Public Document Pack

# Business Efficiency Board
**Wednesday, 18 November 2020 at 6.30 p.m.**
**Via Public Remote Access (please contact the Clerk named below for instructions)**

David W R

**Chief Executive**

## BOARD MEMBERSHIP

| | |
|---|---|
| Councillor Martha Lloyd Jones (Chair) | Labour |
| Councillor Andrea Wall (Vice-Chair) | Labour |
| Councillor Ellen Cargill | Labour |
| Councillor Alan Lowe | Labour |
| Councillor Andrew MacManus | Labour |
| Councillor Tony McDermott | Labour |
| Councillor Ged Philbin | Labour |
| Councillor Norman Plumpton Walsh | Labour |
| Councillor Joe Roberts | Labour |
| Councillor Gareth Stockton | Liberal Democrats |
| Councillor John Stockton | Labour |

*Please contact Gill Ferguson on 0151 511 8059 or e-mail gill.ferguson@halton.gov.uk for further information.*

**ITEMS TO BE DEALT WITH**
**IN THE PRESENCE OF THE PRESS AND PUBLIC**

**Part I**

***In accordance with the Health and Safety at Work Act the Council is required to notify those attending meetings of the fire evacuation procedures. A copy has previously been circulated to Members and instructions are located in all rooms within the Civic block.***

 

**BUSINESS EFFICIENCY BOARD**

*At a meeting of the Business Efficiency Board held on Wednesday, 23 September 2020 via Public Remote Access*

Present: Councillors M. Lloyd Jones (Chair), Wall (Vice-Chair), E. Cargill, A. Lowe, MacManus, McDermott, N. Plumpton Walsh, Joe Roberts, G. Stockton and J. Stockton

Apologies for Absence: None

Absence declared on Council business: None

Officers present: E. Dawson, I. Leivesley, M. Murphy, A. Dalecki and G. Ferguson

Also in attendance: M. Green and S. Nixon (Grant Thornton)

**ITEMS DEALT WITH UNDER DUTIES EXERCISABLE BY THE BOARD**

*Action*

BEB8 MINUTES

The Minutes of the meeting held on 21st July 2020 were taken as read and signed as a correct record.

BEB9 ANTI FRAUD AND CORRUPTION UPDATE

The Board considered a report of the Operational Director, Finance, which provided an update on the Council's anti-fraud and anti-corruption arrangements.

It was reported that the Board was responsible for the monitoring and review of the Council's anti-fraud and anti-corruption arrangements. The main areas of the Council's business thought to be susceptible to fraud and corruption were detailed in the report. In addition the report included:

- A commentary on the fraud risk landscape;
- Details of a restructure of the Council's fraud investigation resource;
- A summary of reported fraud and corruption activity from 2019/20;

- Details of fraud investigation related information reported under the Transparency Code;
- A summary of the whistleblowing complaints received and action taken;
- An update on the National Fraud Initiative;
- Details of ongoing and planned anti-fraud work;
- Details of the review of the Council's suite of anti-fraud related plans and policies; and
- A new draft Council policy relating to the anti-facilitation of tax evasion.

Arising from the discussion, it was agreed that summary of detected frauds over the last 3 years would be circulated to Board members.

Operational Director - Finance

RESOLVED: That the report be noted.

BEB10 DRAFT ANNUAL GOVERNANCE STATEMENT 2019-20

The Board considered a report of the Strategic Director, Enterprise, Community and Resources, which sought approval of the draft Annual Governance Statement (AGS) for 2019/20.

It was noted that the AGS, attached to the report at Appendix 1, provided an overview of the governance framework in place for 2019/20. A key aspect of the AGS was the identification of areas where the Council's governance arrangements would need to be developed.

The Board was advised that due to COVID-19, the timing for the statutory completion of the AGS had been changed this year as set out in the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. The final version of the AGS must be approved by 30 November 2020.

The report detailed the process followed in producing the AGS; this was noted as being the same as in the previous year, being led by a group of Officers that had key roles in the maintenance and development of the Council's governance framework. Once approved, the AGS would be signed off by the Council Leader and the Chief Executive.

RESOLVED: That the Annual Governance Statement 2019/20 be approved.

Strategic Director - Enterprise, Community and Resources

BEB11 EXTERNAL AUDIT PLAN 2019-20-YEAR END

The Board considered a report of the Strategic Director, Enterprise, Community and Resources, which set out the 2019/20 year-end Audit Plan, presented by Grant Thornton UK LLP.

The Board was advised that the External Audit Plan was attached to the report and set out details of Grant Thornton's strategy and plan to deliver the 2019/20 audit of the Council's financial statements. It also provided details of their approach to the value for money conclusion.

RESOLVED: That the contents of the External Audit Plan for 2019/20 year-end be noted.

BEB12 EXTERNAL AUDIT LETTER TO THOSE CHARGED WITH GOVERNANCE

The Board considered a report by the Strategic Director Enterprise, Community and Resources, which presented for information the response provided to the annual letter to the Board from Grant Thornton, the Council's external auditors, regarding their year-end audit of accounts work.

The Appendix to the report outlined the response provided to a number of questions contained in a letter from Grant Thornton to the Chair of the Board.

RESOLVED: That the response provided to the Council's external auditors shown in the Appendix, be noted.

*Meeting ended at 7.43 p.m.*

# Agenda Item 3

| | |
|---|---|
| **REPORT TO:** | Business Efficiency Board |
| **DATE:** | 18 November 2020 |
| **REPORTING OFFICER:** | Operational Director, Finance |
| **PORTFOLIO:** | Resources |
| **SUBJECT:** | 2018/19 Statement of Accounts, Audit Findings Report and Letter of Representation |
| **WARD(S):** | Borough-wide |

## 1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to seek approval for the Council's Letter of Representation, to consider the Audit Findings Report of the External Auditor (Grant Thornton), and to approve the Council's 2018/19 Statement of Accounts.

## 2.0 RECOMMENDED: That

1. **the Letter of Representation in Appendix 1 be approved;**

2. **the External Auditor's 2018/19 Audit Findings Report in Appendix 2 be received and approved; and**

3. **the Council's 2018/19 Statement of Accounts in Appendix 3 be approved.**

## 3.0 BACKGROUND

3.1 Business Efficiency Board have previously received a number of reports setting out the reasons for the delay in the Council publishing the audit certificate or opinion on the 2018/19 Statement of Accounts.

3.2 Officers have been working with the External Auditor to reach resolution on a number of technical accounting issue changes. Agreement has been reached in resolving the issues and changes have been made to the draft Statement of Accounts, passed to the Council's External Auditor (Grant Thornton) on 31 May 2019. Changes are set out in the Audit Findings report, as shown in Appendix 2

3.3 The Statement of Accounts sets out the Council's financial performance for the year in terms of revenue and capital spending and presents the year-end financial position as reflected in the balance sheet.

3.4 The format of the Statement of Accounts is heavily prescribed by the Accounts and Audit Regulations and the Code of Practice on Local Authority Accounting (The Code), which makes it a very technical document and not particularly easy to understand.

3.5 The Statement of Accounts for 2018/19 has been prepared in full compliance with International Financial Reporting Standards (IFRS).

3.6 Grant Thornton will attend the meeting to present the report of their findings, the Audit Findings report, as shown in Appendix 2.

3.7 Section 2 of the Audit Findings report presents the findings of the External Auditor in respect of matters and risks identified at the planning stage of the audit and additional and significant matters that arose during the course of their work.

3.8 Each year the Council is required to provide the External Auditor with a Letter of Representation relating to the financial statements, as shown in Appendix 1. This provides a number of assurances to the External Auditor in connection with the preparation of the Council's accounts. The letter is required to be signed by the Chair of the Board on behalf of the Council.

**4.0 KEY SECTIONS WITHIN THE STATEMENT OF ACCOUNTS**

4.1 The Council's 2018/19 Statement of Accounts is presented in Appendix 3. The Narrative Report by the Operational Director, Finance summarises the Council's financial performance for 2018/19, including revenue and capital spending.

4.2 The Comprehensive Income and Expenditure Statement (CIES) presents gross expenditure, gross income and net expenditure for 2018/19 along with the previous year's comparison. The Net Cost of Continuing Operations is adjusted by a number of appropriations to give the Total Comprehensive Income and Expenditure. The CIES reports on how the Council performed during the year and whether its operations resulted in a surplus or deficit.

4.3 The Council's Balance Sheet sets out the Council's financial position as at 31 March 2019, along with a comparison to the restated position as at 31 March 2018 and 2017. The restatement of previous year's figures represents technical accounting changes to the accounts and are provided for comparative purposes. The balance sheet is a snapshot of the Council's financial position at a specific point in time, showing what it owns and owes at 31 March.

4.4 The Movement in Reserves Statement presents a summary of the changes in the Council's main reserves during the year. Reserves represent the Council's net worth and show its spending power. Reserves are analysed into two categories: usable and unusable.

4.5 The Cashflow Statement provides an overall analysis of the movements in cash and cash equivalents during the year.

4.6 Detailed notes relating to items within the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement and Cashflow Statement are shown under Notes to the Core Financial Statements.

4.7 The Collection Fund and associated notes summarise the transactions in respect of the collection of Non-Domestic Rates and Council Tax, along with the distribution to the Council's own General Fund, to central government (non-domestic rates only) and to the Precepting Authorities (Fire, Police and Parishes).

4.8 The Statement of Responsibilities outlines the basis upon which the Statement of Accounts has been prepared and is followed by a statement of the Council's Accounting Policies.

4.9 The External Auditor has used the draft Statement of Accounts as the basis for undertaking the annual audit of accounts, for which their Audit Report and Certificate is included within the final Statement of Accounts.

4.10 The final section presented within the Statement of Accounts is a Glossary of Terms.

5.0 **VALUE FOR MONEY**

5.1 Section 3 of the Audit Findings report presents the External Auditor findings on the Value for Money (VFM) conclusion. It considers if the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

5.2 The External Auditor evaluates the VFM conclusion against one single criterion, being "in all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

5.3 The overall conclusion from the External Auditor is the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

6.0 **NEXT STEPS**

6.1 Following the meeting, the Letter of Representation will be signed and the External Auditor will provide their audit opinion. The Statement of Accounts will then be published and made available to the public via the Council's website.

7.0 **IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

7.1 **Children and Young People in Halton**
There are no specific implications for any of the Council's priorities.

7.2 **Employment, Learning and Skills in Halton**
See 7.1

7.3 **A Healthy Halton**
See 7.1

7.4 **A Safer Halton**
See 7.1

7.5 **Halton's Urban Renewal**
See 7.1

**8.0 RISK ANALYSIS**
The Accounts and Audit Regulations require that the Statement of Accounts is certified by the External Auditor and published by 31 July 2019. As a result of the delay the council had published a Public Notice giving reasons for the delay.

**9.0 EQUALITY AND DIVERSITY ISSUES**
There are no equality and diversity issues arising from this report.

**10.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

| **Document** | **Place of Inspection** | **Contact Officer** |
|---|---|---|
| Accounts and Audit Regulations 2015 | Halton Stadium | Steve Baker<br>Divisional Manager, Revenues and Financial Management |
| Code of Practice on Local Authority Accounting in the UK 2018/19 | Halton Stadium | Steve Baker<br>Divisional Manager, Revenues and Financial Management |

**APPENDIX 1**

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Date: 18 November 2020

Dear Sirs

Halton Borough Council

**Financial Statements for the year ended 31 March 2019**

This representation letter is provided in connection with the audit of the financial statements of Halton Borough Council for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

## Financial Statements

i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code") which give a true and fair view in accordance therewith.

ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

vii Except as disclosed in the financial statements:
a there are no unrecorded liabilities, actual or contingent
b none of the assets of the Council has been assigned, pledged or mortgaged
c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.

xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.

xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xiii We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end.

The financial statements are free of material misstatements, including omissions.

xiv We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

## Information Provided

xvi We have provided you with:

a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

b additional information that you have requested from us for the purpose of your audit; and

c unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

xvii We have communicated to you all deficiencies in internal control of which management is aware.

xviii All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xx We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:

a management;

b employees who have significant roles in internal control; or

c others where the fraud could have a material effect on the financial statements.

xxi We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.

xxii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiv We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

### Annual Governance Statement

xxv We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

### Narrative Report

xxvi The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

### Approval

The approval of this letter of representation was minuted by the Council's Business Efficiency Board at its meeting on 18 November 2020.

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Name……………………………

Position…………………………

Date…………………………….

For publication

# Audit Findings Report for Halton Borough Council

**Year ended 31 March 2019**

**November 2020**

# Contents

Your key Grant Thornton team members are:

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# Headlines

This table summarises the key findings and other matters arising from the statutory audit of Halton Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

| | | |
|---|---|---|
| **Financial statements audit** | Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:<br>• give a true and fair view of the financial position of the Council's income and expenditure for the year; and<br>• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.<br>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. | Members will be aware that our audit work has spanned well over a year to accommodate the need for substantial revisions to the financial statements to address a number of material issue including material prior year adjustments. This has resulted in a number of amendments which has taken a significant amount of additional audit time and cost.<br>Our detailed findings from the audit are included in the following pages.<br>Subject to satisfactory checking of all amendments through the final version of revised financial statements we anticipate issuing:<br>• an unqualified opinion on the Council's financial statements<br>• an unqualified opinion on the value for money conclusion.<br>Our audit work on the financial statements started during June 2019 and due to the complexity of the matters arising and the resulting number (both volume and value) of adjustments the audit has extended through to September 2020. As a result there have been<br>• £35.7 million adjustment to the Council's Comprehensive Income and Expenditure Statement 2018/19 with the reported deficit on provision of services being adjusted to £7.1 million and a £22.7 million adjustment to the net total CIES<br>• £198 million reduction to total net assets and £51.9 million adjustment to total equity<br>• material amendments to the 2017/18 and 2016/17 financial statements which have required restatement.<br>The full listing of audit adjustments for all three years 2018/19, 2017/18 and 2016/17 are listed in Appendix B which we have now fully reconciled to the final version of the financial statements. The key underlying reason for the volume and value of the adjustments relates to the accounting treatment of the Mersey Gateway Bridge. We have raised a significant number of recommendations for management as a result of our audit work. These are set out in Appendix A.<br>Our work is now substantially complete, subject to the following outstanding matters:<br>• receipt of management representation letter<br>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited. The Council updated the Narrative Report and Annual Governance Statement (AGS) during the course of the audit to reflect the adjustments arising from the audit. The AGS now needs updating to reflect any further developments up to the date of issuing our opinion.<br>Our anticipated audit opinion will be unqualified including an Emphasis of Matter paragraph in relation to the substantial prior period adjustments. An emphasis of matter paragraph is not a qualification and is intended to draw users' attention to a matter disclosed in the accounts we consider to be significant. |

# Headlines

This table summarises the key findings and other matters arising from the statutory audit of Halton Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

| | | |
|---|---|---|
| **Value for Money arrangements** | Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion'). | As part of our original audit planning we identified a significant risk in relation to the Council's challenging financial position. We have now concluded that the Council had proper arrangements in place for delivering financial sustainability.<br>We have continued our review of relevant documents up to the date of giving our report, and identified a further significant risk in relation to the accuracy of financial reporting following the significant difficulties experienced by the Council in producing materially accurate statutory financial statements.<br><br>We have completed our risk based review of the Council's value for money arrangements. We have concluded that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have however included an emphasis of matter paragraph within our audit report to reflect the substantial amendments made to the draft financial statements for 2018/19 and prior years.<br><br>**We therefore anticipate issuing an unqualified value for money conclusion. Our findings are summarised in section 3.** |
| **Statutory duties** | The Local Audit and Accountability Act 2014 ('the Act') also requires us to:<br>• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and<br>• To certify the closure of the audit. | We have not exercised any of our additional statutory powers or duties.<br><br>Due to the extended period of the audit there is no longer any requirement for the Council to complete a Whole of Government Accounts return following the issue of our audit opinion. We will certify the closure of the audit on the issue of our opinion. |

**Acknowledgements**

We have worked extensively with the finance team over the extended period of the audit to work through all the many errors and queries arising. This has been protracted and involved a significant amount of extra work from both finance and audit team members. We would like to take this opportunity to record our appreciation for the Council staff's assistance during this audit.

# Summary

### Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Business Efficiency Board.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

### Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included an evaluation of the Council's internal controls environment, including its IT systems and controls; and

### Audit approach *(continued)*

- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter or change our audit plan, as communicated to you in January 2019, except for:

- Revising our risk assessment on the Mersey Gateway Private Finance Initiative (PFI) scheme to include this as a significant area of risk of material misstatement.

### Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved and final quality checks completed, we anticipate issuing an unqualified audit opinion. These outstanding items include:

- receipt of management representation letter
- finalising our checking of all amendments in the final set of financial statements
- checking updates to the Council's revised Annual Governance Statement
- completing our final quality assurance on the final agreed financial statements

We will agree the timing of the issue of our opinion once this work is complete.



### Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remain the same as reported in our audit plan. We detail in the table below our determination of materiality for Halton Borough Council.

| | Council Amount (£) | Qualitative factors considered |
|---|---|---|
| Materiality for the financial statements | 7,421,000 | • Considered to be the level above which users of the accounts would wish to be aware misstatements, in the context of overall expenditure. Based on 2% of prior year gross expenditure. |
| Performance materiality | 5,565,750 | • Assessed as 75% of Financial Statement materiality. |
| Trivial matters | 371,000 | • ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. Standard level of 5% of materiality used. |

# Significant findings – audit risks

| Risks identified in our Audit Plan | Commentary |
|---|---|
| **The revenue cycle includes fraudulent transactions (rebutted)** | **Auditor commentary**<br>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.<br>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.<br>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:<br>• there is little incentive to manipulate revenue recognition<br>• opportunities to manipulate revenue recognition are very limited<br>• the culture and ethical frameworks of local authorities, including Halton Borough Council, mean that all forms of fraud are seen as unacceptable<br>**Audit Findings**<br>We examined the appropriateness of the recognition of revenue as part of our testing of Council transactions and identified material amendments which also impact on prior year figures and therefore restatements were required.<br>**Grants Receipts in Advance (GIA)**<br>The CIPFA Code requires that grants received can only be held on the Balance Sheet as a liability (held in advance) when there are conditions attached to the grant that have not yet been fulfilled. Audit testing identified grants classified as grants in advance where there were no outstanding conditions and therefore the classification was incorrect.<br>*Current Liability: Revenue Grants Receipt in advance at 31 March 2019 £46,167k*<br>We tested £44,702k of this balance (including Mersey Gateway Grants £44,306k) and found £35,305k of this balance had no outstanding conditions.<br>*Long term liability: Capital Grants Receipt in advance at 31 March 2019 £29,893k*<br>We tested £14,750k of this balance and found one error for £1,768k.<br>In view of the findings from our sample testing we asked the Council to complete a full check on the treatment of all grants being held in advance. This included testing all revenue and capital items and checking these through to grants documentation to see if there are any conditions outstanding. We then sample tested the Council's findings which had identified a number of additional errors. |

# Significant findings – audit risks

**Risks identified in our Audit Plan**

**The revenue cycle includes fraudulent transactions (rebutted)**

**Commentary**

**Auditor findings (cont.)**

The final amendments made to the financial statements for incorrect treatment of GIA are as follows:

| Balance Sheet | 1/4/2017 £'000 | 31/3/2018 £'000 | 31/3/2019 £'000 |
|---|---|---|---|
| **Original draft accounts** | | | |
| ST liabilities – revenue | 4,666 | 24,948 | 46,167 |
| LT liabilities – capital | 22,297 | 24,343 | 29,893 |
| **Total** | **26,963** | **49,291** | **76,060** |
| Revised accounts | | | |
| ST liabilities | 5,944 | 5,937 | 5,028 |
| LT liabilities | 12,931 | 14,303 | 14,819 |
| Total | **18,875** | **20,240** | **19,847** |
| Net adjustments including prior periods | **8,088** | **29,051** | **56,213** |

| CIES – Government grants income (note 2) | 2017/18 £'000 | 2018/19 £'000 |
|---|---|---|
| Per draft accounts | 180,692 | 168,813 |
| Restated accounts | 201,655 | 198,127 |
| Adjustments including prior period restatement | 20,963 | 29,314 |

The resolution of this issue involved extensive discussions with the finance team and additional auditor time.

We have raised a recommendation in the action plan to reflect our findings.

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# Significant findings – audit risks

| Risks identified in our Audit Plan | Commentary |
|---|---|
| **Management override of controls** | **Auditor commentary**<br>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.<br>The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.<br>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.<br>Our audit response to the risk of management override of controls includes<br>• testing of unusual journal entries back to supporting documentation<br>• review of accounting estimates, judgements and decisions made by management<br>• review of unusual significant transactions<br>• review of significant related party transactions outside the normal course of business<br>• review of journal entry processes and controls in place<br>**Audit Findings**<br>We have completed our testing of journals and examined the controls around processing these. We have not identified any errors from this work.<br>We have examined related parties disclosures within the Council's financial statements. The Council has amended some of the detailed entries for its related parties in note 13 of the revised financial statements which now also includes disclosures for Merseytravel. We note also that the disclosure is quite extensive and should only reflect related parties where there is control, significant influence and the party is a member of the key management personnel of the reporting entity (Code 3.9.27). We have raised a recommendation for the Council to examine the disclosures in this area.<br>We worked with the Council on key accounting estimates and judgements and as a result have agreed material adjustments in particular in relation to<br>• the Mersey Gateway private finance initiative (PFI) scheme and the Council's judgements for reflecting the associated asset and liability<br>• accounting for grants received<br>• depreciation charged on the Council's asset base,<br>• debtors provisions and<br>• pension fund net liabilities. |

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# Significant findings – audit risks

| Risks identified in our Audit Plan | Commentary |
|---|---|
| **Valuation of land and buildings (£165m net book value)**<br><br>The Council re-values its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.<br>The Council's unaudited financial statements 2018/19 included £1,057m net book value of property, plant and equipment (PPE), of which £165m is in respect of land and buildings.<br><br>Additionally, management need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.<br>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement | **Auditor commentary**<br><br>We have undertaken the following work in relation to this risk:<br>• evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work<br>• evaluated the competence, capabilities and objectivity of the valuation expert<br>• written to the valuer to confirm the basis on which the valuation was carried out<br>• challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding<br>• tested revaluations made during the year to see if they had been input correctly into the Council's asset register<br>• evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at the year end.<br><br>**Audit Findings**<br><br>We have complete our work and identified:<br>• The omission of the effective date of valuations analysed across each of the preceding financial years to reflect its rolling programme of valuations (in line with the Code requirement in paragraph 4.1.2.3 4).<br>• 10.9% of total Other Land and Buildings had been subject to valuation in 2018/19 and that 65% or £107m net book value (out of a total £165m) of Other Land and Buildings had not been revalued since 1 April 2015 (for the 31 March 2016 financial year).<br>• limited documented evidence to support the management judgement that the carrying amount does not differ materially from that which would be determined using current value at the end of the reporting period for those assets not subject to in year valuation.<br><br>Paragraph 4.1.2.37 of the Code specifies that for assets that are required to be carried at current value, revaluations must be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using current value at the end of the reporting period. The Council has therefore not covered a sufficient proportion of assets within their rolling programme to give adequate assurance in this area. |

# Significant findings – audit risks

| Risks identified in our Audit Plan | Commentary |
|---|---|
| **Valuation of land and buildings (£165m net book value)**<br>The Council re-values its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.<br>The Council's unaudited financial statements 2018/19 included £1,057m net book value of property, plant and equipment (PPE), of which £165m is in respect of land and buildings.<br><br>Additionally, management need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.<br>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement | **Audit Findings (cont.)**<br><br>In view of these findings we completed additional work:<br>• We tested a sample of assets to compare management's valuations against auditor expectations and requested management, with support from the valuer, to provide explanations for any differences including support for any changes in valuation approach or assumptions.<br>• We requested that the Council's valuation team complete further work to assess whether an additional sample of property, valued at depreciated replacement cost and not recently included within the 5 year valuation programme, had materially changed since the date last revalued and recorded in the financial statements.<br><br>The valuer completed a desktop valuation on a total of £95.6 million assets held at depreciated replacement cost (out of a total £164 million other land and buildings net valuation). The additional sample findings concluded that the 19 assets covered by the valuer had a total revised valuation of £98.7 million (an increase of £3 million or 1% on the original valuation figures). The valuer provided supporting notes giving further details on the methodology on a sample of the assets covered and underlying reasons for the detailed movements supported by local indices used.<br><br>We completed further work to examine the additional in-house valuations and detailed methodology applied and were satisfied that the values recorded in the financial statements are not materially misstated.<br><br>We have summarised our findings on page 18 and raised a number of recommendations in this area. |

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# Significant findings – audit risks

| Risks identified in our Audit Plan | Commentary |
|---|---|
| **Valuation of pension fund net liability (£138m)**<br><br>The Council's net pension fund liability, as reflected in its balance sheet as the net defined benefit pension liability, represents a significant estimate in the core financial statements.<br><br>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£138m in the Council's unaudited 2018/19 balance sheet) and the sensitivity of the estimate to changes in key assumptions.<br><br>We therefore identified valuation of the Council's net pension fund liability as a significant risk, which was one of the most significant assessed risks of material misstatement. | **Auditor commentary**<br><br>We have undertaken the following work in relation to this risk:<br>• updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls<br>• evaluated the instructions issued by management to their management expert (the actuary) for this estimate and the scope of the actuary's work<br>• assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation<br>• assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability<br>• tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary<br>• confirmed the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and<br>• obtained assurances from the auditor of the Cheshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.<br><br>**Audit Findings**<br><br>Performance of the procedures set out above has identified material amendments which also impact on the prior year financial statements which have required restatement.<br><br>**Unfunded liabilities**<br><br>On examination of the Council's actuarial report for the period to 31 March 2019 we noted there were no unfunded liabilities included in the Council's actuarial valuation. Unfunded liabilities are those where officers and teachers have taken early retirement and there is an added cost to fund these. Following discussions with the finance team, we identified three areas of unfunded liabilities not accounted for in the Council's financial statements:<br><br>1. Teaching staff retirements, pre 1998<br><br>The Council is making annual payments of £374k to Cheshire West and Chester Council to fund those teachers who retired early prior to the establishment of the Unitary Authority on 1 April 1998. Historically Cheshire West and Chester Council (CWaC) administer the payments for these teachers and receive reimbursement from each of the post Unitary Councils (including Halton). Halton Council has not previously included an actuarial valuation of its share of this liability in its financial statements. The Council has now assessed its liability and included £4.1m for its share (10.2%) of the Cheshire County pre 1998 teachers actuarial valuation in the 2018/19 financial statements. The Council has also restated the entries for 2017/18 and 2016/17 as required by auditing standards. |

# Significant findings – audit risks

| Risks identified in our Audit Plan | Commentary |
|---|---|
| **Valuation of pension fund net liability (£138m)**<br><br>The Council's net pension fund liability, as reflected in its balance sheet as the net defined benefit pension liability, represents a significant estimate in the core financial statements.<br><br>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£138m in the Council's unaudited 2018/19 balance sheet) and the sensitivity of the estimate to changes in key assumptions.<br><br>We therefore identified valuation of the Council's net pension fund liability as a significant risk, which was one of the most significant assessed risks of material misstatement. | **Audit Findings (cont.)**<br><br>2. Teaching staff retirements post 1998<br><br>Pension gratuity cost payments totalling £518k were identified which relate to payments that had not been identified previously or sent to the actuary for a valuation. This has now been done and an updated actuarial report received and an additional pension liability of £2.7 million was identified and an amendment agreed. The 2017/18 figures is estimated<br><br>3. Non teaching staff retirees pre 1998<br><br>This has been a difficult area to resolve due to a lack of clear information in the past. CWaC has now provided an estimated actuarial calculation to assess the potential valuation across the four relevant Councils. The estimate has been based on an analysis of the current retirees and resulted in a 10.2% share relating to Halton. This is an estimate and Halton's share is currently valued at approximately £382k. The Council has not included this value in the financial statements and we have recorded this as an unadjusted misstatement.<br><br>We received additional evidence from CWaC to support the % share of the liability pre and post 1998 and the % allocated to Halton. CWaC has split the £61,741k total teachers pension fund liability for all 4 Councils into 65.2% pre 1998 and 34.8% relating to liabilities after the 1998 split. Halton's share of the pre 1998 split is 10.2%.<br><br>We are now satisfied that the underlying data and estimation process is reasonable and in line with information from CWaC.<br><br>There are a number of recommendations arising from this area of work as set out in the action plan.<br><br>**McCloud pension liability**<br><br>Following publication of the draft financial statements, management responded to the outcome of legal proceedings relating to the McCloud case by obtaining a revised IAS 19 valuation from the scheme actuary. As a result of the current legal position, the Council's gross pension liability increased by £2,661k. Further details relating to the McCloud pension ruling are set out on page 20.<br><br>In addition to the McCloud adjustment, the scheme actuary has updated the valuation to reflect the actual rate of return on pension fund assets for the year. This has resulted in a decrease of the pension assets attributable to Halton Council of £14,206k. The overall effect of these adjustments is that the net pension liability of the Council has increased by £16,867k. |

# Significant findings – additional audit risk

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year. During the audit, we identified the valuation of the Mersey Gateway Bridge (asset and liability) as a significant audit risk due to the size of the liability and the complexity of the underlying estimation model.

| Issue | Commentary | |
|---|---|---|
| **Valuation of Mersey Gateway Bridge (Infrastructure asset net book value £746,312k)**<br><br>**Valuation of Mersey Gateway PFI liability (long term liability £643,812k)**<br><br>The Mersey Gateway Bridge opened in October 2017 and was brought into the 2017/18 financial statements as an Infrastructure Asset with a related PFI financial liability payable to the operator MerseyLink Limited (Ltd).<br><br>Halton Council established a wholly owned subsidiary, the Mersey Gateway Crossings Board Ltd (MGCB) to deliver the MG bridge project and to administer and oversee the construction, maintenance and operation of the new tolled crossings. The Council and MGCB entered into a project agreement with the Merseylink Consortium, which is responsible for the design, build, finance, operation and maintenance of the crossing. The long term contract is in place until 2044 when it is planned that the project will be handed back to the Council in a good condition with all private finance repaid.<br><br>As the audit work for 2018/19 progressed we identified a number of issues in respect of the way the Council had accounted for the various transactions relating to the Mersey Gateway Bridge asset and liability valuation. These findings are set out in the commentary. | **Audit Findings**<br><br>As part of our early review of significant entries in the financial statements we identified initial queries on the valuation of the Mersey Gateway (MG) asset and PFI liability reported in the 2017/18 financial statements. To resolve our initial queries we considered we needed to review the underlying operators financial model. During the 2017/18 audit the Council had not provided the underlying operators financial model due to commercial sensitivity.<br><br>Given the significance of the judgements involved and the scale of the entries we obtained the financial model which included full details of the infrastructure costs and PFI transactions and underpins the required entries in the financial statements.<br><br>As part of the audit review, the costs and liabilities set out in the operator's financial model were found to be materially different to the values carried in Halton's financial statements and we engaged our specialist PFI team to provide support in this area. The Council engaged a specialist PFI accountants to act as an independent management expert to determine the accounting entries for both the 2018/19 and 2017/18 financial statements.<br><br>The outcome of the reviews resulted in significant material amendments in the financial statements.<br><br>*Original creation of entries for the Mersey Gateway (MG) Bridge infrastructure asset and liability (in 2017/18)*<br><br>The values to create the infrastructure asset and related PFI liability and reflecting the Council's prepayment to the operator should have been accounted for in 2017/18 as follows:<br><br>**Bridge asset value - £472,081k**<br><br>The Council should have established the fair value of the Mersey Gateway Asset at £472,081k in line with the construction costs within the operator's financial model. | **Auditor view**<br><br>In future when considering any complex areas of accounts the Council need to consider:<br><br>• the extent to which they require management expert advice to ensure the financial statements are soundly based<br><br>• use correct underlying data for producing the entries within the financial statements |

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# Significant findings – additional audit risk (continued)

| Issue | Commentary |
|---|---|
| **Valuation of Mersey Gateway Bridge (Infrastructure asset net book value £746,312k)**<br><br>**Valuation of Mersey Gateway PFI liability (long term liability £643,812k)**<br><br>The Mersey Gateway Bridge opened in October 2017 and was brought into the 2017/18 financial statements as an Infrastructure Asset with a related PFI financial liability payable to the operator MerseyLink Limited (Ltd).<br><br>Halton Council established a wholly owned subsidiary, the Mersey Gateway Crossings Board Ltd (MGCB) to deliver the MG bridge project and to administer and oversee the construction, maintenance and operation of the new tolled crossings. The Council and MGCB entered into a project agreement with the Merseylink Consortium, which is responsible for the design, build, finance, operation and maintenance of the crossing. The long term contract is in place until 2044 when it is planned that the project will be handed back to the Council in a good condition with all private finance repaid.<br><br>As the audit work for 2018/19 progressed we identified a number of issues with respect to the way the Council had accounted for the various transactions relating to the Mersey Gateway Bridge asset and liability valuation. These findings are set out in the commentary. | **PFI lease liability - £369,581k**<br><br>The Council should have recognised a matching liability initially of £472,081k (the FV of the asset) and then reduced this by a cash contribution of £102,500k paid to the operator before the asset was constructed. The Council should have recorded therefore a net PFI liability of £369,581k at the start of the project.<br><br>**Pre-payment - £102,500k**<br><br>The pre-paid contribution to the operator was originally included separately within PPE. It should have been accounted for as a reduction to the PFI liability at the start of the project.<br><br>During 2017/18 the Council brought in both the asset value and PFI liability at significantly inflated costs. The Council's opening values as at 1/4/2018 in the draft 2018/19 financial statements were:<br><br>- MG asset net book value £734,260k<br>- PFI liability of £640,489k.<br><br>The Council had not used the underlying operators model and in addition had not reduced the PFI liability by its previous cash contribution paid of £102,500k.<br><br>The closing values for 2018/19 are:<br><br>- MG asset net book value £460,820k<br>- PFI liability £361,722k<br><br>The revised entries for 2017/18 led to the need for amendments for both years (including 2018/19) and required a prior period adjustment. The Council has restated the entries for 2017/18 to correct the material errors and applied correct entries now to restate the 2018/19 values. Further details of the revised prior period adjustment are included in note 42. |



 

# Significant findings – other issues

| Issue | Commentary | |
|---|---|---|
| **Depreciation charged on infrastructure assets** | **Mersey Gateway Bridge depreciation**<br>When preparing the 2018/19 accounts the Council continued with the policy adopted in 2017/18 of applying a single 30 year life (reflecting the tolling period of the bridge) to the whole of the asset value when calculating its depreciation charge.<br>The CIPFA Code (para 4.1.2.43) requires each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item to be depreciated separately, unless they have the same useful life and/or depreciation method.<br>The Council has now separated the differing components of the Mersey Gateway Bridge using the cost breakdown within the operators financial model and applied different asset lives to each major component. The Council is depreciating the main structural elements over a 120 year life, highways elements over 25 years and other components over 30 years. The revised depreciation charge for the Bridge for 2018/19 is now £7.7m and the Council has restated the 2017/18 accounts to reduce the depreciation charge by £8.65m to £3.4m (as shown in the prior period adjustment note 42c).<br>We have discussed the revised componentisation policy during the audit and have examined the revised calculations and supporting expert advice. We are now satisfied that the methodology for the depreciation being applied is reasonable and reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed.<br>**Infrastructure asset depreciation**<br>As part of examining the revised depreciation calculations for the Bridge we noted that the Council has historically applied a 15 year life to its infrastructure assets overall which we queried as in our view this was low compared to other councils.<br>The Council made further detailed enquiries with its highways department and now its policy from 2018/19 to apply a 25 year life to new roads but leaving older infrastructure assets to depreciate over 15 years. The Council's revised highways depreciation policy will be applied in future years.<br>As estimating asset lives and depreciation involves some judgment we are satisfied the Council has now obtained supporting expert evidence in this area we have no further issues to raise. | **Auditor view**<br>The Council needs to ensure it is up to date with the requirements of the Code when applying depreciation to its asset base.<br>Componentisation should apply to all assets of significant value with potentially differing component lives.<br>Finance officers should examine the appropriateness of its accounting policies on a regular basis to make sure these are robust and approved by the Council. |

# Significant findings - other issues

| Issue | Commentary | |
|---|---|---|
| **Omissions and Inaccurate disclosures (cont'd)** | We found areas where the disclosures within the financial statements did not fully comply with the requirements of the CIPFA Code of Practice. These included:<br>• Financial instruments (inaccuracies)<br>• Leases (omitted)<br>• Heritage assets (required Code disclosure omitted and no valuations available for some cultural assets)<br>• Effective date of valuations of PPE (omitted as documented on page 9)<br>• Use of old terminology in places<br>• Accounting policies included within Other, not placed in the Core Financial statements as suggested by the Code<br>• Typos and casting errors | **Auditor view**<br>The Council need to ensure that its draft financial statements provided for audit are completed fully in line with the requirements of the CIPFA Code.<br>It should complete the CIFPA disclosure checklist which needs to be checked by a senior officer. This should help reduce omissions and errors in the financial statements. |
| **Debtors and Creditors general ledger (GL) code analysis** | On examination and testing of year end debtor and creditor balances we noted that the Council has not reconciled the net balance on the GL codes to its year end listing of debtors and creditors.<br>The analyses provided for us to sample test were made up of all movements on the ledger code during the period.<br>The risk is that the GL codes could contain a number of errors that are continually carried forward without clearing and agreeing the movements to the year end balance position. | **Auditor view**<br>The Council need to examine the entries within the debtor and creditor ledger codes to ensure these reconcile to the year end debtor and creditor balances. |
| **Cashflow statement** | On checking the cashflow statement we identified a compilation error of £67.5 million where the pre-payment to the PFI Operator had been incorrectly included under investing activities rather than financing activities. There were other amendments processed for the prior year and in year adjustments made to the other core statement affecting the cashflow entries.<br>In resolving the complexity of the issues involved a number of versions of the cashflow statement were provided and checked by audit. | **Auditor view**<br>The Council need to ensure it has a thorough process in place for compiling the cashflow statement in line with Code guidance. |
| **Expenditure and Funding Analysis (note 1)** | On checking the EFA (note 1) we found this did not fully comply with Code disclosures to:<br>• explain material reconciling items in the adjustments column (Code para 3.4.2.100)<br>• show revenues from external customers on a segmental basis (Code para 3.4.2.101)<br>Also the Council made other compilation amendments, including correcting column headings in the adjustments note (to show this as other adjustments), include the reserves adjustment in the EFA and correct the surplus deficit figure. | **Auditor view**<br>The Council needs to ensure the compilation of the EFA follows the requirements of the Code and is thoroughly checked prior to sending for audit. |

# Significant findings – key judgements and estimates

| Accounting area | Summary of management's policy | Audit Comments | Assessment |
|---|---|---|---|
| **Provisions for NNDR appeals £5,409k** | **NNDR rateable value appeal claims**<br>The Council is responsible for repaying a proportion of successful rateable value appeals. Management has calculated a provision based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. The provision for non domestic rate appeals is £5,409k in 2018/19 (£5,505k in 2017/18). | We examined the estimate, considering the;<br>• appropriateness of the underlying information used to determine the estimate<br>• impact of any changes to valuation method<br>• reasonableness of the movement in the estimate<br>• adequacy of disclosure in the financial statements<br>**Audit Findings**<br>We were satisfied with the methodology for the calculation of the provision.<br>The Council has now reclassified £2,324k of the provision as long term. | **(green)** |
| **Insurance provision £2,044k** | **Insurance provision**<br>The Council has a number of outstanding insurance claims relating to employers liability and public liability claims as at 31 March 2019. | **Audit Findings**<br>We noted the Council had not included any provision for the potential cost to them in settling any outstanding insurance claims.<br>The Council has now reduced earmarked reserves by £2m to create a short term insurance provision of £2m for 2018/19 (and £1.9m for years 2017/18 and 2016/17). | (green) |
| **Bad debts provision £23,006k** | **Impairments against debtor balances**<br>The Council has included a total £23m provision against its debtors for estimated impairment of the balances due. The impairment provision is £23,006k (2018/19), £13,876k (2017/18) and £8,442k (2016/17).<br>A significant proportion of the provision is that relating to the collectability of Mersey Gateway penalty charge notices (PCN's) issued. As at 31 March 2019 the PCN and toll debt was £17.7m of which the Council has provided £11m (or 62%) against the debts. | **Audit Findings**<br>As at 31 December 2019 the level of fines (PCN and tolls) outstanding had risen to £21.9 million and during the period to September 2019 the Council had collected around £2 million out of £16.5 million of PCN debt outstanding at 31 March 2019.<br>On enquiry the Council advised that they consider the older debts are still recoverable and E-Movis continue to engage with debt enforcement agents to recover all aged debt.<br>As the provision as at 31 March 2019 covers 62% of outstanding PCN and toll debts and the Council has subsequently collected £2m in the first 6 month period of 2019/20 we are satisfied that the debt balance is not materially misstated.<br>The rise in outstanding fines is of concern and the Council needs to keep the level of fines under review to update its assessment of the likely collectability of these fines and associated write off. | (green) |

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**Assessment**
- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings – key judgements and estimates

| Accounting area | Summary of management's policy | Audit Comments | Assessment |
|---|---|---|---|
| **Land and Buildings – £165m net carrying value** | Other land and buildings (OLB) includes some specialised assets such as schools, valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are valued at existing use value (EUV) at year end.<br><br>The Council use their in-house valuation team to complete the valuation of properties as at 31 March 2019 on a five yearly cyclical basis. 11% of total OLB were revalued during 2018/19.<br><br>The valuation of properties by the valuer has resulted in a net increase of £1.47m. | We examined the estimate, considering;<br>• assessment of management's experts - the internal valuers<br>• completeness and accuracy of the underlying information used to determine the estimate<br>• impact of any changes to valuation method<br>• consistency of estimate against relevant local government indices report (prepared by Gerald Eve)<br>• reasonableness of the movement in estimate<br>• adequacy of disclosure of estimate in the financial statements<br><br>**Audit Findings**<br><br>Procedures to consider the competence and expertise of the valuers has not identified any matters to report to you.<br><br>As noted earlier on pages 9 and 10 we found that the Council had not complied with the Code requirement to include an analysis of assets shown by year of valuation and has not covered a sufficient proportion of assets held at depreciated replacement cost (DRC) within its recent revaluation cycle.<br><br>After completing the additional work set out on pages 9 and 10 we have now received satisfactory explanations for the differences in the valuations of the sampled assets and conclude that the asset values are not materially misstated overall. We have however raised a number of recommendations from this work which include the following areas;<br><br>- Conducting adequate rolling valuations on categories of assets within the cyclical programme<br>- Performing indices reviews at regular intervals to assess the impact of these on the valuation programme and year end values<br>- Ensuring Code requirements are met for any disclosures and valuations. | ● (amber) |

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**Assessment**

- ● We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings – key judgements and estimates

**Accounting area** | **Summary of management's policy** | **Audit Comments** | **Assessment**

**Net pension liability – £138m**

The Council's net pension liability at 31 March 2019 is £138.2m (£98.5m at 31 March 2018) for the Cheshire Local Government defined benefit pension scheme (LGPS) obligations (as reported in the draft financial statements). The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years

The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements..

