Pension Assets and Liabilities	-87,803	0
0	-8	Deferred Tax re. Actuarial losses on pension fund assets and liabilities for Sefton New Directions Limited	0	0
0	0	Movement on Transfer Out of Defined Benefit Pension Liability		-4,687
74,175	1,041	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	-34,965	-4,687

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:

2020/2021			2021/2022	
Sefton Council £000s	Sefton New Directions Limited £000s		Sefton Council £000s	Sefton New Directions Limited £000s
-1,520,171	-50,759	Present Value of the Defined Benefit Obligation	-1,552,692	-51,292
1,065,258	44,972	Fair Value of Plan Assets	1,156,894	49,895
0	1,100	Related Deferred Tax Assets	0	0
0	0	Other amounts recognised in the statement of financial position	0	-1,397
-454,913	-4,687	Net Liability arising from defined benefit obligation	-395,798	0

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of scheme liabilities

Agenda Item 11

Group Accounts

2020/2021			2021/2022	
Sefton Council £000s	Sefton New Directions Limited £000s		Sefton Council £000s	Sefton New Directions Limited £000s
1,309,193	44,500	1 April	1,520,171	50,759
33,333	872	Current Service Cost	42,987	971
31,054	1,054	Interest Cost on Pension Liabilities	31,595	1,055
6,784	164	Contributions by scheme participants	7,017	154
177,103	5,435	Remeasurement Gains (-) and Losses	-10,881	-367
-37,460	-1,270	Benefits paid	-38,352	-1,282
153	0	Curtailment Cost	155	0
11	4	Past Service Cost	0	2
1,520,171	50,759	31 March	1,552,692	51,292

Reconciliation of fair value of scheme assets:

2020/2021			2021/2022	
Sefton Council £000s	Sefton New Directions Limited Restated £000s		Sefton Council £000s	Sefton New Directions Limited £000s
906,841	39,747	1 April	1,065,258	44,972
22,517	941	Interest Income	22,454	933
145,490	5,389	Remeasurement Gains / Losses (-)	76,922	5,131
21,614	15	Employer contributions	24,150	0
6,784	164	Contributions by scheme participants	7,017	154
-37,460	-1,270	Benefits paid	-38,352	-1,282
-538	-14	Administration Expenses	-555	-13
1,065,258	44,972	31 March	1,156,894	49,895

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:

2020/2021		2021/2022
	<u>Mortality assumptions (years):</u>	
	Local Government Pension Scheme:	
21.0	Longevity at 65 for current pensioners: Men	21.0
24.0	Longevity at 65 for current pensioners: Women	24.0
24.0	Longevity at 65 for future pensioners: Men	22.0
26.0	Longevity at 65 for future pensioners: Women	26.0
	<u>Other assumptions</u>	
2.8%	Rate of Inflation - CPI	3.4%
4.2%	Rate of increase in salaries	4.9%
2.7%	Rate of increase in pensions	3.5%
2.1%	Rate for discounting scheme liabilities	2.8%

Agenda Item 11

The assumptions used by the actuary for Sefton Council are shown in Note 51 to the single entity accounts.

5 PROPERTY, PLANT AND EQUIPMENT

The Property, Plant and Equipment (PP&E) figure in the Group Balance Sheet includes £0.231m for Vehicles, Plant and Equipment of Sefton New Directions Limited at 31 March 2022 (£0.359m at 31 March 2021) and £0.065m for Land and Buildings (£0.086m at 31 March 2021). It also includes £2.232m at 31 March 2022 for Land of Sandway Homes (£2.232m at 31 March 2021) and £6.085m at 31 March 2022 for Assets Under Construction (£1.401m at 31 March 2021). Details of Sefton's PP&E are shown in Note 18 to the single entity accounts.

6 CURRENT ASSETS

The Current Assets figure in the Group Balance Sheet includes £0.352m for Debtors of Sefton New Directions Limited at 31 March 2022 (£0.489m at 31 March 2021) and £0.512m at 31 March 2022 for Debtors of Sandway Homes (£nil at 31 March 2021). Details of Sefton's Debtors are shown in Note 27 to the single entity accounts.

7 CASH AND CASH EQUIVALENTS

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

31 March 2021 £000s		31 March 2022 £000s
66,410	Sefton MBC - Cash and Cash Equivalents	98,328
4,011	Sefton New Directions Limited - Bank Deposits	4,770
420	Sandway Homes	215
70,841	Total Cash and Cash Equivalents	103,313

8 CURRENT LIABILITIES

The Current Liabilities figure in the Group Balance Sheet includes £1.188m for Creditors of Sefton New Directions Limited at 31 March 2022 (£0.708m at 31 March 2021) and £1.407m for Creditors (£0.817m at 31 March 2021) and £1.547m for Receipts in Advance (£0.625m at March 2021) relating to Sandway Homes. Details of Sefton's Creditors are shown in Note 29 to the single entity accounts.

9 PROVISIONS

The Current Liabilities figure in the Group Balance Sheet includes £0.039m for Short Term Provisions of Sefton New Directions Limited at 31 March 2022 (£0.054m at 31 March 2021). 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:

	2021/2022	<u>1 April</u> <u>2021</u> £000s	<u>Additions</u> <u>in Year</u> £000s	<u>Applied</u> <u>In Year</u> £000s	<u>Released</u> <u>In Year</u> £000s	<u>31 March</u> <u>2022</u> £000s
(a)	Deferred Tax	-54	0	15	0	-39

Comparable figures for the previous year are shown below:

	2020/2021	<u>1 April</u> <u>2020</u> £000s	<u>Additions</u> <u>in Year</u> £000s	<u>Applied</u> <u>In Year</u> £000s	<u>Released</u> <u>In Year</u> £000s	<u>31 March</u> <u>2021</u> £000s
(a)	Deferred Tax		0	7	0	-54

(a) **Deferred Tax** – This relates to the difference between accumulated depreciation and amortisation and capital allowances.

10 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

<u>2020/2021</u> £000s		<u>2021/2022</u> £000s
-365	Interest received	-339
8,066	Interest paid	7,398

11 STATEMENT OF ACCOUNTING POLICIES

The Accounting Policies for the Group are described in Note 56 to the single entity accounts.

12 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>2020/2021</u> £000		<u>2021/2022</u> £000
10,623	Turnover	10,374
-9,203	Cost of Sales	-8,473
1,420	Gross Profit	1,901
-1,672	Administrative Expenses	-1,631
-252	Gross Profit / Loss (-)	270
-218	Costs of reorganisation and restructuring / COVID19 Related Costs	-244
-110	Other interest receivable and similar income	0
-580	Profit / Loss (-) before Tax	26
111	Taxation	-17
-469	Profit / Loss (-) for the financial year	9

Agenda Item 11

Group Accounts

Statement of Comprehensive Income

2020/2021 £000		2021/2022 £000
-469	Profit / Loss (-) for the financial year	9
-46	Actuarial gain / loss (-) recognised on defined benefit pension scheme	0
9	Deferred tax actuarial gain / loss (-) recognised on defined benefit pension scheme	0
0	Movement on Transfer Out of Defined Benefit Pension Liability	4,688
-37		4,688
-506	Comprehensive Income for the financial year	4,697

Balance Sheet

2020/2021 £000		2021/2022 £000
	Fixed Assets	
445	Tangible Assets	296
	Current Assets	
488	Debtors	352
4,011	Cash at bank and in hand	4,770
4,499		5,122
-708	Creditors: Amounts falling due within one year	-1,187
3,791	Net Current Assets	3,935
4,236	Total assets less current liabilities	4,231
	Long-Term Liabilities	
54	Provision for liabilities	39
4,687	Net pension liability	0
4,741		39
	Capital and reserves	
1	Called up share capital	1
-506	Retained earnings	4,191
-505		4,192
4,236	Total capital, reserves and long-term liabilities	4,231

SANDWAY HOMES SUMMARY FINANCIAL INFORMATION

Profit and Loss Account

<u>2020/2021</u> £000		<u>2021/2022</u> £000
0	Turnover	0
-208	Cost of Sales	-623
-208	Gross Profit	-623
-228	Administrative Expenses	-375
-436	Gross Profit / Loss (-)	-998
-69	Interest payable and similar charges	-49
-505	Profit / Loss (-) for the financial year	-1,047

Balance Sheet

<u>2020/2021</u> £000		<u>2021/2022</u> £000
	Fixed Assets	
2,232	Tangible Assets	8,317
	Current Assets	
1,401	Work in Progress	0
0	Debtors	512
420	Cash at bank and in hand	215
1,821		727
	Current Liabilities	
-817	Creditors: Amounts falling due within one year	-1,407
-625	Deferred Income	-1,547
-1,442		-2,954
379	Net Current Assets	-2,227
2,611	Total assets less current liabilities	6,090
	Long-Term Liabilities	
4,450	Creditors: Amounts falling due after one year	8,975
	Capital and reserves	
-1,839	Retained earnings	-2,885
2,611	Total capital, reserves and long-term liabilities	6,090

Agenda Item 11

Group Accounts

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 2021/22 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 2022/23. The AGS is also published in the Council's Annual Accounts.

With the ongoing impact of COVID-19 this has meant that governance, assurance but particularly risk continue to need to be prioritised. This therefore continues to expose the Council to significant risks but we are assured that every action was taken to continue to mitigate these risks in 2021/22 and we will continue to 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 2021/22 and we will monitor their implementation and operation as part of our annual review in 2022/23.



Councillor Ian Maher
Leader of the Council



Dwayne Johnson
Chief Executive

Draft Annual Governance Statement 2021/22

Year Ended 31 March 2022

Page 358



Contents Page

	Page
1 Introduction and Scope of Responsibility	3
2 The Purpose of the Annual Governance Statement	3
3 The Governance Framework	4
4 Review of Effectiveness	5-7
5 Significant Governance Issues	7-14
6 Conclusion and Declaration	15

Draft



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 2021 and up to the date of the approval of the annual 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) and the Council's Code of Corporate Governance are available on the Council's website on the link below:

<https://modgov.sefton.gov.uk/ecCatDisplay.aspx?sch=doc&cat=13370&path=0>

The Council's Code of Corporate Governance is included in the Audit and Governance Committee's Annual Work Programme for 2022/23 for review and approval on 15 March 2023.

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 Audit Opinion Statement, 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 2021/22. 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 online 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. The Executive Director of Corporate Resources and Customer Services and the Chief Legal and Democratic Officer have been consulted on these reports and any comments have been incorporated into the reports.

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 manage the risks to achieving its objectives. Full details of this is available on the Council's website on the link below:

<https://modgov.sefton.gov.uk/mcCommitteeDetails.aspx?ID=141>

The Committee met four times during 2021/22 on 23 June 2021, 15 September 2021, 15 December 2021 and 16 March 2022. The special meeting planned for the consideration of the Council's Annual Statement of Accounts for 2020/21 on 21 July 2021 was cancelled as a result of the Council's External Auditor having not completed their annual audit work, therefore this special meeting could not take place. The Council's Annual Statement of Accounts for 2020/21 were subsequently considered at the Committee's meeting on 15 December 2021. The Committee's Annual Work Programme for 2022/23 has a special meeting scheduled for November 2022 for the consideration of the Council's Annual Statement of Accounts for 2021/22. Meetings have considered 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 2021/22 members of the ELT, including the Chief Executive, have provided formal assurance in respect of their role and responsibilities, by each of them completing a Governance Assurance Statement (GAS). The GAS is based upon the seven principles of Corporate Governance laid out in the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government (2016 Edition) referred to in Section 3 above.

Strategic Leadership Board

The Strategic Leadership Board (SLB) consists of the Chief Executive, Executive Directors, Heads of Service and the Council's Monitoring Officer. 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.

Each Head of Service is responsible for the governance framework and good governance in their individual Service area and are in turn supported by their managers. As part of the corporate governance review for 2021/22 Heads of Service have provided formal assurance in respect of their service area, by completing GASs based on the above Framework. The Council's Monitoring Officer, the Chief Legal and Democratic Officer has also completed a GAS.

External Audit

Ernst & Young LLB are the Council's appointed External Auditor for 2021/22. The work of the Council's External Auditor includes an examination of the Council's Annual Accounts and an assessment of the degree to which the Council delivers value for money in the use of its resources. The External Auditor will also reach an opinion on the consistency of the AGS with other information published with the Council's Annual Accounts. The AGS is published in the Council's Annual Accounts.

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 2021/22, the Chief Internal Auditor provided the Council with an overall opinion of adequate, with the potential for improvement being adequate on the arrangements for gaining assurance through the governance framework and on the controls reviewed as part of the Internal Audit programme. It should be noted that this latter assessment has been driven by the pandemic and the fact that the Council has not been able to progress some key areas of activity during the year as it was responding to the pandemic.

Internal Audit carried out follow up audit reviews for all high risk recommendations and a sample of medium and low risk recommendations to ensure 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;
- Ofsted Inspection of Local Authority Children's Services;
- Food Standards Agency Audit Report - Food Law Enforcement Service: Onsite Audit;
- JTAI for Children's Mental Health, and
- LGA Peer Review Revisit.

From the evaluation work undertaken the following sections look at how the Council is held to account for the seven principles of Corporate Governance.

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, or where it is considered that there is a significant new or ongoing issue that will require stringent focus due to the potential impact. These are termed as 'Significant Governance Issues' (SGIs) 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 2021/22 annual governance review has identified the following issues:

	Significant Governance Issue (SGI)	Source	Action to Address the issue	Timescale	Lead
1	<p>There were three SGIs in the Council's 2020/21 Annual Governance Statement relating to inspections as follows:</p> <ul style="list-style-type: none"> • A Joint Targeted Area Inspection (JTAI) for Children's Mental Health in Sefton took place in September 2019; <ul style="list-style-type: none"> • An Ofsted and Care Quality Commission (CQC) revisit in April 2019 relating to weaknesses in the Written Statement of Action (WSOA), and 	GAS Review	<p>JTAI - In June 2021, an interim Executive Director of Children's Social Care and Education was appointed. An overarching Children's Plan was developed and in April 2021, an independent person was identified as chair for the partnership Children's Improvement Board. The Department for Education (DfE) issued an Improvement Notice for Children's Social Care Services in May 2021. The Council has further external advice from a DfE advisor who is a member of the Board. This has opened a range of advice and support to Sefton at all levels in the organisation.</p> <p>Ofsted and Care Quality Commission (CQC) - In June 2021, a review of the Improvement Notice was undertaken by Department for Education (DfE) and NHS England (NHSE) advisers and officials. The evidence from the review demonstrated significant progress the Council and partners had made and its success in addressing and embedding</p>	<p>31 March 2023</p> <p>31 March 2023</p>	<p>Dwayne Johnson, Chief Executive and Martin Birch, Executive Director of Education and Children's Services.</p> <p>Dwayne Johnson, Chief Executive and Martin Birch, Executive Director of Education and Children's Services.</p>



	Significant Governance Issue (SGI)	Source	Action to Address the issue	Timescale	Lead
	<ul style="list-style-type: none"> Sefton was overdue an Ofsted Inspection of Local Authority Children’s Services. Following a pause in the inspection framework due to COVID-19, Ofsted undertook a ‘restart’ focused visit of Children’s Social Care in March 2021. This was not a full inspection and therefore was not graded. A letter to the Council was published on the Ofsted website on 10 May 2021 with the visit’s findings and identification of priority action. <p>Areas for priority action in the letter included:</p> <ul style="list-style-type: none"> Timely application of the pre-proceedings stage of the Public Law Outline where risks for children are not reducing through child protection planning, and The effectiveness of case supervision and the monitoring of children who are subject to child protection planning, including those children in the pre- 		<p>the improvements identified in Ofsted’s/CQC revisit in 2019. The Improvement Notice was revoked and the Council and partners formally exited departmental intervention. The SEND Continuous Improvement Board continues with oversight of the SEND system in Sefton.</p> <p>Ofsted - In February 2022, an Inspection of Sefton Local Authority Children’s Services took place and the judgement was graded inadequate. A revised Improvement Plan is being developed and this will be submitted to Ofsted by 17th August 2022.</p> <p>The pace of the required change is a challenge given capacity and so the Council has invested an additional £11.6m in Children’s Services, secured the required interim transformational resources, put in place a robust Improvement Plan, developed a new approach to recruiting the Children’s Social Care workforce and appointed a new Executive Director of Children’s Social Care and Education.</p>	31 March 2023	Dwayne Johnson, Chief Executive and Martin Birch, Executive Director of Education and Children’s Services.



	Significant Governance Issue (SGI)	Source	Action to Address the issue	Timescale	Lead
	<p>proceedings process, to prevent drift and delay.</p> <p>What needs to improve in this area of social work practice:</p> <ul style="list-style-type: none"> The quality assurance arrangements and senior management oversight of social work practice; The strategic and operational focus on achieving change and reducing risk for vulnerable children, including disabled children and care leavers, and The capacity in social work teams and the number of children on social workers' caseloads. 				
2	<p>There was a Local Government Association (LGA) Peer Review Revisit on 21 and 22 April 2022.</p> <p>The LGA Peer team reviewed progress against the recommendations since the last Corporate Peer Challenge in September 2018, under the following themes:</p> <ul style="list-style-type: none"> Local Priorities and Outcomes; Corporate Transformation; Economic Growth, and Member Development. <p>Following the Revisit, the Peer team will produce a public feedback report which is expected June 2022.</p>	GAS Review	<p>The Council will consider the public feedback report and then publish an action plan in response within eight weeks of the report's publication.</p> <p>6-month check-in to be scheduled - an opportunity to discuss progress and next steps.</p>	31 March 2023	Dwayne Johnson, Chief Executive
3	To support financial sustainability, the Chartered Institute of Public Finance and	GAS Review	As agreed a further report on progress on the FM Code is due to be presented	31 March 2023	Stephan Van Arendsen,



	Significant Governance Issue (SGI)	Source	Action to Address the issue	Timescale	Lead
	<p>Accountancy (CIPFA) issued a Financial Management (FM) Code which aims to ensure a high standard of financial management in local authorities. The FM Code was launched in November 2019 and authorities were advised that they should introduce this in the 'shadow year' in 2020/21 prior to full implementation in 2021/22.</p> <p>On 17 March 2021, the Council's Audit and Governance Committee has noted the introduction of the CIPFA FM Code and the self assessment of compliance with the Code and noted the Action Plan to further improve both compliance with the Code and financial management across the Council.</p> <p>CIPFA's Better Governance Forum has issued guidance on Local Authority's Corporate Codes of Governance that recommends that these are reviewed and approved annually by the Audit Committee annually. The Council's Corporate Code of Conduct was last reviewed in 2019.</p>		<p>to the Audit and Governance Committee at the 22 June 2022 meeting as scheduled in the 2022/23 Work Programme for the Committee.</p> <p>At the meeting of the Council's Audit and Governance Committee on 16 March 2022 the Committee agreed a work programme for 2022/23 which included that a revised Code of Corporate Governance will be presented for approval to the meeting on 15 March 2023. It will be scheduled on future work programmes for annual review and approval.</p>		<p>Executive Director, Corporate Services and Customer Services</p> <p>Chief Legal and Democratic Officer (Monitoring Officer)</p>
4	<p>Sefton Council declared a 'Climate Emergency' on 18 July 2019 and work has progressed within the Council on the agreed actions that were contained and approved by Members. There is a Strategy in place and delivery is via an Action Plan</p>	GAS Review	<p>Climate Change e learning is mandatory for all staff.</p> <p>All Cabinet Reports specify that the Climate Emergency Implications must be considered in the report within a</p>	31 March 2023	<p>Dwayne Johnson, Chief Executive and the Cabinet Member for Regulatory, Compliance and</p>



	Significant Governance Issue (SGI)	Source	Action to Address the issue	Timescale	Lead
	for the period to 2030. This will establish and refine a baseline position on the Council's carbon emissions (carbon footprint) with the development of three year implementation plans to make the Council's activities net-zero carbon by 2030.		<p>specific section on the front sheet of all Cabinet Reports.</p> <p>The Officers' Working Group has continued to meet on a monthly basis and the Member Reference Group chaired by the Cabinet Member for Regulatory, Compliance and Corporate Services also meets on a regular basis.</p> <p>The Street Lighting LED programme is underway as is the retrofit of Bootle and Southport Town Halls.</p> <p>The next annual report will be presented to Cabinet in June/July 2022.</p>		Corporate Services.
5	COVID-19 continued as an SGI in 2021/22.	GAS Review	<p>COVID-19 Outbreak Management (Health Protection) Board and the Stakeholder Board have stood down. Oversight of outbreaks will be managed through routine health protection arrangements and led by UKSHA. Sefton Health Protection Forum stood up in April 2022 and will provide local oversight and assurance, reporting to Health and Wellbeing Board.</p> <p>As of May 2022, the local mitigation against the possible threat of COVID-19 is reducing. Testing, contact tracing and the legal requirement to self-isolate have all ceased. A significant reduction in local authority health protection workforce will also take place over coming months. Public Health will</p>	31 March 2023	Dwayne Johnson, Chief Executive, Margaret Jones, Director of Public Health and the Cabinet Member for Health and Wellbeing



	Significant Governance Issue (SGI)	Source	Action to Address the issue	Timescale	Lead
			<p>continue to engage with UKHSA, CHAMPs, Directors of Public Health network and LGA to escalate concerns and ask for assurance from UKHSA that they will continue to fulfil health protection functions.</p> <p>The Budget Plan 2022/23 presented to Cabinet on 10 February 2022 by the Executive Director of Corporate Resources and Customer Services highlighted that consideration was given to the ongoing impact of the pandemic. Reporting on these will continue to Cabinet in 2022/23.</p>		
6	<p>On 11 February 2021, the Government published a White Paper 'Integration and Innovation: Working Together to Improve Health and Social Care' - Department of Health and Social Care (DHSC), 2021, setting out a raft of proposed reforms to health and care to create Integrated Care Partnerships.</p> <p>'Shadow' arrangements were introduced in 2021/22 and to be delivered in full by April 2022.</p>	GAS Review	<p>The PCN delivery has been put back by Central Government until July 2022. Deborah Butcher, the Executive Director for Adult Social Care and Health Services has been appointed as the Sefton Place Director to the Cheshire and Merseyside Partnership Integrated Care Board (ICB). The role is a joint appointment between the NHS and Sefton Council and she takes this role on in addition to her current duties as Executive Director for the Council. Place Directors will have statutory responsibilities in both the ICB and the relative Local Council. Good progress has been made in year in respect of integration between health and social care.</p>	July 2022	Dwayne Johnson, Chief Executive



	Significant Governance Issue (SGI)	Source	Action to Address the issue	Timescale	Lead
7	<p>In the 2020/21 Corporate Governance Internal Audit Review it was recommended that a self-assessment against the Local Government Associations National Framework is carried out in line with the conclusions of the Council's Ethical Working Group.</p> <p>Changes internally and at Social Value Portal mean that this work has stalled and will start again in the first quarter of 2022/23.</p>	GAS Review	<p>A Social Value Policy is in development with a view to implementing the policy in 2022/23.</p> <p>As a new national policy is introduced the Council will consider the required changes and update policies and approaches accordingly.</p>	31 March 2023	Jan McMahon, Head of Strategic Support
8	<p>In the 2020/21 Corporate Governance Internal Audit Review (IAR) it was recommended that Partnership Agreements are reviewed by Heads of Service (HoS) to provide assurances in line with the Council's Financial Procedural Rules (FPRs) for access for Internal Audit. The IAR also recommended that HoS submit copies of their Service Area Registers in line with the Council's Employees' Code of Conduct (CoC) to the Council's Monitoring Officer (MO) by 30 April each year.</p> <p>In 2021/22 not all HoS have complied with the provision of assurances. All but two HoS have responded to the provision of registers.</p>	GAS Review	<p>Partnerships The Chief Legal and Democratic Officer (Monitoring Officer) has sent a reminder e mail on 11 May 2022 regarding the provision of information relating to Partnerships Agreements to all HoS.</p> <p>Service Area Registers The Chief Legal and Democratic Officer (Monitoring Officer) has sent a reminder e mail on 11 May 2022 regarding the provision of their registers to the two HoS. Should these not be provided the Chief Legal and Democratic Officer (Monitoring Officer) will escalate this non provision to the Chief Executive.</p>	<p>31 March 2023</p> <p>30 April 2022</p>	<p>Partnership Agreements HoS</p> <p>Registers Two outstanding HoS to provide registers</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 2022/23 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 11

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 Executive Director of Corporate Resources and Customer Services at the above address. We would particularly like to hear from you if you have any suggestions on how the accounts could be improved.