We examined the estimate, considering;

- assessment of management's expert - Hymans Robertson
- assessment of actuary's roll forward approach taken, detail work undertaken to confirm reasonableness of approach
- use of PWC as auditor's expert to assess actuary and assumptions made by actuary – the table below compares the Actuary assumptions

| Assumption | Actuary value | PwC range | Assessment ** |
|---|---|---|---|
| Discount rate | 2.4% | 2.4 - 2.5% | |
| Pension increase rate | 2.3% | 2.2% - 2.3% | |
| Salary growth | 3.7% | 3.1% - 4.35% | |
| Life expectancy – Males currently aged 45 / 65 | 90.1 - 87.8 | 89.8 - 91.3 / 88.2 - 88.7 | |
| Life expectancy – Females currently aged 45 / 65 | 93.2 - 90.5 | 92.9-94 / 90-91.4 | |

- completeness and accuracy of the underlying information used to determine the estimate
- impact of any changes to valuation method
- reasonableness of the Council's share of LGPS pension assets.
- reasonableness of movement in estimate
- adequacy of disclosure of estimate in the financial statements.

See commentary on the amendments to the net pension fund liability on pages 11 and 12.

Initial assessment as

Following adjustments we have revised to

**Assessment**

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings – key judgements and estimates

| Accounting area | Summary of management's policy | Audit Comments | Assessment |
|---|---|---|---|
| **Long term investments £23,507k** | The Council includes investments in companies on its balance sheet where it has significant influence.<br><br>The Council includes its share of the equity in the companies based on latest available company accounts. | We examined the judgements applied; considering<br>• completeness and accuracy of the underlying information used to determine the value of the Council's investments in companies<br>• appropriateness of the information<br>• adequacy of the disclosure in the financial statements<br><br>**Audit Findings**<br><br>We identified an associate company (Daresbury SIC LLP) in which the Council has a 25% share. The Council had not included the share of its equity in this company in the draft financial statements.<br><br>In order to determine the value of the investment management have estimated this based on a % share of net assets as shown in the audited accounts of Daresbury. The Council have now updated the Investments (note 22) to include a value of £1,131k. | ● (amber) |

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**Assessment**
- ● We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● We consider management's process and key assumptions to be reasonable

# Significant findings – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

| Significant matter | Commentary | |
|---|---|---|
| **McCloud pensions ruling**<br><br>A legal ruling on age discrimination within Pension Schemes (specifically the Firefighters new 2015 transitional schemes: McCloud) has implications for other public service schemes where they have implemented transitional arrangements on changing benefits. The impact of this has meant that there is a 'present legal obligation due' and employer bodies (i.e. the Council) are expected to:<br><br>• recognise the assessed impact as an IAS19 past service cost (and current service cost for any in year impact) and an increase to the IAS19 gross pension liability<br><br>• make additional disclosures within the pensions note including the past service cost and increase to the gross pension liability resulting from the legal judgement.<br><br>This is a national issue which only crystallised in June 2019 when a further appeal court hearing was rejected. | The Council contacted their actuary (Hymans Robertson) in July 2019 and have been provided with updated Local Government pensions calculations.<br><br>Actuarial calculations resulted in an increased gross pension liability of £2,661k in respect of the McCloud judgement and an additional £14,206k liability due to the difference in pension assets from the estimated rate of return used in the initial estimate to the actual rate of return at the year end. Overall the adjustments have resulted in an £16,867k increase in the pension liability.<br><br>The increase calculated by Hymans Robertson is based on use of the Government Actuary Department (GAD) standard assumptions of 1.5% real pay increases. | **Auditor view**<br><br>• Management has adjusted for the assessed impact of the legal ruling and revised pension liability figures. The adjustment is included in the Council's summary of corrections attached to this report. We concur with management's decision to adjust for this impact subject to review of assumptions underpinning the estimate.<br><br>• The assumptions used by Hymans Robertson as the pension scheme actuary have been subject to review by the PSAA consulting actuary along with Grant Thornton experts. The audit team performed a number of follow up procedures based on the output of these reviews.<br><br>As noted on page 12 we are satisfied with the valuation of the pension fund liability and the revised entries within the financial statements. |
| **Other material amendments to the financial statements (including prior periods)**<br><br>Material amendments and prior period adjustments identified during the course of the audit include:<br><br>• Mersey Gateway asset and liability<br><br>• Grants received in advance<br><br>• Pensions net liability<br><br>• Depreciation charge | We have summarised the material amendments and prior period adjustments identified as a result of our audit throughout this report.<br><br>We had extensive discussion with the finance team during the course of the audit to agree the accounting treatment required. | **Auditor view**<br><br>Management has amended the financial statements for the required changes. This is documented throughout this report.<br><br>The prior period adjustment note (42) has also now been updated to include the details of all the adjustments made. |

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# Significant findings - Going concern

### Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

### Going concern commentary

| Management's assessment process | Auditor commentary |
|---|---|
| Management’s assessment is that there is no reason to consider the Council is at risk of not being a going concern. | The Council has sufficient cash, investment and reserves balances to deliver their services for 12 months from the date of the financial statements without income contributions. |
| **Work performed** | **Auditor commentary** |
| We have:<br>• held regular discussions with officers throughout the year; and<br>• examined the Council’s financial statements and financial forward planning. | The Council’s financial forecasts show that they have sufficient assets available to meet liabilities for the foreseeable future.<br>We have considered these forecasts and the Council’s past performance against its budgets. We have no concerns over the Council’s financial planning and forecasting at this time. |
| **Concluding comments** | **Auditor commentary** |
| | We intend to issue an opinion that is not modified in respect of Going Concern.<br>No events or conditions have been identified in the course of our audit that cast doubt on the entity’s ability to continue as a going concern. We have revisited this area in the light of the Covid 19 pandemic and the Council reassessed its position. Commentary on the pandemic has been reflected in the revised financial statements. |

# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

| Issue | Commentary |
|---|---|
| **Matters in relation to fraud** | We have previously discussed the risk of fraud with the Business Efficiency Board. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures. |
| **Matters in relation to related parties** | The Council amended the disclosure within its related party transactions (note 13) which now includes disclosures for Merseytravel. |
| **Matters in relation to laws and regulations** | You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. |
| **Written representations** | A letter of representation has been requested from the Council, including some specific representations discussed with management. We will include the letter of representation in the Business Efficiency Board papers upon completion of the audit.<br><br>We will draft the final management representation letter on audit closure. |
| **Confirmation requests from third parties** | We requested from management permission to send confirmation requests to the Council's bank and for year end investments. We received positive confirmations for these. |
| **Disclosures** | We found a significant number of areas within the draft financial statements where disclosures were not Code compliant or the information was incorrect. The more significant corrections are set out within this report. |
| **Audit evidence and explanations/significant difficulties** | The 2018/19 audit has taken considerably longer than either the finance team or audit team planned for. The underlying cause is the complexity of the accounting treatment related to Mersey Gateway asset and PFI liability. There was initial reluctance from the finance team to revisit the accounting treatment when the auditor raised queries on the basis that the judgements had been reviewed in the prior year. However the underlying operator model had not been provided in the prior year and the model is a key document in determining whether the accounting treatment was correct. Both the specialist management expert and auditor expert agreed the revised accounting treatment which led to many of the adjustments.<br><br>Once agreement had been reached on the accounting treatment the process of agreeing all amendments was lengthy. There are differences of view between the finance and audit teams over the sequence of events during this process. The finance team feel there was a lack of clarity on what adjustments were required and the audit team consider that some of the revised versions of accounts did not include all expected adjustments which led to subsequent queries from the auditors.<br><br>The finance and audit team need a clear discussion on the lessons learned from this year's audit process to identify a way forward where the responsibilities of preparers and auditors are clearly understood and to form a joint understanding of how management judgements will be supported, how auditors will challenge those judgements and how resulting adjustments will be processed. |

# Other responsibilities under the Code

| Issue | Commentary |
|---|---|
| **Other information** | We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.<br><br>We requested an updated version of the Annual Governance Statement to reflect the changes from the delay in the audit. We received an updated version in February 2020.<br><br>The Council has now put through a number of amendments to the Narrative Report to reflect the material amendments in the financial statements. |
| **Matters on which we report by exception** | We are required to report on a number of matters by exception in a numbers of areas:<br>• If the AGS does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit<br>• If we have applied any of our statutory powers or duties<br><br>As noted above we are completing final checks on a final amended version of the AGS. We would expect this however to reflect actions to improve the Council's accounts production process. |
| **Specified procedures for Whole of Government Accounts** | We are no longer required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions due to the extended period of the audit.<br><br>We anticipate certifying the closure of the audit on issue of the audit opinion. |
| **Certification of the closure of the audit** | We will not certify completion of the 2018/19 audit until we have resolved outstanding elector queries. |

# Value for Money

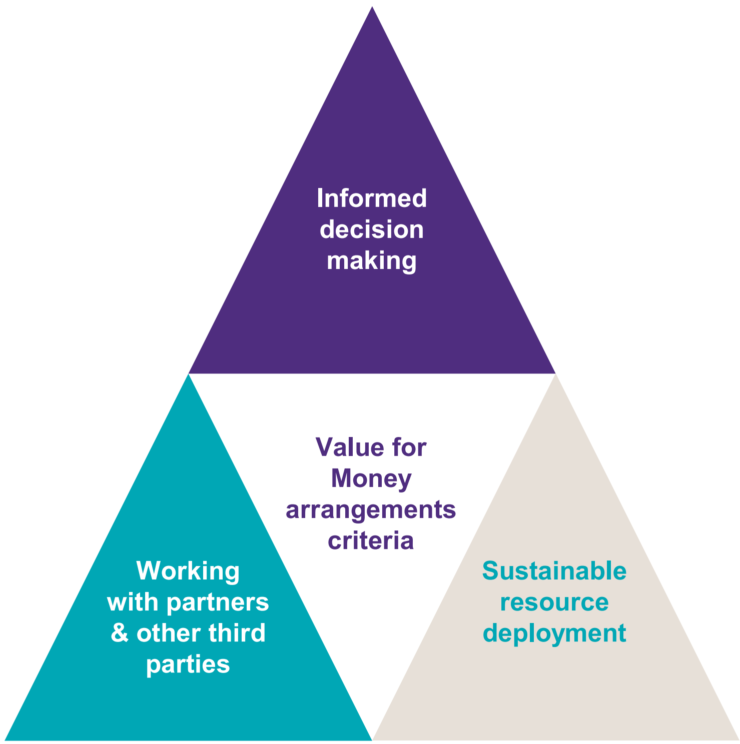
### Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

*"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."*

This is supported by three sub-criteria, as set out below:




### Risk assessment

We carried out an initial risk assessment in December 2018 and identified a significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated the risk of financial sustainability to you in our Audit Plan dated January 2019.

We have continued our review of relevant documents up to the date of giving our report.

### Financial sustainability

At the time of our planning the Council's financial position remained challenging with continued reductions to Government funding together with increasing service demands.

The Council revised its MTFS in November 2019 for the period 2020/21 to 2022/23. The updated Strategy required revenue savings of approximately £7.9m, £15.1m and £4.4m over the next three years. As a result the Council reported that it needs to remove £27.4m from its budget by reducing spending or increasing income.

We carried out further work only in respect of the significant risk we identified from our initial and ongoing risk assessment. The results from this work are set out on the following pages.

# Value for Money

### Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risk that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- the medium-term financial position and future required savings challenges

We have set out more detail on the risk we identified, the results of the work we performed, and the conclusions we drew from this work on the following page.

### Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### Recommendations for improvement

We discussed findings arising from our work with management and have raised recommendations for improvement.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A

### Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your value for money arrangements which we wish to draw to your attention.

### Significant matters discussed with management

In our discussions on your financial position we did not identify significant matters in undertaking our work on your value for money arrangements which we wish to draw to your attention.

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

| Significant risk | Findings | Conclusion |
|---|---|---|
| **Financial sustainability**<br>At the time of our planning the Council's financial position remained challenging with continued reductions to Government funding together with increasing service demands.<br><br>The Council's Medium Term Financial Strategy (MTFS) 2019/20 to 2021/22, required the Council to make revenue savings of £9.8m, £8.2m and £3.3m over the next 3 years. This amounts to £21.3m and 19.5% of the net revenue budget and will be a significant challenge in the medium term. | The Council revised its MTFS in November 2019 for the period 2020/21 to 2022/23. The updated Strategy required revenue savings of approximately £7.9m, £15.1m and £4.4m over the next three years. As a result the Council reported that it needs to remove £27.4m from its budget by reducing spending or increasing income. This represents 25% of the Council's net budget and the Council reports that it will be a significant challenge to find sufficient savings over the medium term in order to balance the budget.<br><br>We recognise there is a risk of not delivering these savings and that it will be critical for the Council to continue to monitor the position robustly.<br><br>The reported financial outturn position on the Council's budget over the last three years has decreased from an overall overspend in 2016/17 of £0.6m, to a projected overspend position as at March 2020 in the region of £6.1m.<br><br>The Council's financial equity position however remains sound with the level of reserves sufficient to meet existing needs. The latest version of the 2018/19 financial statements show a total net asset position of £900m and general fund and earmarked reserves of £86.7m. On this basis we propose an unqualified VFM conclusion. | **Auditor view**<br>We are satisfied, on the basis of the areas reviewed, that the Council's arrangements for wider financial management, reporting and budget setting, and its work with partners towards its strategic objectives, are adequate.<br><br>It will be important for the Council to continue to monitor delivery of savings proposals and take corrective action to help mitigate any future forecast overspend position.<br><br>An unqualified VFM conclusion is proposed. |

# Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

### Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. No non-audit services were identified which were charged from the beginning of the financial year to March 2019, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

| | Fees £ | Threats identified | Safeguards |
|---|---|---|---|
| **Audit related** | | | |
| Certification of Housing Subsidy Grant claim | 8,500 | Self-Interest (because this is a recurring fee) | The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £8,500 in comparison to the planned fee for the audit of £81,076 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. |
| Silver Jubilee Bridge grant claim (Department for Transport) | 2,700 | Self-Interest | The level of this fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,700 in comparison to the planned fee for the audit of £81,076 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. |
| Regional growth fund grant claim 3 Mersey Gateway (Department of Business, Energy and Industrial Strategy) | 4,000 | Self-Interest | The level of this fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,000 in comparison to the planned fee for the audit of £81,076 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. |
| Teachers Pension Return | 3,750 | Self-Interest (because this is a recurring fee) | The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,750 in comparison to the planned fee for the audit of £81,076 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. |
| **Non-audit related** | 12,500 | CFO Insights | The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the planned fee for the audit of £81,076 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. |



The amounts detailed are fees agreed to-date for audit related services to be undertaken by Grant Thornton UK LLP in the current financial year. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Annual Audit Letter at the conclusion of the audit.  None of the services provided are subject to contingent fees.

# Action plan

We have identified a number of recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

| Assessment | Issue and risk | Recommendations |
|---|---|---|
| ● | **The draft financial statements**<br><br>Our audit identified significant and material amendments required to the Council's 2018/19 financial statements which have also resulted in several prior year adjustments for 2017/18 and 2016/17. The value of the errors arising is at a material level and there were significant other non-trivial errors and required disclosure changes.<br><br>The audit process was challenging for both the finance team and auditors. The key areas where there were differing views between the finance team and auditors were:<br><br>• Obtaining a copy of the Mersey Gateway operator's financial model to examine the costs and PFI liability for the construction of the bridge.<br>• The treatment of grants received in advance (GIA) held on the balance sheet.<br>• The liability for pensions unfunded benefits<br>• Agreeing all amendments for the final version of the financial statements. | **R1. Improvements to the preparation of the financial statements**<br><br>The finance and audit team need to complete a thorough evaluation of the financial statements preparation (including quality control arrangements) and the audit process to identify lessons learned for future years.<br><br>**Management response**<br><br>Agreed |



**Controls**

- ● High – Significant effect on control system
- ● Medium – Effect on control system
- ● Low – Best practice

# Action plan

We have identified a number of recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

| Assessment | Issue and risk | Recommendations |
|---|---|---|
| ● (High) | **Grants received in advance (GIA) – (refer to pages 6 to 8)**<br><br>We identified material errors in the treatment of GIA in the financial statements where the Council had not correctly followed the requirements of the Code. The Council had incorrectly included GIA of £56m (for 2018/19) and £29m for 2017/18) within short and long term liabilities. We found the grant conditions had been fully satisfied and there were no conditions outstanding.<br><br>The Council had also incorrectly analysed the split of GIA between short and long term liabilities, originally including all capital grants as long term and revenue grants as short term.<br><br>Full details of the amendments to the 2018/19 and restated 2017/18 financial statements are set out on pages 7 and 8.<br><br>The risk of incorrect classification of GIA is that the Council fails to recognise grants income in the financial statements when it has satisfied the conditions required for the grant. This therefore affects the entries in the comprehensive income and expenditure statement (CIES) and balance sheet reserves position. | **R2. Treatment of grants received in advance**<br><br>We recommend that the Council should:<br><br>• Ensure that it complies with the requirements of Chapter 2.3 of the CIPFA Code (refs 2.3.2.8 and 2.3.2.9) when accounting for government grants<br><br>The risk in not understanding the Code requirements in this area is that the Council could overstate its liabilities and understate its reserves position, resulting in incorrect financial information.<br><br>**Management response**<br><br>Agreed |
| ● (Medium) | **Related parties disclosures (refer to page 8)**<br><br>We identified some numerical inaccuracies and the omission of Merseytravel within the Council's related parties disclosures in note 13.<br><br>We note also that the disclosure is quite extensive and should only reflect related parties where there is control, significant influence and the party is a member of the key management personnel of the reporting entity (Code 3.9.27). | **R3. Related parties**<br><br>The Council needs to ensure it completes a full assessment of all related parties when compiling its financial statements. It needs to follow the guidance in the Code and only reflect related parties where there is control, significant influence and the party is a member of the key management personnel of the reporting entity (Code 3.9.27).<br><br>**Management response**<br><br>Agreed |

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**Controls**

- ● High – Significant effect on control system
- ● Medium – Effect on control system
- ● Low – Best practice

# Action plan

We have identified a number of recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

| Assessment | Issue and risk | Recommendations |
|---|---|---|
| ● High | **Revaluation of non-current assets (refer to pages 9,10 and 16)**<br><br>We found that the draft accounts submitted for audit did not include the effective date of valuations analysed across each of the preceding financial years to reflect its rolling programme of valuations (in line with the Code requirement in paragraph 4.1.2.3 4). The Council were not aware they had to present this information.<br><br>Once the Council provided the revaluation analysis this showed that only 10.9% of total other land and buildings (OLB) had been subject to valuation in 2018/19 and that 65% or £107m net book value (out of a total £165m net book value of OLB) had not been revalued since 1 April 2015 (for the 31 March 2016 financial year). This is therefore not in line with the Code requirement that 'for assets that are required to be carried at current value, revaluations must be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using current value at the end of the reporting period'.<br><br>Without covering a sufficient proportion of assets within their rolling valuation programme the Council risks materially misstating the carrying value of non-current assets not subject to in year valuation where there have been movements in current values at the end of the reporting period. | **R4. Valuation of non-current assets**<br><br>We recommend that the Council should:<br>• Cover a sufficient proportion of categories of assets within the cyclical revaluation programme to give adequate assurance on the current values at the end of each reporting period<br>• Perform indices reviews at regular intervals to assess the impact of these on the valuation programme and year end values<br>• Ensure the financial statements meet all Code requirements for the disclosure of non-current assets<br><br>**Management response**<br><br>Agreed |
| ● High | **Valuation of pension fund net liabilities (refer to pages 11 and 12)**<br><br>On examination of the Council's actuarial report provided by Hymans Robertson for the period to 31 March 2019 we noted that there were no unfunded liabilities included in the Council's pension fund valuation. The Council had not included actuarial pension fund liabilities for:<br>• Teaching staff retirements, (pre 1998) £4.1m (2018/19), and restatement for 2017/18<br>• Teaching staff retirements (post 1998) £2.7m (2018/19) and estimated restatement for 2017/18<br>• Other local government officers (pre 1998 share) estimated £382k (for 2018/19) | **R5 Net pension fund liability**<br><br>We recommend the Council:<br>• Obtain annual pension fund valuations from its actuary that include all payments it makes in respect of teachers who have taken early retirement<br>• Obtain sufficient supporting evidence for those local government officers who took retirement prior to 1998 and for which Halton are responsible.<br>• Include all relevant actuarial liabilities in its financial statements.<br><br>**Management response**<br><br>The Council will work with Cheshire West and Chester Council to ensure the correct pre 1998 information is included |

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**Controls**
- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

# Action plan

We have identified a number of recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

| Assessment | Issue and risk | Recommendations |
|---|---|---|
| ● | **Valuation of Mersey Gateway infrastructure asset and PFI liability (pages 13 and 14)**<br><br>We identified significant material amendments to the value of the infrastructure asset and related PFI liability for the Mersey Gateway Bridge which became operational in October 2017 and brought into the 2017/18 financial statements.<br><br>Full details of the required amendments and restated prior year entries are set out on pages 13 and 14. The significant amendments to the 2018/19 financial statements are:<br><br>• Change in the valuation of the MG infrastructure asset and related PFI liability £274,231k (restated 2017/18) | **R6 Mersey Gateway asset and liability**<br><br>In future when considering any complex areas of accounts the Council need to consider:<br><br>• the extent to which they require management expert advice to ensure the financial statements are soundly based<br><br>• Use relevant underlying information to construct the entries in the financial statements<br><br>**Management response**<br><br>Agreed |
| ● | **Depreciation charged on infrastructure assets (page 15)**<br><br>The Council applied a single 30 year life (reflecting the tolling period of the bridge) to the whole of the value of the Mersey Gateway Bridge when calculating its depreciation charge.<br><br>We advised the Council that they should apply the principles of the CIPFA Code (para 4.1.2.43) when calculating its depreciation charge on the Mersey Gateway Bridge. This requires each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item to be depreciated separately.<br><br>The Council have now separated the differing components of the Mersey Gateway Bridge using the cost breakdown within the operators financial model and applied different asset lives to each major component. The Council is depreciating the main structural elements over a 120 year life, highways elements over 25 years and other components over 30 years.<br><br>We also noted that Highways Infrastructure assets were being depreciated over a 15 year life, comparatively low compared to other Councils. The Council have reassessed its Highways depreciation policy on new Infrastructure assets. Full details are set out on page 15. | **R7 Depreciation on infrastructure assets**<br><br>We recommend the Council:<br><br>• ensures officers are up to date with the requirements of the Code when applying depreciation to its asset base<br><br>• apply componentisation on those assets of significant value where there are substantial components with differing lives<br><br>• examine the appropriateness of its accounting policies on a regular basis to make sure these are robust and approved by the Council. Ensure asset lives are appropriately determined.<br><br>**Management response**<br><br>Agreed. Accounting Policies are reviewed on a regular basis and we will consider the appropriate approval process |

**Controls**
- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

# Action plan

We have identified a number of recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

| Assessment | Issue and risk | Recommendations |
|---|---|---|
| | **Daresbury long term investment (page 20)**<br><br>We identified an associate company (Daresbury SIC LLP) in which the Council has a 25% share. The Council had not included the share of its equity in this company in the draft financial statements.<br><br>In order to determine the value of the investment management have estimated this based on a % share of net assets as shown in the audited accounts of Daresbury. The Council have now updated the Investments (note 22) to include a value of £1,131k. | **R8 Long term investments in companies**<br><br>We recommend the Council:<br><br>• Consider the most appropriate method of valuation in Daresbury LLP for future accounting periods. It needs to assess whether using the net asset base is the most appropriate to adequately reflect the value held within this company. It may need specialist advice on future earnings potential if the company is expanding with expected increased profitability.<br><br>**Management response**<br><br>Agreed |
| | **CIPFA Code disclosures (page 16)**<br><br>We found a significant number of areas where the disclosures within the financial statements did not comply with the requirements of the CIPFA Code of practice. In addition the Council did not complete a disclosure checklist as part of its closedown procedures. | **R9 CIPFA Code of Practice**<br><br>The Council need to ensure that its draft financial statements provided for audit are completed fully in line with the requirements of the CIPFA Code.<br><br>We recommend the Council completes the CIPFA Code disclosure checklist and incorporates this process within its closedown timetable.<br><br>Rigorous review by senior officers is then needed to ensure the financial statements are Code compliant.<br><br>**Management response**<br><br>Agreed |
| | **Collectability of debt for Mersey Gateway fines (page 17)**<br><br>A significant proportion of the bad debt provision is that relating to the collectability of Mersey Gateway penalty charge notices (PCN's) issued. As at 31 March 2019 the PCN and toll debt was £17.7m of which the Council have provided £11m (or 62%) against the debts.<br><br>We found this debt continues to rise with low levels of collection of older debt. As at 31 December 2019 the level of fines (PCN and tolls) outstanding have risen to £21.9m and during the period to September 2019 the Council had collected around £2m out of £16.5m of PCN debt outstanding at 31 March 2019. | **R10 Mersey Gateway debts**<br><br>We recommend the Council works closely with the Mersey Gateway Crossings Board to examine the levels and age of debt.<br><br>**Management response**<br><br>Agreed |

**Controls**

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

# Action plan (continued)

| Assessment | Issue and risk | Recommendations |
|---|---|---|
| | **Debtor and Creditor General Ledger (GL) Code analyses (page 16)**<br>On examination and testing of year end debtor and creditor balances we noted that the Council has not reconciled the net balance on the GL codes to its year end listing of debtors and creditors. The analyses provided for us to sample test were made up of all movements on the ledger code during the period.<br>The risk is that the GL codes could contain a number of errors that are continually carried forward without clearing and agreeing the movements to the year end balance position. | **R11 Debtor and creditor general ledger code reconciliations**<br>The Council need to examine the entries within the debtor and creditor ledger codes to ensure these reconcile to the year end debtor and creditor balances.<br>**Management response**<br>Agreed |
| | **Compilation of the cashflow statement (page 16)**<br>On checking the cashflow statement we identified a compilation error of £67.5m where the pre-payment to the PFI Operator had been incorrectly included under investing activities rather than financing activities. There were other amendments processed for the prior year and in year adjustments made to the other core statement affecting the cashflow entries.<br>We received a number of versions of the cashflow statement for ongoing audit checking. | **R12 Cashflow statement**<br>The Council need to ensure it has a thorough process in place for compiling the cashflow statement in line with Code guidance. Any audit amendments need a detailed check by the finance team before being returned as a final document.<br>**Management response**<br>Agreed |
| | **Compilation of the Expenditure and Funding Analysis (EFA) (page 16)**<br>On checking the EFA (note 1) we found this didn't fully comply with Code disclosures to:<br>• explain material reconciling items in the adjustments column (Code para 3.4.2.100)<br>• show revenues from external customers on a segmental basis (Code para 3.4.2.101)<br>Also the Council made other compilation amendments, including correcting column headings in the adjustments note (to show this as other adjustments), include the reserves adjustment in the EFA and correct the surplus deficit figure. | **R13 Expenditure and Funding analysis (note 1)**<br>The Council needs to ensure the compilation of the EFA follows the requirements of the Code and is thoroughly checked prior to sending for audit.<br>**Management response**<br>Agreed |



**Controls**
- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

# Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

### Impact of adjusted misstatements

**There are a considerable number of adjustments made to the 2018/19 accounts and prior years 2017/18 and 2016/17. These are summarised in detail in Annex 1.**

This includes the impact on the key statements and the reported net expenditure for the year ending 31 March 2019 and prior years.

### Misclassification and disclosure changes

**There are extensive changes made to the disclosures in the accounts as set out in detail in the Council's schedule of amendments. The table below captures the main changes in summary.**

| Disclosure change | Detail | Auditor recommendations | Adjusted? |
|---|---|---|---|
| **Narrative Report** | Updated throughout to reflect changes to the amended accounts | n/a | ✓ |
| **CIES, Balance Sheet, MIRs, Cashflow** | Changes to all key statements as noted in the detail in Annex 1. These also include reference to restated figures in prior years, including a restated third balance sheet for 2016/17 and correction of old terminology. | See various detailed recommendations raised | ✓ |
| **Notes to the core statements** | Added reference to accounting policies being at the back of the statements of accounts | See Rec 11 these are better shown within the core statements | ✓ |
| **Expenditure and Funding Analysis (notes 1 and 2)** | Format changed and restated figures in line with changes to other core statements. Revised narrative in the notes. | See Rec 14 to follow the Code requirements | ✓ |
| **Financing and Investment Income and expenditure (note 4)** | Restated figures for 2018/19 and 2017/18 as detailed | - | ✓ |
| **Tax and non specific grant income (note 5)** | Restated figures for 2018/19 and 2017/18 as detailed | - | ✓ |

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# Audit Adjustments (continued)

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

### Misclassification and disclosure changes

**There are extensive changes made to the disclosures in the accounts as set out in detail in the Council's schedule of amendments. The table below captures the main changes in summary.**

| Disclosure change | Detail | Auditor recommendations | Adjusted? |
|---|---|---|---|
| **Grant income (note 7)** | Restated figures for years 2018/19, 2017/18 and 2016/17 in line with changes outlined in treatment to bring this in line with the Code. | See Rec 2 on treatment of GIA in line with the Code | ✓ |
| **Related party transactions (note 13)** | Corrections of inaccuracies in the disclosure. | See Rec 3 | ✓ |
| **Events after the Balance Sheet date (note 15)** | The Council has added disclosures for Halton Borough Transport and the impact of Covid-19 into the narrative | - | ✓ |
| **Capital expenditure and financing (note 16)** | Restated figures for 2018/19 and 2017/18 in line with other amendments | - | ✓ |
| **Non-current assets PPE (note 17)** | Restated figures in line with other significant amendments. Also changes in depreciation policy for infrastructure assets. Added details of asset valuations by years in line with Code requirements. | See Recs 4/6/7 | ✓ |
| **Heritage assets (note 18)** | Added further detail in line with Code requirements | See Rec 9 | ✓ |
| **Investments (note 22)** | Included the Councils investment in Daresbury, previously omitted | See Rec 8 | ✓ |
| **Debtors (note 23)** | Restatement of short term debtors for 2018/19, 2017/18 and 2016/17 in line with other amendments | - | ✓ |
| **Creditors (note 25)** | Restated figures for 2018/19 and 2017/18 as detailed | - | ✓ |

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# Audit Adjustments (continued)

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

### Misclassification and disclosure changes

**There are extensive changes made to the disclosures in the accounts as set out in detail in the Council's schedule of amendments. The table below captures the main changes in summary.**

| Disclosure change | Detail | Auditor recommendations | Adjusted? |
|---|---|---|---|
| **Provisions (note 27)** | Included a provision for insurance for 2018/19 and restated 2017/18 as shown. Reclassified £2,324k of the NNDR provision as long term. | - | ✓ |
| **Other long term liabilities (note 29)** | Amendments to the defined pensions liability and the Mersey Gateway Unitary charge for 2018/19 and 2017/18 in line with other amendments made. | See Recs 5 and 6 | ✓ |
| **Leases (note 30)** | Amendments made to the details of finance leases as detailed. | - | ✓ |
| **Private Finance Initiatives and Similar schemes (note 31)** | Restated figures for 2018/19 and 2017/18 in line with other amendments for the MG PFI scheme. | See Rec 6 | ✓ |
| **Pension schemes (note 32)** | Restated figures for 2018/19 and 2017/18 in line with other pension scheme amendments. | See Rec 5 | ✓ |
| **Financial Instrument (note 33)** | Amendments to the disclosure in the note in line with other changes and Code requirements. | See Rec 9 | ✓ |
| **Adjustments between accounting basis and funding basis (note 34)** | Restated disclosures for 2018/19 and 2017/18 in line with other amendments to the accounts. | - | ✓ |
| **Useable Reserves (note 35) Transfers to Earmarked reserves (note 36) and Unusable reserves (note 37)** | Restated notes to show reserves for 2018/19 and prior years in line with other accounts amendments. | - | ✓ |

# Audit Adjustments (continued)

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

### Misclassification and disclosure changes

**There are extensive changes made to the disclosures in the accounts as set out in detail in the Council's schedule of amendments. The table below captures the main changes in summary.**

| Disclosure change | Detail | Auditor recommendations | Adjusted? |
| --- | --- | --- | --- |
| **Cashflow (notes 38 to 40)** | Restated disclosures for 2018/19 and 2017/18 in line with other amendments to the accounts. | See Rec 13 compilation of the cashflow | ✓ |
| **Interest in Companies (note 41)** | Inclusion of Daresbury | See Rec 8 | ✓ |
| **Prior period adjustments (note 42)** | The note has been rewritten to include all the details of the prior period adjustments made throughout the financial statements. | See Rec 1 | ✓ |
| **Collection fund** | Updated to reflect changes as detailed | - | ✓ |
| **Statement of accounting policies** | Some narrative changes to the disclosures to reflect up to date policies in line with amendments made throughout the financial statements. | - | ✓ |

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# Audit Adjustments

### Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The Business Efficiency Board is required to approve management's proposed treatment of all items recorded within the table below:

| Detail | Comprehensive Income and Expenditure Statement £ | Statement of Financial Position £ | Impact on total net expenditure £ | Reason for not adjusting |
|---|---|---|---|---|
| **Pension fund liability: non teaching staff retirees pre 1998 (see page 12)** | | | | |
| Unusable reserves – pension reserve | | Dr 382,000 | | This is an estimated figure which the Council need to accurately confirm in future with its actuary. |
| Pension liability (LT) | | Cr 382,000 | | |
| **Overall impact** | **£0** | **£0** | | |



 

# Fees

We confirm below our final fees charged for the audit and provision of non-audit services

| Audit fees | Proposed fee | Final fee |
|---|---|---|
| Council Audit * | £81,076 | tbc |
| **Total audit fees (excluding VAT)** | **£81,076** | **tbc** |

- As noted throughout this report we have incurred significant additional audit time extended through June 2019 to August 2020. The final audit fee will be significantly higher than the standard scale fee for this audit. We are planning to issue an interim additional fee of £47k followed by a further final fee of £20k on closure.
- Where we charge additional fees the value has to be agreed with both the Council and Public Sector Audit Appointments Ltd.

### Non-audit fees

| Fees for other services | Fees £'000 |
|---|---|
| Audit related services:<br>• Certification of Housing Subsidy Grant claim | 8,500 |
| Silver jubilee bridge grant claim (Department for Transport) | 2,700 |
| Regional growth fund grant claim 3 Mersey Gateway (Department of Business, Energy and Industrial Strategy) | 4,000 |
| Teachers Pension Return | 3,750 |
| Non-audit services<br>• CFO Insights | 12,500 |
| **Total non-audit fees (excluding VAT)** | **£31,450** |

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# STATEMENT OF ACCOUNTS

# 2018/19

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## Contents

# Narrative Report by Operational Director - Finance

**Introduction**

The aim of this narrative is to provide an understandable guide to the Councils year-end financial position and future outlook which are relevant to the performance of the Council.

The Statement of Accounts sets out the Council's income and expenditure for the year and also provides a snapshot of the financial position as at 31 March 2019. Included are core financial statements supported by supplementary statements, which will help provide an analysis of the financial performance of the Council over the financial year 2018/19.

Whilst the publication of the Statement of Accounts is a statutory requirement, the purpose behind the requirement is to provide stakeholders with clear information regarding the Council's financial performance over the past year. The Council continues to review the style and content of the information included within the Statement of Accounts to ensure the content included is relevant and material from both a quantitative and qualitative viewpoint.

The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting 2018/19 (known as The Code), which in turn is underpinned by International Financial Reporting Standards.

**The Core Statements are:**

- **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 which is funded from taxation. The end result is a very different position to how net outturn spend compared to budget is reported. A reconciliation between the two is provided as part of this narrative statement and the Expenditure and Funding Analysis Statement, included within Note 1.

- **Balance Sheet** – The Balance Sheet shows the value as at the 31 March 2019 of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the authority.

- **Movement in Reserves Statement** – this statement shows the movement in the year on the different reserves held by the Council, analysed into "Usable Reserves" i.e. those that can be applied to fund expenditure (both capital and revenue) or reduce local taxation, and "Unusable Reserves", reserves which highlight changes to unrealisable gains or losses.

- **Cash Flow Statement** – this statement shows the changes in cash and cash equivalents (cash invested for 3 months or under) of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

- **Notes to the above Statements** – extensive notes to support the core statements are set out in accordance with the requirements of the Code. The notes shall:

    1. Present information about the basis of preparation of the financial statements and the specific accounting policies used.
    2. Disclose the information required by the Code that is not presented elsewhere in the core financial statements.

**The Supplementary Financial Statements are:**

- **Collection Fund Account** – this is a statement that reflects the statutory obligation for the Council as a billing authority to maintain a separate Collection Fund. The statements show the transactions of the Council in relation to the collection from taxpayers and distribution to major and local preceptors and the Government of council tax and non-domestic rates.

- **Pension Fund Account** – reports the contributions received, payment to pensioners and the value of net assets invested in the Local Government Pension scheme on behalf of Council employees.

- **Group Accounts** – the purpose of this statement is to present the consolidated position of the Council's activities, in accordance with the Code. This would involve consolidating the accounts of the Council's group entities with the Council's accounts by grossing up the Comprehensive Income and Expenditure Statement and the Balance Sheet whilst eliminating intra group transactions. For 2018/19 the group account statements are excluded as the transactions relating to group entities are not considered material. See Note 41 for further information.

- The materiality of the transactions has been assessed based on quantitative and qualitative factors. Activities of group entities are not significant to the representation of the operational activities of the Council. In addition the Council does not depend significantly on group entities for continued provision of statutory services and grouping the accounts would not provide any more useful disclosures than already included.

**Other Statements:**

- **Statement of Responsibilities for the Statement of Accounts** – this statement sets out the responsibilities of the Council and the Chief Financial Officer (Section 151 Officer).
- **Statement of Accounting Policies** – this statement explains the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.
- **Independent Auditor's Report to Members** – this is the report and certificate following the external audit of the Council's accounts, carried out by Grant Thornton UK LLP.

**Organisational Overview**

The Council is structured with an Executive Board comprising ten portfolio holders, who areas of responsibility reflect the Council's corporate priorities. There are six Policy and Performance Boards and a Business Efficiency Board, which also reflect the corporate priorities and undertake an overview and scrutiny role, along with a number of regulatory and other boards. Financial and non-financial key performance indicator data is reported to Policy and Performance Boards on a quarterly basis and is published on the Council's website.