Agenda Item 11

Useful Addresses

Agenda Item 12

Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 7 September 2022
Subject:	Risk and Audit Service Performance		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

Summary:

This report details the performance and key activities of the Risk and Audit Service for the period 7 June 2022 to 31 August 2022.

Recommendation(s):

Members are requested to:

- (1) Note the progress in the delivery of the 2022/23 Internal Audit Plan and the activity undertaken for the period 7 June 2022 to 31 August 2022.
- (2) Note the contributions made by the Health and Safety, Insurance, Assurance and Risk and Resilience teams in facilitating the management of the Council's key risks

Reasons for the Recommendation(s):

Approval of the recommendations will facilitate the continued provision of a comprehensive and effective Risk and Audit Service.

Alternative Options Considered and Rejected: (including any Risk Implications)

None

What will it cost and how will it be financed?

(A) Revenue Costs - There are no direct financial implications, outside of the approved budget for the function, arising from this report. However, the Council benefits from the work of the section in reducing the impact and likelihood (and so the cost) of risk.

Agenda Item 12

(B) **Capital Costs** - There are no capital costs arising from this report.

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): There are no direct resource implications from the report.	
Legal Implications: There are no specific legal implications from the report.	
Equality Implications: There are no equality implications.	
Climate Emergency Implications: The recommendations within this report will	
Have a positive impact	Y
Have a neutral impact	N
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	Y
 The Risk and Audit Team in line with Council and Government guidance during the lockdown and afterwards has been working from home with the exception of the Health and Safety Team who undertake periodic inspections of Council buildings to provide guidance and support.	
 The working from home has reduced the teams commuting and as a consequence Carbon footprint. The revised working practices will continue with the proposed Council agile working although the footprint will slightly increase at this point as staff move back to the office at an agreed frequency. Some of the function's teams such as health and safety are already visiting sites where required. It is envisaged that agile working will be introduced by the Council during the next three months with the Team returning to Magdalen House.	
 We are currently exploring with the Council's insurers and broker their actions to reduce Climate Change which we will respond on in future reports following renewal when the information is available. One of the audits within the 2022/23 approved audit plan is Climate Change which will provide assurance on the Council's response.	

Contribution to the Council's Core Purpose:

Protect the most vulnerable: Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls
--

are operating as designed. This approach will help to ensure that the Core Purpose is delivered.

Facilitate confident and resilient communities:

Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.

Commission, broker and provide core services:

Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.

Place – leadership and influencer:

Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.

Drivers of change and reform:

Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.

Facilitate sustainable economic prosperity:

Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.

Greater income for social investment:

Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.

Cleaner Greener:

Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls

Agenda Item 12

are operating as designed. This approach will help to ensure that the Core Purpose is delivered.

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD.6922/22) and the Chief Legal and Democratic Officer (LD.5122/22) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

None

Implementation Date for the Decision

Immediately following the Committee meeting.

Contact Officer:	David Eden
Telephone Number:	0151 943 4053
Email Address:	david.eden@sefton.gov.uk

Appendices:

The following appendices are attached to this report:

- Risk and Audit Service Performance Report

Background Papers:

The following background papers, which are not available elsewhere on the Internet can be accessed on the Council website:

- Internal Audit Plan 2022/23 (as approved by this Committee on 16 March 2022).

1. Introduction

- 1.1 The Risk and Audit Service is managed by the Chief Internal Auditor, who reports to the Executive Director of Corporate Resources and Customer Services through the Finance Service Manager.
- 1.2 The mission of the service is “to deliver a first-class risk and audit service that is highly respected and valued by Sefton and is the envy of our peers”.
- 1.3 The Service has the following objectives:
 - To lead the Council in embedding a system of internal control and risk management that facilitates the achievement of the organisation’s objectives.
 - To be a valued corporate influence in promoting the due consideration of risk in Council decisions, strategies and plans.
 - To align the service with the Council’s changing needs.

- 1.4 In delivering this mission and objectives, the Service encapsulates the following teams:
- Internal Audit
 - Health and Safety
 - Insurance
 - Risk and Resilience
 - Assurance
- 1.5 This report summarises the main aspects of the performance of the Service during the period 7 June 2022 to 31 August 2022, and gives members a detailed overview of the following areas:
- Internal Audit:
 - o work undertaken in the period, including a summary of work and an outline of the high priority recommendations made
 - o performance against Key Performance Indicators
 - o developments relating to this part of the Service
 - Health and Safety, Insurance, Assurance and Risk and Resilience:
 - o work undertaken in the period, with key data provided
 - o developments relating to these parts of the Service
- 1.6 The report concludes by looking ahead to the forthcoming activities being undertaken by the service

This page is intentionally left blank

Risk and Audit Service: Performance

Page 395

Audit and Governance Committee
7 September 2022

David Eden
Chief Internal Auditor
Risk and Audit Service
Corporate Resources
Magdalen House
30 Trinity Road
Bootle
L20 3NJ

Agenda Item 12

Contents

Page 396

1.	Executive Summary	Page 3
2.	Introduction	Pages 4 - 5
3.	Internal Audit Performance Update	Pages 6 - 13
4.	Health and Safety Performance Update	Pages 14 - 22
5.	Insurance Performance Update	Pages 23 - 29
6.	Risk and Resilience Performance Update	Pages 30 - 32
7.	Assurance and Counter Fraud	Pages 33 - 34
8.	Looking Ahead	Page 35
9.	Conclusions	Page 36

1. Executive Summary

1.1 This report summarises the performance and activity of the Risk and Audit Service for the period 7 June 2022 to 31 August 2022.

1.2 The report covers each of the areas of the service:

- Internal Audit
- Health and Safety
- Insurance
- Risk and Resilience.
- Counter Fraud

1.3 The report highlights the following key points:

- This has continued to be a busy period for the Service, with the completion of a number of key pieces of work. The performance indicators and key data in this report reflect this positive progress.
- The service continues to seek to support the effective management of risk, which is especially pertinent as the Council transforms.
- The development of the service continues, with a number of improvements having been completed in the period.

2. Introduction

- 2.1 The Risk and Audit Service is managed by the Chief Internal Auditor.
- 2.2 The mission of the Service is *“to deliver a first-class risk and audit service that is highly respected and valued by Sefton and is the envy of our peers”* and the Service has the following objectives:
- To lead the Council in embedding a system of internal control and risk management that facilitates the achievement of the organisation’s objectives
 - To be a valued corporate influence in promoting the due consideration of risk in Council decisions, strategies and plans
 - To align the service with the Council’s changing needs.
- 2.3 In delivering this mission and objectives, the Service encapsulates the following teams:
- **Internal Audit** – this statutory service provides the internal audit function for all areas of the Council, including maintained schools. Internal Audit can be defined as: “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. Internal Audit helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.” (Public Sector Internal Audit Standards)
 - **Health and Safety** – supports Council officers and members in providing an effective health and safety management system that meets the Council’s statutory health and safety duties; thereby controlling the risks of injury and ill health to staff and others affected by the Council’s activities.
 - **Insurance** – fulfils the duty to provide an appropriate insurance service for the Council, including claims management, advice on insurance issues and the management of insurable risk.
 - **Risk and Resilience** – develops risk management and mitigation strategies for the Council on emergency planning (ensuring that the Council meets its statutory responsibilities as a Category 1 responder under the Civil Contingencies Act 2004), public safety and business continuity issues.
 - **Assurance Team** – will develop a Counter Fraud strategy and co-ordinate the development of counter fraud services across the Council.

2.4 This report summarises the main aspects of the performance of the Service for the period 7 June 2022 to 31 August 2022, covering the following areas:

- Internal Audit:
- work undertaken in the period, including a summary of work completed and an outline of the high priority recommendations made.
- performance against Key Performance Indicators
- anti-fraud update
- developments relating to this part of the Service.
- Health and Safety, Insurance, Risk and Resilience and Assurance and Counter Fraud:
- work undertaken in the period, with key data provided where applicable
- developments relating to these parts of the Service.

2.5 The report concludes by looking ahead to the challenges which will be addressed in the forthcoming period.

3. Internal Audit: Performance Update

3.1 Completion of 2022/23 Audit Plan from 1 April 2022 to 12 August 2022

Since the last update to the Committee, the team have progressed a wide range of engagements. The table below outlines the audits in the Audit Plan that have progressed during the year. For engagements where a draft or final report is issued, the Audit Opinion and number of recommendations are identified.

Audit Engagement	Audit Opinion	Recommendations			Progress since last update
		High	Medium	Low	
Final Reports issued					
Education Finance - Schools Regulatory Framework 2021/22	Major	3	5	5	Since last reported, the final report has been issued. Implementation of recommendations will be confirmed in the future.
Highways Maintenance 2021/22	Major	0	7	1	Following a delayed response from the client, we have issued the final report. The implementation of the recommendations will be verified in the future.
Assurance Mapping (from contingency)	n/a	n/a	n/a	n/a	This work was substantially complete at the last update and has since been fully concluded. The work helped to inform the Annual Opinion from the Chief Internal Auditor which was provided to the Committee in June 2022.
St John's Waterloo Primary (21/22)	Moderate	3	3	3	Since the June update, the final report was issued. Implementation of recommendations will be confirmed in the future.
Tree Management Report	None given	13 recommendations in the report			Reported undertaken by the Council's Claim's Management Provider and included in the Annual Audit Plan. We are currently working with the Tree Management Team and Teams across the Council to develop a response to the report including an action plan

Audit Engagement	Audit Opinion	Recommendations			Progress since last update
		High	Medium	Low	
Draft Report issued					
Procurement	Moderate	0	10	0	In June we informed the Committee that draft report had been prepared and meetings arranged with the client to discuss the findings. Since the last update, the draft report has been issued.
Operator's Licence	Minor	0	3	2	As reported to Committee in June, the report has been issued. There is one recommendation that still requires agreement from the client. Once this is received, then we will issue the Final Report.
SEND 2021/22	Major	4	2	1	There have been discussions with client to finalise the wording of draft ahead of issue of the final.
AGS 2021/22	n/a	n/a	n/a	n/a	The Draft Annual Governance Statement has been shared with the Chief Executive and with SLB.
Corporate Governance Report 21/22	Moderate	4	0	0	As reported at the June Committee meeting, draft report has been issued. The issue of the final report is likely before Committee meets on 7 September.
Aiming High	Moderate	3	8	0	Draft report has been issued to the client for consideration.
Sandway Homes - 2021/22	Moderate	0	12	1	Draft report issued and recently received update on narrative to facilitate discussions ahead of finalisation.
SeftonArc Security Services – 2021/22	Major	13	35	2	We previously reported to the June Committee that the draft report had been issued. Operational In-House Services are currently drawing up a response to the recommendations which we are expecting shortly. Audit are working closely with Management to
Linaker Primary School	Moderate	0	5	3	The draft report has been issued. We'll engage with the new Headteacher in September 2022 to request a response to the recommendations.

Audit Engagement	Audit Opinion	Recommendations			Progress since last update
		High	Medium	Low	
On-going work					
Contain Outbreak Management Fund					The fieldwork and review of expenditure is in currently ongoing.
ASC - Budget Management					Initial meetings arranged with clients.
Climate Emergency					Brief issued and planning completed. Fieldwork to be undertaken.
Children's Services Demand Management					Initial planning work was undertaken. The Ofsted Inspection covered aspects of demand management. Audit plan to review progress against the Improvement Plan later in the year.
Golf Income					Audit Brief prepared and issued to the client.
Beach Income					Fieldwork progressing.
Performance Management					Audit Brief issued and work programme prepared.
Follow Up of Implementation of Internal Audit Recommendations					Activity has started to confirm with clients that audit recommendations have been implemented. The Committee is due to receive an annual report on the follow up of recommendations in December 2022
PSIAS					Self-assessment undertaken and progress made in improving procedures.
Risk Management					Fieldwork is in progress.
Direct Payments					Fieldwork is substantially completed in this engagement. Draft report in the process of being prepared.
Mayor's Charity Fund	n/a				The income during the previous year was less than threshold to require Independent Examiners Review.
St Elizabeth's Primary School					Work on this audit has commenced.

Audit Engagement	Audit Opinion	Recommendations			Progress since last update
		High	Medium	Low	
St John's, Crossens Primary School					Fieldwork has commenced and is in progress.
Grants certified					
Troubled Families Grants					Since the last update, a second quarterly grant claim has been certified.
Urban Traffic Control Yr Q1 Apr - Jun					£65.8k grant certified
Key Route Network A59 -Port Capacity 2021/22 Q4.					£5.25k grant certified
A59 2021/22 Q4					£5.25k grant certified

3.2 High Priority Recommendations

A summary of the high priority recommendations made on draft reports issued since the last Committee meeting is provided below.