Operationally the Council's structure comprises two directorates. The People Directorate includes primarily Adult Social Care, Children's Services, Schools, Education Services and Public Health. All other Council services operate within the Enterprise, Community & Resources Directorate.

There have been no significant changes to the Council's governance arrangements during 2018/19. However, further details regarding the effectiveness of those arrangements can be found in the Annual Governance Statement which is reviewed and reported upon annually alongside the Statement of Accounts.

There is close co-operation between the Council and Halton Clinical Commissioning Group to deliver integrated health and social care services utilising a pooled budget arrangement. The Council forms part of "One Halton", a new way of working that involves joining up all of the services that deliver care and wellbeing to the people of Halton.

Significant cost pressures have been experienced in recent years from the continuing rise in children's social care numbers and the complexity of cases involved. The trend in the increase in numbers is similar to what is being experienced across the country. The Council is looking at ways in which it can control costs for the service including; looking at ways to building growth in the in-house fostering and independent fostering agency (IFA) market; seek contributions from external partners; focus on existing placements to drive transitions where this can be done safely and greater focus on monitoring existing contractual agreements.

The Council is a member of the Liverpool City Region (LCR) Combined Authority and works closely with the other five member councils in respect of a number of key service areas, including economic regeneration, highways and transport services. In addition, the Council is part of the LCR Business Rates Retention pilot scheme, designed to incentivise councils to develop their local economy by permitting them to retain any resulting growth in business rates. The pilot scheme will continue to operate through to 2020/21, participation in the scheme beyond 2020/21 is uncertain.

Public spending austerity continues to have a significant impact on the Council, using the Government's own interpretation of Spending Power, the Council has over the period 2011 to 2019 lost £34.4m (24.6%) in funding or the equivalent of £271.41 per head of population. This has brought exceptional challenges for the Council in setting a robust, balanced budget each year whilst continuing to deliver high quality, essential public services. During this period, whilst financial and other resources available to the Council have reduced considerably, the demand for the Council's services has increased steadily, in particular those relating to Adult and Children's Social Care. As a result, managing spending pressures within a significantly reducing budget has been very challenging.

The Council continues to have growth in the council tax base, with a steady increase in the number of new properties being developed within the Borough. Over the past 6 years the Council has experienced growth in the taxbase of 11.3% or 3,550 equivalent Band D properties. Given the lack of funding support from Government, council tax growth has been key in delivering additional financial resources.

In addition, business rates income has increased considerably in recent years and this trend is expected to continue given the improvements brought about by the Mersey Gateway Crossing and continued support in economic regeneration, helping to boost the local economy through job growth. For the period 2015 to 2017 employment across the borough has increased by nearly 11% with the number of businesses resident in the borough increasing by 13% over the same period. Over the past 5 years the Council has benefitted from growth to retained business rates, increasing by 26% since 2014/15.

**Financial Performance 2018/19**

The Council incurs both revenue and capital expenditure. Revenue expenditure is generally on items which are used in the year and net expenditure is generally financed by Council Tax, Retained Business Rates, Top-Up Funding and Revenue Support Grant. Capital expenditure generally has a life beyond one year and increases the value of an asset. The financing of capital expenditure is charged to revenue over a number of years in accordance with statutory requirements.

The Council operate a pilot scheme for the retention of 99% business rates (the remaining 1% going to Cheshire Fire and Rescue Service). The pilot was part of a scheme with all six member authorities of the Liverpool City Region. Government gave a guarantee that as a result of the pilot the Council would be no worse off than had it continued with business rate retention of 49%.

The impact of the pilot scheme for the Council was that both Revenue Support Grant and Improved Better Care Fund would no longer be paid as separate grants but instead be replaced by the additional retained business rates and an increased element of top-up funding.

On 7 March 2018 Council set a 2018/19 revenue budget of £109.3m. At the same time Council approved a council tax requirement for the year of £47.6m, setting the Band D rate at £1,377.88 (excluding preceptors).

With continuing reduced levels of funding from Government together with increased service demand particularly from Children's & Adult Social Care and the Community & Environment Department, the Council's net spend position for the past year in comparison to the available budget has continued to be an issue and risk to its finances. The Council continues to monitor the spend position on operational activities and as at 31 December 2018 it was forecast that outturn spend would be £4.2m over the budget position. Corrective action and close monitoring undertaken by Members and Officers and the action taken to curb spending except where absolutely essential has resulted in total spending for 2018/19 being £111.6m, £2.4m above the budget for the year (compared to £1.0m above budget in the previous year).

This position resulted in the Council's General Fund Balance decreasing to £2.6m. At this level it is considered the General Reserve is insufficient given the level of increasing service pressures, continuation of public spending cuts and risk to the Council of fluctuations in the level of business rates retained on an annual basis. The Council's earmarked reserves are reviewed on a quarterly basis and consideration has been given throughout the financial year to releasing some of these reserves to General Fund to ensure a prudent position and to help manage future year budget pressures. £2.4m of earmarked reserves have been transferred to General Fund as at 31 March 2019, taking the balance to £5.0m.

The Council holds earmarked reserves which have been set aside to cover known future one-off costs. The value of earmarked reserves as at 31 March 2019 total £81.7m an increase of £22.8m from the same point in 2018, £58.9m.

Due to a change to the accounting, treatment of the Availability Support Grant provided by Department for Transport to assist in the running costs of the Mersey Gateway the earmarked reserves at 31st March 2018 has been restated to include £19.9m of unspent grant. For more detail see Note 42.

Please note that this grant income is ring-fenced for spend on the Mersey Gateway Project only, and cannot be utilised by the Council for any other purpose. Excluding this grant income, the earmarked reserves level decreased by £1.6m in year from £39.0m to £37.4m. Details of the earmarked reserves are shown in Note 36

The table below shows the movement on the Council's General Fund position compared to budget.

| | 2018/19 Original Budget £000 | 2018/19 Actual £000 |
|---|---|---|
| Net Expenditure | 109,227 | 111,634 |
| Parish Precepts | 110 | 110 |
| **Total** | **109,337** | **111,744** |
| | | |
| Financed by Local Taxpayers – Council Tax | (47,557) | (47,557) |
| Financed by Local Taxpayers – Business Rates | (49,456) | (49,456) |
| Financed by Local Taxpayers – Collection Fund Surplus | (4,855) | (4,855) |
| Financed by Top-Up Funding | (7,469) | (7,469) |
| **(Surplus)/Deficit for Year** | **-** | **2,407** |
| | | |
| **General Fund Balance Brought Forward** | **(5,004)** | **(5,004)** |
| | | |
| **Transfer from Earmarked Reserves to General Fund** | **-** | **(2,401)** |
| | | |
| **General Fund Balance Carried Forward** | **(5,004)** | **(4,998)** |

The largest pressure on the budget during the year again related to children's social care costs. The outturn position reported an overspend against budget of £4.1m, the key pressure on the budget being out of borough residential placements, although out of borough fostering, special guardianship and are also significant budget pressures.

The Council have taken a pro-active approach to seek ways in reducing the cost pressures associated with children in care. Additional staff have been recruited to the Placements Team who will work more closely with providers and seek to reduce the cost of packages. Incentives to help recruit and retain foster carers have been implemented, including a discretionary council tax relief scheme for in-house foster carers which was introduced in April 2019.

The Community & Environment Department net spend position was £27.6m, £1.4m over the allocated budget. The main spend pressure area associated with the level of generated income. Given the marked reduction in Government Grant since 2010 the Council has looked at other ways in making up the shortfall in funding resources, with a lot of emphasis on increasing income levels. Shortfalls within leisure management, school meals service and commercial catering accounts income levels have contributed towards the overspend position.

Services pressures continue to be evident in Adult Social Care with a particular pressure on the Complex Care Pool Budget which the Council host in partnership with Halton Clinical Commissioning Group (HCCG). One-off funding from the Additional Better Care Funding Grant and Winter Pressures Grant have helped meet increased spend pressures within the service. Unfortunately the short term funding nature of these additional grants make it difficult to plan how service pressures will be funded and therefore given the variable nature of costs associated with the service it represents a significant finance risk for the Council over the medium term.

Redundancy costs incurred during the year totalled £0.5m (2017/18 - £0.5m). These were met from the Transformation Fund Reserve which the Council established to meet the costs associated with structural changes. Posts vacated from staff electing to take up voluntary redundancy terms have been deleted from the Council's staffing structure to provide on-going savings. Further details on exit packages can be found in supporting note 11 to the financial statements.

Given the financial challenges which the Council has had to deal with since 2010/11 and the continued public spending austerity measures, it is vital that high quality financial management is provided to the Council. Quarterly financial spending reports are presented to Members and the Council's Management Team which highlight budget pressures as they develop during the year. A budget risk register is maintained on a quarterly basis, key risks are evaluated and control measures put in place.

**Schools**

Expenditure incurred in relation to the Schools budget, both by individual schools and the Council totalled £75.9m and is shown in more detail in Note 8.

School balances at 31 March 2019 total £4.6m (£3.7m 31 March 2018). In addition, £0.3m (£0.5m 31 March 2018) of unspent schools related funding is held centrally and will carry forward into 2019/20.

**Comprehensive Income & Expenditure Statement**

Whilst the General Fund shows a net deficit for the year of £2.4m (before transfers from earmarked reserves), the accounting position presented in the Comprehensive Income & Expenditure Statement (CIES) shows a deficit for the year of £39.9m. The CIES takes a wider view of financial performance than that shown in the General Fund and shows the true accounting position for the year. This deficit represents the total amount by which the Council's equity has decreased over the year as shown in the Balance Sheet.

Supporting the CIES is the Expenditure and Funding Analysis included at Note 1 to the accounts. It shows the movement by Council directorate from the year-end outturn position reported to the Council's Executive Board to what is included to the deficit position on the provision of services, included as part of the CIES.

The table below reconciles the General Fund overspend via the deficit position on the provision of services to the total deficit for 2018/19 on the Comprehensive Income & Expenditure Statement. Included below the table are supporting notes to the amounts within the table.

| | 2018/19 £000 |
|---|---|
| **General Fund Overspend** | **2,407** |
| **Transfer from Earmarked Reserves** | **(2,400)** |
| **Accounting Adjustments Provision of Services:** | |
| Adjustment for Capital Purposes | |
| - Depreciation, Impairment and Revaluation Losses of Non-Current Assets | 31,443 |
| - Capital Grant Income | (16,749) |
| - Revenue Expenditure Funded from Capital | 5,351 |
| - Loss on De-Recognition of Non-Current Assets | 1,635 |
| - Minimum Revenue Provision | (8,802) |
| - Other Capital Adjustments | (592) |
| Pension Adjustments | 15,516 |
| Movement in Reserves | (22,839) |
| Other Differences | 2,154 |
| **Deficit on the Provision of Services** | **7,124** |
| **Accounting Adjustments Other:** | |
| Surplus on Revaluation of PP&E | (6,590) |
| Gain on Pension Asset | (15,396) |
| Loss on Pension Assumptions (Demographic, Financial and Other) | 56,228 |
| Revaluation of Available for Sale Financial Instruments | (154) |
| Revaluation of Financial Assets Measured at Fair Value Through Other Comprehensive Income | (1,313) |
| **Total Comprehensive Income & Expenditure** | **39,899** |

- **Adjustment for Capital Purposes**
  - Depreciation and Revaluation Loss of Non-Current Assets – Reflects the annual cost of assets consumed during the year
  - Capital Grant Income – Used to help fund the capital programme, recognised in the CIES in line with proper accounting practice.
  - Revenue Expenditure Funded from Capital – Capital funded expenditure charged to the CIES under statute.
  - Loss on De-Recognition of Non-Current Assets– Transfer of Non-Current Assets, largely relating to Brookfields School transferring to academy status from 31 August 2018.

    - Minimum Revenue Position – Amount set aside in the General Fund to recognise the repayment of debt. In line with proper accounting practice this is not required to be included in the CIES.
- **Pension Adjustments** - Denotes the difference between the accounting cost of pensions (included in the CIES) and the actual employer contributions to the pension fund. More information on pensions is included elsewhere within the narrative report.
- **Movement in Reserves** - As per proper accounting practice, changes to reserves are not required to be included in the CIES.
- **Other Differences** – Includes the Collection Fund adjustment, difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax and Business Rates.
- **Surplus on Revaluation of PP&E** - Increase in the value of those non-current assets that have been revalued during the year.
- **Gain on Pension Assets / Loss on Pension Adjustments** – Information on these adjustments is included within the Pension Liability heading as part of the narrative report.
- **Revaluation of Available for Sale Financial Instruments** – Increase in the value of available for sale financial instruments held, in-year decrease has no impact on the Council's general fund.
- **Revaluation of Financial Assets Measured at Fair Value Through Other Comprehensive Income.** – Increase in the value of financial instruments held. This has no impact on the General Fund.

**Capital Planning**

The Council prepares and reports a rolling capital programme to forecast the probable level of capital spend over the next three years, along with the likely sources of funding. The Council also maintains a capital reserve, which has been generated from revenue contributions in order to support funding the capital programme. The forecast shows that there are sufficient resources over the medium term to cover the current capital programme, funded from borrowings, grants, revenue contributions, capital receipts and use of reserves.

At 31st March 2019 unused capital receipts were £7.7m, and the balance on the capital reserve was £2.0m. A significant percentage of the capital receipts are earmarked for future capital projects, the forecast level of receipts as at 31 March 2021 is £6.2m

The Council considers any new additions to the capital programme in light of the resources available.

On 06 March 2019, Council approved the 2019/20 Capital Strategy. This helps provide a high level, long term overview of how capital expenditure, capital financing and treasury management will contribute to the provision of services. It also provides an overview of how associated risks are managed and implications for future financial sustainability. The Councils Asset Management Working Group meet on a quarterly basis to plan and develop the Council's Asset Management Plan.

**Capital Expenditure**

The Council spent £21.9m on capital schemes (excluding finance leases ) in 2018/19 compared with planned expenditure of £42.3m. Major elements of spend on the capital programme included; £1.1m on Widnes Market Refurbishment, £0.9m on Sandymoor Playing Fields, £6.9m in connection with major maintenance on the Silver Jubilee Bridge and £1.8m improving school grounds and buildings across the borough.

Major reasons for the slippage were due to delays in maintenance and reconfiguration work on the Silver Jubilee Bridge, bridge and highway maintenance work, street lighting upgrades and the STEPs Programme (Sustainable Transport Enhancement Package) with the Liverpool City Region. The approved budget and outturn capital position together with the various sources of funding is as follows:

| | 2018/19 Budget £000 | 2018/19 Actual £000 | 2018/19 Variance £000 |
|---|---|---|---|
| **Expenditure:** | | | |
| Schools Related | 1,900 | 1,772 | 128 |
| People Directorate | 2,212 | 1,655 | 557 |
| Enterprise, Community and Resources Directorate | 38,241 | 18,473 | 19,768 |
| **Total Expenditure** | **42,353** | **21,900** | **20,453** |
| | | | |
| **Funded By:** | | | |
| Borrowing | (13,113) | (3,255) | (9,858) |
| Capital Receipts | (6,321) | (4,156) | (2,165) |
| Revenue | (553) | (344) | (209) |
| Grants and Other Contributions | (22,366) | (14,145) | (8,221) |
| **Total Funding** | **(42,353)** | **(21,900)** | **(20,453)** |

Analysis of capital expenditure is included as part of the notes to the financial statements, note 16.

**Pension Liability**

Under International Accounting Standard 19, the Council is required to restate its accounts to reflect the activities of the two major pension providers, the Cheshire Pension Fund and the Teachers' Pension Agency.

As at 31 March 2019 the Council has defined pension net liabilities of £161.9m, this is an increase of £56.4m to the net liabilities of £105.6m from 31 March 2018. Scheme obligations have increased by £79.3m over the course of the past year, notably as a result of remeasurement of financial assumptions. To an extent this has been offset by an increase of £22.9m to the scheme assets attributable to interest returns and increase in value of assets.

Funding levels of the pension fund are monitored on an annual basis. Following the triennial review in 2016 Council approved the payment of past service deficit cost as a lump sum for the period 2017-2020, rather than paying these on a monthly basis as had been the historical preferred method. This resulted in a cash saving over the period given the forecast low level of investment returns and strong cash flow position of the Council. The next triennial review date is 01 April 2020, it is too early to forecast the impact this will have on the Council's revenue budget over the next three years although the Council are actively engaging with the scheme advisory to understand the potential cost implications over the medium term.

**Treasury Management**

The Council operates within a Treasury Management framework, which requires that each year a strategy is prepared including setting prudential indicators to form a framework for the Council's borrowing and lending activities. The Council has adopted the CIPFA Code of Practice on Treasury Management. Performance is regularly monitored throughout the year with reports presented to the Council's Executive Board at the halfway point of the year and a report on the final outturn position. Over the past year the Council has benefited from investments with local authority counterparties where the rate of return on offer has been greater than that of more traditional investments whilst at the same time maintaining the same level of security.

The Council's Treasury Management Strategy for 2019/20 was approved by Council on 06 March 2019. The aim of the treasury management operation is to ensure that cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments, security being prioritised over yield.

As at 31 March 2019 long term borrowing totalled £172m, well within the authorised borrowing limit of £226m. Borrowing comprises loans from the Public Works Loan Board of £162m and a Lenders Option Borrowers Option loan with Commerzbank for £10m. There was no new borrowing (long or short term) undertaken over the course of the year.

Of the £172m, total borrowing of £142m relates to the contribution from the Council towards the Mersey Gateway Bridge construction costs. This borrowing has been taken with a maturity period of between 26-30 years and will be re-paid fully using toll income from the Mersey Gateway Crossing.

The Council's cash flow position continues to be well managed, cash held (and deposits payable within 3 months) total £18.0m (£27.3m in 2017/18), although this was a result of greater amounts being held in short term deposits (up to 1 year) totalling £60.2m (£45.0m in 2017/18). There has been a significant increase in the value of usable reserves over the past year, increasing from £85.0m to £107.4m. In the main, this is due to the receipt of the Availability Support Grant received from Government by way of a contribution towards the annual financing costs for the Mersey Gateway Crossing.

The Council has a prompt payment discount scheme where in agreement with suppliers it will arrange early payment of invoices in return for a percentage discount on the invoice total, a scheme that is equally beneficial to both parties.

All transactions relating to investments and borrowings complied with the approved guidelines for the year. Treasury management risk is evaluated within the Treasury Management Strategy and reviewed by the Councils Internal Audit function.

**Collection Fund**

The transactions on this fund record the collection of Council Tax and Non Domestic Rates.

The Business Rate Retention Scheme was implemented on 01 April 2013. As part of the scheme the Council acts as an agent and collects Non Domestic Rates on behalf of Central Government, Cheshire Fire & Rescue Service and itself.

For the period to 31 March 2019 the Council as the Billing Authority collects Council Tax on behalf of Cheshire Fire & Rescue Service, Cheshire Police & Crime Commissioner and itself.

The balance on the Collection Fund as at 31 March 2019 is a surplus position of £5.0m compared to a surplus position of £10.3m from the previous year. The reduction is as a result of £8.9m being shared during 2018/19 between the Council and major preceptors plus generated in-year surplus. Further details on the Collection Fund can be found within the supplementary financial statements. The Collection Fund position will be reviewed during 2019/20 and estimates will be provided in the second half of the financial year of the value of the balance which will be available for distribution in the following financial year. The value of the surplus position which is attributable to the Council only is £4.5m, of this £3.1m has been earmarked in balancing the 2019/20 budget.

In accordance with accounting guidelines, the Collection Fund is required to identify a provision for NNDR valuation appeal claims. The provision as at 31 March 2019 is £5.4m (2017/18 - £5.5m). Despite the numbers of appeals originating from the 2017 valuation exercise being much less than from 2010 the Council continues to take a prudent view in providing for the cost of existing and future appeals. Funding is released from the appeals provision following the Council reviewing reductions in rateable values previously set at the commencement of the current valuation period, 01 April 2017.

**Performance Measures 2018/19**

The vision of the Council and its partners is “Halton will be a thriving and vibrant borough where people can learn and develop their skills; enjoy a good quality of life with good health; a high quality, modern urban environment; the opportunity for all to fulfil their potential; greater wealth and equality; sustained by a thriving business community; and safer, stronger and more attractive neighbourhoods.”

The Council’s Corporate Plan 2019-2022 identifies the Council’s vision, values and principles and six strategic themes which underpin the work of the various departments and service areas across the Council. They are:

- Halton’s Children & Young People
- Employment, Learning & Skills in Halton
- Environment & Regeneration in Halton
- Healthy Halton
- Safer Halton
- Corporate Effectiveness and Efficiency

These strategic themes provide the basis for the development of key actions and activities, and performance measures, which are reported on a quarterly basis to the Policy and Performance Board with responsibility for scrutiny in each of these strategic areas. These Priority Based Performance Reports also contain information concerning the key developments and emerging issues that have arisen during the period of reporting.

These reports are placed on public deposit and are available on the Council’s website via the relevant Policy and Performance Board agenda packs. The reports identify what progress is being made throughout the year in relation to the delivery of predetermined actions and the progress of a range of measures including direction of travel and achievement of targets.

The reports provide financial statements identifying variation in planned spend during the quarter and providing an explanatory comment.

Policy and Performance Boards also receive a mid-year update concerning the implementation of mitigation measures for those risks contained within the Directorate Risk Registers which have been assessed as high.

This approach allows the opportunity for the effective scrutiny of the Councils performance during the course of the year in order that any underperformance can be addressed in a timely manner and or resources can be realigned in response to prevailing conditions or pressures.

Listed below are a number of key performance indicators used in assessing the Council putting in place economy, efficiency and effectiveness in its use of resources:

- The number of working days lost during the year due to sickness absence has increased from 10.28 in 2017/18 to 11.36.
- Council tax collection rate for the year was 94.75% an increase of 0.13% on this point last year. This is the first year on year increase to the collection rate since 2011/12, past adverse impacts were as a result of the introduction of the council tax reduction scheme in April 2013. Cash collected during the year (on behalf of the Council, Fire, Police and local preceptors) was £58.485m against an expected budget of £56.232. Cash collected includes growth to the council tax base and a further £1.861m collected from previous year's arrears.
- The 2018/19 collection rate for business rates was 98.32%, an increase of 0.11% on this point last year. This is the fourth consecutive year in which the business rate collection rate has improved. Cash collected during the year (on behalf of the Council and Cheshire Fire) was £57.847m against an expected budget of £54.777m, this includes growth to the base and recovery against previous year's arrears

**Financial Planning**

The Medium Term Financial Strategy (MTFS) is a major element of the Council's corporate planning process. It brings together resources and spending plans and identifies financial constraints over the medium term. Its purpose is to ensure that resources are properly targeted towards Council priorities, to avoid excessive council tax rises, to deliver a balanced and sustainable budget, and to continue to identify efficiencies.

The public spending austerity programme has had and will continue to have a significant impact upon the Council's finances over the medium term and this has been reflected in the MTFS. At the time of writing the report the financial impact of the Covid-19 pandemic and the Government response is being considered by the Council, in terms of 2020/21 and subsequent years.

The Council's Efficiency Programme has continued to review services across the Council, changing the way in which the Council delivers services in order to realise efficiencies. In addition, the Council has continued to seek improved procurement, better utilisation of assets, changes to staff terms and conditions, collaborative working with other Councils and partner agencies and increased income from external sources in order to manage costs within the funding constraints imposed by Government.

The most recent MTFS was reported to the Council's Executive Board in November 2019 and subsequently updated as part of the budget report in March 2020. The latest report identified potential shortfalls in funding for the Council over the following three years of approximately £14.8m (2021/22), £4.0m (2022/23) and £3.8m (2023/24).

The 2020/21 net budget requirement of £115.770m was approved by Council on 6 March 2020. The budget will be funded from £52.2m of Council Tax (increase of 3.99% on the 2019/20 Band D level), business rates of £54.2m, top-up funding of £5.5m and share of the collection fund surplus of £3.8m.

The funding outlook for Halton over the medium term continues to be bleak and significant budget savings will again need to be found, which are likely to have a considerable impact upon the services delivered by the Council.

Beyond 2020/21 there is great uncertainty regarding the funding of Local Government, due to the potential impact of a number of changes to the local government funding regime, public spending reviews and the Covid-19 pandemic. There is therefore more uncertainty regarding the Council's funding resources in 2021/22 than there has been at any point during the last 10 years.

**Conclusion**

This is the third consecutive year in which the Council has recorded an overspend position against available budget, increasing from £0.6m in 2016/17 to £1.0m in 2017/18 and more than doubling to £2.4m in 2018/19. It demonstrates that despite making tough decisions in realigning budgets to available resources the demand pressure on vital local services is outpacing the level of available funding.

In spite of such tough future challenges, the past year has evidenced the Council's financial base position remains sound. Reserve and provision balances continue to be set at prudent levels, continued commitment to capital expenditure allowing the borough to develop and grow, an organisation fit for purpose and supported by treasury management and collection fund functions, allowing the Council to be more self-sufficient through funding from local resources, albeit with an increased level of risk.

I would like to thank all Members and Officers that have assisted greatly over the past year, which has helped contribute to and shape this set of financial statements.

**Ed Dawson**

**Operational Director – Finance**

# Core Financial Statements

## Comprehensive Income & Expenditure Statement as at 31st March 2018

| Services | Note | Gross Expenditure 2017/18 £000 | Gross Income 2017/18 £000 | Net Expenditure 2017/18 £000 |
|---|---|---|---|---|
| **CONTINUING OPERATIONS** | | | | |
| Enterprise, Community and Resources | | 124,352 | (67,362) | 56,990 |
| People | | 137,154 | (58,979) | 78,175 |
| Schools | | 82,305 | (80,532) | 1,773 |
| Corporate and Democracy | | 3,148 | (6,945) | (3,797) |
| Mersey Gateway | | 14,499 | (48,349) | (33,850) |
| **Net Expenditure of Continuing Operations** | | **361,458** | **(262,167)** | **99,291** |
| Other Operating Expenditure | **3** | | | 6,245 |
| Financing and Investment Income & Expenditure | **4** | | | 42,227 |
| Taxation and Non-Specific Grant Income | **5** | | | (112,544) |
| **(Surplus) or Deficit on the Provision of Services** | | | | **35,219** |
| (Surplus) or Deficit on revaluation of Non-Current Assets | **37** | | | (17,024) |
| (Surplus) or Deficit on revaluation of Available for Sale of Financial Assets | **37** | | | (219) |
| Remeasurement of net defined benefit liability | **32** | | | (18,600) |
| **Other Comprehensive Income & Expenditure** | | | | **(35,843)** |
| **TOTAL COMPREHENSIVE INCOME & EXPENDITURE** | | | | **(624)** |

Please note that the table above has been restated, please see note 42 for more details.

## Comprehensive Income & Expenditure Statement as at 31st March 2019

| Services | Note | Gross Expenditure 2018/19 £000 | Gross Income 2018/19 £000 | Net Expenditure 2018/19 £000 |
|---|---|---|---|---|
| **CONTINUING OPERATIONS** | | | | |
| Enterprise, Community and Resources | | 119,253 | (62,893) | 56,360 |
| People | | 138,476 | (57,289) | 81,187 |
| Schools | | 81,438 | (76,488) | 4,950 |
| Corporate and Democracy | | 4,300 | (4,683) | (383) |
| Mersey Gateway | | 32,318 | (87,785) | (55,467) |
| **Net Expenditure of Continuing Operations** | | **375,785** | **(289,138)** | **86,647** |
| Other Operating Expenditure | **3** | | | 1,760 |
| Financing and Investment Income & Expenditure | **4** | | | 39,747 |
| Taxation and Non-Specific Grant Income | **5** | | | (121,030) |
| **(Surplus) or Deficit on the Provision of Services** | | | | **7,124** |
| (Surplus) or Deficit on revaluation of Non-Current Assets | **37** | | | (6,590) |
| (Surplus) or Deficit on revaluation of Available for Sale of Financial Assets | **37** | | | (154) |
| (Surplus) or Deficit on revaluation of financial assets measured at fair value through other comprehensive income | **37** | | | (1,313) |
| Remeasurement of net defined benefit liability | **32** | | | 40,832 |
| **Other Comprehensive Income & Expenditure** | | | | **32,775** |
| **TOTAL COMPREHENSIVE INCOME & EXPENDITURE** | | | | **39,899** |

## Balance Sheet as at 31st March 2019

| 01/04/2017 Restated £000 | 31/03/2018 Restated £000 | | Note | 31/03/2019 £000 |
|---|---|---|---|---|
| 363,137 | 824,749 | Non-Current Assets – Property Plant & Equipment | 17 | 809,729 |
| 1,185 | 1,233 | Heritage Assets | 18 | 1,233 |
| 1,541 | 1,541 | Investment Properties | 19 | 743 |
| 3,011 | 2,288 | Intangible Assets | 20 | 1,658 |
| - | - | Assets Held of Sale > 12 months | | - |
| 5,119 | 17,315 | Long Term Investments | 22 | 23,689 |
| 11,521 | 8,191 | Long Term Debtors | 23 | 13,311 |
| **385,514** | **855,317** | **Total Long Term Assets** | | **850,363** |
| | | | | |
| | | **Current Assets** | | |
| 254 | 412 | Inventories | | 375 |
| 9,394 | 7,759 | Assets held for Sale < 12 months | 21 | 7,393 |
| 54,996 | 30,664 | Short Term Debtors | 23 | 36,016 |
| - | - | Intangible Current Assets | | - |
| 68,000 | 45,026 | Short Term Investments | 22 | 60,253 |
| 54,221 | 27,347 | Cash/Cash Equivalents | 24 | 18,031 |
| **186,865** | **111,208** | **Total Current Assets** | | **122,068** |
| | | | | |
| | | **Current Liabilities** | | |
| (10,000) | (5,401) | Short Term Borrowing | 26 | (8,209) |
| (40,025) | (61,461) | Short Term Creditors | 25 | (53,439) |
| (5,944) | (5,937) | Short Term Receipts in Advance | 7 | (5,028) |
| (4,440) | (3,754) | Provisions < 1 year | 27 | (5,626) |
| **(60,409)** | **(76,553)** | **Total Current Liabilities** | | **(72,302)** |
| | | | | |
| **126,456** | **34,655** | **Net Current Assets/(Liabilities)** | | **49,766** |
| | | | | |
| **511,970** | **889,972** | **Total Net Assets** | | **900,129** |
| | | | | |
| | | **Long Term Liabilities** | | |
| (148,401) | (172,000) | Long Term Borrowing | 26 | (172,000) |
| - | (2,252) | Provisions > 1 year | 27 | (2,324) |
| (12,931) | (14,303) | Long Term Receipts in Advance | 7 | (14,819) |
| (136,828) | (486,983) | Other Long Term Liabilities | 29 | (536,451) |
| **(298,160)** | **(675,538)** | **Total Long Term Liabilities** | | **(725,594)** |
| | | | | |
| **213,810** | **214,434** | **Total Assets Less Liabilities** | | **174,535** |
| | | | | |
| (67,185) | (85,028) | Usable Reserves | 35 | (107,430) |
| (146,625) | (129,406) | Unusable Reserves | 37 | (67,105) |
| | | | | |
| **(213,810)** | **(214,434)** | **Total Equity** | | **(174,535)** |

Please note that a number of figures have been restated in the 2016/17 and 2017/18 financial years, see note 42 for more details.

## Movement in Reserves Statement

| | General Fund | Capital Receipts Reserve | Capital Grants Unapplied | TOTAL USABLE RESERVES (Note 35) | TOTAL UNUSABLE RESERVES (Note 37) | TOTAL COUNCIL RESOURCES |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **Balance as at 31st March 2017** | **(46,902)** | **(9,933)** | **(10,350)** | **(67,185)** | **(146,625)** | **(213,810)** |
| **Movement in Reserves during 2017/18** | | | | | | |
| Total Comprehensive Income and Expenditure | 35,219 | - | - | **35,219** | (35,845) | (626) |
| Adjustments between Accounting Basis and Funding Basis under Regulations (**note 34a**) | (52,211) | 1,799 | (12) | **(50,424)** | 50,423 | **(1)** |
| Other Adjustments | 1 | (2,641) | 2 | **(2,638)** | 2,641 | **3** |
| **(Increase)/Decrease in the year** | **(16,991)** | **(842)** | **(10)** | **(17,843)** | **17,219** | **(624)** |
| **Balance at 31 March 2018 carried forward** | **(63,893)** | **(10,775)** | **(10,360)** | **(85,028)** | **(129,406)** | **(214,434)** |
| **Balance as at 31st March 2018** | **(63,893)** | **(10,775)** | **(10,360)** | **(85,028)** | **(129,406)** | **(214,434)** |
| **Movement in Reserves during 2018/19** | | | | | | |
| Total Comprehensive Income and Expenditure | 7,124 | - | - | **7,124** | 32,775 | 39,899 |
| Adjustments between Accounting Basis and Funding Basis under Regulations (**note 34b**) | (29,955) | 3,034 | (2,603) | **(29,524)** | 29,524 | **-** |
| Other Movements | (2) | - | - | **(2)** | 2 | **-** |
| **(Increase)/Decrease in the year** | **(22,833)** | **3,034** | **(2,603)** | **(22,402)** | **62,301** | **39,899** |
| **Balance at 31 March 2019 carried forward** | **(86,726)** | **(7,741)** | **(12,963)** | **(107,430)** | **(67,105)** | **(174,535)** |

Please note the figures for the 2017/18 financial year have been restated, please see Note 42 for further details.

## Cash Flow Statement as at 31st March 2019

| 2017/18 £000 | | Note | 2018/19 £000 |
|---|---|---|---|
| **35,219** | **Net (surplus) or deficit on the provision of services** | | **7,124** |
| (88,282) | Adjustments to net (surplus) or deficit on the provision of services for non-cash movements | **38** | (43,741) |
| 9,356 | Adjust for items in the net (surplus) or deficit on the provision of services | **38** | 14,713 |
| **(43,707)** | **Net cash flows from Operating Activities** | | **(21,904)** |
| 14,764 | Net cash flows from Investing Activities | **39** | 21,598 |
| 55,817 | Net cash flows from Financing Activities | **40** | 9,622 |
| **26,874** | **Net (increase)/decrease in cash and cash equivalents** | | **9,316** |
| (54,221) | Cash and Cash Equivalents at the beginning of the reporting period | **24** | (27,347) |
| **(27,347)** | **Cash and Cash Equivalents at the end of the reporting period** | **24** | **(18,031)** |

Please note the figures for the 2017/18 financial year have been restated, please see Note 42 for further details.

# Notes to the Core Financial Statements

Please note the Accounting Policies (which form part of the Core Financial Statements) are shown on page 123

## 1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates how the funding available to the Council for the year (including government grants, Council Tax and Business Rates) has been used to provide services in comparison with those resources consumed or earned under generally accepted accounting practices. This also shows how this expenditure is allocated for decision making purposes between the Council's Directorates.

## Expenditure and Funding Analysis 2017/18

| | Outturn reported to Management | Movement in Earmarked Reserves | Net Expenditure Chargeable to the General Fund Balances | Adjustments between the Funding and Accounts Basis | Net Expenditure in the Comprehensive Income and Expendiure Statement |
|---|---|---|---|---|---|
| | 2017/18 | 2017/18 Restated | 2017/18 Restated | 2017/18 Restated | 2017/18 Restated |
| | £000 | £000 | £000 | £000 | £000 |
| Enterprise, Community and Resources | 48,512 | 1,881 | 50,393 | 6,597 | 56,990 |
| People | 74,337 | 2,323 | 76,660 | 1,515 | 78,175 |
| Schools | - | 1,076 | 1,076 | 697 | 1,773 |
| Corporate and Democracy | (18,541) | (3,486) | (22,027) | 18,230 | (3,797) |
| Mersey Gateway | - | (19,804) | (19,804) | (14,046) | (33,850) |
| **Net Cost of Services** | **104,308** | **(18,010)** | **86,298** | **12,993** | **99,291** |
| Other Income and Expenditure | (103,282) | (7) | (103,289) | 39,217 | (64,072) |
| **Surplus or Deficit** | **1,026** | **(18,017)** | **(16,991)** | **52,210** | **35,219** |
| **Opening General Fund Balance** | **(4,830)** | **(42,072)** | **(46,902)** | | |
| Transfer to from Earmarked Reserves to General Fund | (1,200) | 1,200 | - | | |
| (Surplus) or Deficit in year | 1,026 | (18,017) | (16,991) | | |
| **Closing General Fund Balance at 31st March** | **(5,004)** | **(58,889)** | **(63,893)** | | |

Please note that the format of the table above has been amended. The figures have also been restated, see note 42(b), (c), (d), (f) and (g) for more details.

**Note to Expenditure and Funding Analysis 2017/18**

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Other Income and Expenditure Restated | Adjustments for Capital Purposes Restated | Net change for the Pension Adjustments Restated | Other Adjustments £000 | Total Adjustments Restated £000 |
|---|---|---|---|---|---|
| Enterprise, Community and Resources | (2,907) | 5,808 | 2,144 | 1,552 | **6,597** |
| People | (17) | (275) | 1,670 | 137 | **1,515** |
| Schools | - | 239 | 1,035 | (577) | **697** |
| Corporate and Democracy | 1,068 | 17,326 | (169) | 5 | **18,230** |
| Mersey Gateway | (18,726) | 4,680 | - | - | **(14,046)** |
| **Net Cost of Services** | **(20,582)** | **27,778** | **4,680** | **1,117** | **12,993** |
| Other Income and Expenditure from the Expenditure and Funding Analysis | 20,582 | 16,553 | 3,008 | (926) | **39,217** |
| **Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services** | **-** | **44,331** | **7,688** | **191** | **52,210** |

Please note the figures above have been restated, see note 42(b), (c), (d), (f) and (g) for more details.

**Expenditure and Funding Analysis 2018/19**

| | Outturn reported to Management | Movement in Earmarked Reserves | Net Expenditure Chargeable to the General Fund Balances | Adjustments between the Funding and Accounts Basis | Net Expenditure in the Comprehensive Income and Expendiure Statement |
|---|---|---|---|---|---|
| | 2018/19 | 2018/19 | 2018/19 | 2018/19 | 2018/19 |
| | £000 | £000 | £000 | £000 | £000 |
| Enterprise, Community and Resources | 50,299 | 1,515 | 51,814 | 4,546 | 56,360 |
| People | 81,468 | 93 | 81,561 | (374) | 81,187 |
| Schools | - | (1,540) | (1,540) | 6,490 | 4,950 |
| Corporate and Democracy | (20,133) | (942) | (21,075) | 20,692 | (383) |
| Mersey Gateway | - | (24,440) | (24,440) | (31,027) | (55,467) |
| **Net Cost of Services** | **111,634** | **(25,314)** | **86,320** | **327** | **86,647** |
| Other Income and Expenditure | (109,227) | 73 | (109,154) | 29,631 | (79,523) |
| **Surplus or Deficit** | **2,407** | **(25,241)** | **(22,834)** | **29,958** | **7,124** |
| **Opening General Fund Balance** | **(5,004)** | **(58,889)** | **(63,893)** | | |
| Transfer to from Earmarked Reserves to General Fund | (2,400) | 2,400 | - | | |
| (Surplus) or Deficit in year | 2,407 | (25,239) | (22,833) | | |
| **Closing General Fund Balance at 31st March** | **(4,997)** | **(81,728)** | **(86,726)** | | |

**Note to Expenditure and Funding Analysis 2018/19**

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Other Income and Expenditure £000 | Adjustments for Capital Purposes £000 | Net change for the Pension Adjustments £000 | Other Adjustments £000 | Total Adjustments £000 |
|---|---|---|---|---|---|
| Enterprise, Community and Resources | (2,627) | 2,035 | 4,902 | 236 | **4,546** |
| People | (18) | (287) | 4,002 | (4,071) | **(374)** |
| Schools | - | - | 2,333 | 4,157 | **6,490** |
| Corporate and Democracy | 10,223 | 6,953 | 1,354 | 2,162 | **20,692** |
| Mersey Gateway | (44,605) | 13,578 | - | - | **(31,027)** |
| **Net Cost of Services** | **(37,027)** | **22,279** | **12,591** | **2,484** | **327** |
| Other Income and Expenditure from the Expenditure and Funding Analysis | 37,027 | (9,993) | 2,925 | (328) | **29,631** |
| **Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services** | **-** | **12,286** | **15,516** | **2,156** | **29,958** |

**Other Income and Expenditure**

This column moves all items that are shown within the directorate spend reported to Management, but are shown below the Net Cost of Services in the Comprehensive Income and Expenditure Statement, these include:

- Interest Payable and Receivable
- Levy Payments

**Adjustments for Capital Purposes**

This column adjusts for any Capital transactions that are not included in the directorate spend reported to management but are shown in the in the Comprehensive Income and Expenditure Statement,  these include:

- Capital Funding
- Revaluation gains and losses
- Revenue Expenditure Funded by Capital Under Statute

This column also includes items that are included in the spend reported to management, but are not shown in the Comprehensive Income and Expenditure.  This includes:

- Minimum Revenue Provision
- The reversal of depreciation transactions shown in Corporate and Democracy

**Net Charge for Pension Adjustments**

This column includes the net change for the removal of pension contributions and the addition of IAS 19 employee benefits pension related income and expenditure

- 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 Comprehensive Income and Expenditure Statement.

**Other adjustments**

This column includes

- The difference between what is chargeable under statutory regulations for council tax and non-domestic rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference, as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

- Adjustments to show Schools Income and expenditure separately on the Comprehensive Income and Expenditure Statement. This is reported under the People Directorate when reported to management.

**Segmental Income and Expendiure**

Income and expenditure received on a segmental basis is analysed below:

| 2017/18 | Revenues from External Customers £000 | Interest Revenue £000 | Interest Expense £000 | Depreciation and Amortisation £000 |
|---|---|---|---|---|
| Enterprise, Community and Resources | (15,724) | - | - | 17,309 |
| People | (10,153) | - | | 909 |
| Schools | (348) | - | - | 5,020 |
| Corporate and Democracy | (109) | (811) | 18,289 | (26,816) |
| Mersey Gateway | (24,818) | - | - | 3,578 |
| **Net Cost of Services** | **(51,152)** | **(811)** | **18,289** | **-** |

| 2018/19 | Revenues from External Customers £000 | Interest Revenue £000 | Interest Expense £000 | Depreciation and Amortisation £000 |
|---|---|---|---|---|
| Enterprise, Community and Resources | (14,892) | - | - | 16,802 |
| People | (10,439) | - | - | 682 |
| Schools | (307) | - | - | 4,121 |
| Corporate and Democracy | (36) | (1,677) | 35,898 | (29,288) |
| Mersey Gateway | (60,272) | - | - | 7,683 |
| **Net Cost of Services** | **(85,946)** | **(1,677)** | **35,898** | **-** |

## 2. Expenditure and Income Analysed by Nature

| 2017/18 Restated £000 | | 2018/19 £000 |
|---|---|---|
| | **Expenditure** | |
| 141,211 | Employee Benefits | 143,302 |
| 201,940 | Other service expenses | 207,619 |
| 41,049 | Depreciation, amortisation and impairment | 31,443 |
| 18,289 | Interest Payments | 35,898 |
| 3,303 | Precepts and levies | 3,505 |
| **405,792** | **Total Expenditure** | **421,767** |
| | **Income** | |
| (71,331) | Fees and charges and other service income | (115,217) |
| (1,293) | Gain on disposal of non-current assets | (1,763) |
| (95,483) | Income from Council Tax and Business Rates | (100,011) |
| (201,655) | Government grants income | (195,975) |
| (811) | Interest and investment income | (1,677) |
| **(370,573)** | **Total Income** | **(414,643)** |
| **35,219** | **(Surplus) or Deficit on the Provison of Servcies** | **7,124** |

Please note the 2017/18 figures above have been restated, please see note 42(b), (c), (d), (f) and (g) for more details.

## 3. Other Operating Expenditure

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| 88 | Parish Council Precepts | 110 |
| 3,215 | Levies | 3,395 |
| 4,235 | Movement in value of Assets Held for Sale | 18 |
| (1,293) | (Gains)/Losses on the Disposal of non-current assets | (1,763) |
| **6,245** | **Total** | **1,760** |

## 4. Financing and Investment Income and Expenditure

| 2017/18 £000 Restated | | 2018/19 £000 |
|---|---|---|
| 18,289 | Interest payable and similar charges | 35,898 |
| 3,008 | Net interest on the net defined benefit liability | 2,925 |
| (811) | Interest receivable and similar charges | (1,677) |
| 48 | Income & Expenditure in relation to Investment Properties and changes in their fair value | (282) |
| - | Movement in fair value of financial instruments | 79 |
| 21,416 | Loss on transfer of academies | 3,398 |
| 277 | Other investment income | (594) |
| **42,227** | **Total** | **39,747** |

Please note the 2017/18 figures above have been restated, please see note 42(b), (d) and (g) for more details.

## 5. Taxation and Non-Specific Grant Income

| 2017/18 £000 Restated | | 2018/19 £000 |
|---|---|---|
| (46,193) | Council Tax income | (48,632) |
| (49,290) | Non domestic rates | (51,379) |
| - | Non-ringfenced government grants | (2,152) |
| (7,437) | NNDR Top Up Grant | (7,469) |
| (9,624) | Capital grants and contributions | (11,398) |
| **(112,544)** | **Total** | **(121,030)** |

Please note the 2017/18 figures above have been restated, please see note 42(d) for more details.

## 6. Material Items of Income and Expenditure

There are no individually material items of Income and Expenditure to report beyond those disclosed on the face of the Comprehensive Income and Expenditure Statement and supporting notes.

## 7. Grant Income

The Council has received a number of grants and contributions that have yet to be recognised as income. At the balance sheet date, conditions existed which remain to be satisfied. The balances at year end are as follows:

| | 01 April 2017 | 31 March 2018 | 31 March 2019 |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Long Term Receipts in Advance** | **Restated** | **Restated** | |
| **Capital** | | | |
| Housing, Communities & Local Government | (12,632) | (12,530) | (11,905) |
| Department for Transport | - | (1,471) | (2,418) |
| Department for Environment, Food & Rural Affairs | (46) | (46) | |
| Other Grants | (226) | (256) | (496) |
| Contributions | (27) | | |
| **Total** | **(12,931)** | **(14,303)** | **(14,819)** |

| | 01 April 2017 | | | 31 March 2018 | | | 31 March 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Revenue | Capital Restated | Total Restated | Revenue Restated | Capital Restated | Total Restated | Revenue | Capital | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Short Term Receipts in Advance** | | | | | | | | | |
| Housing, Communities and Local Government | - | - | - | (957) | - | (957) | (757) | (249) | (1,006) |
| Department for Education | (2,285) | - | (2,285) | (77) | - | (77) | (181) | - | (181) |
| Department of Energy and Climate Change | | | - | (42) | | (42) | - | | - |
| Department of Transport | (368) | - | (368) | (395) | - | (395) | (120) | (1,321) | (1,441) |
| Department of Health | (150) | (1,278) | (1,428) | (270) | (855) | (1,125) | - | (1,469) | (1,469) |
| Department for Work and Pensions | | | - | | | - | (43) | | (43) |
| Department for Environment, Food & Rural Affairs | (42) | - | (42) | | - | - | | - | - |
| Other Grants | (274) | - | (274) | (176) | - | (176) | (293) | (128) | (421) |
| Contributions | (320) | - | (320) | (3,165) | - | (3,165) | (467) | - | (467) |
| Other Creditors | (1,227) | | (1,227) | | | - | | | - |
| | **(4,666)** | **(1,278)** | **(5,944)** | **(5,082)** | **(855)** | **(5,937)** | **(1,861)** | **(3,167)** | **(5,028)** |

Please note the 2017/18 figures above have been restated, please see note 42d) and e) for more details.

The Council credited the following grants to the Comprehensive Income and Expenditure Statement in 2018/19.

| | 2017/18 £000 | 2018/19 £000 |
|---|---|---|
| **Revenue Grants Credited to Services** | **Restated** | |
| Housing, Communities & Local Government | (10,921) | (6,558) |
| Dedicated Schools Grant | (77,870) | (75,748) |
| Department for Education | (18,044) | (17,244) |
| Department for Environment, Food & Rural Affairs | - | (6) |
| Department for Transport | (23,321) | (27,003) |
| Department for Works & Pensions | (1,819) | (1,606) |
| Department of Health | (10,946) | (10,684) |
| Home Office | (421) | (404) |
| Rent Allowance Subsidy | (38,843) | (34,654) |
| Other Grants | (2,409) | (1,049) |
| **Total** | **(184,594)** | **(174,956)** |

Please note the 2017/18 figures above have been restated, please see note 42(f) for more details.

## 8. Disclosure of Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Education and Skills 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 2018. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school. Overspends and underspends on the two elements are required to be accounted for separately.

Details of the deployment of DSG receivable for 2018/19 are shown below:

| **Total 2017/18 £000** | | **Central Expenditure 2018/19 £000** | **Individual Schools Budget 2018/19 £000** | **Total 2018/19 £000** |
|---|---|---|---|---|
| (107,760) | Final DSG before academy recoupment | | | (111,270) |
| 29,890 | Academy figure recouped in year | | | 35,522 |
| **(77,870)** | **Total DSG after academy recoupment** | | | **(75,748)** |
| (1,636) | Plus brought forward | | | (466) |
| - | Less carry forward agreed in advance | | | |
| **(79,506)** | **Agreed budgeted distribution** | **(16,815)** | **(59,400)** | **(76,215)** |
| - | In Year Adjustments | (9) | 9 | - |
| **(79,506)** | **Final Budget Distribution** | **(16,824)** | **(59,391)** | **(76,215)** |
| 14,757 | Less actual central expenditure | 16,476 | - | 16,476 |
| 64,283 | Less actual ISB deployed to schools | - | 59,391 | 59,391 |
| - | Plus Council Contribution | - | - | - |
| **(466)** | **Carry Forward** | **(348)** | **-** | **(348)** |

## 9. Pooled Budgets

**Better Care Fund**

In 2015 the Government introduced a £3.8 billion Better Care Fund, a pooled budget for health and social care services, shared between the NHS and local authorities, to deliver better outcomes and greater efficiencies through more integrated services for older and disabled people.

From April 2015 the pooled budget between Halton Borough Council (HBC) and the Halton Clinical Commissioning Group (CCG) was expanded to incorporate this Better Care Fund (BCF) under a Section 75 agreement for health and social care services provided to the residents of Halton. The pooled budget continued to provide a fully integrated system enabling resources to be used efficiently and effectively in the delivery of personalised, responsive and holistic care to those who are most in need within the community. This results in the alignment of systems, improved pathways, speeding up the discharge processes, transforming patient/care satisfaction and ensuring the future sustainability of meeting the needs of people with complex needs.

The Additional Better Care Fund (ABCF) was announced in the 2017 Spring Budget, and is paid as a direct grant to local government, with a condition that it is pooled into the local BCF plan. The grant determination enables the funding to be spent on three purposes:

- Meeting adult social care needs
- Reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready
- Ensuring that the local social care provider market is supported

In addition to the BCF and ABCF allocations, the Council and Clinical Commissioning Group each contributed funds equal to 63% and 37% respectively of the Better Care Pool budget for 2018/19.

The pooled budget is hosted by the Council on behalf of the partners to the agreement.

| | | 2017/18<br>£000 | | 2018/19<br>£000 |
|---|---|---|---|---|
| **Balance Brought Forward** | | **55** | | **142** |
| **Funding provided to the pooled budget:** | | | | |
| - Halton Borough Council | | (21,347) | | (24,164) |
| - Halton Clinical Commissioning Group | | (13,224) | | (14,311) |
| - Better Care Fund | | (12,635) | | (11,671) |
| - Winter Pressures | | - | | (639) |
| | | **(47,206)** | | **(50,785)** |
| **Income raised through the pooled budget:** | | | | |
| - Halton Borough Council | | (8,738) | | (8,778) |
| | | **(8,738)** | | **(8,778)** |
| **Expenditure met from the pooled budget:** | | | | |
| - Halton Borough Council | | 30,138 | | 32,881 |
| - Halton Clinical Commissioning Group | | 13,257 | | 14,276 |
| - Better Care Fund | | 12,635 | | 11,671 |
| - Winter Pressures | | - | | 639 |
| | | **56,030** | | **59,467** |
| **Net (surplus)/deficit arising on the pooled budget during the year** | | **86** | | **(96)** |
| **Share of the (surplus)/deficit for the year:** | | | | |
| - Halton Borough Council | 62% | 53 | 63% | (60) |
| - Halton Clinical Commissioning Group | 38% | 33 | 37% | (36) |
| | | **86** | | **(96)** |

## 10. Officers Remuneration

The number of employees whose remuneration, inclusive of redundancy payments and car benefit but excluding pension contributions, was £50,000 or more, grouped in rising bands of £5,000 is shown below. This list is inclusive of officers reported in the senior officer's disclosure note.

| Remuneration Band | | 2017/18 Number of Employees Teaching | Non-Teaching | 2018/19 Number of Employees Teaching | Non - Teaching |
|---|---|---|---|---|---|
| £50,000 | £54,999 | 36 | 5 | 32 | 7 |
| £55,000 | £59,999 | 22 | 13 | 19 | 17 |
| £60,000 | £64,999 | 12 | 13 | 13 | 9 |
| £65,000 | £69,999 | 14 | 5 | 14 | 4 |
| £70,000 | £74,999 | 2 | 4 | 5 | 2 |
| £75,000 | £79,999 | 3 | - | - | 2 |
| £80,000 | £84,999 | - | 3 | 3 | 2 |
| £85,000 | £89,999 | 2 | 4 | 2 | 4 |
| £90,000 | £94,999 | - | 2 | 1 | 1 |
| £95,000 | £99,999 | - | 2 | - | 4 |
| £100,000 | £104,999 | - | - | - | - |
| £105,000 | £109,999 | - | - | - | - |
| £110,000 | £114,999 | - | - | - | - |
| £115,000 | £119,999 | - | - | - | - |
| £120,000 | £124,999 | - | 2 | - | 2 |
| £125,000 | £129,999 | - | - | - | - |
| £130,000 | £134,999 | - | - | - | - |
| £135,000 | £139,999 | - | - | - | - |
| £140,000 | £144,999 | - | - | - | - |
| £145,000 | £149,999 | - | - | - | - |
| £150,000 | £154,999 | - | - | - | - |
| £155,000 | £159,999 | - | - | - | - |
| £160,000 | £164,999 | - | - | - | - |
| £165,000 | £169,999 | - | - | - | - |
| £170,000 | £174,999 | - | 1 | - | - |
| £175,000 | £179,999 | - | - | - | 1 |
| | | **91** | **54** | **89** | **55** |

Halton Borough Council is required to disclose to local taxpayers the total remuneration package for the senior officers charged with the stewardship of the organisation.

A senior employee has a significant level of responsibility for contributing to the strategic decision making of the Council. Senior officers will include those that have a statutory duty under legislation.

Senior employees whose salary is between £50,000 and £150,000 are disclosed by job title. Senior employees whose salary is more than £150,000 are disclosed by job title and name.

*These notes refer to the detailed note overleaf:*

Note 1: During 2017/18 the Operational Director Education, Inclusion & Provision was re-designated Statutory Operational Director Education, Inclusion & Provision.

Note 2: During 2017/18 & 2018/19, the Operational Director ICT & Support Services continued the implementation of a new finance system at Sefton Council and Merseytravel. An honorarium was awarded for this which is included in the remuneration figures overleaf. This will be reimbursed from Sefton Council and Merseytravel.

Note 3: During 2017/18 the Operational Director for Planning & Transportation undertook additional work for Merseytravel. He was awarded an honorarium for this which is included in the remuneration figures overleaf. This will be reimbursed from Merseytravel.

Note 4: The Operational Director for Planning & Transportation left on the 04/03/2018 and was replaced on the 23/05/2018.

| Post Title | | Salary (including fees & Allowances) | | Compensation for loss of employment | | Benefits in Kind | | Total Remuneration excluding pension contributions | | Employers Pension contributions | | Total Remuneration including pension contributions | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 |
| | | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Chief Executive - David Parr | | 172,700 | 175,100 | - | - | - | - | 172,700 | 175,100 | - | - | 172,700 | 175,100 |
| Strategic Director - People | | 120,300 | 123,100 | - | - | - | - | 120,300 | 123,100 | 22,200 | 22,600 | 142,500 | 145,700 |
| Strategic Director - Enterprise, Communities & Resources | | 120,700 | 123,000 | - | - | - | - | 120,700 | 123,000 | 22,200 | 22,600 | 142,900 | 145,600 |
| Operational Director - Planning & Transportation | 3 | 89,800 | - | - | - | - | - | 89,800 | - | 16,500 | - | 106,300 | - |
| Operational Director - Planning & Transportation | 4 | - | 66,300 | - | | - | - | - | 66,300 | - | 12,100 | - | 78,400 |
| Operational Director - Legal & Democratic Services | | 84,800 | 86,500 | - | - | - | - | 84,800 | 86,500 | 15,600 | 15,900 | 100,400 | 102,400 |
| Statutory Operational Director - Prevention & Assessment | | 95,500 | 97,400 | - | - | - | - | 95,500 | 97,400 | 17,600 | 17,900 | 113,100 | 115,300 |
| Statutory Operational Director - Children & Families Services | | 95,500 | 97,400 | - | - | - | - | 95,500 | 97,400 | 17,600 | 17,900 | 113,100 | 115,300 |
| Statutory Operational Director - Education, Inclusion & Provision | 1 | 95,500 | 97,465 | - | - | - | - | 95,500 | 97,465 | 17,600 | 17,900 | 113,100 | 115,365 |
| Operational Director - Finance | | 85,002 | 86,500 | - | - | - | - | 85,002 | 86,500 | 15,600 | 15,900 | 100,602 | 102,400 |
| Operational Director - ICT & Support Services | 2 | 93,800 | 95,300 | - | - | - | - | 93,800 | 95,300 | 17,100 | 17,500 | 110,900 | 112,800 |
| Operational Director - Economy, Enterprise & Property | | 85,500 | 86,700 | - | - | - | - | 85,500 | 86,700 | 15,600 | 16,100 | 101,100 | 102,800 |
| Operational Director - Community & Environment | | 84,800 | 86,500 | - | - | - | - | 84,800 | 86,500 | 14,700 | 15,900 | 99,500 | 102,400 |
| Operational Director - Public Health | | 88,400 | 90,900 | - | - | - | - | 88,400 | 90,900 | 12,500 | 13,000 | 100,900 | 103,900 |
| | | **1,312,302** | **1,312,165** | **-** | **-** | **-** | **-** | **1,312,302** | **1,312,165** | **204,800** | **205,300** | **1,517,102** | **1,517,465** |

## 11. Exit Packages and Termination Benefits

The numbers of exit packages with total cost per band and total cost of compulsory and voluntary redundancies and early retirements are set out in the table below:

| Exit package cost band | Number of compulsory redundancies | | Number of voluntary redundancies | | Number of early retirements | | Total of number of exit packages by cost band | | Total cost of exit packages in each band | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 £000 | 2018/19 £000 |
| £0 - £20,000 | 8 | 2 | 47 | 14 | - | - | 55 | 16 | 309 | 122 |
| £20,001 - £40,000 | - | - | 5 | 1 | - | - | 5 | 1 | 157 | 27 |
| £40,001 - £60,000 | - | - | 1 | - | - | - | 1 | - | 69 | - |
| £60,001 - £80,000 | - | - | - | 1 | - | - | - | 1 | - | 67 |
| £80,001 - £100,000 | - | - | - | 1 | - | - | - | 1 | - | 92 |
| £100,001 - £150,000 | - | - | - | 2 | - | - | - | 2 | - | 233 |
| £150,001 - £200,000 | - | - | - | - | - | - | - | - | - | - |
| £200,001 - £250,000 | - | - | - | - | - | - | - | - | - | - |
| £250,001 - £300,000 | - | - | - | - | - | - | - | - | - | - |
| **Total** | **8** | **2** | **53** | **19** | **-** | **-** | **61** | **21** | **535** | **541** |

The total cost of exit packages in 2018/19 is £0.541m (2017/18 - £0.535m) charged to the authority's Comprehensive Income and Expenditure Statement (CIES). Costs associated with redundancies include officers aged 55 or over being able to access their pensions immediately, the costs of which amounted to £0.309m, charged to the CIES in 2018/19. There were no early retirements taken in 2018/19 (2017/18 - £0.000m).

**Termination Benefits**

In addition to the cost of exit packages the Council incurred liabilities of £0.041m relating to past early retirements charged to the Comprehensive Income and Expenditure Statement. This resulted in in total costs for the year of £0.582m.

## 12. Members Allowances

During the year £799,692 (2017/18 £778,144) was paid to Members including Mayoral and Deputy Mayoral allowances.

## 13. 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 readers to assess 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.

Once these relationships are brought to the attention of users, transactions are disclosed so that readers can assess for themselves whether these relationships might have had an effect or could have an effect in the future.

**Materiality**

Materiality has been assessed with regards to the Council and the related party.

**Central Government**

UK Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides significant funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits).

Grants received from government departments are set out in note 7.

**Members and Officers**

Members of the Council have direct control over the Council's financial and operating policies. The Council operates a system of self-regulation which requires each Executive Director and Member to complete a declaration highlighting whether they or any members of their family have been involved in any material financial transactions between the Council and any external bodies they are affiliated to during the financial year.

The total of members allowances paid in 2018/19 is shown in note 12. The total of senior officers remuneration paid in 2018/19 is shown in note 10.

For 2018/19 the system has highlighted that 28 Members had interests in various organisations and voluntary sector bodies involving payments worth £4.394m and receipts worth £3.843m for various works and services.

| | 2018/19 | | 31st March 2019 | |
|---|---|---|---|---|
| **Payments/receipts from Organisations where Members or their spouse hold an interest** | **Expenditure £000** | **Income £000** | **Creditor £000** | **Debtor £000** |
| Beechwood (Halton) Community Centre CIC | 23 | - | - | - |
| Cheshire Police & Crime Panel | 110 | (82) | - | - |
| Ella Together CIC | 18 | - | (1) | - |
| Halton & St Helens VCA | 94 | - | - | - |
| Halton Borough Transport | 627 | (21) | - | 42 |
| Halton Citizen Advice Bureau | 417 | - | - | - |
| Halton Community Transport | 218 | - | - | 1 |
| Halton Disability Partnership | 17 | - | - | - |
| Halton Housing | 322 | (422) | - | 5 |
| Halton Play Council Ltd | 128 | - | (1) | - |
| Ineos Chlor Vinyls Ltd | - | (35) | - | - |
| Liverpool City Region | - | (804) | - | - |
| Manchester Port Health Authority | 18 | - | - | - |
| Mersey Gateway Environmental Trust | 619 | - | - | - |
| Merseytravel | 607 | (1,398) | - | 1,800 |
| Norton Priory Museum Trust Ltd | 237 | (217) | - | - |
| Ormiston Bolingbroke Academy | 40 | (360) | - | 145 |
| Ormiston Chadwick Academy | 33 | (268) | (2) | 2 |
| Riverside College Halton | 514 | (127) | (44) | 85 |
| Sandymoor School | 55 | (31) | - | 1 |
| The Grange School | - | (32) | - | 401 |
| Warrington and Halton NHS Foundation Trust | 37 | - | - | - |
| Cheshire Pensions | - | (37) | - | - |
| Bridgewater Community Healthcare Trust | 260 | (9) | - | - |
| **Total** | **4,394** | **(3,843)** | **(48)** | **2,482** |

In 2018/19 the declarations also showed that two Executive Officers represented the Council on the boards of four bodies within the borough. Payments between HBC and those bodies totalled £4.864m and receipts totalled £0.641m in 2018/19.

| Payments/receipts to Organisations where Officers or their spouse hold an interest | 2018/19 Expenditure £000 | 2018/19 Income £000 | 31st March 2019 Creditor £000 | 31st March 2019 Debtor £000 |
|---|---|---|---|---|
| Daresbury SIC LLP | 286 | (529) | - | 9 |
| HTP Grange Ltd | 4,397 | (85) | - | 72 |
| HTP LEP Ltd | 122 | - | - | - |
| Halton Chamber Of Commerce | 59 | (27) | (2) | - |
| **Total** | **4,864** | **(641)** | **(2)** | **81** |

**Other Public Bodies**

The Council had one pooled budget arrangement with Halton Clinical Commissioning Group during 2018/19 under s75 of the Health Act 2006. Transactions and balances are highlighted in note 9.

**Entities Controlled or Significantly Influenced by the Council**

Details of the Council's interests in companies are disclosed in Note 41 – Interest in Companies and Other Entities.

## 14. External Audit Fees

The Council paid the following amounts to Grant Thornton in 2018/19 in relation to fees relating to external audit, inspection and additional services.

| | **2017/18 £000** | **2018/19 £000** |
|---|---|---|
| Fees payable for | | |
| - Audit | 105 | 81 |
| - Grants and returns | 13 | 15 |
| - Benchmarking Service | 13 | 13 |
| - Non-audit work | - | |
| | **131** | **109** |

Due to the timing of the audit of grant claims, the audit fee for Grants and Returns is based on an estimate and may include amounts relating to previous years.

## 15. Events after the Balance Sheet Date

These accounts have been authorised for issue by the Operational Director Finance, on the 31st May 2019 and reflect all known events for the financial year. 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 31st March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

**Halton Borough Transport Ltd**

On 23rd January 2020 the Board of Halton Borough Transport Limited took the decision to cease trading from 24th January 2020 and to undertake the steps necessary to move the Company into Creditors' Voluntary Liquidation. It is understood that this process will take a number of weeks. At this date the Council has a debenture outstanding with the Company of £407,000 which is secured against the Company's assets and there are other smaller debts outstanding with the Company totalling in the order of £100,000. The Council holds share capital in the company to the value of £430,100. The Council has taken steps to secure interim arrangements with other providers, for continuation of service provision as far as possible, until supported services can be retendered.

At the balance sheet date the value of the debenture to Halton Borough Transport was £7k. The accounts have not been adjusted to reflect this.

**COVID-19**

In response to the March 2020 COVID-19 outbreak the Council has been reviewing the potential additional cost to services and the loss of income as a result of the mitigating measures put in place by Government.

It is forecast the possible cost and loss of income to the Council will be in the region of £19m, this being an estimate based on the latest available information. Government have committed to supporting Local Government to meet the cost of the pandemic, to date funding of £7.9m has been received from Government. Regular returns are submitted to Government on a monthly basis highlighting the forecast cost to the Council.

The Council will continue to review its 2020/21 budget position, medium term financial strategy and cashflow position to take into account the impact of covid-19.

## 16. Capital Expenditure and 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

| | 2017/18 Restated £000 | 2018/19 £000 |
|---|---|---|
| **Opening Capital Financing Requirement** | **132,975** | **617,791** |
| **Capital Investment:** | | |
| Property, Plant & Equipment | 507,480 | 16,426 |
| Investment Properties | - | - |
| Intangible Assets | 64 | 123 |
| Revenue Expenditure funded from Capital under Statute | 1,701 | 5,351 |
| **Source of Finance:** | | |
| Capital Receipts | (5,895) | (7,529) |
| Government Grants & Other Contributions | (12,935) | (14,146) |
| Direct Revenue Contributions | (627) | (344) |
| Minimum Revenue Provision | (4,972) | (8,802) |
| **Closing Capital Financing Requirement** | **617,791** | **608,870** |
| **Explanation of movement in year:** | | |
| Increase in underlying need to borrow | 120,207 | 3,254 |
| Minimum Revenue Provision statutory set a side | (4,972) | (8,802) |
| Use of Capital Reserves to reduce MRP liability | - | (3,373) |
| Deferred Liability Voluntary set a side | - | |
| Assets acquired under Finance Leases | - | |
| Mersey Gateway unitary charge | 369,581 | - |
| **Increase/(Decrease) in Capital Financing Requirement** | **484,816** | **(8,921)** |

The table above shows the Council spent £21.9m on capital during 2018/19. Please note that the 2017/18 figures have been restated. See note 42 (b) and (h) for more details

**Disposal of Assets/Capital Receipts**

Land/Dwellings/Recovered Advances – the Council received £6.703m from the sale of land and various properties.

Under residual arrangements, the Council received £0.197m (£0.299m in 2017/18) from Halton Housing Trust for the sale of homes during the year, and a further £0.226m (£0.275m in 2017/18) under VAT Shelter arrangements.

**Capitalisation of Borrowing Costs**

The Council had undertaken borrowing of £113m in 2014-15 in advance of need to secure favourable interest rates available from the Public Works Loans Board. These loans were invested until the payments were made to Merseylink Consortium to fund the contribution from the Council towards Mersey Gateway Crossing construction costs. The Council's final contribution payment was made in autumn 2017.

There was no further interest capitalised during 2018/19.

| **2017/18** | | **2018/19** |
|---|---|---|
| **£000** | | **£000** |
| (155) | Interest received | - |
| 2,347 | Interest paid | - |
| **2,192** | **Net interest capitalised** | **-** |

# 17. Non-Current Assets, Property, Plant and Equipment

## Movements during 2017/18

| | Land and Buildings £000 | Community Assets £000 | Infrastructure Assets Restated £000 | Vehicles, Plant and Equipment £000 | Surplus £000 | Under Construction / Development Restated £000 | Total 2017/18 Restated £000 | Service Concession Assets included in PPE Restated £000 |
|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | |
| **As at 1st April 2017** | **203,637** | **9,083** | **177,889** | **23,143** | **3,879** | **96,196** | **513,827** | **22,563** |
| Additions and Enhancements | 8,646 | 113 | 488,965 | 1,209 | - | 3,988 | **502,921** | 472,081 |
| Revaluations Recognised in the Revaluations Reserve | 7,839 | (2) | - | - | 7 | - | **7,844** | - |
| Revaluations Recognised in the Provision Services | (7,006) | (1,758) | - | - | (6) | (1,936) | **(10,706)** | - |
| Derecognition – Disposals | (23,654) | - | - | (2,745) | (1,226) | - | **(27,625)** | (22,563) |
| Derecognition – Others | - | - | - | - | - | - | **-** | - |
| Assets Reclassified (to)/from held for sale | 589 | - | - | - | - | - | **589** | - |
| Other Movements | 3,146 | - | 90,650 | - | 1,038 | (93,641) | **1,193** | |
| **As at 31st March 2018** | **193,197** | **7,436** | **757,504** | **21,607** | **3,692** | **4,607** | **988,043** | **472,081** |
| **Depreciation** | | | | | | | | |
| **As at 1st April 2017** | **(17,542)** | **(4,212)** | **(113,623)** | **(15,027)** | **(286)** | **-** | **(150,690)** | **(680)** |
| Depreciation for the year | (10,938) | (583) | (12,205) | (2,394) | (63) | - | **(26,183)** | (4,048) |
| Depreciation written out to revaluation reserve | 8,690 | - | - | - | 140 | - | **8,830** | - |
| Depreciation written out to Surplus/Deficit on the Provision of Services | 521 | 336 | - | - | - | - | **857** | - |
| Derecognition – Disposals | 1,360 | - | - | 2,533 | - | - | **3,893** | 1,360 |
| Derecognition – Other | - | - | - | - | - | - | **-** | - |
| Other movements in depreciation | - | - | (1) | - | - | - | **(1)** | - |
| **As at 31st March 2018** | **(17,909)** | **(4,459)** | **(125,829)** | **(14,888)** | **(209)** | **-** | **(163,294)** | **(3,368)** |
| **Balance Sheet Amount as at 31st March 18** | **175,288** | **2,977** | **631,675** | **6,719** | **3,483** | **4,607** | **824,749** | **468,713** |
| **Balance Sheet Amount as at 1st April 17** | **186,095** | **4,871** | **64,266** | **8,116** | **3,593** | **96,196** | **363,137** | **21,883** |

Please note the figures above have been restated, see note 42(a), (c) and (h) for more details.

**Movements during 2018/19**

| | Land and Buildings £000 | Community Assets £000 | Infrastructure Assets £000 | Vehicles, Plant and Equipment £000 | Surplus £000 | Under Construction / Development £000 | Total 2018/19 £000 | Service Concession Assets included in PPE £000 |
|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | |
| **As at 31st March 2018** | **193,197** | **7,436** | **757,504** | **21,607** | **3,692** | **4,607** | **988,043** | **472,081** |
| Additions and Enhancements | 729 | 328 | 11,986 | 998 | | 1,986 | **16,027** | - |
| Revaluations Recognised in the Revaluations Reserve | 3,577 | | | | 162 | | **3,739** | - |
| Revaluations Recognised in the Provision Services | (2,112) | | | | | | **(2,112)** | - |
| Derecognition – Disposals | (7,460) | (221) | | (714) | (41) | | **(8,436)** | - |
| Derecognition – Others | | | | | | | - | - |
| Assets Reclassified (to)/from held for sale | (861) | | | | | | **(861)** | - |
| Other Movements | 2,360 | | | | | (1,223) | **1,137** | - |
| **As at 31st March 2019** | **189,430** | **7,543** | **769,490** | **21,891** | **3,813** | **5,370** | **997,537** | **472,081** |
| **Depreciation** | | | | | | | | |
| **As at 31st March 2018** | **(17,909)** | **(4,459)** | **(125,829)** | **(14,888)** | **(209)** | | **(163,294)** | **(3,368)** |
| Depreciation for the year | (9,966) | (479) | (16,048) | (2,017) | (70) | | **(28,580)** | (7,232) |
| Depreciation written out to revaluation reserve | 2,851 | | | | | | **2,851** | - |
| Depreciation written out to Surplus/Deficit on the Provision of Services | 20 | | | | | | **20** | - |
| Derecognition – Disposals | 430 | 53 | | 712 | | | **1,195** | - |
| Derecognition – Other | | | | | | | - | |
| Other movements in depreciation | | | | | | | - | |
| **As at 31st March 2019** | **(24,574)** | **(4,885)** | **(141,877)** | **(16,193)** | **(279)** | - | **(187,808)** | **(10,600)** |
| | | | | | | | | |
| **Balance Sheet Amount as at 31st March 19** | **164,856** | **2,658** | **627,613** | **5,698** | **3,534** | **5,370** | **809,729** | **461,481** |
| | | | | | | | | |
| **Balance Sheet Amount as at 1st April 18** | **175,288** | **2,977** | **631,675** | **6,719** | **3,483** | **4,607** | **824,749** | **468,713** |

**Depreciation**

The following useful lives and depreciation rates have been used in the calculation of depreciation:

| | |
|---|---|
| Buildings and Other Operational Properties | 10-60 years |
| Community Assets | 15 years |
| Infrastructure Assets | 15-120 years |
| Vehicles, Plant and Equipment | 3-10 years |
| Intangible Assets | 5 years |

**Capital Commitments**

At 31st March 2019, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment.

The major commitments are:

| | |
|---|---|
| Widnes Loops | £ 4.6m |
| Silver Jubilee Bridge Major Maintenance | £ 5.2m |
| Silver Jubilee Bridge de-linking | £ 5.7m |

At 31st March 2019 the capital commitments totalled £28.0m (£25.0m at 31st March 2018).

**Revaluations**

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every 5 years using the rota below with 2018/19 being year 3 in the cycle. All valuations are carried out internally by the Council's in-house valuer Louise Risk MRICS. 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 Institute of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Year 1 – Amendments and general updates
Year 2 – Corporate Properties
Year 3 – Children's centres, Children's homes and miscellaneous properties, land and open spaces
Year 4 – Day care centres, homes, leisure centres, sports fields and changing rooms, allotments, community centres, libraries and cemeteries
Year 5 – Nursery, infant, junior, primary, secondary, special and PRU schools.

All assets are subject to an annual review to ensure valuations have not materially changed in the years they are not valued and that the carrying value is not significantly different to their fair value.

Assets which were subject to a revaluation in 2018/19 are dated the 1st April 2018. The valuation report which is used in the preparation of the Council's Statement of Accounts takes account of all known events throughout 2018/19 which could subsequently affect the assets value and is therefore dated the 31st March 2019.

The assets shown by year of valuation are shown in the table below

| | Other Land & Buildings | Community Assets | Infrastructure Assets | Vehicles, Plant & Equipment | Surplus | Under Construction / Development | Total |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Valued at current value as at:** | | | | | | | |
| 31 March 2019 | 18,030 | - | - | - | 162 | - | **18,192** |
| 31 March 2018 | 34,755 | - | - | - | 66 | - | **34,821** |
| 31 March 2017 | 4,572 | - | - | - | 888 | - | **5,460** |
| 31 March 2016 | 77,364 | - | - | - | 2,198 | - | **79,562** |
| 31 March 2015 | 30,135 | - | - | - | 220 | - | **30,355** |
| **Valued at Historic Cost** | - | 2,658 | 627,613 | 5,698 | - | 5,370 | **641,339** |
| **Total** | **164,856** | **2,658** | **627,613** | **5,698** | **3,534** | **5,370** | **809,729** |

**Land & Buildings**

Non specialised property is valued at Fair Value – Existing Use Value. Specialised Property is valued on the basis of Depreciated Replacement Costs.

**Community Assets**

This group includes parks, cemetery land and other identifiable assets held in perpetuity, usually at Depreciated Historic Cost.

**Infrastructure**

These are included on the balance sheet at Depreciated Historical Costs in accordance with the guidelines contained in the RICS Appraisal and Valuation Standards.

**Vehicles, Plant and Equipment**

The majority of the Council's plant and equipment is included in the valuation of the buildings. The vehicles and other equipment are valued at Depreciated Historical Cost.

**Intangible Assets**

This group consists mainly of software licences for computer systems held at Depreciated Historical Cost.

**Surplus Assets**

Assets held for sale have strict criteria to be met before any assets can be included under this heading. Where assets are not in use but do not meet the criteria, they are accommodated within surplus assets. They are held at highest and best use value.

**Assets under Construction/Development**

These schemes are held temporarily on the balance sheet at Historic Cost, until the asset is completed, when it is replaced with a formal valuation.

**Fair Value Hierarchy for Investment Properties, Surplus Assets and Assets Held for Sale**

Investment Properties, Surplus Assets and Assets Held for Sale have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Statement of Accounting Policies 10 – Fair Value)

**Valuation Techniques Used to Determine Level 2 Fair Values.**

The fair value of Investment Properties, Surplus Assets and Assets Held for Sale have been measured using a market approach, which takes into account quoted prices for the existing or similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Asset portfolio. This information is contained within the Valuation Assumptions and Evidence note agreed between the authority's Asset Manager and professional staff. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

There has been no change in the valuation techniques used during the year for Investment Properties, Surplus Assets or Assets Held for Sale.

**Highest and Best Use**

In estimating the fair value of the Council's Investment Properties, the highest and best use is their current use, though Assets Held for Sale have been valued taking their development potential into account.

**De-minimis Assets**

At 31st March 2019, the Council had 164 assets that fell below its de-minimis level of £35,000 which totalled £1.343m. These assets are not recorded on the Balance Sheet.

## 18. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

| | 2017/18 | | | 2018/19 | | |
|---|---|---|---|---|---|---|
| | Civic Regalia £000 | Outdoor Sculpture £000 | Total £000 | Civic Regalia £000 | Outdoor Sculpture £000 | Total £000 |
| **Cost or Valuation** | | | | | | |
| **1st April** | **858** | **327** | **1,185** | **858** | **375** | **1,233** |
| Additions | - | 48 | **48** | - | - | - |
| Disposals | - | - | - | - | - | - |
| Revaluations | - | - | - | - | - | - |
| Impairment Losses/(reversals) Recognised in the Revaluation Reserve | - | - | - | - | - | - |
| Impairment Losses/(reversals) Recognised in the Surplus or Deficit on the Provision of Services | - | - | - | - | - | - |
| **31st March** | **858** | **375** | **1,233** | **858** | **375** | **1,233** |

### Other Heritage Assets

For the following Heritage Assets no valuation is held as the records for the cost of acquisition / construction are no longer available and they are not insured as individual items so are not recorded on the Council's balance sheet. Although these assets have a cultural significance to the local community, they are not considered to have a material financial value.

**War Memorials**
The Council has two war memorials, one in Runcorn on Moughland Lane and the other in Widnes in Victoria Park.

**Duck Decoy (Hale Village)**
The Duck Decoy in Hale village has been restored for use as a nature reserve with assistance from the Heritage Lottery Fund

**Outdoor works of Art**
A metal sculpture called Spire in Church Street Runcorn and works of art on Runcorn Promenade and within sets of railings and panels around Halton Castle.

**Halton Castle**
One of only two Norman Castles remaining in Cheshire managed on behalf of the Council by Norton Priory Trust.

## 19. Investment Properties

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.

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| (152) | Rental income from Investment Property | (53) |
| 200 | Direct operating expenses from investment property | 19 |
| **48** | | **(34)** |

Investment Properties are not directly involved in the delivery of a service. They are valued annually by the Council's in-house valuer.

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

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

| | 2017/18 £000 | 2018/19 £000 |
|---|---|---|
| **Balance at the start of the year** | **1,541** | **1,541** |
| Additions: | | |
| - Purchases | - | - |
| - Construction | - | - |
| - Subsequent expenditure | - | - |
| Disposals | - | - |
| Net gain/(losses) from fair value adjustments | - | 248 |
| Transfers: | | |
| - (To)/from Inventories | - | - |
| - (To)/from Property, Plant and Equipment | - | (1,046) |
| Other changes | - | - |
| | **1,541** | **743** |

For details of the fair value valuations used for Investment Properties, see Note 17.