Aiming High

A comprehensive review of local policies and procedures is required to ensure that they are up to date. Staff should be reminded to access and use the current suite of policies and procedures. Cash handling processes required strengthening and the Charging Policy for Service Users requires finalisation.

3.3 Other Added Value Work Completed

To assist the Committee in its understanding of the broad range of assistance and value that the Audit team has provided across the Council we have included some examples.

- Provided advice, guidance and wording for 'fraud proofing' of Council Timesheet Forms to HR/Payroll.

- Provided advice and guidance to Chief Legal and Democratic Officer and Finance Officer on Partnership Agreements narrative in Constitution.
- Provided advice and guidance to Chief Legal and Democratic Officer on Third Party Assurance Statements.
- Provided AGS for incorporation in Council’s Annual Report and Accounts.
- Provided wording for CEO and Leader’s Foreword in AGS.
- Provided advice and guidance to Combined Authority on COVID-19 Grant, and
- Provided template, advice and guidance for Council’s Declaration of Interests and Gifts and Hospitality Registers.
- Advice to Financial Management regarding use of external agency to supporting financial vetting process.

3.4 **2022/23 Resources and Performance**

The following table outlines the Audit Team’s performance against the Key Performance Indicators outlined in the Audit Plan agreed by the Committee in March 2022. Figure 1 shows progress made against the Audit Plan.

Description and Purpose	Target	Actual	Variance and Explanation
<p>Percentage of the Internal Audit Plan completed</p> <p>This measures the extent to which the Internal Audit Plan agreed by this Committee is being delivered. The delivery of the Plan is vital in ensuring that an appropriate level of assurance is being provided across the Council’s systems.</p>	<p>37%</p> <p>See graph below</p>	<p>27%</p> <p>See graph below and narrative</p>	<p>10%</p> <p>Vacant posts have pulled performance down but work on Annual Governance Statement and Corporate Governance Report ahead of schedule.</p>
<p>Percentage of Client Survey responses indicating a “very good” or “good” opinion</p> <p>This measures the feedback received on the service provided and seeks to provide assurance that Internal Auditors conduct their duties in a professional manner.</p>	<p>100%</p>	<p>100%</p>	<p>No variance</p>
<p>Percentage of recommendations made in the period which have been agreed to by management</p>	<p>100%</p>	<p>100%</p>	<p>No variance</p>

Description and Purpose	Target	Actual	Variance and Explanation
This measures the extent to which managers feel that the recommendations made are appropriate and valuable in strengthening the control environment.			

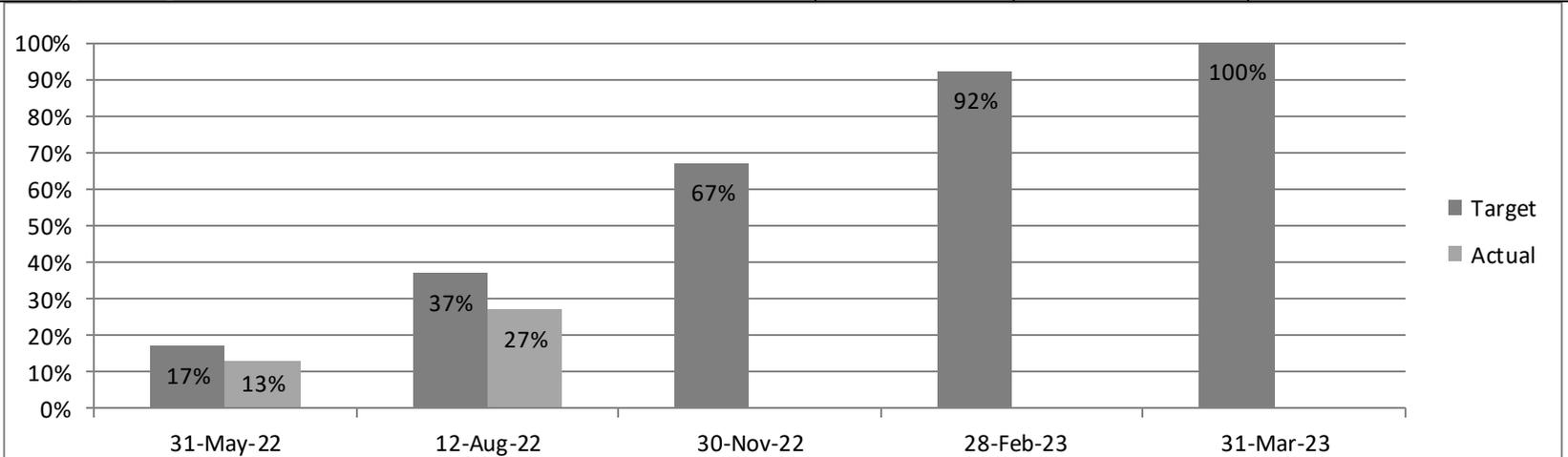


Figure 1: Percentage of the Internal Audit Plan 2022/23 Completed (profiled to coincide with the Audit and Governance Committee reporting dates)

In calculating the size and capacity of Internal Audit team for the 2022/23 Audit Plan, assumptions were made in February 2022 over the proposed resources to deliver the plan which were included in the Internal Audit Plan presented to Members in March 2022.

At the time in February two vacant Principal Auditor posts were advertised for recruitment and we assumed for planning purposes that the two Principal Auditors would have been recruited by June 2022 and in post. Only one of the two vacant posts have we been able to fill with a suitable experienced and qualified candidate however they were unable to start until 1 August 2022. In addition, we expected to receive a CIPFA trainee from June 2022 to help deliver the Plan however this rotation from Financial Management was delayed from June 2022 until the end of August 2022. We are continuing to recruit to the vacant Principal Auditor post and have adverts out currently with the aim to recruit a suitably qualified and experienced candidate. There is still a tight recruitment market for Internal Audit staff with very few suitably experienced and qualified candidates willing to apply for roles.

In addition, Finance had confirmed in February that a CIPFA qualified staff will transfer to Audit and Risk Team as a temporary two-year fixed term Principal Auditor with effect from October 2022 (note that this will be dependent on a CIPFA

Graduate Trainee qualifying following the September 2022 examinations). We are waiting for confirmation on the timing of the transfer.

To provide additional capacity a third Principal Auditor on a fixed term contract had agreed to move from part-time to full-time from 1 April 2022 and agreed to an extension to his contract until 30 September 2022.

Overall, we had planned for five auditors from June 2022 (three Principal Auditors, an ICT-Trainee and a CIPFA trainee) but operated with three auditors (two Principal Auditors and an ICT-Auditor). This equates to approximately 79% of the planned capacity for the first four months of the year. Delivery of the plan has been broadly in line with this resource position.

In summary there has been a shortfall in the capacity of the Internal Audit Team to complete the Audit Plan of two Principal Auditors for the months of June and July and there continues to be an ongoing shortfall in capacity of one Principal Auditor (12-days to 12 August 2022). In addition, we expected to receive a CIPFA trainee from June 2022 to help deliver the Plan however this rotation from Financial Management was delayed until the end of August. We remain reliant on the internal transfer from Finance to provide the CIPFA qualified staff for the two-year secondment to start on time and the external recruitment exercise to find a suitable Principal Auditor. We will bring an update to the Committee meeting on this exercise.

The two secondment roles from the Finance team, will provide greater co-operation across Finance Service, help to cement greater awareness of risk, control and governance issues across functions, help with succession/ diversity issues as well as providing greater capacity for the Internal Audit function. There are of course personal development opportunities for the staff involved. We welcome the opportunity this presents in training staff, building competence on key skills which will eventually return to the wider Council whilst dealing with the capacity issues we have highlighted above. The Internal Audit Plan for 2022/23 reflects the work we can expect the two new team members to undertake.

At present there remains some contingency in the plan of 90 days approx. which is essentially removed with the inability to appoint the two staff members. If the recruitment exercise is concluded in September satisfactory and we have visibility on the timing of the transfer of the CIPFA qualified staff we will be in a position to assess the plan for the rest of the financial year. It is likely at this stage that we will need to bring a revised internal audit plan back to the Committee in December to approve.

Since the 1 April 2022 we have had three staff members absences totalling 24 days due to Covid-19.

An emerging concern which is contributing to the delay in completing the audits on time is the completion of the audit agreed action plan after the draft action plan has been issued. We are experiencing delays in the completion of the agreed

action by management and in some cases the quality of the agreed action is insufficient to address the recommendation and the risk that has been identified. This also makes it difficult to follow up as where the proposed action is unspecific or measurable we struggle to obtain evidence and in reality and more importantly the risk identified in is also not being addressed. As a result, the Audit Team are involved in more conversations and meetings to resolve the issues than should be the case. We intend to bring forward for December Committee an agreed, with Management, response time for draft reports and clear expectations on what the proposed action should look like. We will going forward from December provide granular detail on outstanding draft reports, their date of issue, current position etc.

3.5 Public Sector Internal Audit Standards

In March 2018 the Internal Audit Service was externally assessed as “generally complies” with the Public Sector Internal Audit Standards. This was reported to the Committee at the time. Each year the Internal Audit develops and implements an Improvement Plan to enhance systems and processes to improve the service. The Internal Audit Service is due to be externally assessed during 2022/23.

3.7 Developments

Since the last Audit and Governance Report Internal Audit has:

- Continued to monitor staff wellbeing during the prolonged period of home working maintaining frequent regular contact with all team members.
- Carried out our first site visits to auditees since the start of the pandemic.
- Planned for our agile/hybrid return to Magdalen house.
- Redesigned the audit report to include an improved executive summary and to shorten the main body of the report to improve readability for recipients.
- Completed the recruitment and induction of a permanent Principal Auditor who started in August 2022. This appointment is helping with the delivery of the Audit Plan.
- Started to utilise the new database of outstanding audit recommendations and have begun the process of verifying implementation of previously agreed recommendations.
- We have provided proposals on the introduction of the three lines of defence to management

In the next quarter, the planned development for the service includes:

- The continued implementation of processes to reduce the backlog of audit recommendations that require following up and identify an effective way to report recommendations implemented and outstanding to this Committee.
- Roll out a proposal to management to develop the three lines of defence model recommended by the Institute of Internal Auditors

- Continue with preparations for upcoming Public Sector Internal Audit External Assessment due in coming year.
- Introduce new CIPFA trainee to the team in August and a second in November.
- Re-advertise for the vacant Principal Auditors position.

4. Health and Safety: Performance Update

4.1 Progress

The Council continues to focus on improving the health and safety management system and support by reviewing existing arrangements and improving governance.

The Corporate Health and Safety Team consists of two permanent and one fixed term health and safety professionals. The fixed term Health and Safety Officer (Schools and Commercial) was appointed for a two-year appointment from 1 April 2022 until 31 March 2024 with the post being filled by an existing member of staff on a fixed term contract that finished on 31 March 2022.

Resources continue to be stretched in meeting the demands of the Council and Schools and to satisfy the requirements of the Management of Health and Safety at Work Regulations. The Corporate Health and Safety team supports nearly 8000 staff (including maintained school staff, and schools with a Service Level agreement in place), plus agency staff, contractors, and volunteers.

The Team continues to deliver a range of services across all Council departments and schools. These services can be divided into three main areas: Policy and communication, operational reactive response, and active monitoring.

Health and safety objectives and key performance indicators have been aligned to the Councils 'Vision 2030' and 'One Council' initiatives and core values. These are continually reviewed and drive the programme of work, not only for the team but for services areas through the health and safety sub-committees. It is acknowledged that outputs have been affected by the COVID-19 pandemic and the team have adjusted service delivery to assist the Council in meeting its obligations and to provide managers and staff with the relevant support.

Consultation arrangements are working well, with the Corporate Health and Safety Committee playing a key role in conjunction with the Departmental Health and Safety Committees. The committee meetings continue to be held virtually, using TEAMS, which has proved to be successful.

Activities arising from the risk of the transmission of coronavirus 2 (SARS-CoV-2) has been significant, as operations, work and home environments have continually been adjusted throughout the various periods of restriction. The re-opening and recovery of service delivery has proved challenging for the Corporate Health and Safety Team, working with managers to balance COVID arrangements, compliance, and operational demand. As the team have supported Heads of

Service, Service Managers and Head Teachers through the recovery from the pandemic, support requirements are broadening into other areas of workplace health, safety and wellbeing. Significant support has been provided for reconvening of face-to-face and public facing activities, the reintroduction of school trips and increase in office occupation. Council building and operational risk assessments are being updated, providing assurance to Council managers and staff.