## 20. Intangible Assets

The Council accounts for its software as intangible assets, with the exception of software which is an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are:

| Useful Life | Internally Generated Assets | Other Assets |
|---|---|---|
| 5 years | None | Software Licenses |

The carrying amounts of intangible assets are amortised on a straight-line basis. The amortisation of £0.753m charged to revenue in 2018/19 was charged to various cost centres and then absorbed as an overhead across all service headings in the Net Cost of Services.

The movement on Intangible Asset balances during the year as follows:

| | 2017/18 £000 | 2018/19 £000 |
|---|---|---|
| Balance at start of year: | | |
| Gross carrying amounts | 8,891 | 8,955 |
| Accumulated amortisation | (5,880) | (6,667) |
| **Net carrying amount at start of year** | **3,011** | **2,288** |
| **Additions:** | | |
| Purchases | 64 | 123 |
| Amortisation for the period | (787) | (753) |
| **Net carrying amount at end of year** | **2,288** | **1,658** |
| **Comprising:** | | |
| Gross carrying amounts | 8,955 | 9,078 |
| Accumulated amortisation | (6,667) | (7,420) |
| | **2,288** | **1,658** |

## 21. Assets Held for Sale

| | 2017/18<br>£000 | 2018/19<br>£000 |
|---|---|---|
| **Balance outstanding at start of Year** | **9,394** | **7,759** |
| Assets newly classified as held for sale: | | |
| - Property, Plant and Equipment | 4,511 | 1,260 |
| - Intangible Assets | - | - |
| Revaluation Losses | (4,235) | (18) |
| Revaluation Gains | 350 | - |
| Impairment Losses | - | - |
| Assets declassified as held for sale: | | |
| - Property, Plant and Equipment | (589) | - |
| - Intangible Assets | - | - |
| Assets Sold | (487) | (1,518) |
| Transfers from non-current to current | - | - |
| Other Movements | (1,185) | (90) |
| **Balance outstanding at year-end** | **7,759** | **7,393** |

For details of the fair value valuations used for Assets Held for Sale, see Note 17.

Please note all Assets Held for Sale are due to be sold within a year and are shown as Current Assets on the Balance sheet.

## 22. Investments

Long-term investments consist of:

| | Balance at 31/03/2018<br>£000 | Balance at 31/03/2019<br>£000 |
|---|---|---|
| Halton Borough Transport Ltd | | |
| - Share Capital | 430 | 430 |
| - Debenture 2 | 29 | 15 |
| Municipal Bonds Agency | 10 | 10 |
| CCLA Property Fund | 4,846 | 4,921 |
| Daresbury SIC LLP | - | 1,313 |
| Mersey Gateway Share Capital - de minimis | - | - |
| Halton Development Partnership Limited – de minimis | - | - |
| Widnes Regeneration Limited – de minimis | - | - |
| Long Term Deposits | 12,000 | 17,000 |
| | **17,315** | **23,689** |

Halton Borough Transport Ltd was set up in October 1986 as a public transport undertaking, with an issued share capital of £430,100, wholly owned by Halton Borough Council. There is one debenture remaining which is being repaid at £14,286 per annum with interest. Extracts from their accounts are detailed below:

| | 31/03/2018 £000 | 31/03/2019 £000 |
|---|---|---|
| **Profit and Loss Account** | | |
| Turnover | (6,979) | (6,993) |
| Operating and Other Expenditure | 7,414 | 7,892 |
| Net (Profit)/Loss (before Taxation) | **435** | **899** |
| Taxation | (73) | - |
| (Profit) / Loss for Financial Year | **362** | **899** |
| **Balance Sheet as at 31st March** | | |
| Fixed Assets | 1,844 | 1,162 |
| Current Assets less Current Liabilities | (577) | (887) |
| Net Assets | **1,267** | **275** |
| Long Term Liabilities | (975) | (882) |
| Provisions for Liabilities and Charges | (23) | (23) |
| Pension Scheme Liability | - | |
| | **269** | **(630)** |
| Represented by: | | |
| Share Capital | (430) | (430) |
| Profit and Loss Account | 161 | 1,060 |
| | **(269)** | **630** |

Please note that as the Halton Borough Transport Ltd's accounts were not finalised when the Council's accounts were published, the figures above have been produced using management accounts for 2018/19.

Further details can be obtained from Halton Borough Transport Limited, Moor Lane, Widnes. Telephone 0151 423 3333.

Mersey Gateway Crossings Board Limited was set up in October 2013 with an issued share capital of £100, wholly owned by Halton Borough Council. Extracts from their accounts are detailed below:

| | 31/03/2018 £000 | 31/03/2019 £000 |
|---|---|---|
| **Profit and Loss Account** | | |
| Turnover | (2,663) | (2,240) |
| Operating and Other Expenditure | 2,745 | 2,282 |
| **Net (Profit)/Loss** | **82** | **42** |
| Other Comprehensive Income | (92) | 100 |
| **Total Comprehensive loss** | **(10)** | **142** |
| | | |
| **Balance Sheet as at 31st March** | | |
| Fixed Assets | 1 | 1 |
| Current Assets less Current Liabilities | (14) | (10) |
| Net Current Assets | **(13)** | **(9)** |
| | | |
| Long Term Liabilities | - | - |
| Provisions for Liabilities and Charges | - | - |
| Pension Scheme Liability | (416) | (562) |
| | **(429)** | **(571)** |
| Represented by: | | |
| Share Capital | - | - |
| Profit and Loss Account | 429 | 571 |
| | **429** | **571** |

Please note that as Mersey Gateway Crossing Board Limited's accounts were not finalised when the Council's accounts were published, figures above have been produced using draft accounts for 2018/19.

Further details can be obtained from Mersey Gateway Crossings Board Limited, Municipal Building, Kingsway, Widnes. Telephone 0151 511 8377.

Please note that the Council's 25% share of the equity in Daresbury SIC LLP has been added to long-term investments in year. Copies of the accounts for Daresbury SIC LLP are available from Companies House (gov.uk/get-information-about-a-company)

Short term investments consist of:

| | 31/03/2018 £000 | 31/03/2019 £000 |
|---|---|---|
| **Nationalised Banks** | | |
| Royal Bank of Scotland Plc | 5,000 | - |
| | | |
| **UK Banks & Building Societies** | | |
| Goldman Sachs | 10,000 | - |
| Santander | 10,000 | 10,000 |
| Standard Chartered | 5,000 | - |
| Lloyds/Bank of Scotland | - | 5,000 |
| | | |
| **Non-UK Banks** | | |
| Commonwealth Bank of Austrailia | - | 10,000 |
| | | |
| **Local Authorities** | | |
| Thurrock Council | 5,000 | 20,000 |
| Oadby & Wigston Borough Council | 5,000 | - |
| Blackburn and Darwin | 5,000 | - |
| Cambridgeshire County Council | - | 5,000 |
| Powys County Council | - | 10,000 |
| | | |
| Interest accrued on investments 31st March | - | 252 |
| | | |
| **Other Investments** | 26 | 1 |
| | **45,026** | **60,253** |

## 23. Debtors

| | Gross Debtors Restated | Impairment | Net Debtors Restated | Gross Debtors Restated | Impairment Restated | Net Debtors Restated | Gross Debtors | Impairment | Net Debtors |
|---|---|---|---|---|---|---|---|---|---|
| | 1st April 2017 | | | 31st March 2018 | | | 31st March 2019 | | |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Short Term** | | | | | | | | | |
| Trade receivables | 8,984 | (3,735) | **5,249** | 12,596 | (7,111) | **5,485** | 32,921 | (14,880) | **18,041** |
| Prepayments | 36,640 | - | **36,640** | 1,550 | | **1,550** | 1,688 | - | **1,688** |
| Local Taxation | 7,626 | (4,707) | **2,919** | 10,973 | (6,765) | **4,208** | 12,113 | (8,126) | **3,987** |
| Other recievable amounts | 10,188 | - | **10,188** | 19,421 | | **19,421** | 12,300 | - | **12,300** |
| | **63,438** | **(8,442)** | **54,996** | **44,540** | **(13,876)** | **30,664** | **59,022** | **(23,006)** | **36,016** |
| **Long Term** | | | | | | | | | |
| Other recieable amounts | 11,521 | - | **11,521** | 8,191 | - | **8,191** | 13,311 | | **13,311** |
| | **11,521** | **-** | **11,521** | **8,191** | **-** | **8,191** | **13,311** | **-** | **13,311** |

Please note the debtors statement is shown in a new format in the 2018/19 accounts. The 16/17 and 17/18 comparator figures have been update to reflect the new format. The 2017/18 figures have been restated, see note 42 (h) for details.

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

| | 31/03/2018 | 31/03/2019 |
|---|---|---|
| | £000 | £000 |
| Less than one year | 2,225 | 1,886 |
| one to two years | 789 | 787 |
| two to three years | 504 | 545 |
| three to four years | 334 | 342 |
| four to five years | 235 | 211 |
| five years and above | 121 | 216 |
| | **4,208** | **3,987** |

## 24. Cash and Cash Equivalents

| | 31/03/2018 | 31/03/2019 |
|---|---|---|
| | **£000** | **£000** |
| Cash held by the Council | 24 | 60 |
| Bank current accounts | 873 | 1,121 |
| Short-term deposits | 26,450 | 16,850 |
| | **27,347** | **18,031** |

## 25. Creditors

| | 31/03/2018 | 31/03/2019 |
|---|---|---|
| | **Restated** | |
| | **£000** | **£000** |
| Trade Payables | (17,783) | (19,941) |
| Other Payables | (43,678) | (33,498) |
| | **(61,461)** | **(53,439)** |

Please note the creditors statement is shown in a new format in the 2018/19 accounts. The 2017/18 comparator figures have been updated to reflect the new format. The 17/18 figures have also been restated, see 42(b) for more details.

## 26. Borrowings

Short term borrowings consist of:

| | 31/03/2018 £000 | 31/03/2019 £000 |
|---|---|---|
| **Source of loans:** | | |
| Liverpool City Region - LEP | (5,401) | (5,401) |
| Interest accrued on borrowing | - | (2,808) |
| | **(5,401)** | **(8,209)** |

Long term borrowings consist of:

| | 31/03/2018 £000 | 31/03/2019 £000 |
|---|---|---|
| **Source of loans:** | | |
| Public Works Loan Board | (162,000) | (162,000) |
| Eurohypo | (10,000) | (10,000) |
| | **(172,000)** | **(172,000)** |
| **Analysis of loans by maturity:** | | |
| Maturing in 1-2 years | - | - |
| Maturing in 2-5 years | - | - |
| Maturing in 5-10 years | - | - |
| Maturing in more than 10 years | (172,000) | (172,000) |
| | **(172,000)** | **(172,000)** |

## 27. Provisions

| | NNDR Appeals £000 | Insurance Provision £000 | Other Provisions - | Total £000 | NNDR Appeals £000 |
|---|---|---|---|---|---|
| **Balance at 1 April 2018** | **(3,253)** | **-** | **(501)** | **(3,754)** | **(2,252)** |
| Movement in use of provision in year | 96 | - | 4 | **100** | - |
| Amounts reclassified as <12 months | - | (2,044) | - | **(2,044)** | - |
| Amounts reclassified from >12 months | 72 | - | - | **72** | (72) |
| **Balance at 31 March 2019** | **(3,085)** | **(2,044)** | **(497)** | **(5,626)** | **(2,324)** |

**NNDR Appeals**
The Council is required to make a provision for NNDR valuation appeal claims. It is assumed appeals outstanding on the 2010 list will be settled in 19/20.

**Insurance Provision**
The council have a number of insurance claims outstanding in relation to employers liabiity and public liability claims. The provision shown above reflect the expected cost to the council, up to the value of excess for each claim.

## 28. Contingent Liabilities

At 31st March 2019, the Council had 2 categories of material Contingent Liabilities:

M**ersey Gateway**

The Mersey Gateway project is a major capital scheme which saw the completion of the new six lane toll bridge over the river Mersey. The bridge opened in October 2017. The new bridge provides a multitude of economic and regional benefits whilst relieving the congested and ageing Silver Jubilee Bridge.

Under Part 1 of the Land Compensation Act 1973 the council has received 615 claims from a number of residential properties in the proximity of the Mersey Gateway and relevant project roads. The obligation cannot be measured with sufficient reliability although the Council are estimating a potential cost of between £3.5 million and £6.5m for dealing with such claims.

**NHS and Foundation Trusts Applications for Mandatory Relief from Business Rates**

A hereditament that is wholly or mainly used for charitable purposes is entitled to 80% mandatory relief from business rates. There is an ongoing issue as to whether NHS and Foundation trusts fall into this category. Under Local Government Act 1988 the central issue is whether a foundation trust or NHS trust is an “institution or other organisation established for charitable purposes only.” If so such establishments would be entitled to 80% mandatory relief.

Legal advice has been received from the Local Government Association (LGA) which concludes that NHS Trusts and Foundations are not charities and therefore are not entitled to mandatory rating relief regardless of the precise use being made of the hereditament in question. The Council has received a small number of applications from health trusts for mandatory relief which have to date all been refused. However, if any applications were successful there would be a potential liability of approximately £0.860m with claims being backdated over seven years. The LGA are acting on behalf of Councils nationally in defending the current position on these applications.

## 29. Other Long Term Liabilities

| | 01/04/2017 Restated £000 | 31/03/2018 Restated £000 | 31/03/2019 £000 |
|---|---|---|---|
| Defined Benefit Pension liability | (116,463) | (105,551) | (161,899) |
| Finance PFI Lease liability due more than 12 months | (19,942) | (19,356) | (18,738) |
| Finance Leases liability due more than 12 months | (363) | (306) | - |
| Mersey Gateway unitary charge due more than 12 months | - | (361,722) | (355,781) |
| Deferred liabilities | (60) | (48) | (33) |
| | **(136,828)** | **(486,983)** | **(536,451)** |

Please note the 2017/18 figures above have been restated, please see note 42(a), (b) and (g) for more details.

## 30. Leases

### Operating Leases – Authority as lessee

The Council has acquired a number of properties by entering into operating leases.

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

| | 31/03/2018 | 31/03/2019 |
|---|---|---|
| | £000 | £000 |
| Not later than one year | 352 | 314 |
| Later than one year not later than five years | 699 | 714 |
| Later than five years | 10,491 | 10,341 |
| | **11,542** | **11,369** |

### Operating Leases - Authority as a Lessor

The Council leases out property under operating leases to supplement the Council's income, to allow short term use of assets being retained for longer term asset strategy and to allow the use of the Council assets by the third sector.

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

| | 31/03/2018 | 31/03/2019 |
|---|---|---|
| | £000 | £000 |
| Not later than one year | 2,073 | 1,801 |
| Later than one year not later than five years | 2,977 | 2,625 |
| Later than five years | 11,851 | 10,326 |
| | **16,901** | **14,752** |

### Finance Leases - Authority as a Lessor

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

| | 31/03/2018 | 31/03/2019 |
|---|---|---|
| | **£000** | **£000** |
| Finance lease debtor (net present value of minimum lease payments) | | |
| - Current | 237 | 488 |
| - Non Current | 7,153 | 12,397 |
| Unearned Finance income | 2,537 | 3,765 |
| **Gross investment in the lease** | **9,927** | **16,650** |

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

| | Gross Investment in the lease | | Minimum Lease Payments | |
|---|---|---|---|---|
| | **31/03/2018** | **31/03/2019** | **31/03/2018** | **31/03/2019** |
| | **£000** | **£000** | **£000** | **£000** |
| Not later than one year | 432 | 810 | 432 | 810 |
| Later than one year and not later than five years | 1,726 | 3,239 | 1,726 | 3,239 |
| Later than five years | 7,769 | 12,601 | 7,769 | 12,601 |
| | **9,927** | **16,650** | **9,927** | **16,650** |

At the council is unaware of any financial circumstances that might result in lease payments not being made, there has been no provision set aside for uncollectable amounts. This will be reviewed on an annual basis.

## 31. Private Finance Initiatives and Similar Schemes

**Halton Grange School PFI Scheme**

On 20 June 2011 the council entered into a 25 year Private Finance Initiative (PFI) arrangement with HTP Grange Ltd for the provision of 1 new high school. There is a 25 year PFI contract for the construction, maintenance, and facilities management of Grange School. The new school building was handed over to the Council on 15th April 2013 and on 1st January 2018 the school converted to an academy.

The Grange PFI School was removed from the Council's Property Plant and Equipment during 2017/18 at a cost of 21.4m. As the Council is party to the contract with the PFI Operator, the PFI liability is retained on the Council's Balance Sheet and the income from the Academy school is recognised to reduce the overall charge in the year.

The contract specifies minimum standards for the services provided by the contractor to the school. The contractor took on the obligation to construct the school and maintain it in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the school. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for the costs incurred and future profits that would have been generated over the remaining term of the contract.

**Payments**

The Council makes an agreed payment each year which is increased annually by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed.

Payments remaining to be made under the PFI contract at 31 March 2019 (excluding any estimation of inflation and availability/performance deductions) are as follows:

| | Payment for Services £000 | Reimbursements of Capital Expenditure £000 | Interest £000 | Total £000 |
|---|---|---|---|---|
| Payment in 2019/20 | 1,006 | 614 | 1,660 | 3,280 |
| Payable within 2-5 years | 4,769 | 2,186 | 6,164 | 13,119 |
| Payable within 6-10 years | 5,887 | 4,033 | 6,480 | 16,400 |
| Payable within 11-15 years | 6,123 | 5,845 | 4,432 | 16,400 |
| Payable within 16-20 years | 4,932 | 6,674 | 1,514 | 13,120 |
| Payable within 21-25 years | - | - | - | - |
| Total | **22,717** | **19,352** | **20,250** | **62,319** |

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

| | £000 |
|---|---|
| Balance outstanding at 1st April 2018 | 19,941 |
| Payments during the year | (589) |
| Capital expenditure incurred in the year | - |
| **Balance outstanding at 31st March 2019** | **19,352** |

The carrying value of the PFI liability is the present value of the payments due using the interest rate implicit in the contract.

**Mersey Gateway – Unitary Payments**

On 13 October 2017 the Mersey Gateway Bridge opened. The project was funded through a mixture of capital payments from Halton Borough Council and monthly unitary charge payments to Merseylink paid using the toll income raised. Unitary Charge payments cover the costs of construction and ongoing maintenance of the bridge for a period of 27 years.

The Mersey Gateway Bridge is recognised in Infrastructure Assets on the Council's Balance Sheet.

Please note that the 2017/18 figures have been restated to reflect the updated valuation of the PFI liability. See Note 42(a) and (b) for further information

**Payments**

The Council makes an agreed payment each month to Merseylink which is increased annually by inflation and can be reduced if traffic flows fall below an agreed level.

Payments remaining to be made under the scheme at 31 March 2019 (excluding any deductions) are as follows:

| | Payment for Services £000 | Reimbursements of Capital Expenditure £000 | Interest £000 | Total £000 |
|---|---|---|---|---|
| Payment in 2019/20 | 3,176 | 5,941 | 27,540 | 36,656 |
| Payable within 2-5 years | 14,602 | 26,919 | 105,103 | 146,625 |
| Payable within 6-10 years | 17,451 | 48,314 | 117,515 | 183,281 |
| Payable within 11-15 years | 24,490 | 61,735 | 97,056 | 183,281 |
| Payable within 16-20 years | 26,220 | 87,732 | 69,328 | 183,281 |
| Payable within 21-25 years | 23,312 | 131,081 | 28,887 | 183,281 |
| Total | **109,251** | **361,722** | **445,429** | **916,402** |

Please note the services element of the contract is calculated using the estimated costs over the life of the agreement.

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

| | £000 |
|---|---|
| Balance outstanding at 1st April 2018 (restated) | 367,359 |
| Payments during the year | (5,637) |
| Capital expenditure incurred in the year | - |
| **Balance outstanding at 31st March 2019** | **361,722** |

## 32. Pension Schemes

**Disclosure of Net Pensions Asset/Liability**

**Participation in pension schemes**

As part of the terms and conditions of employment of its officers and other employees, the council makes contributions towards the cost of post-employment retirement benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments that need to be disclosed at the time that employees earn their entitlement.

The Council participates in three pension schemes, all of which offer defined benefit schemes:

The Local Government Pension Scheme administered by Cheshire West and Chester Council - this is a funded career average revalued earnings (CARE) benefit defined scheme, meaning that the Council and its employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Teacher's Pension Scheme – this is a centralised scheme administered by Teachers Pensions Agency. Although the scheme is unfunded, the Agency uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Education Authorities.

The NHS pension scheme relates to 39 employees. The scheme operates on a similar basis to the Teacher's pension scheme

**Local Government Pension Scheme**

**Transactions Relating to Post-Employment Benefits**

In 2018/19, the Council paid an employer's contribution to the Cheshire Pension Fund of £10.887 m (£17.740m in 2017/18).

Please note figures for 2017/18 have been restated to show the liability relating to costs paid for unfunded benefits to the Teacher Pension Scheme for members who retired early. A further prior period adjustment is shown for 2016/17 to help with comparison of figures. For more information see note 42 (g).

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the General Fund Balance via the Movement in Reserves Statement during the year:

| **Comprehensive Income & Expenditure Statement** | **Local Government Pension Scheme 2017/18** | **Teachers Unfunded Scheme 2017/18** | **Local Government Pension Scheme 2018/19** | **Teachers Unfunded Scheme 2018/19** |
|---|---|---|---|---|
| **Cost of Services** | **£000** | | **£000** | |
| Current Service Costs | 22,592 | - | 22,135 | - |
| Past Service Costs/(Gain) | 287 | - | 2,825 | - |
| Losses/(Gains) from Settlements | - | - | (1,036) | - |
| **Finance & Investment Income & Expenditure** | | | | |
| Net interest expense | 2,898 | 110 | 2,819 | 106 |
| **Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services** | **25,777** | **110** | **26,743** | **106** |
| **Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement** | | | | |
| Re-measurement of the net defined benefit liability comprising: | | | | |
| Return on plan assets (excluding the amount included in the net interest expense) | (5,634) | - | (15,490) | - |
| Actuarial (gains) and losses arising on changes in demographic assumptions | - | - | - | - |
| Actuarial (gains) and losses arising on changes in financial assumptions | (12,940) | (39) | 56,228 | 189 |
| Other experience | - | 13 | | (95) |
| **Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement** | **(18,574)** | **(26)** | **40,738** | **94** |
| **Movement in Reserves Statement** | | | | |
| Reversal of net charges made to the Surplus or Deficit on the provision of Services for post-employment benefits in accordance with the Code | **(25,777)** | **(110)** | **(26,743)** | **(106)** |
| Actual amount charged against the General Fund Balance for pensions in the year: | | | | |
| Contributions in respect of unfunded benefits | **-** | **459** | **-** | **446** |
| Employers' contributions payable to scheme | **17,740** | **-** | **10,887** | **-** |

**Pension Assets and Liabilities Recognised in the Balance Sheet**

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

| | 2016/17 | | 2017/18 | | 2018/19 | |
|---|---|---|---|---|---|---|
| | Local Government Pension Scheme Restated | Teachers Unfunded Scheme Restated | Local Government Pension Scheme Restated | Teachers Unfunded Scheme Restated | Local Government Pension Scheme | Teachers Unfunded Scheme |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Present value of the defined benefit obligation | (657,746) | (7,448) | (671,620) | (7,073) | (751,150) | (6,827) |
| Fair value of plan assets | 548,731 | - | 573,142 | - | 596,078 | - |
| Sub Total | **(109,015)** | **(7,448)** | **(98,478)** | **(7,073)** | **(155,072)** | **(6,827)** |
| Other movement in the liability / (asset) | - | - | - | - | - | - |
| **Net liability arising from defined benefit obligation** | **(109,015)** | **(7,448)** | **(98,478)** | **(7,073)** | **(155,072)** | **(6,827)** |

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

| | 2017/18 | 2018/19 |
|---|---|---|
| | £000 | £000 |
| **Opening fair value of scheme assets** | 548,731 | 573,142 |
| Interest income | 14,315 | 15,301 |
| Remeasurement gain / (loss) | - | - |
| The return on plan assets, excluding the amount included in the net interest expense | 5,634 | 15,490 |
| Contributions from employer | 17,740 | 10,887 |
| Contributions from employees into the scheme | 3,598 | 3,636 |
| Benefits Paid | (16,876) | (17,798) |
| Effect of Settlements | - | (4,580) |
| **Closing fair value of scheme assets** | **573,142** | **596,078** |

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

| | 2016/17 | | 2017/18 | | 2018/19 | |
|---|---|---|---|---|---|---|
| | **Local Government Pension Scheme Restated £000** | **Teachers Unfunded Scheme Restated £000** | **Local Government Pension Scheme Restated £000** | **Teachers Unfunded Scheme Restated £000** | **Local Government Pension Scheme £000** | **Teachers Unfunded Scheme £000** |
| **Opening balance at 1 April** | **(541,510)** | **(7,474)** | **(657,746)** | **(7,448)** | **(671,620)** | **(7,069)** |
| Current service cost | (13,898) | - | (22,592) | - | (22,135) | - |
| Interest Cost | (18,936) | (146) | (17,213) | (110) | (18,120) | (106) |
| Contribution from scheme participants | (3,516) | - | (3,598) | - | (3,636) | - |
| Remeasurement (gains) and losses: | | - | | - | | |
| - Actuarial gains / losses arising from changes in demographic assumptions | 567 | 87 | - | - | - | - |
| - Actuarial gains / losses arising from changes in financial assumptions | (106,789) | (468) | 12,940 | 39 | (56,228) | (189) |
| - Other | 8,641 | 85 | - | (13) | - | 95 |
| Past service cost | (127) | - | (287) | - | (2,825) | - |
| Benefits paid | 17,475 | 468 | 16,876 | 462 | 17,798 | 446 |
| Liabilities extinguished on settlements | 347 | - | - | - | 5,616 | - |
| **Closing balance at 31 March** | **(657,746)** | **(7,448)** | **(671,620)** | **(7,070)** | **(751,150)** | **(6,823)** |

Local Government Pension Scheme assets comprised

| | Fair value of scheme assets 2017/18 | | | Fair value of scheme assets 2018/19 | | |
|---|---|---|---|---|---|---|
| | **Quoted prices in active markets £000** | **Quoted prices not in active markets £000** | **Total £000** | **Quoted prices in active markets £000** | **Quoted prices not in active markets £000** | **Total £000** |
| **Cash and cash equivalents** | **-** | **20,247** | **20,247** | **-** | **11,629** | **11,629** |
| Equity securities | | | | | | |
| - Consumer | 11,896 | | 11,896 | 7,237 | - | 7,237 |
| - Manufacturing | 7,935 | | 7,935 | 4,480 | - | 4,480 |
| - Energy & utilities | 1,122 | | 1,122 | 949 | - | 949 |
| - Financial institutions | 10,495 | | 10,495 | 8,417 | - | 8,417 |
| - Health & Care | 3,496 | | 3,496 | 2,645 | - | 2,645 |
| - Information technology | 40,498 | | 40,498 | 28,026 | - | 28,026 |
| - Other | 2,071 | | 2,071 | 1,861 | - | 1,861 |
| **Sub-total equity** | **77,513** | **-** | **77,513** | **53,615** | **-** | **53,615** |
| Debt Securities | | | | | | |
| - Corporate Bonds | - | - | - | - | - | - |
| - Government Bonds | - | - | - | - | - | - |
| - Other | - | - | - | - | - | - |
| **Sub-total bonds** | **-** | **-** | **-** | **-** | **-** | **-** |
| Property | | | | | | |
| - UK property | - | 43,160 | 43,160 | - | 48,860 | 48,860 |
| - Overseas property | - | 876 | 876 | - | 867 | 867 |
| **Sub-total property** | **-** | **44,036** | **44,036** | **-** | **49,727** | **49,727** |
| **Private Equity** | **-** | **18,301** | **18,301** | **-** | **20,683** | **20,683** |
| Other investment funds | | | | | | |
| - Equities | 59,350 | | 59,350 | 85,726 | - | 85,726 |
| - Bonds | 214,814 | 40,887 | 255,701 | 227,151 | 42,769 | 269,920 |
| - Hedge funds | | 72,696 | 72,696 | - | 80,176 | 80,176 |
| - Other | | 25,298 | 25,298 | - | 24,602 | 24,602 |
| **Sub-total investment funds** | **274,164** | **138,881** | **413,045** | **312,877** | **147,547** | **460,424** |
| **Total Assets** | **351,677** | **221,465** | **573,142** | **366,492** | **229,586** | **596,078** |

**Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries.

The principal assumptions used by the actuary are shown below:

| | 2017/18 | 2018/19 |
|---|---|---|
| Long-term expected rate of return on assets in the scheme | | |
| Investment Returns | | |
| - Equity Investments | 2.7% | 2.4% |
| - Bonds | 2.7% | 2.4% |
| - Property | 2.7% | 2.4% |
| - Cash | 2.7% | 2.4% |
| Mortality Assumptions | | |
| Longevity at 65 for current pensioners: | | |
| - Men | 22.3 years | 22.3 years |
| - Women | 24.5 years | 24.5 years |
| Longevity at 65 for future pensioners: | | |
| - Men | 23.9 years | 23.9 years |
| - Women | 26.5 years | 26.5 years |
| Rate of inflation | 2.4% | 2.5% |
| Rate of increase in salaries | 2.7% | 2.8% |
| Rate of increase in pensions | 2.4% | 2.5% |
| Rate for discounting scheme liabilities | 2.7% | 2.4% |
| Take-up of option to convert annual pension into retirement lump sum | | |
| - Service to April 2008 | 50% | 50% |
| - Service from April 2008 | 75% | 75% |

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 in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis overleaf did not change from those used in the previous period.

| Change in assumptions at 31 March 2019 | Approximate % increase to Employer Liability | Approximate monetary amount £000 |
|---|---|---|
| 0.5% decrease in Real Discount Rate | 10% | 78,091 |
| 0.5% increase in the Salary Increase Rate | 2% | 12,504 |
| 0.5% increase in the Pension Increase Rate | 9% | 64,316 |

**Impact on the Authority's Cash Flows**

The objectives of the scheme are to keep employers' contribution at a constant rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the 20 years following the last valuation. Funding levels are monitored on an annual basis and the next triennial valuation was due to be completed on 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

The authority is anticipated to pay contributions of £10.722m to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 18.7 years in 2018/19 (18.7 years in 2017/18)

Further information can be found in Cheshire West and Chester Borough Council's Pension Funds Annual Report which is available from Cheshire Pension Fund, Cheshire West and Chester Council, HQ, Nicholas Street, Chester, CH1 2NP.

**Teachers' Pension Scheme**

Defined Contribution Scheme

In 2018/19, the Council paid an employers' contribution to the Teachers' Pension Agency of £4.452m (£4.736m in 2017/18) in respect of teachers' pension costs. The contribution rate for 2018/19 was 16.5% (16.5% in 2017/18) of teachers' pensionable pay.

The scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by Local Education Authorities. It is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purpose of the statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The Council is responsible for any additional benefits granted upon early retirement, outside the standard terms of the scheme. For the year 2018/19 the cost was £0.479m (£0.480m in 2017/18).

**NHS Pension Scheme**

Defined Contribution Scheme

In 2018/19 the Council paid an employers' contribution to the National Health Service Pensions Scheme in respect of 39 employees, the amount paid was £0.174m (£0.169m in 2017/18) in respect of these former NHS employees' pension costs. The contribution rate was 14.4% (14.4% in 2017/18) of pensionable pay.

The scheme is a defined benefit scheme. Although the scheme is unfunded, NHS use a notional fund as the basis for calculating the employers' contribution rate paid by local authorities.

It is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

## 33. Financial Instrument

### Categories of Financial Instruments

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

### Financial Assets

| | Long Term 31/03/2018 £000 | Current 31/03/2018 £000 | Long Term 31/03/2019 £000 | Current 31/03/2019 £000 |
|---|---|---|---|---|
| **Investments** | | | | |
| Loans and receivables | 12,000 | 45,026 | - | - |
| Available for Sale Financial Assets | 4,846 | - | - | - |
| Unquoted equity investment at cost | 469 | - | - | - |
| | | | | |
| **Assets** | | | | |
| Cash & Cash Equivalents | - | 27,347 | - | - |
| Loans and receivables | 8,191 | 19,973 | - | - |
| | | | | |
| **Fair value through profit and loss** | - | - | 4,921 | - |
| | | | | |
| **Amortised cost** | | | | |
| - Investments | - | - | 17,015 | 60,253 |
| - Debtors | - | - | 13,311 | 24,152 |
| - Cash & Cash Equivalents | - | - | - | 18,031 |
| | | | | |
| **Fair value through other comprehensive income** | | | | |
| - designated equity instruments | - | - | 440 | - |
| - other | - | - | 1,313 | - |
| | | | | |
| **Total financial assets** | **25,506** | **92,346** | **37,000** | **102,436** |

**Reclassification and remeasurement of financial assets at 1st April 2018**

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting and the remeasurements of carrying amounts then required:

| Previous classifications | Carrying Amount brought forward 1st April 2018 £000 | Amortised Cost £000 | Fair value through other comprehensive income £000 | Fair value through profit or loss £000 |
|---|---|---|---|---|
| Loans and receivables | 57,026 | 57,026 | - | - |
| Available for Sale financial assets | 4,846 | - | - | 4,846 |
| Unquoted equity investment at cost | 469 | - | 469 | - |
| **Reclassified amounts at 1st April 2018** | **62,341** | **57,026** | **469** | **4,846** |
| | | | | |
| **Impact on General Fund Balance** | | | | **154** |
| **Impact on Available for Sale Reserve** | | | | **(154)** |

The above table shows that due to the reclassification of the property fund as fair value through profit or loss has had a cost to the General Fund of £0.154m at 1st April 2018. The fund has increased in value by £0.075m in year meaning the overall cost to the General Fund at 31st March 2019 is £0.079m.

**Financial Liabilities**

| | Long Term 31/03/2018 Restated £000 | Current 31/03/2018 Restated £000 | Long Term 31/03/2019 £000 | Current 31/03/2019 £000 |
|---|---|---|---|---|
| **Financial Liabilities at amortised cost** | | | | |
| - Borrowings | (172,000) | (5,401) | (172,000) | (8,209) |
| - Finance lease liabilities and PFI | (19,658) | (642) | (18,738) | (614) |
| - Mersey Gateway Unitary Charge | (361,723) | (5,637) | (355,782) | (5,941) |
| - Creditors | - | (35,195) | - | (36,211) |
| **Fair Value through profit or loss** | - | - | - | - |
| **Total financial liabilties** | **(553,381)** | **(46,875)** | **(546,520)** | **(50,975)** |

Please note the 17/18 figures have been restated. See Note 42(a) and (b) for more details

**Financial Instruments Designated at Fair Value through Profit or Loss**

The council's investments in the CCLA Property Fund has been disclosed at Fair Value through Profit or Loss which is valued at £4.921m at 31st March 2019.

The valuation is based on the net asset value provided by CCLA at 31st March 2019.

As the property fund has been designated at Fair Value through Profit or Loss the changes in the valuation will have a direct impact on the General Fund Balance. The original investment into the property fund was £5m at 31st March 2019 giving a cost to the General Fund of £0.079m. To mitigate any future losses in the fund, and increases in the fund value will be held in an Earmarked Reserve.

**Investments in Equity Instruments designated at Fair Value through Other Comprehensive Income**

The Council holds 99% equity holdings in Halton Borough Transport Limited, valued at £430,000 cost, which enables the provision of commercial bus services in the Halton area. The Council considered this part of its business activities and has elected to classify the equity holding as Fair Value through Other Comprehensive Income under IRFS 9 requirements. Under accounting requirements the company has various approaches to provide a fair value of the company, however, in the absence of a market for the shares, or easily comparable valuations, based on the relatively immaterial share value and cost of obtaining a more accurate valuation the equity holding has been left at cost. This is in accordance with prior years valuations.

The Council holds a 25% equity holding in Daresbury SIC LLP, valued at a net asset value of £1.313m at 31st March 2019.

The Council also holds a £10k shareholding in the Municipal Bonds Agency which is valued at cost based on materiality.

**Income, Expense, Gains and Losses**

| | 2017/18 | | 2018/19 | |
|---|---|---|---|---|
| | **Surplus or Deficit on the Provision of Services Restated** | **Other Comprehensive Income and Expentiure** | **Surplus or Deficit on the Provision of Services** | **Other Comprehensive Income and Expentiure** |
| | **£000** | **£000** | **£000** | **£000** |
| **Net (gains)/losses on:** | | | | |
| financial assets measured at fair value through profit or loss | - | - | 79 | - |
| financial assets measured at fair value through other comprehensive income | | | | (1,313) |
| **Interest revenue** | (966) | - | - | - |
| financial assets measured at amortised cost | | | (1,470) | |
| financial assets measured at fair value through profit or loss | - | - | (207) | - |
| **Interest expense** | 20,636 | - | 35,898 | - |
| **Net Gain/(Loss)** | **19,670** | **-** | **34,300** | **(1,313)** |

Please note that the interest revenue in 17/18 has not been split between the two asset types as the property fund was not reclassified until 1st April 2018. The interest expense 2017/18 interest expense figure has been restated, please see note 42(b) for more details.

**Fair values of Financial Assets**

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

| Recurring fair value measurements | Input level in fair value hierarchy £000 | Valuation technique used to measure fair value £000 | 31/03/2018 £000 | 31/03/2019 £000 |
|---|---|---|---|---|
| Fair Value through Profit or Loss: | | | | |
| CCLA Property Fund | Level 1 | Unadjusted quoted prices in active markets for identical shares | 4,846 | 4,921 |
| Fair Value through Comprehensive Income & Expenditure | | | | |
| Daresbury SIC LLP | Level 2 | Net Asset Valuation | - | 1,313 |
| Halton Borough Transport | Level 3 | At Cost | 430 | 430 |
| Municipal Bonds Agency | Level 3 | At Cost | 10 | 10 |

There have been no transfers between input levels during the year, and no change in the valuation technique used.

**The fair values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)**

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets held by the authority 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), using the following assumptions:

- Estimated ranges of interest rates at 31st March 2019 for loans from PWLB and other loans receivable and payable based on new lending rates for equivalent loans at that date.
- No early repayment or impairment is recognised for loans or investments.
- Short Term Investments, Cash and Cash Equivalents are held at carrying value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount less a provision for impairment.
- Short term creditors are carried at cost.

The fair values are shown below:

| | 2017/18 | | 2018/19 | |
|---|---|---|---|---|
| **Financial Assets - short term** | **Carrying Amount £000** | **Fair Value £000** | **Carrying Amount £000** | **Fair Value £000** |
| Investments - loans and receivables | 45,026 | 45,026 | 60,253 | 60,266 |
| Cash and Cash Equivalalents | 27,347 | 27,347 | 18,031 | 18,031 |
| Loans and receivables | 19,973 | 19,973 | - | - |
| Debtors | - | - | 24,152 | 24,152 |
| | | | | |
| **Financial Assets - long term** | | | | |
| Unquoted equity investment at cost | 469 | 469 | - | - |
| Loans and receivables | 25,037 | 25,168 | - | - |
| Investments | - | - | 17,015 | 17,269 |
| Debtors | - | - | 13,311 | 13,311 |
| Fair Value through profit and loss | - | - | 4,921 | 4,921 |
| Fair Value through other comprehensive income | - | - | 1,753 | 1,753 |

The fair value of assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate investments where the interest receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at the 31st March 2019) attributable to the commitment to receive interest above current market rates.

| | 2017/18 | | 2018/19 | |
|---|---|---|---|---|
| **Financial Liabilities - short term** | **Carrying Amount Restated £000** | **Fair Value Restated £000** | **Carrying Amount £000** | **Fair Value £000** |
| Borrowings | (5,401) | (5,401) | (8,209) | (8,209) |
| Finance lease liabilites & PFI | (642) | (642) | (614) | (614) |
| Mersey Gateway unitary charge | (5,637) | (5,637) | (5,941) | (5,941) |
| Creditors | (35,195) | (35,195) | (36,211) | (36,211) |
| | | | | |
| **Financial Liabilities - long term** | | | | |
| Borrowings | (172,000) | (212,762) | (172,000) | (219,403) |
| Finance lease liabilities & PFI | (19,658) | (33,852) | (18,738) | (32,595) |
| Mersey Gateway unitary charge | (361,723) | (632,423) | (355,782) | (635,084) |

Please note the fair value for PFI and Mersey Gateway unitary charge has been restated for 2017/18. See note 42 for more details.

The fair values of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31st March 2019) arising from a commitment to pay interest to lenders above current market rates.