The health and safety audit process has been redesigned, with a new programme of monitoring in place, including audits, inspections, safety tours and surveys. The Corporate Health and Safety team are attending sites.

The Health and Safety Executive continue to visit Schools and Council premises to assess stress management, statutory maintenance and other health and safety arrangements in place for staff. No significant issues have been identified during their visits.

Corporate minimum standards have been developed and published on the intranet. Documents and forms are issued to the Workplace Learning and Development Team for inclusion in training packages. Recent revisions and additions include updates on

- Risk Assessment,
- Well-being,
- Statutory Maintenance,
- driving for work, and the
- Security and Safety of People,
- Buildings and Assets.

Work continues on

- Construction Design and Management (CDM),
- Fire Risk Assessments,
- Personal and corporate security,
- Dangerous Substances and Explosive Atmosphere Regulations,
- First aid provision and
- Local emergency response.

Downloadable aids are being added to the intranet and other tools for reaching staff who may not be digitally connected are being developed with the Communications Team.

The Team continue to monitor the impacts of workstation arrangements (Display Screen Equipment Regulations 1992) with the increase of hybrid working, and the Stress Management Standards. The team have worked collaboratively with other service areas to ensure the Councils obligations are being met, whilst ensuring the physical, psychological, and emotional health, safety and wellbeing of staff is maintained.

Utilisation of the on-line incident reporting system is increasing, and there is evidence of improved investigation which is very positive. An exercise is in progress to extend reporting for incidents and near misses, support managers with proportionate investigation to prevent reoccurrence and limit insurance or enforcement intervention.

CLEAPSS was established as a Consortium of Local Educational Authorities for the Provision of Science Services. It now acts as an advisory service providing support in science, design, technology, and art for educational settings, and assists Local Authorities and schools in discharging their duties as an employer. The Corporate Health and Safety Team and schools receive considerable support from CLEAPSS on health and safety, including radiation matters. A sizeable proportion of Sefton schools pay for the CLEAPSS RPA (Radiation Protection Adviser) Service. The Corporate Health and Safety Team continue to operate as a link between schools and the Radiation Protection Adviser, supporting school Heads of Science in the storage and use of radioactive sources, providing advice and conducting audits.

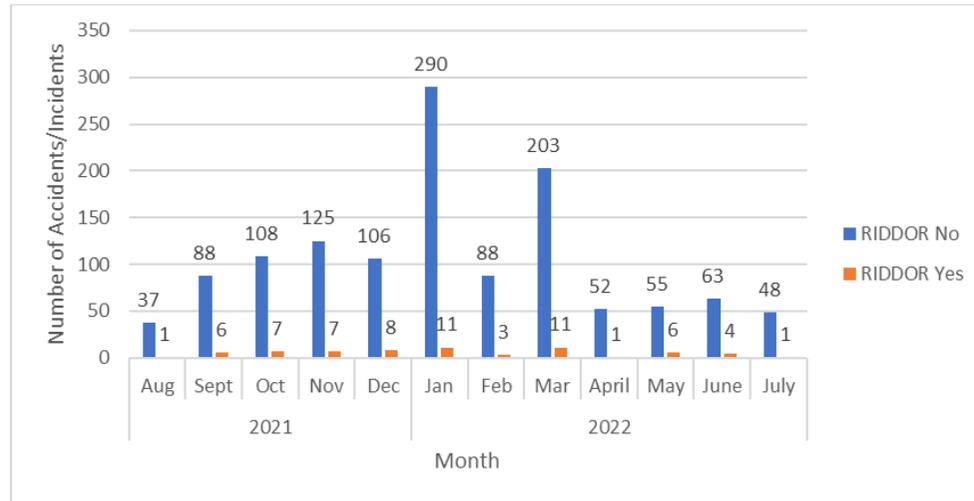
EVOLVE provide online services for schools, including a tool for planning and managing educational visits, after school clubs and sports fixtures. The Health and Safety Team continue to provide support and guidance to schools and their Educational Visit Co-ordinators (EVC). The EVOLVE system allows schools to upload risk assessments and other critical event information and take school staff through an authorisation process, which involves a schools internal Educational Visits Co-ordinator (EVC), Head Teacher, the Local Authority Corporate Health and Safety Team. EVOLVE have continued to provide live online training in conjunction with the Health and Safety Team. The next EVC course is planned for October 2022. The format of the live online training has proved very successful.

The North-West networking groups, Liverpool City Region H&S Advisers Group and Outdoor Education Adviser's Panel continues to meet virtually, although they are increasing face to face meetings, which will affect the need for staff to travel outside the borough.

4.2 Key Incident Data

The Health and Safety Team continue to manage the Council's incident reporting system which records work-related accidents and incidents involving employees, agency workers, contractors, volunteers, and members of the public.

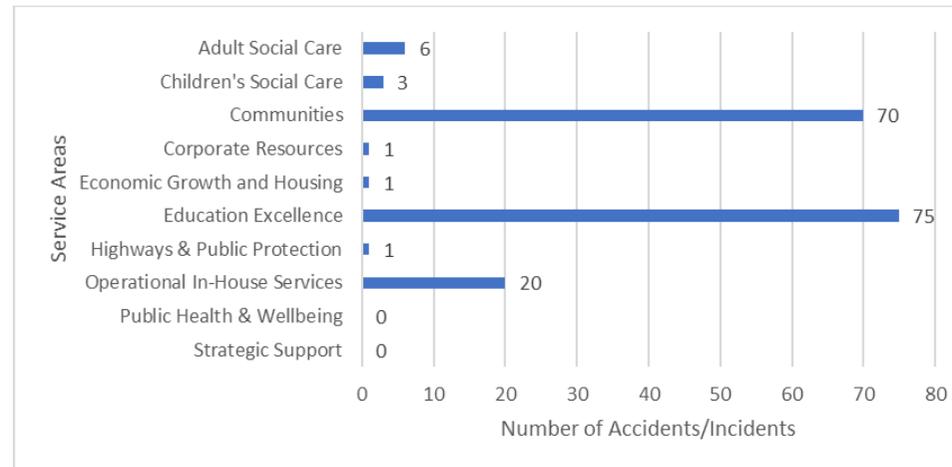
Graph 1 below compares accident and incident data over the past year. Most of the incidents reported were COVID-19 related until April 2022, when free testing and the requirement to report workplace transmission ceased.



Graph 1: Accident and incident data between 1 August 2021 to 31 July 2022

The variation in reporting throughout the year is consistent with the re-opening of schools and service areas. The increase of reports raised in January and then March 2022 highlights the vulnerabilities of staff from exposure to COVID-19 and confirmed the need for the cautious approach as we approached the Spring and increased physical interactions.

Graph 2 below provides details on the accident and incident data compares accident and incident data over the past year. Most of the incidents reported were COVID-19 related until April 2022, when free testing and the requirement to report workplace transmission ceased.



Graph 2: Accident and incident data across Council Service Areas between 1 May 2022 to 31 July 2022

Education Excellence, Communities and Operational In-House Services report the most incidents, and this is consistent with previous years data. One influence is the continued essential service delivery during the various pandemic restrictions.

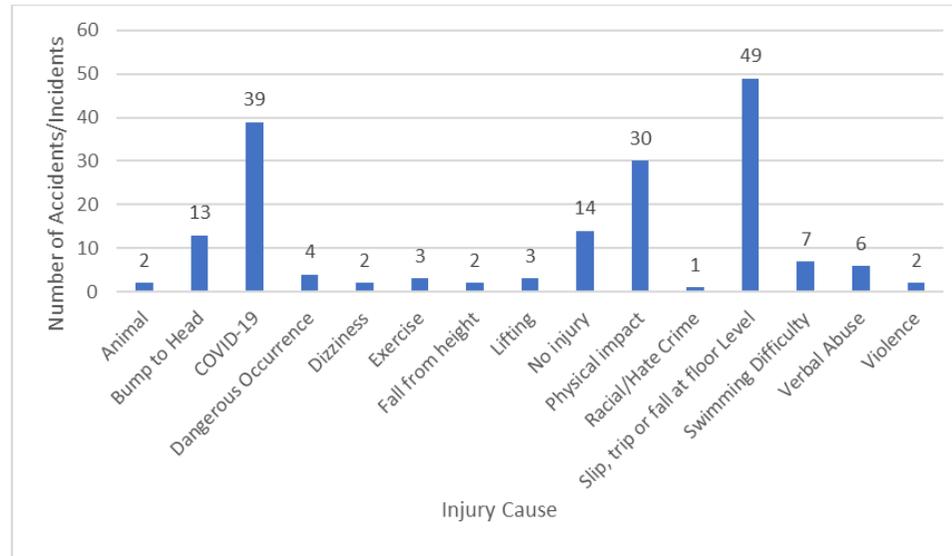
Evidence suggests that low figures were due to the significant numbers of staff working from home and the potential of a low reporting culture.

The Corporate Health and Safety Team continue to promote a good reporting culture to manage

- The risk of injury,
- Ill health and
- Other potential and actual losses to the Council,
 - including property damage or fire,
 - presence of legionella in water systems and
 - incidents from storm damage.

A positive reporting culture provides greater accuracy in accidents, incidents and near misses' data and enables the Council to assess its risk profile, identify trends and opportunities to prevent reoccurrence.

Graph 3 shows the reported causes of accidents and incidents reported across Sefton Council from 1 May 2022 to 31 July 2022.



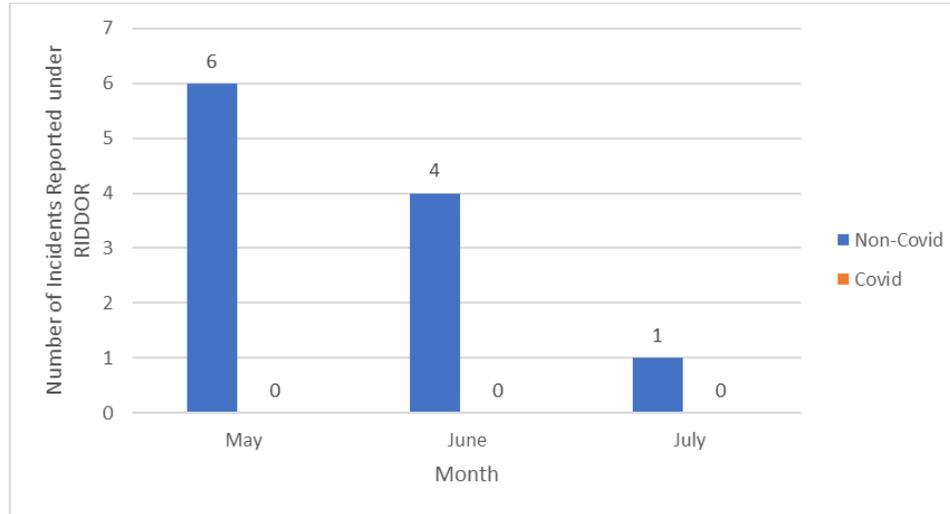
Graph 3: Accident and incident data by Cause between 1 May 2022 to 31 July 2022

Injuries from slips, trips and contact sports and games have become the most common cause of cause or accident, incident, or ill health since early 2020, where the most common cause was COVID-19.

Through discussions with staff and at Health and Safety Committees, incidents of threatening and abusive behaviour and poor mental health, including stress have remained, although not always reported through the incident reporting system.

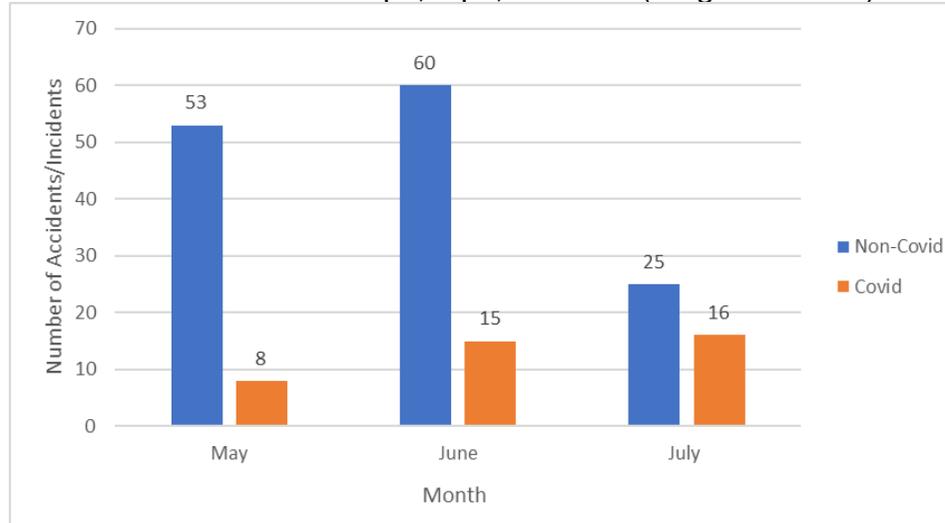
The team are working with managers to ensure value and benefits of reporting and proportionate investigation are understood. Further work is being undertaken to assess and implement change across the Council to improve personal safety and cases of poor mental health and wellbeing.

Graph 4 shows the number of notifications made to enforcement authorities and insurers under the Reporting of Injuries Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR), between 1 May 2022 to 31 July 2022, also known as RIDDOR reports.



Graph 4: RIDDOR Reports raised between 1 May 2022 to 31 July 2022

There were no cases of reportable COVID-19 cases due to the changes in the Governments reporting requirements. Reportable cases were fractures sustained from slips, trips, and falls (on ground level) and work at height.



Graph 5: Nos of incidents COVID-19 / non-COVID 19 between 1 May 2022 to 31 July 2022

Graph 5 provides data on number of COVID-19 (Internal, i.e., non-RIDDOR) reports raised alongside non-COVID-19 reports. Moving forward, it will continue to be difficult to present raw COVID case data and workplace transmission due to

changes in testing and national reporting requirements. These internal reports have been raised by managers to assist with the risk assessment review process.

There is no longer a requirement to report COVID-19 workplace transmission (i.e., externally) to the Health and Safety Executive under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) RIDDOR except where an employee has been infected with coronavirus through:

- Deliberately working with the virus, such as in a laboratory, or
- Being 'incidentally exposed, to the virus.

Incidental exposure can occur when working in environments where people are known to have COVID-19, for example in a health or social care setting. Risk assessments are still required for these activities.

Front-line services may continue to be at risk of staff experiencing upper respiratory tract and other infections, due to their exposure to the public and potentially vulnerable people. For this reason, service areas are continuing to be asked to consider risks to staff within their risk assessments and emergency and business continuity plans.

4.3 Developments

There will be a continued focus during the next quarter of delivering the Health and Safety Improvement Plan with planned and reactive priorities.

The team will be working with the health and safety sub-committees to develop their own service area improvement plans, considering lessons learnt and areas of good practice.

The Corporate Health and Safety Team will:

- Continue to support Managers and Head Teachers with the review and updating of risk assessments.
- Continue to review, update and monitor the Health and Safety Standards and Policies, with focus on Fire Risk Assessments, personal and corporate security, Dangerous Substances and Explosive Atmosphere Regulations, first aid provision and local emergency response.
- Continue to develop the Council-wide training needs assessment which will build into the health and safety training plan and provision, in collaboration with the Workforce Development Team.

- Work with senior managers to identify staff who require risk assessment or refresher training. Continue to support the delivery of risk assessment training for managers.
- Focus on improving the accuracy of incident reporting, investigation and implementation of controls and monitoring to prevent reoccurrence. Work with managers to ensure incidents of threatening and abusive behaviours towards staff are reported and investigated.
- Continue to deliver a health and safety monitoring regime across the Council, to schools where the Council retains responsibility for the health and safety as the employer and those schools with a Service Level Agreement with the Councils Corporate Health and Safety Team. This will provide assurance that health and safety management systems are suitable and effective.
- Monitor outdoor education activities, offering advice and reviewing risk assessments for off-site visits and adventurous activities involving young people in schools. This is managed by the EVOLVE system which schools can purchase as part of the Service Level Agreement offering.
- The Team continues to support schools in the safe storage and where necessary, destruction of their radioactive sources.

5. Insurance: Performance Update

5.1 Work Completed

During the period, the following key pieces of work/projects have been undertaken:

- The Team have spent a considerable time on preparation for the upcoming renewal of insurances for the Council and associated subsidiary companies (Sefton New Directions, Sandway Homes and Sefton Hospitality Operations Limited). After collaborating with all service areas and senior management, proposal forms have been completed and sent to Brokers in order that they can present insurers views on cover, rates, and premiums prior to the renewal date of 29 September 2022. Renewal of insurances this year represents the last year of the current Long-Term Agreement and the subsequent rates, premiums and advice from Brokers will determine if a Tender will be required in 2023 or the Agreement is extended. The current insurance market remains challenging with Insurers focused on technical prices to ensure profitability over market share with limited appetite for risk. This is apparent in terms already received in relation to the Material Damage policy where the underlying Policy costs have increased by 6%, and, given the current financial and availability of building materials issues following the Covid-19 pandemic and general supply chain issues, the sums insured have been increased by 11.2% this year. These increases flow directly into higher insurance premium costs. The Team will ensure that any further proposed adverse increases in the main policy renewal premiums are challenged appropriately with, and via, the Council's Brokers and will report further in the next update.
- The Council continues to defend cases robustly to protect the public purse and, where necessary, will enlist the assistance of Weightmans, the Council's Solicitors. Whilst Weightmans have been actively working on the Council's behalf during the last quarter there have been no claims proceeding to trial. They have however been instructed on a number of complex and sensitive cases, of which any significant outcomes will be reported on in future updates.
- The Team continues to work extensively with service areas to improve the management of insurable risk especially in areas where there are high numbers of claims or areas of concern. The Council generally has high defensibility rates, and such risk management activity will assist in maintaining and potentially improving the position further. Although not specifically claim related, the Team has recently liaised with the Transport & Vehicle Maintenance Section at Hawthorne Road Depot to streamline the motor vehicle claim reporting process and at the same time ensure that all detail is being captured as it should to meet the requirements of Ministry of Justice Protocols.
- Working with colleagues in Tourism, the Team secured cancellation insurance for two major events in Southport – the successful Southport Airshow which was held 9 – 10 July 2022 and the British Musical Fireworks Championships due to take place 23 – 25 September 2022.

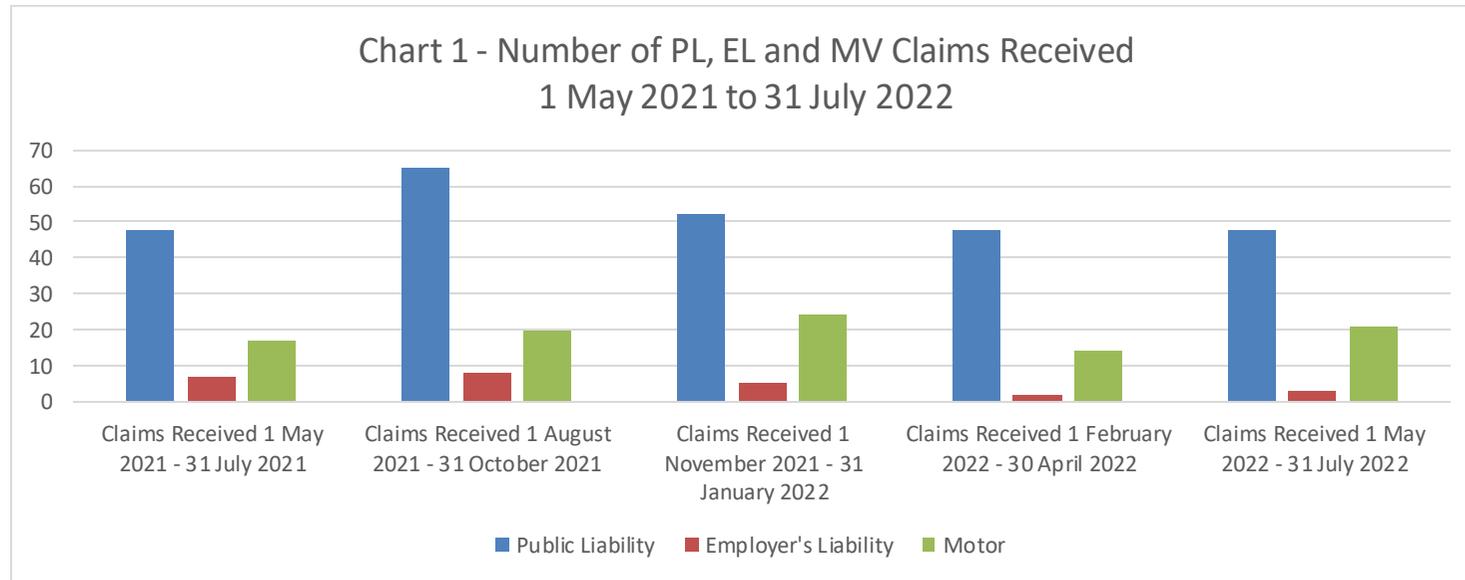
- As stated in the last update, from the allocation of free risk management days available from the Council's Insurance Programme, an external review of the Council's Tree Management Strategy and Policy implementation has been undertaken to provide assurance that the current and proposed approach on Tree Management is suitable and effective in meeting our legal obligations. Following receipt of the Consultant's Report, the Tree & Woodland Team are leading on working with other service areas to ensure that all trees within Council responsibility are maintained and inspected as required whilst also seeking to improve their own practices to ensure a reasonable, practicable and proportionate approach to risk management.
- In addition, a further external review was also undertaken of the current Highways Winter Service Plan to conduct a critical examination of the adequacy of the risk management strategy and/or processes currently in place for reducing liability for any claims. Whilst slight amendments were identified, it was pleasing to note that the Consultant who undertook the exercise advised that the Policy was one of the best ones he had come across in terms of being comprehensive and well organised to follow the spirit of the Highways Code of Practice and guidance from bodies such as the National Winter Service Research Group.
- The Team have been working with colleagues from Tourism providing guidance and support with the management of the Southport Pier, in particular relating to the decking and the outstanding Risk Improvement Action.

5.2 Key Claims Data

The following charts outline the insurance performance and include:

- Numbers of claims for Public Liability (PL), Employers Liability (EL) and Motor (MV) received by Sefton Council for the period 1 May 2021 to 31 July 2022.
- Value of the reserves for PL, EL and MV claims received by Sefton Council for the period 1 May 2021 to 31 July 2022.
- The average reserve value for PL, EL and MV claims received by Sefton Council for the period 1 May 2021 to 31 July 2022.

Chart 1 below outlines the number of claims for PL, EL and MV received for the period 1 May 2021 to 31 July 2022.



PL claim numbers remain unchanged from the previous quarter and therefore once again represent the lowest number received for the overall reporting period. The service areas with the most claims are:

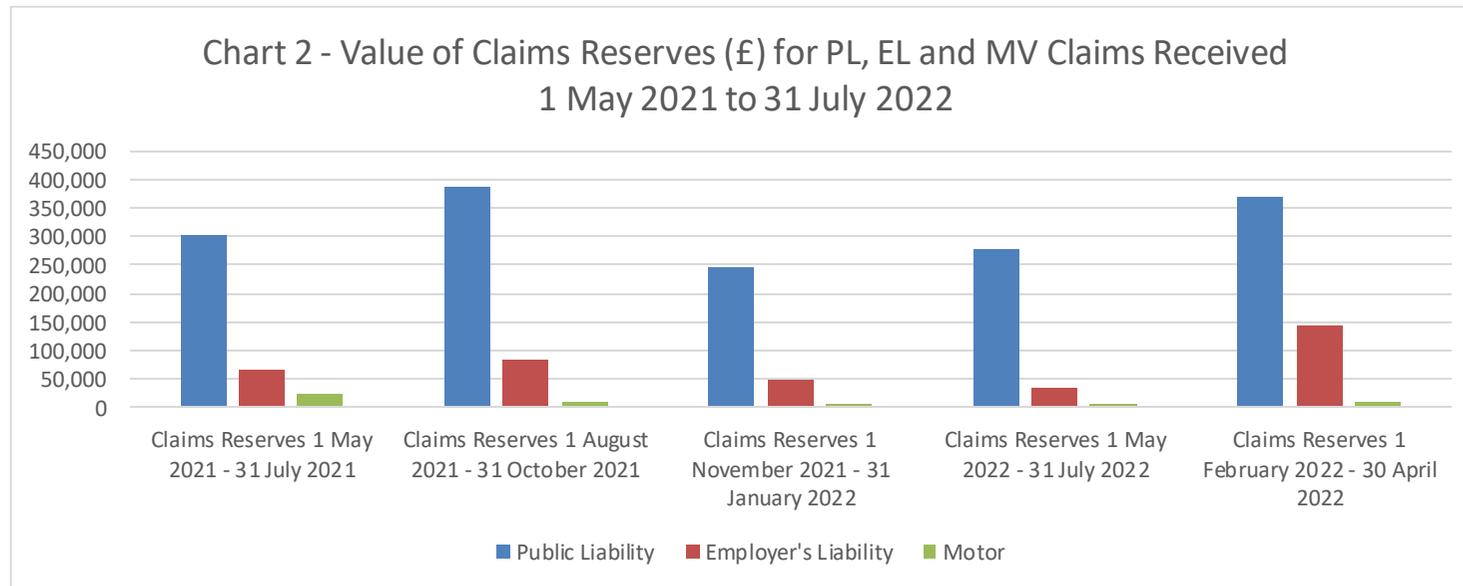
- Highways at 64% of all PL claims of which 77% represent personal injury and 23% property damage.
- Green Sefton (Tree & Woodland) with 10% of which 100% relate to property damage
- Tourism with 8% of which 75% of the claims relate to trips on Southport Pier decking.