**Nature and Extent of Risks from Financial Instruments**

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

Credit Risk – the possibility that other parties might fail to pay amounts due to the Council

Liquidity Risk – the possibility that the Council might not have enough funds available to meet its commitments to make payments

Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the treasury management section, under policies approved by the Council in the treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest risk, credit risk and the investment of surplus cash.

**Fair Value**

The Code requires that each class of financial asset and liability should disclose the "fair value" in a way that permits it to be compared with its carrying amount, as well as the method used in determining such fair values. The Council has used Link Asset Services, its treasury management advisors to calculate these values and they have based the calculation on the appropriate PWLB rate for new loans as at 31st March 2019.

**Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures from the Council's customers.

Risks are minimised through the Annual Investment Strategy by ensuring that cash deposits are only placed with financial institutions identified on the Council's Approved List of Counterparties that meet identified minimum credit criteria and imposes a maximum sum to be invested with a financial institution located within each category. This list was established as one of the series of controls recommended by the CIPFA Code of Practice on Treasury Management (the Code) which the Council has adopted. The Annual Investment Strategy is regularly reviewed, as is the approved counterparty list, to help minimise the Council's exposure to risk.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments held in banks and building societies of £96.771m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all Council deposits, but there was no evidence at 31st March 2019 that this was likely to crystallise.

During the year the Council complied fully with the requirements laid out in the Code and no counterparty indicated any problem with repaying any deposit placed by the Council.

The counterparties on the Councils' list are grouped and ranked by a mixture of credit ratings and size and are set out below:

| Maximum Deposit per institution £000 | Counterparties | Exposure at 31/03/2019 £000 |
|---|---|---|
| 30,000 | UK Government | - |
| | Nationalised and Part Nationalised Banks | |
| 20,000 | - Minimum Rating A | - |
| 10,000 | - Minimum Rating BBB | - |
| | UK Banks and Building Societies | |
| 30,000 | - Minimum Rating AAA | |
| 20,000 | - Minimum Rating AA | |
| 10,000 | - Minimum Rating A | 15,900 |
| 5,000 | - Minimum Rating BBB | |
| | Foreign Banks (with Soverign Rating of AAA) | |
| 20,000 | - Minimum Rating AAA | |
| 10,000 | - Minimum Rating AA | 15,500 |
| 5,000 | - Minimum Rating A | |
| | Money Market Funds | |
| 20,000 | - Minimum Rating AAA | 10,450 |
| 10,000 | Property Funds | 4,921 |
| 20,000 | Local Authorities | 50,000 |
| | | **96,771** |

The counterparties on the list are under constant assessment using a variety of sources including rating agencies and professional advice.

The following table analyses the Council's potential maximum exposure to credit risk on financial assets, the historical experience of default has been provided by Link Asset Services based on the rating of each institution.

| | Amount Outstanding at 31/03/2019 £000 | Historical experience of default % | Estimated maximum exposure to default and non-collection at 31/03/2019 £000 |
|---|---|---|---|
| Deposits with AA rated banks and building societies | | | |
| - 1 year and over | 5,000 | 0.05 | 3 |
| - under 1 year | 10,900 | 0.00 | - |
| Deposits with A rated banks and building sociieties | | | |
| - 1 year and over | 10,000 | 0.02 | 2 |
| - under 1 year | 5,500 | 0.00 | - |
| Deposits with other Local Authorities | 50,000 | 0.00 | - |
| Deposits with MMF | 10,450 | 0.00 | - |
| Deposits with property funds | 4,921 | 0.00 | - |
| | **96,771** | | **5** |

None of the Council's counterparties had any difficulty in repaying their liabilities during 2018/19. There has been no impairment of any financial assets during the course of the year. The Council does not anticipate any losses due to non-performance of its counterparties.

An analysis of the customer/client debt is shown below. As at 31st March 2019 £27.400m of this debt is overdue:

| | 31/03/2018 £000 | 31/03/2019 £000 |
|---|---|---|
| Less than 3 months | 6,574 | 9,506 |
| 3 to 6 months | 3,138 | 4,284 |
| 6 months to 1 year | 1,098 | 7,245 |
| More than 1 year | 4,974 | 7,157 |
| | **15,784** | **28,192** |
| Provision for non-payment | (6,148) | (14,880) |

**Liquidity Risk**

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and Public Works Loans Board (PWLB). There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods.

The maturity analysis of financial liabilities is as follows. Please note the 2017/18 figures have been rested. See Note 42 for more details.

| | 31/03/2018 Restated £000 | 31/03/2019 £000 |
|---|---|---|
| Less than 1 year | 46,875 | 50,997 |
| Between 1 and 2 years | 6,577 | 7,137 |
| Between 2 and 5 years | 21,457 | 22,262 |
| More than 5 years | 525,347 | 517,407 |
| | **600,256** | **597,803** |

All trade and other payables are due to be paid in less than one year.

**Market Risk**

**Interest Rate Risk**

The Council is exposed to interest rate movements on its borrowing and investments. Movements in interest rates can have a complex impact on the Council. For example, a rise in interest rates would have the following effects:

Borrowing at variable rates – the interest expense charged to the Comprehensive Income & Expenditure Statement will rise

Borrowing at fixed rates – the fair value of liabilities will fall (with no impact on revenue balances)

Investment at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise

Investment at fixed rates – the fair value of assets will fall (with no impact on revenue balances)

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes to interest payable and receivable on variable rate borrowings and investments are posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Councils' prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy, a treasury management section monitor interest rates within the year and adjust exposures accordingly. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses and fixed rate investments may be taken for longer periods to secure better long term results, similarly the drawing of longer term fixed rate borrowing would be postponed.

According to an assessment strategy at 31st March 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

| | **31/03/2019 £000** |
|---|---|
| Increase in interest payable on short term borrowings | - |
| Increase in interest recievable on short term investments | 1,115 |
| | **1,115** |

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

**Price Risk**

The Council has invested £5m in the CCLA property fund as at 31st March 2019. The price of the investment is subject to potential gains and losses based on market volatility. The investment is shown in the accounts at its value as at 31st March 2019 and any gains or losses relating to this investment are shown in the Comprehensive Income and Expenditure Statement.

The Council have no other holdings that are subject to market volatility, an example of which would be shares traded on the equity market.

**Foreign Exchange Risk**

Other than £5k held in petty cash, the Council has no financial assets or liabilities, denominated in foreign currencies and thus has no exposure to loss or movement in exchange rates.

## 34. Adjustments between Accounting Basis and Funding Basis under regulation

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

### (a) 2017/18 (restated)

| | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | **Movement in Usable Reserves £000** | **Movement in Unusable Reserves £000** |
|---|---|---|---|---|---|
| **Capital adjustment account reversal of items debited or credited to the CIES:** | | | | | |
| Charges for depreciation and impairment on non-current assets | (26,183) | - | - | **(26,183)** | **26,184** |
| Revaluation losses on Property, Plant and Equipment | (14,079) | - | - | **(14,079)** | **14,079** |
| Movements in the Market Value of Investment Properties | - | - | - | **-** | **-** |
| Amortisation of Intangible Assets | (787) | - | - | **(787)** | **787** |
| Capital Grants and Contributions applied | 12,935 | - | - | **12,935** | **(12,935)** |
| Revenue Expendutre Funded by Capital Under Statute | (1,701) | - | - | **(1,701)** | **1,701** |
| Amounts written off on disposal of Academies to CIES | (21,416) | | | **(21,416)** | **21,416** |
| Amounts of non-current assets written off on disposal or sale as gain/loss on disposal to the CIES | 1,292 | (4,096) - | - | **(2,804)** | **2,804** |
| **Insertion of items not debited or credited to the CIES:** | | | | | |
| Statutory provision for the financing of Capital investment | 4,972 | - | - | **4,972** | **(4,972)** |
| Capital expenditure charged against the General Fund Balance | 627 | - | - | **627** | **(627)** |
| **Capital Grants Unapplied Account** | | | | | |
| Capital Grants and Contributions unapplied credited to the CIES | 12 | - | (12) | **-** | **-** |
| Application of Grants to Capital Financing transferred to the Capital Adjustment Account | - | - | - | **-** | **-** |

| | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | **Movement in Usable Reserves £000** | **Movement in Unusable Reserves £000** |
|---|---|---|---|---|---|
| **Capital Receipts Reserve** | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES | - | - | - | **-** | **-** |
| Use of Capital Receipts Reserve to Finance new Capital Expenditure | - | 5,895 | - | **5,895** | **(5,895)** |
| Contribution from the Capital Receipts Reserve towards the administration cost of non-current asset disposals | - | - | - | **-** | **-** |
| Transfer from the Deferred Capital Receipts Reserve upon the receipt of cash | - | - | - | **-** | **-** |
| **Pensions Reserve** | | | | | |
| Reversal of items relating to retirement benefits debited/credited to the CIES | (25,887) | - | - | **(25,887)** | **25,887** |
| Employers pension contributions and direct payments to pensioners | 18,199 | - | - | **18,199** | **(18,199)** |
| **Collection Fund Adjustment** | | | | | |
| Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements | (450) | - | - | **(450)** | **450** |
| **Accumulated Absences Account** | | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration with statutory requirements | 255 | - | - | **255** | **(257)** |
| **TOTAL ADJUSTMENTS** | **(52,211)** | **1,799** | **(12)** | **(50,424)** | **50,423** |

Please note the 2017/18 figures have been restated, see note 42(b),(c),(d) and (g) for more details.

**(b) 2018/19**

| | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | **Movement in Usable Reserves £000** | **Movement in Unusable Reserves £000** |
|---|---|---|---|---|---|
| **Capital adjustment account reversal of items debited or credited to the CIES:** | | | | | |
| Charges for depreciation and impairment on non-current assets | (28,580) | - | - | **(28,580)** | **28,580** |
| Revaluation losses on Property, Plant and Equipment | (2,110) | - | - | **(2,110)** | **2,110** |
| Movements in the Market Value of Investment Properties | 248 | - | - | **248** | **(248)** |
| Amortisation of Intangible Assets | (753) | - | - | **(753)** | **753** |
| Capital Grants and Contributions applied | 14,146 | - | - | **14,146** | **(14,146)** |
| Revenue Expendutre Funded by Capital Under Statute | (5,351) | - | - | **(5,351)** | **5,351** |
| Amounts written off on disposal of Academies to CIES | (3,398) | - | - | **(3,398)** | **3,398** |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | 1,763 | (4,495) | - | **(2,732)** | **2,732** |
| **Insertion of items not debited or credited to the CIES:** | | | | | |
| Statutory provision for the financing of Capital investment | 8,802 | - | - | **8,802** | **(8,802)** |
| Capital expenditure charged against the General Fund Balance | 344 | - | - | **344** | **(344)** |
| **Capital Grants Unapplied Account** | | | | | |
| Capital Grants and Contributions unapplied credited to the CIES | 2,603 | - | (2,603) | **-** | **-** |
| Application of Grants to Capital Financing transferred to the Capital Adjustment Account | - | - | - | **-** | **-** |

| | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | **Movement in Usable Reserves £000** | **Movement in Unusable Reserves £000** |
|---|---|---|---|---|---|
| **Capital Receipts Reserve** | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES | - | - | - | **-** | **-** |
| Use of Capital Receipts Reserve to Finance new Capital Expenditure | - | 4,156 | - | **4,156** | **(4,156)** |
| Use of Capital Receipts to reduce MRP liabiliy | - | 3,373 | - | **3,373** | **(3,373)** |
| Contribution from the Capital Receipts Reserve towards the administration cost of non-current asset disposals | - | - | - | **-** | **-** |
| Transfer from the Deferred Capital Receipts Reserve upon the receipt of cash | - | - | - | **-** | **-** |
| **Pensions Reserve** | | | | | |
| Reversal of items relating to retirement benefits debited/credited to the CIES | (26,849) | - | - | **(26,849)** | **26,849** |
| Employers pension contributions and direct payments to pensioners | 11,333 | - | - | **11,333** | **(11,333)** |
| **Collection Fund Adjustment** | | | | | |
| Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements | (1,858) | - | - | **(1,858)** | **1,858** |
| **Accumulated Absences Account** | | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration with statutory requirements | (295) | - | - | **(295)** | **295** |
| **TOTAL ADJUSTMENTS** | **(29,955)** | **3,034** | **(2,603)** | **(29,524)** | **29,524** |

## 35. Usable Reserves

Usable reserves are those reserves that contain resources that the Council can apply to the provision of services, either by incurring expenses or undertaking capital investment. Usable reserves include the General Fund Balance, any earmarked reserves under the General Fund umbrella, the Capital Receipts Reserve and any Capital Grants Unapplied.

### General Fund Balance

The General Fund Balance records the Council's accumulated income over expenditure for each financial year. The fund manages the reversal of a number of transactions that are required to be included in the preparation of the financial statements but subsequently removed under statutory mitigation.

**Earmarked Reserves**

These reserves help to meet specific known or predicted future requirements and are legally part of the General Fund Reserve. The earmarked reserves also include unspent school balances of budgets delegated to individual schools.

The movements in earmarked reserves are analysed in Note 36.

**Capital Receipts Reserve**

This reserve holds the proceeds from the sale of assets and can only be used for funding capital investment or the repayment of borrowing.

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement

**Capital Grants Unapplied**

This reserve holds Capital Grants income for which all conditions have been met, but the funding has yet to be used to finance capital expenditure.

| **2016/17** | **2017/18** | | **2018/19** |
|---|---|---|---|
| **£000** | **£000** | | **£000** |
| | | General Fund | |
| (4,830) | (5,004) | - Excluding Earmarked Reserves | (4,998) |
| (42,072) | (58,889) | - Earmarked Reserves | (81,728) |
| | | Capital Reserves | |
| (9,933) | (10,775) | - Capital Receipts Reserve | (7,741) |
| (10,350) | (10,360) | - Capital Grants Unapplied | (12,963) |
| **(67,185)** | **(85,028)** | **Total Usable Reserves** | **(107,430)** |

Please note the figure for 2016/17 and 2017/18 have been restated, see note 42(d) for more details.

## 36. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19.

| General Fund | Balance at 31st March 2017 Restated £000 | Movement (to)/from Reserve £000 | Balance at 31st March 2018 Restated £000 | Movement (to)/from Reserve £000 | Balance at 31st March 2019 £000 |
|---|---|---|---|---|---|
| **Schools Reserves** (Balances held by schools under the scheme of delegation) | **(4,774)** | 1,060 | **(3,714)** | (903) | **(4,617)** |
| **Capital** (To support Capital Programme) | **(4,528)** | 1,630 | **(2,898)** | 870 | **(2,028)** |
| **Insurance General Fund** (To fund self possible self insured claims) | **(3,357)** | - | **(3,357)** | 2,044 | **(1,313)** |
| **Building Schools for the Future Capital** (To fund future capital costs) | **(2,011)** | (1,335) | **(3,346)** | (239) | **(3,585)** |
| **Invest to Save** (To fund investments in revenue saving initiatives) | **(611)** | 30 | **(581)** | 205 | **(376)** |
| **Enterprise and Employment** (To fund E&E activities for future years) | **(544)** | (174) | **(718)** | (73) | **(791)** |
| **Health & Community** (To support future revenue budgets) | **(565)** | (813) | **(1,378)** | (1,020) | **(2,398)** |
| **Equal Pay** (To fund costs arising from equal pay claims) | **(1,783)** | - | **(1,783)** | 783 | **(1,000)** |
| **Revenues & Benefits Development** (To fund ongoing systems development and benefits reform changes) | **(736)** | 435 | **(301)** | - | **(301)** |
| **A&C Section 256 Monies** (Contribution from H&StH PCT with joint outcomes) | **(770)** | - | **(770)** | 770 | **-** |
| **A&C Savings** (To help finance A&C budget) | **(3,233)** | 1,016 | **(2,217)** | 618 | **(1,599)** |
| **Transformation Fund** (To fund costs arising from future efficiency reviews) | **(461)** | (539) | **(1,000)** | 242 | **(758)** |
| **Highways Feasibility Costs** (Highways Feasibility Costs) | **(3,078)** | 2,529 | **(549)** | 100 | **(449)** |

| General Fund | Balance at 31st March 2017 Restated £000 | Movement (to)/from Reserve £000 | Balance at 31st March 2018 Restated £000 | Movement (to)/from Reserve £000 | Balance at 31st March 2019 £000 |
|---|---|---|---|---|---|
| **Public Health** (To fund the public health responsibilities of the Council | **(837)** | 475 | **(362)** | 103 | **(259)** |
| **Fleet Replacement** (Rolling replacement programme for Council fleet vehicle) | **(1,678)** | 5 | **(1,673)** | 243 | **(1,430)** |
| **European Match Funding 2014-2020** (Contribution to the European 2014-2020 Programme) | **(1,720)** | 473 | **(1,247)** | 674 | **(573)** |
| **Discretionary Social Fund** (To continue to provide the hardship fund once Government support ceases) | **(832)** | 14 | **(818)** | 317 | **(501)** |
| **Troubled Families** (Will be utilised during future years to deliver various services) | **(376)** | (218) | **(594)** | 84 | **(510)** |
| **Enterprise Zone** (To support development of Daresbury Science Park) | **(471)** | (240) | **(711)** | (78) | **(789)** |
| **Pension Past Service Deficit** (To enable pension deficits to be funded as a lump sum, resulting in finance efficiencies) | **(5,634)** | 4,710 | **(924)** | (2,483) | **(3,407)** |
| **Revenue Efficiencies** (To help fund budget gaps over the medium term) | **(550)** | (4,372) | **(4,922)** | 1,916 | **(3,006)** |
| **NNDR Pilot Scheme** (To fund No Detriment policy as part of the Liverpool City Region 100% business rate retention scheme) | - | (2,452) | **(2,452)** | (2,607) | **(5,059)** |
| Mersey Gateway Grant Reserve (To fund any shortfall in the Mersey Gateway Tolling Income to cover unitary charge payments, and repayment of grant to Department for Transport) | - | (19,866) | **(19,866)** | (24,441) | **(44,307)** |
| **Other Earmarked Reserves** (Total of reserves under £500k) | **(3,523)** | 815 | **(2,708)** | 36 | **(2,672)** |
| **TOTAL ALL RESERVES** | **(42,072)** | **(16,817)** | **(58,889)** | **(22,839)** | **(81,728)** |

In order to streamline he note any reserves under £0.5m have been summarised as 'Other Earmarked Reserves' in the table above, the 2017/18 figures have been restated to reflect this.

Please note that the 2017/18 earmarked reserves figures have been restated, see note 42 (f) for further details.

## 37. Unusable Reserves

| 2016/17 Restated £000 | 2017/18 Restated £000 | | 2018/19 £000 |
|---|---|---|---|
| (79,699) | (90,342) | Revaluation Reserve | (87,939) |
| 373 | 154 | Available for Sale Financial Instruments Reserve | - |
| 116,464 | 105,552 | Pensions Reserve | 161,900 |
| (165,596) | (129,437) | Capital Adjustment Account | (123,945) |
| (13,412) | (10,771) | Deferred Capital Receipts | (13,401) |
| (6,859) | (6,409) | Collection Fund Adjustment Account | (4,551) |
| - | - | Financial Instruments Revaluation Reserve | (1,313) |
| 2,104 | 1,847 | Accumulated Absences Account | 2,144 |
| **(146,625)** | **(129,406)** | **Total Unusable Reserves** | **(67,105)** |

Please note the balance on the Pension reserve has been restated for 2016/17 and the Pension Reserve, Revaluation Reserve and Capital Adjustment Accounts have been restated for 2017/18. See Note 42(b),(c) and (g) for further details.

**Revaluation Reserve**

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

Revalued downwards or impaired and the gains are lost.

Used in the provision of services and the gains are consumed through depreciation.

Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1st 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.

| 2017/18 Restated £000 | | £000 | 2018/19 £000 |
|---|---|---|---|
| **(79,699)** | **Balance at 1 April** | | **(90,342)** |
| (17,328) | Upward revaluation of assets | (6,668) | |
| 304 | Downward revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services | 78 | |
| **(17,024)** | **Surplus or deficit on revaluation of non-current assets not posted to the Surplus/(Deficit) on the Provision of Services** | | **(6,590)** |
| 4,759 | Difference between fair value depreciation and historical cost deprecation | 5,743 | |
| 37 | Accumulated gain on academies transferred | 1,727 | |
| 1,585 | Accumulated gains on assets sold or scrapped | 1,523 | |
| **6,381** | Amount written off to the Capital Adjustment Account | | **8,993** |
| **(90,342)** | **Balance at 31 March** | | **(87,939)** |

**Available for Sale Financial Instruments Reserve**

The Available for Sale Financial Instruments Reserves contains the gains and losses made by the Authority arising from changes in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. Due to the implementation of the IFRS9 in 2018/19 any balances in the Available for Sale reserve are transferred to the General Fund on 1st April 2018. See note 33 – Financial Instruments for more information.

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| **373** | **Balance at 1 April** | **154** |
| | Transfer to General Fund | **(154)** |
| | **Restated Balance at 1st April** | **-** |
| (219) | Upward revaluation of investments | |
| - | Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services | |
| - | Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income | |
| **154** | **Balance at 31 March** | **-** |

**Capital Adjustment Account**

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption on 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 Council as finance costs of acquisition, construction or enhancement.

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that are yet to be consumed by the Council.

The account also contains revaluation gains accumulated on property, plant and equipment before 1st April 2007, the date the revaluation reserve was created to hold such gains.

| 2017/18 Restated £000 | | £000 | 2018/19 £000 |
|---|---|---|---|
| **(165,596)** | **Balance at 1 April** | | **(129,437)** |
| | **Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:** | | |
| 26,183 | Charges for depreciation and impairment of non-current assets | 28,580 | |
| 14,079 | Revaluation losses on Property, Plant and Equipment | 2,110 | |
| 787 | Amortisation of intangible assets | 753 | |
| 1,701 | Revenue expenditure funded from capital under statute | 5,351 | |
| 21,416 | Carrying value of Academies transferred | 3,398 | |
| 2,803 | Carrying amount of non-current assets sold | 5,362 | |
| **66,969** | | | **45,554** |
| (6,381) | Adjusting amounts written out of the Revaluation Reserve | | (8,993) |
| **60,588** | **Net written out amount of the cost of non-current assets consumed in the year** | | **36,561** |
| | **Capital financing applied in the year:** | | |
| (5,895) | Use of the Capital Receipts Reserve to finance new capital expenditure | (4,156) | |
| (12,935) | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (14,146) | |
| | Application of grants to capital financing from the Capital Grants Unapplied Account | | |
| (4,972) | Statutory provision for the financing of capital investment charged against the General Fund | (8,802) | |
| - | Use of Capital Receipts to reduce MRP liability | (3,373) | |
| (627) | Capital expenditure charged against the General Fund | (344) | |
| **(24,429)** | | | **(30,821)** |
| - | Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement | | (248) |
| - | Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement | | - |
| **(129,437)** | **Balance at 31st March** | | **(123,945)** |

Please note the 2017/18 figures have been resetated, see note 42(b) and (c) for further details.

**Pension 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 Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

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

| **2017/18 £000 Restated** | | **£000** | **2018/19 £000** |
|---|---|---|---|
| **116,464** | **Balance at 1st April** | | **105,552** |
| | Re-measurement of the net defined benefit liability comprising: | | |
| - | Changes in demographic assumptions | - | |
| (12,979) | Changes in financial assumptions | 56,417 | |
| 13 | Other experience | (95) | |
| (5,634) | Returns on assets excluding amounts included in net interest | (15,490) | |
| **(18,600)** | | | **40,832** |
| 25,887 | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | | 26,849 |
| (18,199) | Employers pensions contributions and direct payments to pensioners payable in the year | | (11,333) |
| **105,552** | **Balance at 31st March** | | **161,900** |

Please note the 2017/18 figures above have been restated, see note 42(g) for further details

**Deferred Capital Receipts Reserve**

Deferred Capital Receipts are amounts derived from the sale of assets, which will be received in instalments over agreed periods of time.

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| (256) | Castlefields Equity Advances | (232) |
| (251) | Castlefields Lakeside | (284) |
| (1,420) | Former Fairfield High School Land | - |
| (1,454) | 3MG - Mersey Multi Modal Gateway | - |
| (7,390) | Scitech Daresbury Lease | (7,153) |
| | Venture Fields lease | (5,732) |
| **(10,771)** | | **(13,401)** |

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

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| **(13,412)** | **Balance at 1 April** | **(10,771)** |
| - | Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (6,243) |
| 2,641 | Transfer to the Capital Receipts Reserve upon receipt of cash | 3,613 |
| **(10,771)** | **Balance at 31 March** | **(13,401)** |

**Collection Fund Adjustment**

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 compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| **(6,859)** | **Balance at 1 April** | **(6,409)** |
| (205) | Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income collected in the year in accordance with statutory requirements | 390 |
| 655 | Amount by which Non Domestic Rates income credited to the Comprehensive Income and Expenditure Statement is different from Non Domestic Rates income collected in the year in accordance with statutory requirements | 1,468 |
| **(6,409)** | **Balance at 31 March** | **(4,551)** |

**Financial Instruments Revaluation Reserve**

The Financial Instruments Revaluation Reserve contains the gains made by the authority arising from increase in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised.

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| **-** | **Balance at 1 April** | **-** |
| - | Upward revaluation of investments | (1,313) |
| - | Downward revaluation of investments | - |
| - | Change in impairment loss allowances | - |
| **-** | | **(1,313)** |
| **-** | Accumulated gains or losses on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income | **-** |
| - | Accumulated gains or losses on assets sold and maturing assets written out to the General Fund Balances for financial assets designated to fair value through other comprehensive income | **-** |
| **-** | **Balance at 31 March** | **(1,313)** |

**Accumulated Absences Account**

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

| 2017/18 Restated £000 | | 2018/19 £000 |
|---|---|---|
| **2,104** | **Balance at 1 April** | **1,849** |
| (2,103) | Settlement or cancellation of accrual made at the end of the preceding year | (1,848) |
| 1,848 | Amount accrued at the end of the current year | 2,143 |
| **(255)** | Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | **295** |
| **1,849** | **Balance at 31 March** | **2,144** |

Please note the 2017/18 figures have been restated as the total figure was missing from the note.

## 38. Cash Flow Statement – Operating Activities

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements. Please note the 2017/18 figures have been restated, see note 42(c),(d),(f),(g) and (h) for further details.

| 2017/18 £000 Restated | | 2018/19 £000 |
|---|---|---|
| (26,184) | Depreciation | (28,580) |
| (14,079) | Impairment and downward valuation | (2,110) |
| (787) | Amortisation of Intangible Assets | (753) |
| - | Movement in market value of investment properties | 248 |
| 5,434 | Impairment Debtors | 9,130 |
| (19,555) | (Increase)/Decrease in Creditors and Receipts in Advance | 12,837 |
| 2,124 | Increase/(Decrease) in Debtors | (197) |
| 158 | Increase/(Decrease) in Inventories | (37) |
| (7,688) | Movement in Pension Liability | (15,516) |
| (1,566) | Contributions (to)/from Provisions | (1,944) |
| (2,803) | Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised | (5,362) |
| (21,416) | Loss on transfer to academies | (3,398) |
| (1,920) | Other non-cash adjustments | (8,059) |
| **(88,282)** | **Total non-cash movements** | **(43,741)** |

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

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| 5,260 | Capital Grants credited to the surplus or deficit on the provisions of services | 10,218 |
| 4,096 | Proceeds from the sale of non-current assets | 4,495 |
| - | Other cash flows from investing or financing activities | - |
| **9,356** | **Net Cash flows from investing or financing activities** | **14,713** |

The cash flows for operating activities include the following items:

| 2017/18 £000 | | 2018/19 £000 |
|---|---|---|
| (1,130) | Interest received | (1,491) |
| 3,551 | Interest paid | 6,179 |
| - | Dividends received | - |
| **2,421** | | **4,688** |

## 39. Cash Flow Statement – Investing Activities

| 2017/18 £000 Restated | | 2018/19 £000 |
|---|---|---|
| 37,164 | Purchase of property, plant and equipment, investment property and intangible assets | 21,900 |
| 112,020 | Purchase of short term and long term investments | 120,000 |
| (4,096) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (4,495) |
| (123,018) | Proceeds from short term and long term investments | (100,039) |
| (7,306) | Other receipts from investing activities | (15,768) |
| **14,764** | **Net Cash flows from Investing Activities** | **21,598** |

Please note the 2017/18 figures have been restated as £67.5m Milestone payment for the Mersey Gateway was shown in Purchase of property, plant and equipment. This is now being shown separately on note 40.

## 40. Cash Flow Statement – Financing Activities

| 2017/18 £000 Restated | | 2018/19 £000 |
|---|---|---|
| (39,000) | Cash receipts of short and long term borrowing | - |
| 4,340 | Agency treatment of Collection Fund balances | 3,396 |
| 2,977 | Cash payments from the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts | 6,226 |
| 67,500 | Payment of milestone payments to PFI operator | - |
| 20,000 | Repayments of short term and long term borrowing | - |
| - | Other payments for financing activities | - |
| **55,817** | **Net Cash flows from Financing Activities** | **9,622** |

Please note the 2017/18 figures have been restated for 'cash payments from the reduction of outstanding liabilities, see note 42(b) for more details. The £67,500m payment to PFI operator has also been moved from investing activities.

## Reconciliation on Liabilities Arising from Financing Activities

| | Note | 1st April 2018 £000 | Financing Cash Flows £000 | Non-Cash Changes £000 | 31st March 2019 £000 |
|---|---|---|---|---|---|
| Long Term Borrowings | 26 | (172,000) | - | - | (172,000) |
| Short Term Borrowing | 26 | (5,401) | - | (2,808) | (8,209) |
| On Balance Sheet PFI Liabilities | 31 | (387,300) | 6,226 | - | (381,074) |
| Agency Treastment of Collection Fund | | | | | |
| **Net Cash flows from Financing Activities** | | **(564,701)** | **6,226** | **(2,808)** | **(561,283)** |

## 41. Interest in Companies and Other Entities

The Council is involved with several companies over which it has varying degrees of control and influence. The Council is required to classify the entities according to whether they are subsidiaries, associates or joint ventures

**Subsidiary**

An entity is only a subsidiary if the Council has power over the entity, exposure, or rights, to variable returns from its involvement with the entity and ability to use its power over the entity to affect the amount of the Council's returns.

As at 31st March 2019 the following were subsidiaries of the Council:-

- Halton Borough Transport Ltd - In accordance with the Transport Act 1985, Halton Borough Transport became a separate legal entity from the Council, with the Council holding 100% of the shares within the company. The principal activity of the company is the provision of local bus services in the Halton area.
- Mersey Gateway Crossings Board Ltd - The principal activity of the company is to deliver the Mersey Gateway Bridge project, and to administer and oversee the construction and maintenance of the new tolled crossings, including the tolling of the existing Silver Jubilee Bridge. The Council holds 100% of the shares issued by the company. An amount of £500k is held as a long term debtor on the Council's Balance Sheet, this is the amount which has been passed to Mersey Gateway Crossings Board Ltd as working capital.

In accordance with paragraph 9.1.1.7 of the Code, the subsidiaries have not been consolidated into group accounts as they are not considered to be of material value.

For more information on the financial performance of the above two companies, see Note 22, where a summary of the companies accounts are provided.

**Joint Ventures**

These are arrangements under which two or more parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control, and joint parties have rights to the net assets of the arrangement.

As at 31st March 2019 the Council were party to the following joint ventures:-

- Daresbury Science & Innovation Campus Ltd - The principal activity of the company was to assist, promote, encourage, and develop the Science Park at Daresbury, Cheshire. The company is incorporated as a company limited by guarantee having no share capital. The Council is currently in the process of terminating the joint venture.

- Daresbury SIC (PUBSEC) LLP - The principal activity of the company during the year was to assist, promote, encourage, and secure the development of the International Science Park at Daresbury, Cheshire. Members of the partnership are Halton Borough Council and the Science and Technology Facilities Council.

In accordance with paragraph 9.1.1.7 of the Code, the Council's equity within the joint ventures has not been consolidated into group accounts as it is not considered to be of material value.

**Associates**

Associates are entities for which the Council is an investor and has significant influence. The Council can have an associate relationship with an entity that is a joint venture under the control of other investors.

As at 31st March 2019 the Council had associate relationships with the following:-

- Daresbury SIC LLP (Science & Innovation Campus)- The principal activity of the LLP is the management and development of the Sci-Tech Daresbury Campus. Designated members of the partnership are Langtree Daresbury Ltd and Daresbury Science & Innovation Campus (Pub Sec) LLP, for which the Council is an equal partner in. An amount of £6.9m is held as a long term debtor on the Council's Balance Sheet. This relates to a long term lease agreement between the Council and the company for a property asset based at the Sci-Tech Daresbury Campus.

In accordance with paragraph 9.1.1.7 of the Code, the Council's equity within the associate relationship has not been consolidated into group accounts as it is not considered to be of material value.

The cumulative value of non-current assets held by group entities is £7.467mm which is equivalent to 0.67% of non-current assets held by the Council and therefore considered to be not of material value to be consolidated into group accounts. The value of cumulative equity held by the group entities is £4.368m

Note that although the Council does have an investment in Widnes Regeneration Ltd and Halton Development Partnership Ltd, it was determined that there is no group relationship as the Council does not have a significant influence over the organisations and holds only a minority shareholding in the entities.

## 42 Prior Period Adjustments

There have been a number of changes to accounting treatment in the 2018/19 accounts, mainly relating to the valuation of the Mersey Gateway Bridge. Where material, these changes have resulted in the figures in the 2016/17 and 2017/18 accounts being restated. The adjustments to the four core statements are shown below and further details on each change is given following the tables.

### Restated Comprehensive Income & Expenditure Statement for 2017/18

| Comprehesive Income and Expenditure 2017/18 | Reported in 2017/18 Statement of Accounts £000 | (a) Mersey Gateway Valuation £000 | (b) Mersey Gateway Unitary Charge £000 | (c) Mersey Gateway Depreciation Charge £000 | (d) Capital RIA to Capital Grants Unapplied £000 | (e) Long TermCapital Grants moved to Short-Term £000 | (f) Mersey Gateway Grant Income from RIA £000 | (g) Unfunded Pension Schemes £000 | (h) Mersey Gateway Milestone Payments £000 | Restated £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Gross Expenditure** | | | | | | | | | | |
| Corporate & Democracy | 3,607 | - | - | - | - | - | - | (459) | - | 3,148 |
| Mersey Gateway | 23,632 | - | (659) | (8,474) | - | - | - | - | - | 14,499 |
| **Gross Income** | | | | | | - | | | - | |
| Mersey Gateway | (28,483) | - | - | - | - | - | (19,866) | - | - | (48,349) |
| **Net Expenditure of Continuing Operations** | **128,749** | **-** | **(659)** | **(8,474)** | **-** | **-** | **(19,866)** | **(459)** | **-** | **99,291** |
| Financing & Investment Income and Expenditutre | 40,357 | - | 1,760 | - | - | - | - | 110 | - | 42,227 |
| Taxation and Non Specific Grants Income | (111,447) | - | - | - | (1,097) | - | - | - | - | (112,544) |
| **(Surplus) or Deficit on the Provision of Services** | **63,904** | **-** | **1,101** | **(8,474)** | **(1,097)** | **-** | **(19,866)** | **(349)** | **-** | **35,219** |
| Remeasurement of net defined benefit liability | (18,574) | - | - | - | - | - | - | (26) | - | (18,600) |
| **Other Comprehensive Income & Expenditure** | **(35,817)** | **-** | **-** | **-** | **-** | **-** | **-** | **(26)** | **-** | **(35,843)** |
| **TOTAL COMPREHENSIVE INCOME & EXPENDITURE** | **28,087** | **-** | **1,101** | **(8,474)** | **(1,097)** | **-** | **(19,866)** | **(375)** | **-** | **(624)** |

## Restated Balance Sheet as at 1st April 2017

| Balance Sheet 01/04/17 | Reported in 2017/18 Statement of Accounts £000 | (a) Mersey Gateway Valuation £000 | (b) Mersey Gateway Unitary Charge £000 | (c) Mersey Gateway Depreciation Charge £000 | (d) Capital RIA to Capital Grants Unapplied £000 | (e) Long TermCapital Grants moved to Short-Term £000 | (f) Mersey Gateway Grant Income from RIA £000 | (g) Unfunded Pension Schemes £000 | (h) Mersey Gateway Milestone Payments £000 | Restated £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Non Current Assets – Property Plant & Equipment | 398,137 | | | | | | | | (35,000) | 363,137 |
| **Total Long Term Assets** | **420,514** | | | | | | | | **(35,000)** | **385,514** |
| Short Term Debtors | 19,996 | - | - | - | - | - | - | - | 35,000 | 54,996 |
| **Total Current Assets** | **151,865** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **35,000** | **186,865** |
| Short Term Receipts in Advnace | (4,666) | - | - | - | - | (1,278) | - | - | - | (5,944) |
| **Total Current Liabilities** | **(59,131)** | **-** | **-** | **-** | **-** | **(1,278)** | **-** | **-** | **-** | **(60,409)** |
| **Net Current Assets/(Liabilities)** | **92,734** | **-** | **-** | **-** | **-** | **(1,278)** | **-** | **-** | **35,000** | **126,456** |
| **Total Net Assets** | **513,248** | **-** | **-** | **-** | **-** | **(1,278)** | **-** | **-** | **-** | **511,970** |
| Long Term Receipts in Advance | (22,297) | - | - | - | 8,088 | 1,278 | - | - | - | (12,931) |
| Other Long Term Liabilities | (129,380) | - | - | - | - | - | - | (7,448) | | (136,828) |
| **Total Long Term Liabilities** | **(300,078)** | **-** | **-** | **-** | **8,088** | **1,278** | **-** | **(7,448)** | **-** | **(298,160)** |
| **Total Assets Less Liabilities** | **213,170** | **-** | **-** | **-** | **8,088** | **-** | **-** | **(7,448)** | **-** | **213,810** |
| Usable Reserves | (59,097) | - | - | - | (8,088) | - | - | - | - | (67,185) |
| Unusable Reserves | (154,073) | - | - | - | - | - | - | 7,448 | - | (146,625) |
| **Total Equity** | **(213,170)** | **-** | **-** | **-** | **(8,088)** | **-** | **-** | **7,448** | **-** | **(213,810)** |

## Restated Balance Sheet as at 31st March 2018

| Balance Sheet 31/03/18 | Reported in 2017/18 Statement of Accounts £000 | (a) Mersey Gateway Valuation £000 | (b) Mersey Gateway Unitary Charge £000 | (c) Mersey Gateway Depreciation Charge £000 | (d) Capital RIA to Capital Grants Unapplied £000 | (e) Long TermCapital Grants moved to Short-Term £000 | (f) Mersey Gateway Grant Income from RIA £000 | (g) Unfunded Pension Schemes £000 | (h) Mersey Gateway Milestone Payments £000 | Restated £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Non Current Assets – Property Plant & Equipment | 1,090,506 | (274,231) | - | 8,474 | - | - | - | - | | 824,749 |
| **Total Long Term Assets** | **1,121,074** | **(274,231)** | **-** | **8,474** | **-** | **-** | **-** | **-** | | **855,317** |
| Short Term Creditors | -67,356 | - | 5,895 | - | - | - | - | - | | (61,461) |
| Short Term Receipts in Advnace | (24,948) | - | - | - | - | (855) | 19,866 | - | | (5,937) |
| **Total Current Liabilities** | **(101,459)** | **-** | **5,895** | **-** | **-** | **(855)** | **19,866** | **-** | | **(76,553)** |
| **Net Current Assets/(Liabilities)** | **9,749** | **-** | **5,895** | **-** | **-** | **(855)** | **19,866** | **-** | | **34,655** |
| **Total Net Assets** | **1,130,823** | **(274,231)** | **5,895** | **8,474** | **-** | **(855)** | **19,866** | **-** | | **889,972** |
| Long Term Receipts in Advance | (24,343) | - | - | - | 9,185 | 855 | - | - | | (14,303) |
| Other Long Term Liabilities | (747,145) | 274,231 | (6,996) | - | - | - | - | (7,073) | | (486,983) |
| **Total Long Term Liabilities** | **(945,740)** | **274,231** | **(6,996)** | **-** | **9,185** | **855** | **-** | **(7,073)** | **-** | **(675,538)** |
| **Total Assets Less Liabilities** | **185,083** | **-** | **(1,101)** | **8,474** | **9,185** | **-** | **19,866** | **(7,073)** | | **214,434** |
| Usable Reserves | (55,977) | - | - | - | (9,185) | - | (19,866) | - | | (85,028) |
| Unusable Reserves | (129,106) | - | 1,101 | (8,474) | - | - | - | 7,073 | | (129,406) |
| **Total Equity** | **(185,083)** | **-** | **1,101** | **(8,474)** | **(9,185)** | **-** | **(19,866)** | **7,073** | | **(214,434)** |