Although the numbers of EL claim numbers remain low, there has been a 50% increase since the last quarter. However, the number received is the second lowest of the overall reporting period representing a decrease of 62% from the peak in quarter 2.

The number of MV claims received has also increased by 50% and represents the highest number of the overall period, which ends on an increase of 24% from the start of the overall period. The Waste and Street Cleansing service area represents the majority of claims received at 71% with the remaining 29% being spread evenly amongst a number of other service areas. Continuing from the last quarter, no claims were received for personal injury to third parties, and 71% of all claims received relate to own damage to Council Fleet vehicles.

The current profile in all three areas presents no cause for concern however claim numbers will be monitored for any changes in trend.

Chart 2 below outlines the value of the reserves for PL, EL and MV claims received for the period 1 May 2021 to 31 July 2022.



Claim reserves are allocated by the insurers and/or claims handlers independent of the Council and are determined by the type of injury sustained by the third parties and/or damage occasioned to their property.

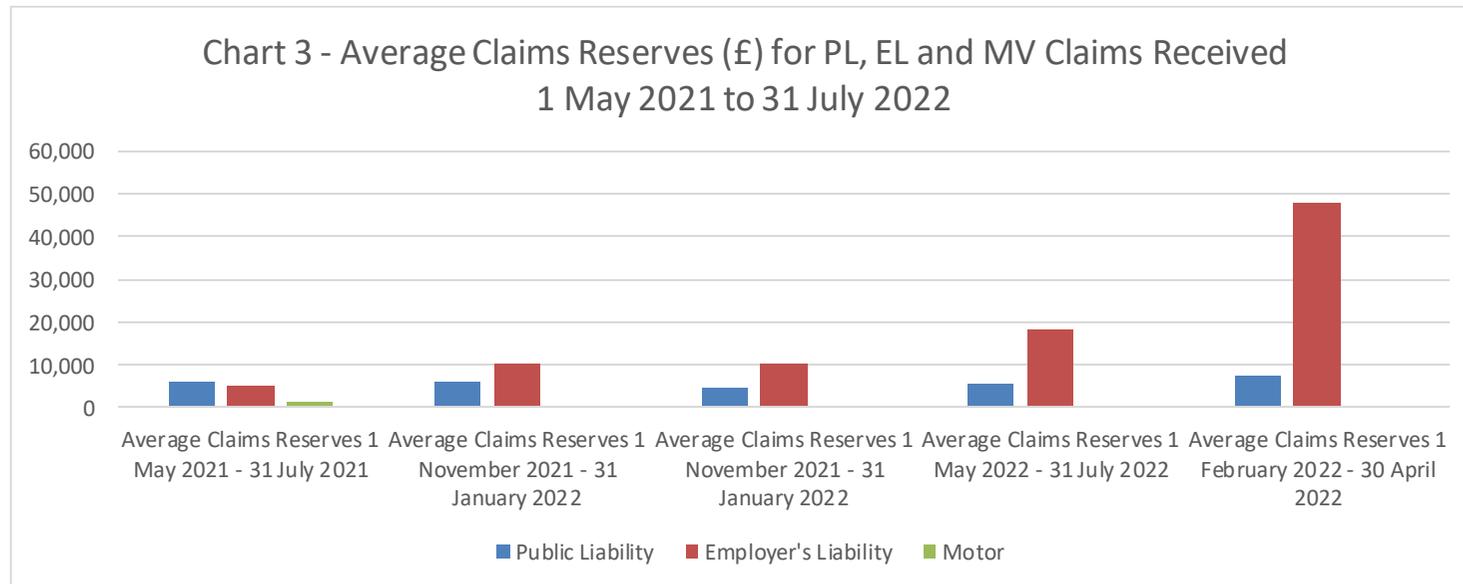
Despite PL claim numbers remaining constant, an increase of 33% can be seen in reserves between the fourth and fifth quarters. Reserves for this quarter are the second highest and reflect the type of injury and/or damage sustained by third

parties. Claims having individual reserves of £10k or more in this quarter represent 27% of all those received, and all relate to personal injury.

Although EL claim numbers have increased by 50% since the last quarter, reserves have increased by a significant 292%, being the highest of the overall reporting period. This is due to the nature of injuries claimed by employees. However, the claims are in their infancy and investigations have yet to commence and/or complete and Insurers have therefore been cautious when attaching the reserves. Once further detail is known, the reserves will be adjusted accordingly.

MV reserves have increased by 125% despite only a 50% increase in the number of claims received. Given there have been no personal injury claims, this increase is solely for the cost of repairs to vehicles. This is partly down to the severity of damage caused, however, as with many other commodities, the cost of parts has increased following the Covid pandemic which will also reflect on the reserves. Since the first quarter however, there has been a 55% decrease in claim reserves.

Chart 3 below outlines the average value of the reserves for PL, EL and MV claims received for the period 1 May 2021 to 31 July 2022.



Reflecting the increase in PL claims reserves, and despite no increase in claim numbers, the average reserve is the highest of the overall reporting period and has increased by 28% from the last quarter. This is reflected in the type and complexity of injury and/or damage sustained by third parties.

EL claim numbers and reserves both increased over the period, and the average reserve at the end of the period is a significant 162% higher than the previous quarter due to the nature and simplicity of injuries reported to Insurers.

Although the average MV claims reserve has increased by 43% since the last quarter, it is the third lowest of the overall period and 65% lower than the first quarter.

Trends in claims performance will continue to be monitored.

5.3 Developments

- As the Council continues to change and commercialism develops, discussions will continue with the Insurance Broker to ensure that all new risks/liabilities to the Council are identified, and, if required, relevant insurance cover is sourced and procured to provide appropriate protection. The Team has recently liaised with Insurers to ensure that the Council owned Sefton Hospitality Operations Limited has appropriate cover ahead of its opening of The Lake House at Crosby Lakeside Adventure Centre and also for its seasonal concession at Ainsdale Beach. Initial talks are now taking place with Insurers for the proposed Marine Lake Events Centre and, under the new ten year lease agreement, insurance cover has been secured for Magdalen House.
- As previously advised, the Team wish to continue to ensure that the Council has assurance that it has the appropriate level of material damage cover in place for each Council building by undertaking re-valuations of properties not completed in the two earlier exercises. Agreement has now been reached with insurers on both the methodology to be used and the acceptable sample rate of properties to be visited before extrapolating across the specific property categories. Liaising with Procurement colleagues will see the Team undertake a Tender exercise in the near future.
- In consultation with Health and Safety colleagues, the Team will continue to make use of the remaining allocation of free of charge Risk Management Days made available as part of the current liability insurance contract. These are utilised to provide service areas with training or advice for their specific roles.
- Although it is not yet known if it will be free of charge, akin to the allocation of Risk Management Days in the current contract, the Team are awaiting further contact from the Public Liability insurers before considering taking advantage of a

Mini Health Check which will provide an insight of performance across areas of Highways, Children's Service and Employer's Liability and benchmark where the Council is currently positioned in managing these key risks.

- To build on the already strong relationships forged, and to ensure the smooth running of all relevant contracts to provide value for money, regular meetings will continue with external suppliers to the Team – Brokers, Insurers, Claims Handlers, and Solicitors. Attendance at webinars will also be accepted where content is relevant and of interest to the Team and the organisation as whole.

6. Risk and Resilience: Performance Update

6.1 Work Completed

The Risk and Resilience Team (Team) have considered developments across the key areas of Business Continuity, Emergency Planning and Risk Management and an improvement plan has been produced.

The Merseyside Resilience Forum (MRF) has resumed pre-pandemic working groups to deliver on the business plan for the coming year and the team continue to be engaged in various task and finish working groups to plan and deliver multi-agency programmes of work. The Merseyside Maritime and Shoreline Pollution Plan has been produced and circulated for consultation to appropriate agencies. This has been shared with Green Sefton for comment and review. The Telecommunications working group are discussing use of progressing the Resilience Direct mapping facility to provide real time capability in the event of a major incident.

The Team continue to share invitations to MRF training opportunities to relevant council colleagues and emergency duty co-ordinators to enhance their knowledge and experience. Current training initiatives include Multi Agency Gold Incident Command (MAGIC) training, tactical management training and Cyber Security training. Three Senior Officers will attend the MAGIC training session to be held in October 2022.

The Risk and Resilience team supported the following three borough-based incidents this quarter.

- The first, a gas leak, occurred in Bootle and involved the evacuation of a nursery, family wellbeing centre and a school. Local residents were also evacuated from their homes for eight hours during the day. The on-call Emergency Duty Coordinator (EDC) chaired internal emergency management team meetings. These were held hourly throughout the day to ensure the needs of vulnerable people were met and to maintain communication and situational awareness with emergency and utility services on site. Council staff were deployed as necessary to support the affected residents.
- A national emergency was declared for the heatwave which affected the country during July. The team shared advance Met Office and Heat Health warnings to alert staff and partner agencies to prepare and take appropriate

actions to protect those vulnerable to heat related conditions. Internally, council officers met to share information about the risks to their service delivery and appropriate mitigations being put in place. Contact was made with homelessness service providers, early years teams and educational settings, commissioners of adult and children's social care and care agencies, registered social landlords, the voluntary sector and event organisers to raise awareness and understand actions being taken by partners.

- There was a water main burst beneath Church Road, Litherland (A5036) during the early hours of 23rd July. There were more than 40,000 Sefton residents off supply for a period of up to 48 hours over that weekend. The EDC was made aware and mobilised council support for United Utilities (UU) response. The council declared a major incident when it became clear that the situation could be quickly resolved, and community impacts were assessed as being significant. The team convened a multi-agency Tactical Coordinating Group in consultation with Merseyside Police and these meetings each day until supplies were fully restored and the road fully reopened.

For each incident, an internal post incident debrief will be held and the findings from these will contribute towards multi-agency debriefs.

A review of each Service area's Business Continuity plans continue to be facilitated by the Team in consultation with the plan owners. Contact details from revised documents will be used to inform a no-notice activation exercise during the next two months. The Team are currently completing a review of corporate business continuity documentation which will be refreshed and updated.

- Business Continuity Strategy
- Business Continuity Policy and
- Business Continuity Manual

The Team continues to meet with Internal Audit colleagues to consider improvements and developments to the Risk Management system within the Council.

The focus on risk management this quarter has been on improving the Operational Risk Register content within certain service areas. These documents are reviewed by Assistant Directors and should be used to inform content in Service Risk Registers, where risk scoring is sufficient for escalation. This review and improvement is ongoing and each service area will have an in depth study on a rotational basis.

The Corporate Risk Register has been reviewed and is due to be presented to the September Audit and Governance Committee for noting. An alternative, enhanced method of updating the register has been introduced to ensure improved

visibility and engagement in the process is achieved. Meetings with risk owners continue to be held virtually to ensure ongoing improvement to risk management arrangements across the Council.

Action to draft the Council's risk appetite is currently underway with an external facilitator meeting Officers and Members to assist in drafting a Risk Appetite statement. A draft risk framework has been defined and is currently with management to consider. The plan is for the draft risk appetite statement should be provided to Cabinet for approval and the Corporate Risk Management Handbook to be amended to reflect the changes. Initially the review of the Corporate Risk Handbook had been put back from March 2022 to June 2022 however due to the delay in completing the risk appetite an initial review of the Corporate Risk Management Handbook has been completed for September 2022 Audit and Governance Committee. A second review will be completed following the finalisation of the risk appetite work.

6.2 Developments

- Major incident plans and processes will continue to be reviewed and associated risk assessment of operational activities documented to ensure safe working for members of the team and colleagues, partners and stakeholders.
- Working with Public Health to provide assurance of arrangements in place via the Health Protection Forum on health risks associated with severe or extreme weather.
- Contact has been made with a number of BC Consultants to support plans for delivery of a BC exercise to members of SLB.
- Ongoing review of the business continuity plans and consideration of content for continual improvement.
- Further development of Operational Risk Registers from all teams, including an exercise to ensure escalation of Operational risks to Service Risk Registers where appropriate.

7. Assurance and Counter Fraud: Performance Update

7.1 Work Completed

As part of the Council's membership of NAFN (the National Anti-Fraud Network), NAFN has advised all members to inform the relevant teams across the Council to be vigilant when receiving any requests for change of bank account details whether those requests are internal or external to the organisation. Employee victims were found to have had a strong online presence, which suggests the fraudsters became aware of their employer, using online methods/social media. Whilst our payroll teams in Sefton are vigilant and kept updated on these scams, an alert to all staff members with the suggestion they remove any employment details from their online/social media profiles was shared on the Sefton intranet.

The Council continues to share NAFN alerts with its own ICT contractor and School and Academies.

Due to a high number the high number of Covid-19 Omicron Grant fraud reports that NAFN are receiving across the country they are collating incidents in one shareable Watchlist which is being circulated regularly to their members.

7.2 Developments

The Assurance Manager who has been responsible for the Council's counter fraud co-ordination and reporting retired from the Council on the 31 March 2022. There are plans to use this opportunity to restructure the Risk and Audit Team to provide a dedicated qualified counter fraud professional as well as address some other anomalies in the structure. As a result, there will be limited progress on Counter Fraud until the resourcing issues are addressed.

The Council's Counter Fraud Strategy (draft) is to be consulted on with the Strategic Leadership Board during 2022/23. As part of the Counter Fraud Strategy the Council has already reviewed its arrangements against the latest Fighting Fraud and Corruption Locally (FFCL) Strategy (2020) which is the Local Government blueprint for tackling fraud in Local Government.

In September 2021 the Cabinet Office updated the Government Counter Fraud Professional Standards and Guidance- "Investigation Core Discipline". A self-assessment will be undertaken by Sefton against these standards.

Part of the Council's Fraud Strategy involves developing more capability and capacity within the Council to identify and punish fraudsters. During the early part of November 2021 in line with actions identified in the Annual Governance Statement, and to ensure compliance with CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption, the Council looked to recruit an Accredited Counter Fraud specialist on a fixed term basis to assist in the delivery of some key projects within the counter fraud work programme and play an active role in influencing and embedding an anti-fraud culture across the Council, liaising with operational managers on fraud risk controls etc. Regrettably, there was no response to that advertisement.

The three members of the Assurance Team continue to be seconded until end of June 2022 to the Business Grant Team to assist in the administration of the Liverpool City Region Grants. There are plans for two staff members of the Assurance Team to be seconded to Revenues and Benefits for a six-month period to provide additional capacity.

8. Looking Ahead

- 8.1 The Service continues to develop, with a number of key projects being undertaken to embed the role and influence of the team over the next quarter:
- The embedding of regular risk management review across the Council to ensure that Operational and Service Risk Registers are updated on a regular basis.
 - Define a draft risk management statement on appetite to be shared with Strategic Leadership Board.
 - Continued delivery of the Internal Audit Plans for 2022/23, focusing attention on reviewing the key risks to the organisation, which will evolve as the Council changes particularly in light of Covid-19.
 - Undertake limited testing of existing business continuity plans and refresh the existing BC plans.
 - Completion of the review of the Health and Safety Policy, work on developing wider occupational health, safety and wellbeing of staff and the finalising of the Annual Health and Safety Report.
 - Delivering on the service improvement plans for the Risk and Audit Team.

9. Conclusions

- 9.1 Internal Audit has made limited progress in the completion of the Internal Audit Plan 2021/22 due to difficulties in recruiting suitable internal audit staff. Performance in respect of the agreement of recommendations and the feedback from clients has been particularly positive and reflects the value added by the Service. Progress on the 2022/23 audit plan has been promising.
- 9.2 The Council's accident record continues to be positive and there are plans to improve the risk management further by working with colleagues across the organisation with improved training offer.
- 9.3 The Health and Safety team has been continuing to respond to the significant impact of Covid-19 helping to ensure that management put appropriate risk assessments are in place and provide guidance and support to colleagues.
- 9.4 The Council's insurance claims performance remains good.
- 9.5 Further work is planned to improve risk management within the Council by ensuring that a risk appetite is developed and ensuring that there are risk registers are in place in line with the Corporate Risk Management Handbook.
- 9.6 Progress has been made in embedding business continuity with a focus this year of reviewing the existing BC plans clear road map for the completion of the outstanding business continuity plans shortly and a focus over the remainder of the financial year at testing and exercising the BC plans.
- 9.7 There are clear implementation plans in place across each of the service areas to deliver improvements which will result in improved services as well as an integrated risk and audit approach.

This page is intentionally left blank

Agenda Item 13

Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 7 September 2022
Subject:	Audit and Governance Committee - Work Programme Update Report		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

Summary:

The Audit and Governance Committee Work Programme has been developed to help ensure that all of the responsibilities of the Committee set out in the Audit and Governance Committee's Terms of Reference are discharged during the municipal year.

The 2022-2023 Work Programme was approved by Audit and Governance Committee on 16 March 2022.

This report provides an update on reports listed for submission at the meeting of the Audit and Governance Committee held on 22 June 2022 and reasons for non-submission of some of the reports listed.

It is proposed that regular quarterly update reports on adherence to the Work Programme will be added to the Work Programme for consideration by the Audit and Governance Committee.

Recommendations:

The Committee is requested to

1. Note the Audit and Governance Committee Work Programme update on reports listed for submission to the meeting held on 22 June 2022.
2. Approve the addition to the Audit and Governance Committee Work Plan to provide quarterly update reports on adherence to the Work Programme.

Reasons for the Recommendation:

The Chartered Institute of Public Finance and Accountancy (CIPFA) publication - "Practical Guidance for Local and Authorities and Police" recommends as good practice,

Agenda Item 13

the provision of an annual Work programme to enable Audit and Governance Committees to discharge their duties in accordance with their Terms of Reference.

Adherence to the work plan ensures that the Audit and Governance Committee has a structured, consistent approach to fulfilling its responsibilities as detailed in the CIPFA guidance.

Alternative Options Considered and Rejected: (including any Risk Implications)

To not have a Work Programme and not update the Committee on reasons for non-submission of expected reports would lessen the effectiveness of the Audit and Governance Committee.

What will it cost and how will it be financed?

(A) Revenue Costs

None directly

(B) Capital Costs

None directly

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): There are no direct resource implications	
Legal Implications: There are no direct resource implications	
Equality Implications: There are no direct equality implications.	
Climate Emergency Implications: The recommendations within this report will	
Have a positive impact	N
Have a neutral impact	Y
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	Y
This report provides an update on reports to be provided to the Audit and Governance Committee in June 2022 as set in the Work Programme and as such does not have any climate emergency implications.	

Contribution to the Council's Core Purpose:

Protect the most vulnerable: N/A
Facilitate confident and resilient communities: N/A
Commission, broker and provide core services: Yes
Place – leadership and influencer: N/A
Drivers of change and reform: Yes
Facilitate sustainable economic prosperity: N/A
Greater income for social investment: N/A
Cleaner Greener: N/A

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD..6929/22....) and the Chief Legal and Democratic Officer (LD..5129/22...) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

None

Implementation Date for the Decision

Immediately following the Committee meeting.

Contact Officer:	Ruth Appleby
Telephone Number:	Tel: 0151 934 2181
Email Address:	ruth.appleby@sefton.gov.uk

Appendices:

Appendix 1 - Update on Reports listed in the Audit and Governance Work Programme for consideration by Audit and Governance Committee held on 22 June 2022

Background Papers:

CIPFA – Audit Committees – Practical Guidance for Local Authorities and Police 2018 Edition can be viewed at the following link:

smbc-modgov03/ecCatDisplay.aspx?sch=doc&cat=14000&path=0

Agenda Item 13

1. Introduction/Background

The Work Programme for each Municipal Year is an important element in planning the year ahead as being closely aligned with the Terms of Reference, it ensures that the Committee has a structured, consistent approach to fulfilling its responsibilities within the Terms of Reference and helps to ensure the effectiveness of the Audit and Governance Committee. It is also important to note that a degree of flexibility is applied in order that any ad hoc / urgent reports may be considered by the Committee as and when required.

2. Work Programme Update – June 2022

- 2.1 It is good practice to provide the Audit and Governance Committee with regular updates on reports listed in the Work Programme for consideration at each of its quarterly meetings.
- 2.2 Appendix 1 lists the reports listed for consideration at the meeting of the Audit and Governance Committee held on 22 June 2022 and the reasons for non-submission of some of the reports listed.
- 2.3 It is proposed that update reports on adherence to the Work Programme will be provided to each of the quarterly meetings of the Audit and Governance Committee throughout the municipal year.

**Update on Reports listed in the Audit and Governance Work Programme for consideration by
Audit and Governance Committee held on 22 June 2022**

	Report Title	Inclusion Rationale	Details	Comments/ Reason for delay
	Governance Reports			
(1)	Review effectiveness of the Audit and Corporate Governance Committee – complete Self-Assessment	Good practice	Delayed until March 2023	<p>This will be a high-level review incorporating the key principles set out in CIPFA’s Position Statement and this publication (Practical Guidance for Local Authorities and Police, CIPFA, 2018). Where an audit committee has a high degree of performance against the good practice principles, then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee. A regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform the annual report.</p> <p>Delay of submission until the end of the 2022-23 municipal year will facilitate a comprehensive review and self-assessment process by the Committee.</p>
(2)	Review Audit and Governance Committee Training Requirements	Good practice	Delayed until March 2023	<p>To enable the current training programme to run for a full municipal year following approval on 16 March 2022. The training programme for future years will also be informed by and closely tie-in with the self-assessment process referred to in (1) above.</p>

	Report Title	Inclusion Rationale	Details	Comments/ Reason for delay
	Internal Audit Reports			
(3)	Performance update on Risk and Audit Team including: <ul style="list-style-type: none"> • Audit Team • Health and Safety • Counter Fraud • Insurance and other risk areas such as Business Continuity 	Terms of Reference	Report submitted and approved	Quarterly update provided to Members
(4)	Annual Opinion of the Chief Internal Auditor including: <ul style="list-style-type: none"> • review of impairment on independence and objectivity • QAIP • Assessment against PSIAS and LGAN 	Terms of Reference	Report submitted and approved	Quarterly update provided to Members
	Risk Management Reports			
(5)	Review of the Quarterly Corporate Risk Register	Terms of Reference	Report submitted and approved	Quarterly update provided to Members
(6)	Provide a regular report on health and safety	Terms of Reference	Submitted and approved	Quarterly update – incorporated in the Audit and Risk Performance Update report

	Report Title	Inclusion Rationale	Details	Comments/ Reason for delay
	Monitor Role			
(7)	Reporting of the anti- fraud, bribery and corruption strategy	Terms of Reference	Submitted and approved	Quarterly update – incorporated in the Audit and Risk Performance Update report
(8)	Review of CIPFA Financial Management Code	Good Practice	Submitted and approved	
(9)	Assurance Framework report	Good Practice	Submitted and approved	Additional ad hoc report not currently listed on the Work Programme
	Accounts, Financial Statements & Treasury Management reports			
(10)	External Auditor Annual Audit Letter	Terms of Reference	Delayed	Awaiting report from Ernst and Young (EY) External Auditors
(11)	External Auditor Annual Report re: Grant Work	Terms of Reference	Delayed	Awaiting report from Ernst and Young (EY) External Auditors
(12)	Treasury Management In-Year Position	Terms of Reference	Submitted and approved	
	Ad hoc Reports (not on Work Programme)			
(13)	Constitutional Amendment – Cabinet Agendas		Recommendations not approved	
(14)	Constitutional Amendments		Considered and referred to Council for approval	

This page is intentionally left blank