## Restated Movement in Reserves Statement as at 31st March 2018

| Movement in Reserves Statement | Reported in 2017/18 Statement of Accounts £000 | (a) Mersey Gateway Valuation £000 | (b) Mersey Gateway Unitary Charge £000 | (c) Mersey Gateway Depreciation Charge £000 | (d) Capital RIA to Capital Grants Unapplied £000 | (e) Long TermCapital Grants moved to Short-Term £000 | (f) Mersey Gateway Grant Income from RIA £000 | (g) Unfunded Pension Schemes £000 | (h) Mersey Gateway Milestone Payments £000 | Restated £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31st March 2017** | | | | | | | | | | |
| Capital Grants Unapplied | (2,262) | - | - | - | (8,088) | - | - | - | - | (10,350) |
| Total Unusable Reserves | (154,073) | - | - | - | - | - | - | 7,448 | - | (146,625) |
| | | | | | | | | | | |
| **Movment in reserves during 2017/18** | | | | | | | | | | |
| Total CIES - General Fund | 63,904 | - | 1,101 | (8,474) | (1,097) | - | (19,866) | (349) | - | 35,219 |
| Total CIES - Total Unuseable Reserves | (35,819) | - | - | - | - | - | - | (26) | - | (35,845) |
| Adjustments - General Fund | (61,030) | - | (1,101) | 8,474 | 1,097 | - | - | 349 | - | (52,211) |
| Adjustments - Capial Grants Unapplied | 1,085 | - | - | - | (1,097) | - | - | - | - | (12) |
| Adjustments - Total Unusable Reserves | 58,145 | - | 1,101 | (8,474) | - | - | - | (349) | - | 50,423 |
| | | | | | | | | | | |
| **Balance at 31st March 2018 carried forward** | | | | | | | | | | |
| **General Fund** | **(44,027)** | **-** | **-** | **-** | **-** | | **(19,866)** | **-** | **-** | **(63,893)** |
| **Capital Grants Unapplied** | **(1,175)** | **-** | **-** | **-** | **(9,185)** | **-** | **-** | **-** | **-** | **(10,360)** |
| **Total Useable Reserves** | **(55,977)** | **-** | **-** | **-** | **(9,185)** | **-** | **(19,866)** | **-** | **-** | **(85,028)** |
| **Total Unusable Reserves** | **(129,106)** | **-** | **1,101** | **(8,474)** | **-** | **-** | **-** | **7,073** | **-** | **(129,406)** |
| **Total Council Resources** | **(185,083)** | **-** | **1,101** | **(8,474)** | **(9,185)** | **-** | **(19,866)** | **7,073** | **-** | **(214,434)** |

## Restated Cash Flow Statement as at 31st March 2018

| Cash flow 2017/18 | Reported in 2017/18 Statement of Accounts £000 | (a) Mersey Gateway Valuation £000 | (b) Mersey Gateway Unitary Charge £000 | (c) Mersey Gateway Depreciation Charge £000 | (d) Capital RIA to Capital Grants £000 | (e) Long TermCapital Grants moved to £000 | (f) Mersey Gateway Grant Income from £000 | (g) Unfunded Pension Schemes £000 | (h) Mersey Gateway Milestone Payments £000 | Restated £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net surplus or Deficit on the provision of services | 63,904 | - | 1,101 | (8,474) | (1,097) | - | (19,866) | (349) | - | 35,219 |
| Adjustments for non cash movement | (118,068) | - | - | 8,474 | 1,097 | - | 19,866 | 349 | - | (88,282) |
| **Net cash flows from Operating Activities** | **(44,808)** | **-** | **1,101** | **-** | **-** | **-** | **-** | **-** | **-** | **(43,707)** |
| Net cash flows from Investing Activities | 82,264 | | | | | - | | | (67,500) | **14,764** |
| Net cash flows from Financing Activities | (10,582) | - | (1,101) | - | - | - | - | - | 67,500 | 55,817 |
| **Net (increase)/decrease in cash and cash equivalents** | **26,874** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **26,874** |

### (a) Mersey Gateway Valuation

Following further information becoming available to the Council during 2018/19, the valuation of the unitary charge element of the Mersey Gateway Bridge was updated in 2018/19 accounts resulting in a decrease in Infrastructure Assets, and a corresponding decrease in Other Long Term Liabilities. The 2017/18 figures have been updated to reflect this, and the variation between the two figures is shown in the table below

| | 2017/18 £000 |
|---|---|
| **Valuation of Mersey Gateway Bridge** | |
| Unitary charge element of valuation in 2017/18 accounts | 746,312 |
| Restated valuation | 472,081 |
| **Total Adjustment** | **(274,231)** |

### (b) Mersey Gateway Unitary Charge

Due to the change in the valuation of the bridge an adjustment was made to the treatment of the how the unitary charge was treated in the 2017/18 accounts. The majority of the unitary charge paid in year, is deducted from Mersey Gateway Expenditure and split between Minimum Revenue Provision, to reduce the outstanding liability, and interest paid on borrowing.

| Mersey Gateway Unitary Charge | 2017/18 £000 |
|---|---|
| Shown in 2017/18 accounts: | |
| - Interest Charge | 11,267 |
| - Minimium Revenue Provison Charge | 3,323 |
| - Reduction from Mersey Gateway Expenditure | (14,590) |
| - Liability due within 12 months moved to Creditors | (11,532) |
| Restated figures in 2017/18 accounts: | |
| - Interest Charge | 13,027 |
| - Minimium Revenue Provison Charge | 2,222 |
| - Reduction from Mersey Gateway Expenditure | (15,249) |
| - Liability due within 12 months moved to Creditors | (5,637) |
| Total Adjustment | |
| - Interest Charge | 1,760 |
| - Minimium Revenue Provison Charge | (1,101) |
| - Reduction from Mersey Gateway Expenditure | (659) |
| - Liability due within 12 months moved to Creditors | 5,895 |

**(c) Mersey Gateway Depreciation Charge**

Due to the change in valuation, and moving from a single depreciation rate, to a componentised rate, the depreciation for the Mersey Gateway Bridge has been recalculated for the 2017/18 financial year.

| Mersey Gateway Depreciation Charge | 2017/18 £000 |
|---|---|
| Amount shown in 2017/18 accounts | 12,052 |
| Restated amount | 3,578 |
| | **(8,474)** |

**(d) Capital Grant RIA moved to Capital Grants Unapplied**

Following the review of the Capital Grant Receipts in Advance, it was found that a number of grants did not have conditions attached requiring the grant to be repaid if not spent. These grants have subsequently been moved to Capital Grants Unapplied. The balances for 31st March 2017 and 31st March 2018 have been adjusted as shown below.

| Capital Grants moved from RIA to CGU | £000 |
|---|---|
| Total of Grants moved as at 31st March 2017 | 8,088 |
| Total of Grants moved as at 31st March 2018 | 9,185 |
| **CIES Adjustment shown in 2017/18** | **1,097** |

**(e) Long Term Capital Grants moved to Short Term**

Capital Grants Receipts in Advance have been reviewed to split the value between short-term (to be used within 1 year) and long-term. The balance sheet has been restated as at 31st March 2017 and 31st March 2018 to reflect this as shown below:

| Capital Grants moved from long-term to short-term | 2017/18 £000 |
|---|---|
| Total of Grants moved as at 31st March 2017 | (1,278) |
| Total of Grants moved as at 31st March 2018 | (855) |

### (f) Mersey Gateway Grant Income moved from Receipts in Advance

The availability support grant provided by the Department for Transport to assist the running costs of the Mersey Gateway Bridge was previously shown as Receipts in Advance. Although these funds are ring-fenced for spend on the Mersey Gateway only, there is no specific condition for the Council to return funding. This amount has subsequently been added to Mersey Gateway income in the 17/18 figures as shown below:

| | 2017/18<br>£000 |
|---|---|
| **Mersey Gateway Grant income moved from RIA** | |
| Total Availability Support Grant shown as Income | (19,866) |

### (g) Unfunded pension schemes

Following a review of our pensions note, it was found that the liability relating to costs paid for unfunded benefits to the Teacher Pension Scheme for members who retired early were not being shown. The figures have been restated for 2016/17 and 2017/18 as detailed below:

| | 2017/18<br>£000 |
|---|---|
| **Teachers Pension Scheme - Unfunded Schemes** | |
| Closing balance 31st March 2017 | **(7,448)** |
| Net Interest Expense 17-18 | **(110)** |
| Post employment benefits charged to CIES 17-18 | **26** |
| Contributions in respect of unfunded benefits 17-18 | **459** |
| Closing balance 31st March 2018 | **(7,073)** |

### (h) Mersey Gateway milestone payment

Following the revaluation of the Mersey Gateway bridge, it was found that the original £35m milestone payment should have been shown as a prepayment in the 2016/17 statement of accounts, and not capital spend on Assets Under Construction. This has moved £35m capital spend from 16/17 to 17/18 when the bridge became operational. The 2017/18 contribution of £67.5m has also been moved from Investment to Financing Activities on the cash flow:

| | 2017/18<br>£000 |
|---|---|
| **Mersey Gateway Milestone Payment** | |
| Originally shown as Capital Spend in 16-17 accounts | **35,000** |
| | |
| Shown as a prepayment in restated 16-17 accounts | **35,000** |
| Increased capital spend in 17/18 accounts | **35,000** |
| | |
| 17-18 Milestone payment - moved from Investing to Financing Activities on cash flow | **67,500** |

### (i) Further adjustments with no impact on the core statements

**Correction of transfers between Capital Adjustment Account and Revaluation Reserve (note 37)**

When completing the 2018/19 statement of accounts it was noticed that due to an error in the process of posting the capital transactions, the transfer between the Capital Adjustment Account and the Revaluation Reserve had been duplicated for the last two financial years.

The total value of these amounts is £9.383m, £4.623m relating to 2016/17 and £4.760m relating to 2017/18. As this amount is material the brought forward balances on the Capital Adjustment Account and Revaluation Reserve have been restated and the 2017/18 amounts have been corrected

The transactions are summarised in the table below:

| | As reported in 2017/18 £000 | Adjustment £000 | Restated 2017/18 £000 |
|---|---|---|---|
| **Capital Adjustment Account** | | | |
| Balance at 1st April 2017 | (170,219) | 4,623 | (165,596) |
| Adjustment (b) Statutory provision for the financing of capital investment charged against the General Fund | 34,657 | (8,474) | 26,183 |
| Adjustment c) Charges for depreciation and impairment of non-current assets | (6,073) | 1,101 | (4,972) |
| Adjusting amounts written out of the Revaluation Reserve | (11,141) | 4,760 | (6,381) |
| Balance at 31st March 2018 | (131,447) | 2,010 | (129,437) |
| | | | |
| **Revaluation Reserve** | | | |
| Balance at 1st April 2017 | (75,076) | (4,623) | (79,699) |
| Amount written off to the Capital Adjustment Account | 11,141 | (4,760) | 6,381 |
| Balance at 31st March 2018 | (80,959) | (9,383) | (90,342) |

As the Capital Adjustment Account and the Revaluation Reserve are summarised as Unusable Reserves on the Balance Sheet and Movement in Reserves Statements these statements have not been amended.

**Updated 2017/18 fair value calculation for PFI and similar schemes (note 33)**

As part of the 2018/19 financial instruments note, a fair value was calculated for the PFI liability in respect of the Halton Grange School and the Mersey Gateway, previously shown as the carrying value. As these have shown a substantial change to the values in the 2017/18 accounts, we have calculated the fair values as at 31st March 2018 to show a comparable figure to those shown in 2018/19.

The transactions are summarised below:

| | As reported in 2017/18 £000 | Adjustment £000 | Restated 2017/18 £000 |
|---|---|---|---|
| **Financial liabilties - long term** | | | |
| **Fair Value** | | | |
| Finance lease liabilities & PFI | (19,658) | (14,194) | (33,852) |
| Mersey Gateway unitary charge | (628,957) | (3,466) | (632,423) |

## Collection Fund

The Collection Fund is an agents 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 the distribution to local authorities and the Government in relation to Council Tax and Non-Domestic Rates.

## Collection Fund Statement

| 2017/18 | | | | 2018/19 | | |
|---|---|---|---|---|---|---|
| Council Tax £000 | Non Domestic Rates £000 | Total £000 | | Council Tax £000 | Non Domestic Rates £000 | Total £000 |
| | | | **Income** | | | |
| (55,102) | | (55,102) | Council Tax | (58,764) | | (58,764) |
| | (53,296) | (53,296) | Non Domestic Rates | | (56,028) | (56,028) |
| | 5,897 | 5,897 | Transitional Protection Payment | | 3,051 | 3,051 |
| **(55,102)** | **(47,399)** | **(102,501)** | | **(58,764)** | **(52,977)** | **(111,741)** |
| | | | **Expenditure** | | | |
| | | | Precepts, Demands & Shares | | | |
| | - | - | Central Government | | - | - |
| 44,378 | 49,756 | 94,134 | Halton Borough Council | 47,447 | 49,456 | 96,903 |
| 5,561 | | 5,561 | Cheshire Police Authority | 6,076 | | 6,076 |
| 2,479 | 503 | 2,982 | Cheshire Fire Service | 2,599 | 500 | 3,099 |
| 88 | | 88 | Parish Precept | 110 | | 110 |
| | | | Apportionment of Previous Year's Surplus | | | |
| | 195 | 195 | Central Government | | 3,748 | 3,748 |
| 1,522 | 191 | 1,713 | Halton Borough Council | 1,464 | 3,391 | 4,855 |
| 197 | | 197 | Cheshire Police Authority | 189 | | 189 |
| 89 | 4 | 93 | Cheshire Fire Service | 84 | 72 | 156 |
| | | | Charges to Collection Fund | | | |
| 192 | 24 | 216 | Write off uncollectable amounts | 199 | 12 | 211 |
| 351 | 376 | 727 | Increase / (Decrease) in Bad Debt Provision | 1,051 | 527 | 1,578 |
| | (2,469) | (2,469) | Increase / (Decrease) in Appeals Provision | | (96) | (96) |
| | 158 | 158 | Cost of Collection | | 156 | 156 |
| | - | - | Disregarded Amounts | | - | - |
| **54,857** | **48,738** | **103,595** | | **59,219** | **57,766** | **116,985** |
| **(3,953)** | **(495)** | **(4,448)** | **Balance Brought Forward** | **(3,787)** | **(6,549)** | **(10,336)** |
| **(245)** | **1,339** | **1,094** | **Movement on Fund Balance** | **455** | **4,789** | **5,244** |
| **(3,787)** | **(6,549)** | **(10,336)** | **Balance Carried Forward** | **(3,332)** | **(1,760)** | **(5,092)** |

## Collection Fund Balance Sheet

| 2017/18 | | | | Council Tax | 2018/19 | | | |
|---|---|---|---|---|---|---|---|---|
| Halton BC | Cheshire P&CC | Cheshire Fire | Total | | Halton BC | Cheshire P&CC | Cheshire Fire | Total |
| £000 | £000 | £000 | £000 | | £000 | £000 | £000 | £000 |
| 6,606 | 846 | 362 | 7,814 | Arrears | 7,411 | 1,046 | 406 | 8,863 |
| (3,632) | (465) | (199) | (4,296) | Provision for Doubtful Debts | (4,471) | (632) | (245) | (5,348) |
| (535) | (69) | (29) | (633) | Overpayments / Prepayments | (597) | (84) | (33) | (714) |
| (3,199) | (410) | (178) | (3,787) | (Surplus)/Deficit | (2,807) | (369) | (156) | (3,332) |
| 760 | 98 | 44 | 902 | Cash | 464 | 39 | 28 | 531 |
| - | - | - | - | | - | - | - | - |

| 2017/18 | | | | Non-Domestic Rates | 2018/19 | | | |
|---|---|---|---|---|---|---|---|---|
| Central Gov | Halton BC | Cheshire Fire | Total | | Central Gov | Halton BC | Cheshire Fire | Total |
| £000 | £000 | £000 | £000 | | £000 | £000 | £000 | £000 |
| - | 4,367 | 44 | 4,411 | Arrears | | 4,704 | 48 | 4,752 |
| - | (3,133) | (32) | (3,165) | Provision for Doubtful Debts | | (3,655) | (37) | (3,692) |
| - | (5,505) | (55) | (5,560) | Appeals Provision | | (5,410) | (54) | (5,464) |
| - | (258) | (3) | (261) | Overpayments / Prepayments | | (738) | (7) | (745) |
| (3,275) | (3,209) | (65) | (6,549) | (Surplus)/Deficit | | (1,741) | (19) | (1,760) |
| 3,275 | 7,738 | 111 | 11,124 | Cash | | 6,840 | 69 | 6,909 |
| - | - | - | - | | - | - | - | - |

# Notes to the Collection Fund

## 1. Introduction of the Council Tax

The property based Council Tax was introduced on the 1st April 1993, replacing the personal liability Community Charge. The Council determined its Band D equivalent tax base for 2018/19 at 34,435 (2017/18 – 33,817)

## 2. The Council Tax Base Determination

| Band | Properties | Ratio | Band D Equivalents |
|---|---|---|---|
| Disabled | 68 | 5/9 | 38 |
| A | 16,792 | 6/9 | 11,195 |
| B | 9,558 | 7/9 | 7,434 |
| C | 6,859 | 8/9 | 6,097 |
| D | 4,408 | 9/9 | 4,408 |
| E | 3,362 | 11/9 | 4,109 |
| F | 1,052 | 13/9 | 1,520 |
| G | 357 | 15/9 | 595 |
| H | 29 | 18/9 | 58 |
| **Total** | 42,485 | | 35,454 |
| Reductions relating to Non-Collection and changes in assumptions | | | **(1,019)** |
| Tax Base set for 2018/19 | | | **34,435** |

The parishes' individual tax bases are shown below:

| | **2017/18** | **2018/19** |
|---|---|---|
| Hale | 662 | 665 |
| Daresbury | 174 | 172 |
| Moore | 328 | 328 |
| Preston Brook | 332 | 338 |
| Halebank | 522 | 529 |
| Sandymoor | 1,020 | 1,112 |

## 3. Precepting Authorities

Halton Borough Council has two precepting authorities, Cheshire Police & Crime Commissioner and Cheshire Fire Authority. The Band D charge and total precept are shown in the table below:

| | 2017/18 £ | 2018/19 £ |
|---|---|---|
| **Cheshire Police and Crime Commisioner** | | |
| - Band D Charge | 164.44 | 176.44 |
| - Precept | 5,561,032 | 6,075,711 |
| | | |
| **Cheshire Fire Authority** | | |
| - Band D Charge | 73.29 | 75.48 |
| - Precept | 2,478,521 | 2,599,154 |

## 4. Non-Domestic Rates

The non-domestic rate replaced locally fixed rates from 1st April 1990. The rateable value at 31st March and the business rate multiplier, which is fixed by the Government, are shown in the table below:

| | 2017/18 £ | 2018/19 £ |
|---|---|---|
| Rateable value at 31st March | 133,146,479 | 127,153,958 |
| | | |
| Non Domestic rating multiplier | 47.9 | 49.3 |
| Small Business Non Domestic rating muliplier | 46.6 | 48.0 |

# Statement of Responsibilities for the Statement of Accounts

**The Council's Responsibilities**

The Council is required:

To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, the Operational Director – Finance has that responsibility;

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

To approve the Statement of Accounts.

**The Operational Director – Finance Responsibilities**

The Operational Director – Finance is responsible for the preparation of the Council's statement of accounts which, in terms of CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice"), is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year (ended 31st March 2019).

In preparing this Statement of Accounts, the Operational Director – Financial Services has:

Selected suitable accounting policies and then applied them consistently;

Adopted the principal of "True and Fair" regarding the Council's financial position;

Made judgements and estimates that were reasonable and prudent;

Complied with the Code of Practice.

The Operational Director – Finance has also:

Kept proper accounting records which were kept up to date;

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

I certify that this Statement of Accounts presents a true and fair view of the financial position and income and expenditure of Halton Borough Council for the year ended 31 March 2019

There are a number of accounting standards which will be adopted by the code in 2019/20. It is not anticipated these will have a material impact on the Council's financial statements.

Signed by:

*Operational Director – Finance*

Date: 10th September 2020

# Statement of Accounting Policies

## 1. General

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-ending 31 March 2019.

Halton Borough Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which is required to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice of Local Authority Accounting in the United Kingdom 2018/19 supported by International Financing Reporting Standards (IFRS).

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

## 2. Changes to the 2018/19 Accounting Policies

The Council's accounting policies are subject to regular review arising from changes in the way costs are accounted for and changes in the requirements of the Code of Practice.

## 3. 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.

### 3(a) Revenue Recognition

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.

### 3(b) Employee Costs

The full cost of employees is charged to the period which the employees worked. Accruals are made for pay awards awaiting settlement and for the cost of holiday entitlements and time off in lieu earned by employees but not taken before the year-end. To ensure that the actual costs to the Council falls in the year in which they are paid a transfer is made to an Employee Benefit Reserve.

### 3(c) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accrual basis at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council 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 Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

**3(d) Interest**

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.

**3(e) Supplies and Services**

Supplies and services are accounted for in the period that they are consumed or received. Accruals are made for all material sums unpaid at year end for goods and services received or works completed. Where there is a gap between the date supplies are received and consumption, they are carried as inventories on the Balance Sheet.

**3(f) Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature within 3 months or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change of value.

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

**3(g) Debtors and Creditors**

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.

Known uncollectable debt is written off with a charge being made to the Bad Debt Provision.

**4. Contingent Assets**

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

Contingent assets are not recognised on the Balance Sheet but by way of notes to the accounts where it is probable that there will be an inflow of economic benefit or service potential.

**5. Contingent Liabilities**

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

Contingent liabilities are not recognised on the Balance Sheet but disclosed by way of notes to the accounts.

**6. The Collection Fund**

The Council is 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 National Non-Domestic Rates.

**7(a) Council Tax Income**

In its capacity as a billing authority the Council acts as an agent. It collects council tax income on behalf of the major preceptors (The Police and Crime Commissioner for Cheshire and Cheshire Fire & Rescue Service) and itself.

**7(b) National Non-Domestic Rates (NNDR)**

As part of the Business Rate Retention Pilot Scheme the Council acts as an agent and collects National Non Domestic Rates on behalf Cheshire Fire & Rescue Service and itself.

**7(c) Accounting for Council Tax and Non-Domestic Rates**

While the council tax and non-domestic rates income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund. The amount credited to the General Fund under statute is the Council's demand for the year plus the Council's agreed share of the surplus (or less its share of the deficit) on the Collection Fund.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required 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.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## 8. Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and adverse, that occur between the end of the reporting period and the date when the Statement of Accounts are 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 are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

## 9. Financial Instruments

The Council invests and borrows money as part of its day to day business and Treasury Management Strategy. It is required to present on the balance sheet at fair value its outstanding financial obligations and assets in relation to these transactions. Assets exclude short term investments i.e. invested for periods of less than 3 months at inception and not due for repayment at balance sheet date. These investments are treated as cash equivalents due to their liquid nature.

The Council uses Link Asset Services to provide independent valuations of the position at the period end.

Link Asset Services use the Net Present Value valuation technique to value borrowings. The discount rate used within the calculation is the Public Works Loans Board new borrowing rate.

### 9(a) Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. Financial liabilities due to be settled within 12 months of the Balance Sheet date , along with accrued interest on all financial liabilities is recorded as a current liability.

### 9(b) Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and

- fair value through other comprehensive income (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 provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (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 assets 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 the CIES is the amount receivable for the year in the loan agreement.

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

**Expected Credit Loss Model**

The Council recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

**Financial Assets Measured at Fair Value through Profit of Loss**

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

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

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

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

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

**10. Fair Value**

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings [other financial instruments as applicable] at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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 measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

Inputs to the valuation techniques in respect of 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

**11. Government Grants, Other Contributions and Donated Assets**

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

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

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

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

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

**12. Interest in Companies and Other Entities**

The Council has an interest in subsidiaries, joint ventures and associated entities that would require it to prepare group accounts. As the transactions relating to group entities are not material, no group financial statements are being produced for the 2018/19 accounts.

The definition of materiality as per the Code of Practice on Local Authority Accounting is:

The relevance of information contained in the financial statements is affected by its nature and materiality. Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Therefore, materiality provides a threshold or cut-off point rather than a primary qualitative characteristic which information must have if it is to be useful. An authority need not comply with the Code, as to both disclosure and accounting principles, if the information is not material to the true and fair view of the financial statements and to the understanding of users.

In assessing the materiality of group entities an assessment has been undertaken of the following quantitative and qualitative factors:

Quantitative Factor

- The activities of group entities are not significant to the representation of the operational activities of the authority as a whole.
- Gross Value of the investments in gross entities are not significant in terms of the balance sheet of HBC.
- Gross Value of the borrowings or other liabilities of group entities are not significant to the balance sheet of HBC.

- An adjustment to usable reserves that would arise on consolidation would not be significant.

Qualitative Factor

- The authority does not depend significantly on group entities for continued provision of statutory services.
- There is no concern to which the Council has passed on control of its assets to other parties.
- There is no concern about the extent to which the Council is exposed to commercial risk.
- Not consolidating group entities does not mask significant trends.
- Grouping the accounts would not provide any more useful disclosures.

**13. Intangible Assets**

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

Intangible assets are initially measured at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined with reference to an active market. In practice, no intangible asset held by the Council meets these criteria, and they are therefore carried at amortised cost. The depreciable amount of any intangible asset is amortised over its useful live to the relevant service line in the Comprehensive Income and Expenditure Statement.

**14. Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

**15. Leases**

**15(a) Finance Leases**

Leases are classified as Finance Leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee.

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

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

Lease payments are apportioned between:

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

Property, plant and equipment recognised under finance leases 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.

**15(b) Operating Leases**

Operating leases are all leases which are not categorised as finance leases. Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

**16. Non-Current Assets, Property, Plant and Equipment**

**16(a) Recognition**

Non-current assets are 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.

Expenditure on the acquisition, creation or enhancement of a non-current asset is capitalised on an accruals basis. Expenditure is only capitalised when it adds to or extends, and not merely maintains the value of an existing asset.

**16(b) 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 on which it is located

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Council). Where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

- Infrastructure, assets under construction and community assets are measured on the basis of depreciated historic cost.
- Surplus asset, investment properties and assets held for sale are based on their fair value, estimated at highest and best use from a market participant's perspective.
- School buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- All other assets are measured at current value which is determined as the amount that would be paid for the asset in its existing use ("existing use value" – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. For non-property assets (e.g. vehicles, plant and equipment) that have short useful lives or low values (or both) depreciated historical cost basis is used as a proxy for current value.

Assets are subject to an annual impairment check.  A proportion of the assets will be subject to revaluation each year to allow for the workload of revaluation to be more evenly spread and the balance sheet to be more accurate. Each asset will be re-valued on a 5 year cycle.

All assets are subject to an annual review to ensure valuations have not materially changed in the years they are not valued and that the carrying value is not significantly different to their fair value.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.  Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services 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 the 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 Council operates a de-minimis level of £35,000 at acquisition, in respect of land and property, and a qualified valuer certifies the valuation. In respect of vehicles, plant & equipment theses are carried at depreciated historic cost subject to an initial recognition de-minimis of £5,000.

**16(c) Impairment**

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

Where impairment losses are identified, the carrying amount of the asset is written down first against the accumulated gains in the revaluation reserve.

Where there is no longer a balance in the revaluation reserve to consume the loss, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

When an impairment loss is reversed, the reversal is credited to the relevant services lines in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss and adjusted for depreciation that would have been charged if the loss had never been recognised.

**16(d) Disposals and Non-Current Assets Held for Sale**

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

To be classified as held for sale an asset must meet all of the following criteria:

- The asset (or disposal group) must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets (or disposal groups).
- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to its current value.

- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

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 carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Receipts from the disposal of PPE assets greater than £10,000 are credited to the useable capital receipts reserve on an accruals basis. Lower amounts are treated as de-minimis and credited to the revenue account.

**16(e) Depreciation**

Depreciation is provided for on all property, plant and equipment assets with a finite useful life. The provision for depreciation is calculated by allocating the cost less any estimated residual value of the asset over its useful life. The useful lives of assets are estimated on a realistic basis and reviewed regularly, and where necessary revised.

The estimated useful lives of assets by class are as follows:

| | |
|---|---|
| Buildings & Other Operational Properties | Up to 60 years |
| Existing Highway Infrastructure and Community Assets | 15 Years |
| New Highway Infrastructure | 25 Years |
| Mersey Gateway Crossing - In line with the policy on Componentisation (Para 16g), significant components are: | |
| • Structures (Main Crossing, Earthworks, Bridge Approaches) | 120 Years |
| • Highways (incl Street Lighting) | 25 Years |
| • Other (Tolling, Landscaping, Signage) | 30 Years |
| • General (Financing and Development Costs) | Split pro-rata across above elements |
| Vehicles, Plant and Equipment | 3-10 Years |
| Intangible Assets | 5-10 Years |
| Finance Leases – vehicles, plant and equipment of lease | 3-10 Years equal to length |

| | |
|---|---|
| Finance Leases – buildings | Up to 60 years |

All assets are depreciated on a straight line basis, with depreciation commencing the year after acquisition. In exceptional circumstances, for example, if a particularly expensive asset is acquired with a short life expectancy, then a charge may be levied in the year of acquisition to ensure the charge to the service is more in line with the consumption of the asset.

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.

An exception to depreciation is made for assets without a determinable finite useful life (ie freehold land and certain community assets) and assets that are not yet available for use (ie assets under construction), these are not depreciated.

**16(f) Investment Property**

Investment property is property (land or a building – or part of a building – or both) held solely to earn rentals or for capital appreciation or both, rather than for:

(a) Use in the production or supply of goods or services or for administrative purposes; or

(b) Sale in the ordinary course of operations.

Investment properties are initially measured at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain to the General Fund balance. 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 reversed out of the General Fund 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) the Capital Receipts Reserve.

**16(g) Componentisation**

The objective of component accounting is to follow proper accounting practice by ensuring that items of Property, Plant and Equipment are accurately and fairly included in the Balance Sheet and the Comprehensive Income and Expenditure Statement. Consumption of economic benefits should be properly reflected over the assets individual useful lives, through depreciation charges.

The overall value of an asset must be fairly apportioned over significant components, which need to be accounted for separately, with their useful lives and the method of depreciation being determined on a reasonable and consistent basis.

Having identified individual material assets or groups of similar assets with similar characteristics, each component part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the asset shall be depreciated separately.

Once individual material assets and asset groups have been identified, items of Property, Plant and Equipment will be categorised as follows based on their significance, useful life and depreciation method:

| **Component** | **Detail** |
|---|---|
| Superstructure and substructure | Frame, upper floors, roof, stairs, external walls, external windows and doors, internal walls and partitions, internal doors |
| Internal Finishes and Fittings | Wall, floor, ceiling finishes, fittings and furnishings |
| Services | Sanitary appliances, services equipment, disposal installations, water installations, heat source, space heating and air conditioning, ventilating systems, electrical installations, fuel installations, fire and lightening protection, communication and security installations, builders work in connection and management and commissioning of services |
| Land | Land upon which the property is constructed |

The basis upon which the calculation of the value of components will be made is replacement cost. The actual split will be determined following individual valuation of the property.

Land is a separate component in its own right, but is not considered for deprecation purposes. Generally, land is considered to have an infinite life.

When an asset is enhanced or replaced, the cost of the replacement component is compared with the cost of the total asset. If the cost of the enhancement or replacement is above 15% or £35,000 of the overall cost of the asset, a proportion of the relevant component's carrying value is derecognised and replaced by the cost of the new replacement asset.

When an asset is acquired or re-valued, the cost of its component parts will be broken down into Superstructure and Substructure, Internal Finishes and Fittings and Services. Land will be identified as a separate component in its own right.

**16(h) Charges to Revenue for Non-Current Assets**

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

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

The Council does not raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, the Council 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 and amortisations are therefore replaced by the contribution in the General Fund balance from Capital Adjustment Account in the Movement in Reserves Statement known as the Minimum Revenue Provision (MRP).

**16(i) Schools (Land & Buildings)**

Section 20 of the Schools Standards and Framework Act 1998 established the following categories of maintained schools in England and Wales:

(a) Community Schools
(b) Foundation Schools
(c) Voluntary Schools comprising Voluntary Aided and Voluntary Controlled
(d) Community Special Schools, and
(e) Foundation Special Schools

In order to recognise a non-current school's asset on the Council's Balance Sheet, the Council has followed the recognition criteria of the Code and determined the extent to which the Council has control of the service potential associated with the schools assets.

The Council has concluded that a) Community Schools and d) Community Special Schools will form part of the Council's non-current Assets.

For all other schools the Council is merely using the non-current asset under licence. A licence passes no interest in the non-current asset to the Council and is always revocable, therefore these schools will not form part of the Council's non-current assets.

**16(j) Accounting for Schools Transferring to Academy Status**

The accounting standards on group accounts and consolidation mean all types of school are now considered to be entities controlled by the Council. When a school transfers to academy status this control is transferred to a third party. As a result the school as an entity needs to be derecognised in the Council's accounts by writing off the net assets of the school to the Comprehensive Income and Expenditure Statement.

## 17. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply and service. The total absorption costing principal is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

## 18. Pension Costs

### General

The cost of providing pensions for employees is charged in accordance with the requirements of IAS19 Retirement Benefits subject to the interpretation set out in the Code governing the pension schemes. The Council pays an employer's contribution to the Cheshire Pension Fund; Teachers' Pension Agency and National Health Service Pension Scheme.

### Pensions Reserve

Where there is a difference between the amount charged to the Comprehensive Income and Expenditure Statement in the year and the amount payable to the pension funds, that sum is taken to the Pension Reserve. This additional debit or credit to the services is shown as a reconciling item in the Movement in Reserves Statement within the Adjustments between Accounting Basis and Funding Basis under regulations note.

### Classification of Schemes

### Defined Benefit Schemes

Accounting policies set out as below apply in respect of pension costs arising from the Local Government Pension Scheme and unfunded discretionary benefits paid:

(i) The liabilities of the Cheshire Pension Fund and unfunded liabilities of the Teacher Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

(ii) Liabilities are discounted to their value at current prices, using the relevant discount rate.

(iii) The assets of Cheshire pension fund attributable to the Authority are included in the Balance Sheet at their fair value
   a. Quoted securities – current bid price
   b. Unquoted securities – professional estimate
   c. Unitised securities – current bid price
   d. Property – market value

(iv) The change in the net pensions liabilities is analysed into the following components:
   a. Service cost comprising:
   i. Current services cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement of the services for which the employees worked

ii. Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of services earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement

iii. Net interest on the net defined benefit liability (asset), ie net interest expense for the Council – 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 of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of the contribution and benefit payments.

b. Re-measurements comprising:

i. 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.

ii. 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.

c. Contribution paid to Pension Funds – cash paid as employer's contributions to the pension fund in settlement of liabilities: not accounted for as an expense.

(v) In relation to retirement benefits, statutory provision require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensions 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 Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather that as benefits are earned by employees.

**Defined Contribution Schemes**

The arrangements for the Teacher's Pension Scheme and the NHS Pension Scheme means that liabilities for these benefits cannot ordinarily be specified by the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments or benefits is recognised on the Balance Sheet. The relevant service line in the Comprehensive Income and Expenditure Statement is charged with the Council's contributions payable to Teachers Pensions and NHS Pension Scheme in the year.

**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.

**19. Pooled Budgets**

Under Section 75 of the Health Act, the Council is able to establish joint working arrangements with NHS bodies and other Councils to pool funds from both organisations to create a single pot. Where pooled budgets are established, the Councils accounts reflect only the Councils share of the overall pot and exclude the share attributable to partner organisations.

**20. Prior Period Adjustments**

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

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

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

**21. Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are created by a charge to a service and as such appear in the Comprehensive Income and Expenditure Statement in the Cost of Services in the year 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 account of risks and uncertainties. Where it becomes apparent that a lower settlement is anticipated than first thought, the provision is reversed and credited back to the relevant service.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

**22. Repurchase of Borrowing**

Gains or losses arising on the repurchase or early settlement are charged in the Comprehensive Income and Expenditure Statement in the period during which the repurchase is made. If the repurchase was coupled with refinancing or restructuring, gains or losses are charged over the life of the replacement loan.

**23. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes to cover contingencies. Reserves are created by apportioning amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from the reserve is incurred, it is charged to the apportionment 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 in the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

The Council maintains two kinds of reserve, Usable and Unusable Reserves.

Usable reserves comprise:

Usable Capital Receipts Reserve
General Fund Balance
Schools Balances
Earmarked Reserves
Capital Grants Unapplied

Unusable reserves comprise:

Revaluation Reserve
Capital Adjustment Account
Financial Instruments Adjustment Account
Pensions Reserve
Collection Fund Adjustment Account
Deferred Capital Receipts Reserve
Employee Benefit Reserve

Usable reserves are available to fund expenditure, either revenue or capital incurred by the Council. Unusable reserves are not available to fund expenditure since they do not represent new resources available to the Council.

**24. Revenue Expenditure Funded from Capital under Statute**

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the creation on a non-current asset on the Balance Sheet. Such expenditure is charged to the appropriate service account within the Comprehensive Income and Expenditure Statement in accordance with the provisions of the Code.

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

**25. Senior Officers**

The Council is required to disclose senior officers who are paid a salary of more than £150,000 by name. The requirement also extends to those officers whose salary is more than £50,000 and have a statutory role defined by legislation or is responsible for directing and controlling the day-to-day operations of the Council.

**26. Service Concessions**

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 PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

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

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

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- Life cycle replacement costs – where material, a 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.

**27. Heritage Assets**

Where applicable, heritage assets are measured at insurance valuation on the Balance Sheet.

Unlike other non-current assets depreciation is not required on heritage assets which have infinite useful lives.  Similarly, impairment reviews are only required in limited circumstances, for example if a heritage asset has suffered breakage of physical deterioration.

## 28. Accounting Standards that have been issued but not yet adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

There are a number of accounting standards which will be adopted by the code in 2019/20. It is not anticipated these will have a material impact on the Council's financial statements.

## 29. Critical Judgements in Applying Accounting Policies

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

### 29(a) Future levels of funding

There is a continued high degree of uncertainty about future levels of funding for local government. The Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

### 29(b) Mersey Gateway Unitary Payments

On 13 October 2017 the Mersey Gateway Crossing opened. The project is funded through a mixture of capital payments from the Council and monthly unitary payments to Merseylink. Unitary payments cover the costs of construction of the bridge.

To calculate an initial valuation of the liability of future unitary payments the Council has estimated the present value of payments due using the Internal Rate of Return implicit within the operators financial model. The carrying and fair value of the liability will be reduced on an annual basis in line with unitary payments.

## 30. Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

### 30(a) Property, Plant and Equipment

The carrying amount in the Balance Sheet at the 31 March 2019 is £809.7m, of which £461.4m relates to the Unitary Charge element of the Mersey Gateway Crossing.

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 Council will be able to sustain its spending on repairs and maintenance, bringing into doubt the useful lives of those assets. Ongoing maintenance for the Mersey Gateway Crossing is covered by unitary payments and therefore has no impact on the Council's on-going repairs and maintenance spending.

If the useful life of Buildings included in Property, Plant and Equipment is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings could increase between 10%-15% equating to an additional £0.997m to £1.495m for every year that useful lives had been reduced.

**30(b) Pensions Liability**

The carrying amount in the Balance Sheet at the 31 March 2019 is £161.9m

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. Hymans Robertson LLP is engaged on behalf of the Council by Cheshire West and Chester Council to provide expert advice about the assumptions to be applied.

**30(c) Provisions**

The carrying amount in the Balance Sheet at 31 March 2019 is £7.950m which includes £5.409m for NNDR Appeals, and £2.044m for Insurances.

Estimation of the provisions are based on the best estimate of expenditure required to settle the obligation. Any subsequent increase or decrease in the these amounts would lead to a corresponding decrease or increase in the General Fund, or the Collection Fund in respect of NNDR Appeals.

## Glossary of Terms

For the purposes of the Code of Practice the following definitions have been adopted:

**Accruals**

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

**Accounting Policies**

Those principals, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

(a) Recognising;
(b) Selecting and measurement bases for; and
(c) Presenting.

Assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the Income and Expenditure account or Balance Sheet it is to be presented.

**Acquired Operations**

Operations comprise services and divisions of service as defined in SerCOP. Acquired operations are those operations of the Council that are acquired in the period.

**Actuarial Gains and Losses**

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

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

(b) The actuarial assumptions have changed.

**Capital Expenditure**

Expenditure on the acquisition of a non-current asset or expenditure which adds to and not merely maintains the value of an existing non-current asset.

**Class of Non-Current Assets**

The classes of non-current assets required to be included in the accounting statements are:

Property, Plant and Equipment:

- Other land and buildings
- Vehicles, plant, furniture and equipment
- Infrastructure assets
- Community assets
- Assets under construction
- Surplus assets

Other classes of assets:

- Investment properties
- Assets held for sale
- Heritage assets

**Community Assets**

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

**Consistency**

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

**Constructive Obligation**

An obligation that derives from a Council's actions where:

(a) By an established pattern of past practice, published policies or a sufficiently specific current statement, the Council has indicated to other parties that it will accept certain responsibilities; and
(b) As a result, the Council has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

**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.

**Contribution**

A contribution may be received from a partner to help perform a particular function (i.e. PCT and third sector in health/education, S106 developers etc…)

**Contingent Liability**

A contingency liability is either:

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

**Corporate and Democratic Core**

The corporate and democratic core comprises all activities which Local Authorities engage in specifically because they are elected multi-purpose Authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no basis for apportioning these costs over or across services.

**Current Service Cost (Pensions)**

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

**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:

(a) Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and
(b) Termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

**Deferred Charges**

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. Examples of deferred charges are expenditure on items such as improvement grants and the expenses of private acts.

**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 other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as 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 and prior periods.

**Depreciation**

The measure of cost or revalued amount of the benefits of the non-current asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a non-current asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods or services produced by the asset.

**Discontinued Operations**

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all of the following conditions are met:

(a) The termination of the operation is completed either in the period before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
(b) The activities related to the operation have ceased permanently;
(c) The termination of the operation has a material effect on the nature and focus of the Local Authority's operations and represents a material reduction in its provision of services resulting either from its withdrawal from a particular activity (whether a service of division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the Local Authority's continuing operations;
(d) The assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes

Operations not satisfying all the conditions are classified as continuing.

**Discretionary Benefits**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award which are awarded under the Council's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or the Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

**Estimation Techniques**

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

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

(a) Methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible non-current asset consumed in a period
(b) Different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

**Events after the Balance Sheet Date**

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

**Exceptional Items**

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give a fair presentation of the accounts.

**Exit Packages**

Exit packages are defined as amounts payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits. Exit packages also include enhancement of retirement benefits, when an employee retires early without actuarial reduction of pension.

**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.

**Extraordinary Items**

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

**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 of use of the asset.

**Finance Lease**

A finance lease is one where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment form the lessor to the lessee. A lease would be classified as finance lease if:

- The lease transfers ownership of the asset to the lessee by the end of the lease term.
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain the option will be exercised.
- The lease term is for the major part of the economic life of the asset.
- The present value of minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

Notwithstanding the fact that the lease meets the definitions above, the presumption that an asset should be classified as a finance lease may in exceptional circumstances be rebutted if it can be clearly demonstrated that the lease in question does not transfer substantially all the risks and rewards of ownership (other than legal title) to the lessee.

**Going Concern**

The concept that the Council will remain in operational existence for the foreseeable future, in particular that the Income and Expenditure Account and Balance Sheet assume no intention to curtail significantly the scale of the operations.

**Government Grants**

Assistance by Government and Inter-Government Agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to a Council in return for past or future compliance with certain conditions relating to the activities of the Council.

**Heritage Assets**

Heritage Assets are assets that have historical, artistic, scientific, technological, geophysical or environmental qualities. Examples of heritage assets held by the Council include civic regalia, paintings and artefacts.

**Impairment**

A reduction in the value of a non-current asset below its carrying amount on the Balance Sheet.

**Infrastructure Assets**

Non-current assets that are inalienable, expenditure on which is recoverable only by continued use if the asset created. Examples of infrastructure assets are highways and footpaths.

**Interest Cost (Pensions)**

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

**Inventories**

The amount of unused or unconsumed stocks held in exception of future use. Comprise the following categories:

(a) goods or other assets purchased for re-sale;
(b) consumable stores;
(c) raw materials and components purchased for incorporation into products for sale;
(d) products and services in intermediate stages of completion;
(e) long-term contact balances; and
(f) finished goods.

**Investments (Non-Pensions Fund)**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pensions fund, that do not meet the above criteria should be classified as current assets.

**Investments (Pensions Fund)**

The investments of the Pensions Fund will be accounted for in the statements of that Fund. However, councils are also required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

**Investments Properties**

Interest in land and/or buildings:

(a) In respect of which construction work and development have been completed; and
(b) Which is held for its investment potential, and rental income being negotiated at arm's length.

**Liquid Resources**

Current asset investments that are readily disposable by the Council without disrupting its business and are either readily convertible to known amounts of cash or close to the carrying amount, or traded in an active market.

**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.

**Net Book Value**

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts 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 replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

**Net Debt**

The Council's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than debt.

**Net Realisable Value**

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

**Operating Lease**

A lease other than a finance lease.

**Past Service Cost**

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

**Prior Period Adjustments**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**Projected Unit Method**

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefit valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

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

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

**Related Parties**

Two or more parties are related parties when at any time during the financial period:

(a) A party has direct or indirect control of the other party; or
(b) The parties are subject to common control from the same source; or
(c) One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
(d) The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

Examples of related parties of a Council include:

(a) Central government;
(b) Local authorities and other bodies precepting or levying demands on the Council Tax;
(c) Its subsidiary and associated companies;
(d) Its joint ventures and joint ventures partners;
(e) Its members
(f) Its chief officers; and
(g) Its pension fund.

Examples of related parties of a pension fund include its:

(a) Administering authority and its related parties
(b) Scheduled bodies and their related parties; and
(c) Trustees and advisors

This list is not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

(a) Members of the close family, or the same household; and

(b) Partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

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. Examples of related party transactions include:

(a) The purchase, sale, lease rental or hire of assets between related parties;
(b) The provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund;
(c) The provision of a guarantee to a third party in relation to a liability or obligation of a related party;
(d) The provision of services to a related party, including the provision of pension fund administration services;
(e) Transactions with individuals who are related parties of the Council or a pension fund, except those applicable to other members of the community or the pension fund, such as council tax, rents and repayments of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the Council, 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 and the money value of any other benefits received other than in cash. Pension contributions payable by the employee are excluded.

**Residual Value**

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of acquisition (or revaluation) of the asset and do not take account of expected future prices.

**Retirement Benefits**

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

**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.

**Settlement**

An irrevocable action that relieves the employee (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

(a) A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
(b) The purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
(c) The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

**Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy.

**Total Cost**

The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.

**Useful Life**

The period over which the Council will derive benefits from the use of a non-current asset.

**Vested Rights**

In relation to a defined benefit scheme, these are:

(a) For active members, benefits to which they would unconditionally be entitled on leaving the scheme;
(b) For deferred pensioners, their preserved benefits;
(c) For pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.

 

| | |
|---|---|
| **REPORT TO:** | Business Efficiency Board |
| **DATE:** | 18 November 2020 |
| **REPORTING OFFICER:** | Strategic Director – Enterprise, Community & Resources |
| **SUBJECT:** | Annual Governance Statement - 2018/19 |
| **PORTFOLIO:** | Resources |
| **WARD(S):** | Borough-wide |

## 1.0 PURPOSE OF REPORT

This report presents an updated 2018/19 Annual Governance Statement (AGS) to accompany the 2018/19 statement of accounts. The preparation and publication of an AGS is necessary to meet the statutory requirement set out in regulation 6 of the Accounts and Audit Regulations 2015.

The format of the statement follows the 2016 best practice guidance issued by CIPFA / Society of Local Authority Chief Executives (SOLACE).

## 2.0 RECOMMENDATIONS:

**The Board is asked to consider and approve the updated 2018/19 Annual Governance Statement subject to any changes or additions that members feel appropriate.**

## 3.0 SUPPORTING INFORMATION

3.1 The Delivering Good Governance in Local Government: Framework, published by the CIPFA / SOLACE, sets the standard for local authority governance in the UK. The Council's AGS for 2018/19 has been developed with reference to this guidance and is attached as an appendix to this report.

3.2 The AGS provides an overview of the governance framework that was in place during 2018/19 and up to the date the financial statements are signed off by the Council's external auditor.

3.3 The 2018/19 AGS was originally presented to the Board on 24 July 2019. A further updated version was again presented to the Board on 24 February 2020. The delay in the completion of the external audit of the 2018/19 statement of accounts has necessitated that the document be updated again. This ensures that the AGS is current at the time of the approval of the 2018/19 statement of accounts.

3.4 The current version of the AGS provides a commentary on how the issues identified in the earlier versions of the document have been addressed. It also highlight the governance issues that the Council is currently addressing, which were included in the 2019/20 AGS presented to the Board on 23 September 2020.

3.5 The AGS has been reviewed and agreed by Management Team. The Council's external auditor has also reviewed the AGS as part of the audit of the Statement of Accounts for 2018/19.

3.6 The Council's Constitution delegates the responsibility to review and approve the AGS to the Business Efficiency Board. As such, the final version of the AGS will take into account any feedback from the Board. Once approved, the AGS will be signed by the Council Leader and Chief Executive and published on the Council's website.

**4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS**

4.1 In accordance with the Accounts and Audit Regulations 2015, the Council is required to conduct an annual review of its system of internal control and publish an Annual Governance Statement (AGS) with the annual statement of accounts. The process is a key mechanism for ensuring that the Council has an effective system of internal control and governance, and that any areas for development are identified and addressed.

4.2 The powers and duties of the Business Efficiency Board include responsibility for considering the Council's corporate governance arrangements and agreeing necessary actions to ensure compliance with best practice. The AGS provides a commitment to address the governance challenges identified by the Council.

4.3 There are no direct financial implications arising from this report, although the AGS makes reference to the key financial challenges faced by the Council.

**5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

5.1 **Children and Young People in Halton**

Good governance leads to good management, good performance and good stewardship of public money. It therefore enables the Council to implement its vision in accordance with its values and to engage effectively with its citizens and service users and ensure good outcomes for them.

5.2 **Employment, Learning and Skills in Halton**

See 5.1 above

5.3 **A Healthy Halton**

See 5.1 above

5.4 **A Safer Halton**

See 5.1 above

5.5 **Halton's Urban Renewal**

See 5.1 above

**6.0 RISK ANALYSIS**

6.1 The AGS provides assurance that the Council has a sound system of risk management, control and governance. The document provides a public statement of how the Council directs and controls its functions and relates to its community.

**7.0 EQUALITY AND DIVERSITY ISSUES**

7.1 The Council has to have regard to the elimination of unlawful discrimination and harassment and the promotion of equality under the Equalities Act 2010 and related statutes. Proper governance arrangements will ensure that equality and diversity issues are appropriately addressed.

**8.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

| Document | Place of Inspection | Contact |
|---|---|---|
| CIPFA / SOLACE – Delivering good governance in Local Government: Framework (2016) | Halton Stadium, Widnes | Merv Murphy |
| CIPFA / SOLACE - Delivering good governance in Local Government: Guidance note for English authorities (2016) | | |

# 2018/19

## HALTON BOROUGH COUNCIL - ANNUAL GOVERNANCE STATEMENT

# What is Governance?

Governance is about how we ensure that we are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Good governance leads to:

- effective leadership
- good management
- good performance
- good stewardship of public money
- good public engagement, and
- good outcomes for our citizens and service users.

The governance framework comprises the culture, values, systems and processes by which an organisation is directed and controlled. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.

Halton Borough Council acknowledges its responsibility for ensuring that there is a sound system of governance. The Council has developed a Local Code of Corporate Governance that defines the principles that underpin the governance of the organisation. The Local Code forms part of the Council Constitution and can be accessed on the Council's website.

The Council's governance framework aims to ensure that in conducting its business it:

- Operates in a lawful, open, inclusive and honest manner;
- Makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively;
- Has effective arrangements for the management of risk;
- Secures continuous improvements in the way that it operates.

# What is the Annual Governance Statement?

The Council is required by the Accounts & Audit (England) Regulations 2015 to prepare and publish an Annual Governance Statement. This is a public document that reports on the extent to which the Council complies with its own code of governance.

In this document the Council:

- Acknowledges its responsibility for ensuring that there is a sound system of governance;
- Summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment;
- Describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period;
- Provides details of how the Council has responded to any issue(s) identified in last year's governance statement;
- Reports on any significant governance issues identified from this review and provides a commitment to addressing them.

The Annual Governance Statement reports on the governance framework that has been in place at Halton Borough Council for the year ended 31 March 2019 and up to the date of approval of the statement of accounts.

# How has the Annual Governance Statement been prepared?

The initial review of the Council's governance framework was carried out by a group of officers. This group comprised:

- **The Strategic Director – Enterprise, Community & Resources**

  This post is designated as the Council's Statutory Scrutiny Officer as required under Section 31 of the Local Democracy, Economic Development and Construction Act 2009.

  This role involves promoting and supporting the Council's Overview and Scrutiny Committees.

- **The Operational Director – Legal and Democratic Services**

  This post is designated as the Council's Monitoring Officer under section 5 of the Local Government and Housing Act 1989, as amended by paragraph 24 of schedule 5 Local Government Act 2000.

  The Monitoring Officer is responsible for ensuring that that the Council acts and operates within the law.

- **The Operational Director – Finance**

  This post is designated as the s151 Officer appointed under the 1972 Local Government Act.

  The Operational Director – Finance is the Council's Chief Financial Officer and carries overall responsibility for the financial administration of the Council.

- **The Divisional Manager – Audit, Procurement & Operational Finance**

  This post is responsible for the Council's internal audit arrangements, including the development of the internal audit strategy and annual plan and providing an annual audit opinion on the Council's governance, risk management and control processes.

In preparing the Annual Governance Statement the Council has:

- Reviewed the Council's existing governance arrangements against its Local Code of Corporate Governance;
- Considered any areas where the Local Code of Corporate Governance needs to be updated to reflect changes in the Council's governance arrangements and best practice guidance;
- Assessed the effectiveness of the Council's governance arrangements and highlighted any planned changes in the coming period.

Management Team, which is chaired by the Chief Executive, has also reviewed the Annual Governance Statement and considered the significant governance issues facing the Council.

The Business Efficiency Board, which is designated as the Council's Audit Committee, provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework and internal control environment. As part of this role the Board reviews and approves the Annual Governance Statement.

# What are the key elements of the Council’s Governance Framework?

The Council aims to achieve good standards of governance by adhering to the following key principles set out in the best practice guidance ‘Delivering Good Governance in Local Government: Framework 2016’:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- Ensuring openness and comprehensive stakeholder engagement;
- Defining outcomes in terms of sustainable economic, social and environmental benefits;
- Determining the interventions necessary to optimise the achievement of the intended outcomes;
- Developing the Council’s capacity, including capability of its leadership and the individuals within it;
- Managing risks and performance through robust internal control and strong public financial management;
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The following pages provide a summary of key elements of the Council’s governance framework and how these principles were applied in 2018/19.

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

### SUPPORTING PRINCIPLES

- Behaving with integrity
- Demonstrating strong commitment to ethical values
- Respecting the rule of law

### EXAMPLES OF HOW WE DID THIS IN 2018/19:

- The Council has a Constitution that sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, proportionate, transparent and accountable. The Constitution was reviewed and updated in May 2018.
- The Council has a Standards Committee with co-opted independent members. The role of the Committee is to promote high standards of member conduct. No matters were brought to the attention of the Monitoring Officer during the year which required formal investigation.
- Elected members follow a Code of Conduct to ensure high standards in the way they undertake their duties. The Monitoring Officer provides training to new elected members on the Code of Conduct.
- Officer behaviour is governed by the Employees' Code of Conduct. All new employees attending the corporate induction process were made aware of the Code.
- Roles and responsibilities relating to the Council's executive and non-executive functions are defined in the Council's Constitution. Decisions and actions taken during the year were made in accordance with these arrangements providing clear accountability.
- The Council takes fraud, corruption and maladministration seriously and has established a suite of policies and processes which aim to prevent or deal with such occurrences. On 26 September 2018 the Business Efficiency Board received an annual report summarising the operation of the Council's counter fraud and corruption arrangements.
- A corporate complaints procedure operated throughout the year to receive and respond to any complaints received.
- Arrangements exist to ensure that members and officers are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:
    - Registers of disclosable pecuniary interests were maintained
    - Registers of gifts and hospitality were maintained
    - Opportunities to declare disclosable pecuniary interests and disclosable other interests were provided at the start of meetings
- The Operational Director – Legal and Democratic Services provided legal advice to the Council as the Council's Monitoring Officer. One of the key functions of that role is to ensure the lawfulness and fairness of decision-making.

## Ensuring openness and comprehensive stakeholder engagement

| SUPPORTING PRINCIPLES | EXAMPLES OF HOW WE DID THIS IN 2018/19: |
| --- | --- |
| • Openness<br>• Engaging comprehensively with institutional stakeholders<br>• Engaging with individual citizens and service users effectively | • Information on the Council's performance, finances and the democratic running of the Council is routinely published on the Council's website. The Council also fully complies with the reporting requirements of the Local Government Transparency Code 2015.<br>• The Council engages with key partners and institutional stakeholders in various ways. Formal partnerships include the Health and Wellbeing Board, the Safer Halton Partnership and the Halton Children's Trust. The Council's Management Team also holds a joint monthly meeting with the management team of Halton Clinical Commissioning Group (CCG).<br>• The Health and Wellbeing Board provides a key forum for public accountability of the NHS, Adult Social Care, Children's Services, Public Health and other commissioned services relating to the wider determinants of health in Halton.<br>• During 2018/19 work has taken place to update the Joint Working Agreement with the CCG. A Pooled Budget, including the Better Care Fund, exists as part of the agreement which is used to fund expenditure on delivering care and support services for adults with complex needs. This helps ensure that the resources available to both Health and Social Care are effectively used in the delivery of personalised, responsive and holistic care to those most in need.<br>• Engagement with citizens and service users is carried out using a variety of methods, including a range of survey techniques (online, paper, face to face) and sampling techniques. The Council also uses qualitative techniques, such as focus and discussion groups. During 2018/19 the Council consulted on a range of issues, which included:<br>- Runcorn mainline station<br>- School meals<br>- How people like to find out about adult social care<br>- Dog control orders<br>- Child play<br>• In setting its budget the Council listens to the views of the public and the experience of elected members through their ward work. Individual consultations took place in respect of specific budget proposals and equality impact assessments were completed where necessary. |

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

| SUPPORTING PRINCIPLES | EXAMPLES OF HOW WE DID THIS IN 2018/19: |
|---|---|
| • Defining outcomes<br>• Sustainable economic, social and environmental benefits | • The long-term vision for Halton is set out in the Council's Corporate Plan, which defines the Council's priorities and how it hopes to achieve them. It also explains the Council's values and principles.<br>• The Council's Corporate Planning Framework provides the means by which the Council's activities are developed and monitored. Quarterly performance monitoring reports were produced during the year recording progress against key business plan objectives and targets. These were reported to the Council's Management Team, to the Executive Board and to the Policy and Performance Boards.<br>• Directorate and Departmental Business Plans were produced for 2018/19 that described key developments and emerging issues relating to each department of the Council. The plans formally set out key objectives, milestones and measures for each business area.<br>• The Executive Board approved the Council's Medium Term Financial Strategy (MTFS) at its meeting on 15 November 2018. The MTFS represents the "finance guidelines" that form part of the medium term corporate planning process. These guidelines identify the financial constraints which the Council will face in delivering its key objectives, and are an important influence on the development of the Corporate Plan, Service Plans and Strategies.<br>• The Council routinely publishes information on the Council's vision, strategy, plans, finances and performance on its website and in the Council newspaper that is distributed to all households in the borough. |

## Determining the interventions necessary to optimise the achievement of the intended outcomes

| SUPPORTING PRINCIPLES | EXAMPLES OF HOW WE DID THIS IN 2018/19: |
|---|---|
| • Determining interventions<br>• Planning interventions<br>• Optimising achievement of intended outcomes | • The Council’s Corporate Planning Framework in operation during the year provided the means by which the Council’s activities were developed and monitored.<br>• There is a well-established overview and scrutiny framework with six Policy and Performance Boards (PPBs) aligned to the Council’s six corporate plan priorities. Throughout the year they held the Executive to account, scrutinised performance and developed policy proposals for consideration by the Executive.<br>• Quarterly performance monitoring reports were produced throughout the year recording progress against key business plan objectives and targets. These reports were presented to the Council’s Management Team, to the Executive Board and to the Policy and Performance Boards.<br>• The Council operates a corporate complaints procedure and specific complaints procedures for Adult Social Care, Children's Social Care, schools and complaints relating to elected members. These procedures allow the Council to identify areas where things may have gone wrong and to put them right and prevent them from happening again.<br>• The Council aims to ensure that the purchase or commissioning of goods, services or works required to deliver services is acquired under Best Value terms. The Council’s procurement activity is undertaken in line with the Council’s Procurement Strategy and within clearly defined rules set out in Procurement Standing Orders.<br>• The Council’s internal audit team carries out a comprehensive programme of audits each year reviewing the Council’s front line and support services. The implementation of recommendations arising from this work assists the Council in identifying and managing risks that may impact on the achievement of outcomes. |

## Developing the Council's capacity, including capability of its leadership and the individuals within it

| SUPPORTING PRINCIPLES | EXAMPLES OF HOW WE DID THIS IN 2018/19: |
|---|---|
| • Developing capacity<br>• Developing leadership<br>• Developing the capability of individuals | • The Council retained the NW Charter for Elected Member Development Exemplar Level status. Newly elected members attend a two-day induction programme with follow-up mentoring. Elected members were also provided with the opportunity for an annual review to identify their development requirements, which are set out in a Member Action Plan.<br>• A comprehensive elected member development programme provided a wide range of learning and development opportunities.<br>• Members of the Business Efficiency Board received regular training throughout the year to assist them in their role as the Council's Audit Committee.<br>• The Council's Organisational Development Strategy (2016 – 2020), includes an Organisational Development Charter. The Strategy confirms the Council's commitment to the ethos that its workforce will be part of the solution to providing excellent services.<br>• The Council operates ongoing processes to identify the personal development needs of employees. The information gained from these processes is used to inform the design of the corporate training programme and to source specialised professional training.<br>• The Council's Learning & Development Team offers continuous leadership development through its accreditation with ILM (City & Guilds). Specific qualifications have been delivered during 2018/19, such as Level 3 in Leadership and Management and Level 3 in Coaching. As a result, 19 employees continue to develop skills and knowledge regarding leadership and gain recognised qualifications.<br>• The Council has introduced Leadership and Management Masterclasses during 2018/19 to ensure continuous development of those employees that don't require a recognised leadership qualification, but have identified specific learning needs to ensure contemporary approaches are utilised.<br>• The Council offer its employees the opportunity to apply for funding to support their academic development that is linked to the Council's priorities thereby increasing individual capacity and supporting succession planning. During 2018/19, the Council supported 26 employees to gain a variety of academic qualifications, such as Masters Degrees, BA Degrees and Diplomas.<br>• The Council is maximising the Apprenticeship Levy by commissioning 10 Masters in Business Administration (MBA) qualifications to employees that will support leadership succession planning as identified in the Organisational Development Strategy. |

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

| SUPPORTING PRINCIPLES | EXAMPLES OF HOW WE DID THIS IN 2018/19: |
|---|---|
| • Managing risk<br>• Managing performance<br>• Robust Internal Control<br>• Managing data<br>• Strong Public Financial Management | • The Council provides decision-makers with full and timely access to relevant information. The executive report template requires information to be provided explaining the policy, financial and risk implications of decisions, as well as implications for each of the corporate priorities and any equality and diversity implications.<br>• The Council has embedded risk management arrangements. Directorate and corporate risk registers outline the key risks faced by the Council, including their impact and likelihood, along with the relevant mitigating controls and actions. The risk registers are also used to inform the internal audit planning process and are regularly reviewed by the Business Efficiency Board.<br>• The Council has a well-established Audit Committee (the Business Efficiency Board), which met regularly during 2018/19. The Board has clearly defined responsibilities and provides oversight and challenge in regard to the Council's governance, risk management, audit, procurement and counter fraud and corruption arrangements.<br>• The Council has a Head of Internal Audit and a continuous internal audit service, which has been externally assessed as conforming to the Public Sector Internal Audit Standards. Internal audit plays a key role in reviewing and improving the effectiveness of the Council's risk management, governance and control arrangements.<br>• The Head of Internal Audit provides an annual opinion on the Council's risk management, control and governance processes. The opinion covering 2018/19 was presented to the Business Efficiency Board on 24 July 2019 and can be found here.<br>• The Council's External Auditor provided an unqualified opinion on the 2017/18 accounts and reported their findings to the Business Efficiency Board in September 2018. They also completed a review of the overall control environment relevant to the preparation of the Council's financial statements and concluded that their work had identified no material weaknesses.<br>• Despite significant funding reductions and increasing demand for services the Council managed to set a balanced budget for 2019/20 via a robust process led by the Members' Budget Working Group. Outturn spending was higher than the 2018/19 revenue budget, primarily due to continuing pressures within Childrens Services and Community & Environment. The position was monitored throughout the year through reports to Management Team, the relevant Policy and Performance Boards and Executive Board. Effective action was taken to mitigate the level of overspend. |

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

| SUPPORTING PRINCIPLES | EXAMPLES OF HOW WE DID THIS IN 2018/19: |
| --- | --- |
| • Implementing good practice in transparency<br>• Implementing good practice in reporting<br>• Assurance and effective accountability | • The Council fully complies with the Local Government Transparency Code 2015 and publishes a wide range of information on its website. This includes details of meetings, minutes and agendas, policies and plans, the Council Constitution, the Statement of Accounts, details of members' allowances and expenses (including the outcome of the independent triennial review of the Members' Allowance Scheme which took place during the year), details of senior staff pay, contract awards, and details of land and building assets.<br>• The Council operates clear and effective processes for dealing with Freedom of Information (FOI) requests and Subject Access Requests (SAR).<br>• All Council meetings are open and can be attended by members of the public with the exception of those where confidential or personal matters may be disclosed.<br>• The Council's external auditor provides an annual assessment on how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people. In September 2018, the external auditor concluded that the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.<br>• The Council has developed robust procedures to respond positively to the findings and recommendations of external auditors and statutory inspectors. Action plans are developed in response to external inspections and their implementation monitored.<br>• The Council has established various ongoing arrangements that provide effective assurance. These include the work of internal audit, the Council's risk and performance management arrangements, the work of the Information Governance Group, the work of the Policy and Performance Boards and the work of the Standards Committee.<br>• The Council operates a whistleblowing procedure and has well-publicised arrangements for employees and the wider community to raise any concerns. |

# What are the roles of those responsible for developing and maintaining the Governance Framework?

| | |
|---|---|
| **Council** | - Approves the Corporate Plan<br>- Approves the Constitution<br>- Approves the policy and budgetary framework |
| **Executive Board** | - The main decision-making body of the Council<br>- Comprises ten members who have responsibility for particular portfolios |
| **Business Efficiency Board** | - Designated as the Council’s Audit Committee<br>- Provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework, procurement strategy and internal control environment. |
| **Standards Committee** | - Promotes high standards of member conduct<br>- Assists members and co-opted members to observe the Council’s Member Code of Conduct |
| **Policy & Performance Boards** | - There are six Policy & Performance Boards aligned to the Council’s six Corporate Plan priorities<br>- They hold the Executive to account, scrutinise performance and develop policy proposals for consideration by the Executive |
| **Management Team** | - Implements the policy and budgetary framework set by the Council and provides advice to the Executive Board and the Council on the development of future policy and budgetary issues |
| **Internal Audit** | - Provides assurance over the Council’s governance, risk management and control framework<br>- Delivers an annual programme of audits<br>- Makes recommendations for improvements in the management of risk and value for money |
| **Managers** | - Responsible for maintaining and developing the Council’s governance and control framework<br>- Contribute to the effective corporate management and governance of the Council |

# How does the Council monitor and evaluate the effectiveness of its governance arrangements?

The Council annually reviews the effectiveness of its governance framework including the system of internal control. The key sources of assurance that inform this review are outlined below:

**Internal Audit**

- Annual opinion report
- Internal audit reports

**External Audit**

- Financial statements audit
- Value For Money conclusion

**Information Governance**

- Information Governance Annual Report

**Counter Fraud Arrangements**

- Whistleblowing arrangements
- Annual report on Fraud and Corruption

**Risk Management**

- Corporate Risk Register Progress Reports

**Complaints**

- Corporate complaints procedure
- Ombudsman investigations

**External Reviews**

- External reviews from various regulators and inspectorates

**Monitoring Officer**

- Legal and Regulatory Assurance

**Section 151 Officer**

- Financial Controls Assurance

**Overview & Scrutiny**

- Performance monitoring
- Policy development and review

# How has the Council addressed the governance issues previously identified?

The Annual Governance Statement for 2018/19 was originally presented to the Business Efficiency Board on 24 July 2019. A further update of the document was subsequently presented to the Business Efficiency Board on 24 February 2020. This final version of the 2018/19 Annual Governance Statement provides an update on the actions taken to address the issues identified in the earlier versions of the document.

| What the issue was: | What we did: |
|---|---|
| **Funding**<br>The Council continued to face significant funding reductions whilst demand for Council services is increasing, which had resulted in a 2020/21 budget gap of approximately £4.4m.<br>A key challenge for the Council was therefore to maintain both sufficient front-line and support service capacity and robust governance arrangements in order to continue to deliver its corporate objectives and strategic priorities for 2020/21 and beyond. | The Member's Budget Working Group met regularly during 2019/20 to consider budget saving proposals in the context of the Council's corporate objectives and strategic priorities. Fundamental to the Budget Working Group's assessment was a desire to protect the Borough's most vulnerable residents and the services provided to them.<br>Despite significant funding constraints and increasing demand for services, resulting in the need to make significant budget savings, the Council was able to set a balanced budget for 2020/21. |

## What the issue was:

**Peer Review**

The Council invited the Local Government Association to undertake a Corporate Peer Challenge of the Council in September 2019. The focus of the Peer Challenge was on improvement.

The feedback report issued following the Peer Review was positive and noted that the Council's achievements have been and continue to be significant. However, the report also recognised the challenges faced by the Council in terms of increasing service demand and the difficult financial context. The report contained eleven recommendations aimed to help the Council develop so that it can continue to operate and deliver in a sustainable way.

## What we did:

An action plan in response to the Peer Review was submitted to the Council's Executive Board on 19 March 2020 and approved at that meeting. Some of the actions were to be undertaken in the short-term, whilst others were deemed matters for the "new Council" scheduled to be elected in all-out in elections in May 2020. The global pandemic has seen the May 2020 all-out elections postponed and the Council direct all its efforts and protecting Halton's Community. The action plan and its delivery has therefore also been postponed but will be reviewed in 2020-21 in the light of the new circumstances at the time.

| What the issue was: | What we did: |
|---|---|
| **Corporate Priorities**<br>The Council is reviewing both its Corporate Plan and priorities with support and challenge from the Local Government Association. It is doing this in the light of the financial challenges it continues to face. It will test whether its existing Corporate Plan is still fit for purpose and whether it still reflects the political priorities of the Council. | The members completed initial work in this area, facilitated by the Local Government Association, which concluded that the existing priorities of the Council were still relevant and reflective of the challenges facing the Borough. The further development of this work has however been delayed as a result of the COVID pandemic. |

### What the issue was:

**Ward Boundary Review**

The Local Government Boundary Commission for England completed an Electoral Review of the Council, which resulted in a recommendation the Council should consist of 54 councillors - a reduction from the current 56.

The Commission also recommended that the 54 councillors should represent 18 wards rather than the current 21. It was therefore proposed that there would be nine wards in Runcorn and nine wards in Widnes with each ward having three members representing it.

### What we did:

These new ward boundary arrangements were subsequently approved by Parliament. The intention was that all 54 Council seats would be contested in the election that was due to take place on 7 May 2020 based on the new boundaries.

However, Section 60 of the Coronavirus Act 2020 postponed various local government elections in England that were due to be held on 7 May 2020 until 6 May 2021.

# What are the current governance issues for the Council?

It is important that the Annual Governance Statement is up to date at the time of publication. The following Action Plan sets out the Council's current areas of focus in regard to maintaining and developing its governance arrangements. As such, the Action Plan is the same as that featured in the 2019/20 Annual Governance Statement with the addition of an issue relating to Brexit.

| Issue | Lead Officer | Timescale |
|---|---|---|
| **Funding**<br><br>The Council continues to face significant funding reductions whilst demand for Council services, particularly within Social Care is rising and there are income shortfalls across many service areas. The COVID-19 pandemic has exacerbated the situation, along with huge uncertainty regarding the Government's plans for the future funding of local government.<br><br>This makes financial planning extremely difficult at the current time. However, the Medium Term Financial Strategy forecasts that the Council may need to identify £13m of budget savings in order to set a balanced budget for 2021/22. In light of these financial pressures, a key challenge for the Council is to maintain sufficient service capacity and robust governance arrangements in order to continue to deliver its corporate objectives and strategic priorities for 2021/22 and beyond. | Strategic Director – Enterprise, Community & Resources | Ongoing |

| Issue | Lead Officer | Timescale |
|---|---|---|
| **Decision-making**<br><br>The COVID-19 pandemic has given rise to unforeseen challenges in terms of the Council's decision-making processes and its traditional meeting structure, with elements of normal decision-making processes of the Council being suspended.<br><br>Arrangements were already in place providing the Chief Executive with emergency delegated powers in consultation with the Leader of the Council, Monitoring Officer and s151 Officer as appropriate. In accordance with the Local Government Transparency Code 2014, a formal notification record of officer decisions has been maintained to record decisions taken and ensure transparency. | Chief Executive | Implemented |
| **Elected Member meetings**<br><br>The Coronavirus Act 2020 enables all local authority meetings before 7 May 2021 to be held remotely and removed the requirement for the annual Council meeting in 2020. The Council has made arrangements for all its Boards and Committees to meet on a virtual basis for the foreseeable future.<br><br>From September 2020, the Council is to revert to the usual cycle of meetings. This will ensure that key executive decisions will be made by Elected Members, and that they will be subject to the formal scrutiny arrangements of the Council. This will replace the emergency arrangements that have been in place and restore the usual governance arrangements of the Council.<br><br>To support this process, Microsoft Teams is to be made available for Members and those officers who support the Boards and Committees from September. | Ian Leivesley – Strategic Director, Enterprise, Community & Resources | Implemented |

| Issue | Lead Officer | Timescale |
|---|---|---|
| **<u>COVID-19 Response</u>**<br><br>The Council has experienced significant organisational disruption as a result of COVID-19 with all Council services being affected. Business continuity arrangements have seen much of the workforce working from home and resources being redeployed to support essential frontline services.<br><br>Throughout the response period the Council has given priority to maintaining effective governance arrangements. Major incident response practices, developed for such situations, have been implemented and helped the Council to adapt, at pace, to new challenges and new responsibilities.<br><br>Through the Council's partnerships across Cheshire and the Liverpool City Region, and as part of the Cheshire Resilience Forum, the Council has worked to deliver a co-ordinated regional response. Working with local health partners, emergency services and the military, the Council has put in place robust local testing arrangements and established arrangements to prevent and manage local outbreaks.<br><br>The Council has prioritised supporting the most vulnerable in the community. Critical services have been maintained. Through the 'shielded hub' the Council has provided food, medicine and support. Accommodation has been secured for homeless individuals and families. The Council has worked with social care providers to look after people living in residential and nursing homes or in receipt of domiciliary care. Waste collection services have continued to run to normal timetables.<br><br>The Council has also been the conduit to deliver various Government schemes and provided advice to local businesses to help them survive and protect local jobs.<br><br>Recovery planning is now underway which will help to strengthen the Council's resilience and business continuity arrangements, and also inform and shape the way that services are delivered in the future. | Chief Executive | Ongoing |

| Issue | Lead Officer | Timescale |
|---|---|---|
| **2018-19 Audit of Accounts**<br><br>There has been a significant delay in the finalisation and external audit of the Council's 2018/19 statement of accounts. A number of issues have arisen during the audit process. In the main these centred on the valuation and accounting treatment for the Mersey Gateway bridge project, which is highly complex and unique in nature.<br><br>The recommendations set out in the 2018/19 Audit Findings report will be fully implemented. The Council will continue to work closely with the External Auditors to improve processes, communications and arrangements for preparing the financial statements for 2019/20 and beyond, to ensure they are prepared in accordance with the Code of Practice on Local Authority Accounting. | Operational Director, Finance | Ongoing |
| **Brexit**<br><br>The Council is closely monitoring the potential impact of Brexit on its activities. It has a separate risk register which is monitored by an internal group chaired by the Strategic Director – Enterprise, Community & Resources. The minutes of the meetings of that group are submitted to the Council's Management Team and the appropriate Portfolio Holder is kept briefed.<br><br>The Council takes an active role in the Cheshire Local Resilience Forum, which in turn responds to Government requirements and requests for update reports on potential impacts. | Strategic Director – Enterprise, Community & Resources | Ongoing |

# Certification

We have been advised on the implications of the review of the effectiveness of the governance framework by the Business Efficiency Board. The review provides good overall assurance that the Council's arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Specific opportunities to maintain or develop the Council's governance arrangements have been identified through this review. We pledge our commitment to addressing these issues over the coming year and we will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Halton Borough Council:

**David Parr - Chief Executive**

**Rob Polhill - Leader of the Council**

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|---|---|
| **REPORT TO:** | Business Efficiency Board |
| **DATE:** | 18 November 2020 |
| **REPORTING OFFICER:** | Strategic Director, Enterprise Community & Resources |
| **PORTFOLIO:** | Resources |
| **SUBJECT:** | Corporate Risk Register biannual update 2020/21 |
| **WARD(S)** | Borough-wide |

1.0 **PURPOSE OF THE REPORT**

1.1 To report on the biannual update of the Corporate Risk Register for 2020/21.

2.0 **RECOMMENDATION: That**

**1) the progress of actions is noted; and**

**2) the Board reviews the robustness of the Corporate Risk Register and the adequacy of the associated risk management arrangements.**

3.0 **SUPPORTING INFORMATION**

3.1 The report contains a progress commentary on the corporate risks for this year.

3.2 The Council recognises that it has a responsibility to manage both internal and external risks as a key component of good corporate governance.

3.3 Risk is defined as being the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies. Risk Management is defined as the process by which risks are identified, evaluated and controlled.

3.4 At Directorate level arrangements are in place for the high-risk mitigation measures on the Directorate Risk Registers to be reviewed and updated at mid-year in line with Directorate Business Plans. Progress on these is reported to Management Team and Policy and Performance Boards.

3.5 Together with consultation with internal stakeholders, Directorate Risk Registers are central to any reviews and updates of the Corporate Risk Register. This ensures that the council maximises its opportunities whilst minimising and controlling the associated risks in delivering the council's vision and services for Halton.

3.6 The Risk Control Measures have been reviewed and updated in line with current changes within the Authority and as proposed by managers and internal stakeholders.

3.7 The risks have been grouped in order and the scores relate to 'Unmitigated Risk Scores' and then to 'Mitigated Risk Scores'. As a result once the mitigation measures have been implemented, it reduces the scores and highlights the remaining 'Residual Risk Scores'.

3.8 In particular the risks have been reprioritised so that people, i.e. the community and staff, take priority. The headings and scores in order are:

i. Coronavirus (COVID-19) (25:20)

ii. European Union Exit (25:20)

iii. Delivery of Services to Vulnerable Adults (20:20)

iv. Safeguarding Children and Adults (25:16)

v. Health & Wellbeing (20:16)

vi. Education (20:16)

vii. Cyber Risk (25:20)

viii. Data Security (25:15)

ix. Capacity and Resilience (20:16)

x. Council Finances (25:20)

xi. Keeping Halton Community Safe (15:12)

xii. Changes to Government Arrangements (25:15)

xiii. Mersey Gateway (15:10)

xiv. Community Expectations (20:16)

xv. Partnerships (9:4)

xvi. Fraud (12:6) and

xvii. Funding and Income Generation (16:12) and (20:16)

4.0 **POLICY IMPLICATIONS**

4.1 To provide a framework through which effectively manages the actual and potential opportunities and threats that may affect the achievement of the Council's strategic priorities and operational objectives.

5.0 **FINANCIAL IMPLICATIONS**

5.1 There are no financial implications.

6.0 **IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

6.1 Corporate Effectiveness and Business Efficiency

7.0 **RISK ANALYSIS**

7.1 Failure to review and monitor the performance of the Corporate Risk Management could result in service development opportunities being lost and existing service delivery being compromised.

8.0 **EQUALITY AND DIVERSITY ISSUES**

8.1 Within the risk register there are a number of implications for Equality and Diversity issues, e.g. Budget Reductions and Capacity and Resilience.

9.0 **LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

9.1 None under the meaning of the Act.

# Corporate Risk Register

| | |
|---|---|
| Lead Strategic Director: | **Ian Leivesley** |
| Risk Management Coordinator: | **Lynn P Ramsden** |
| Initial Register Completion Date: | **November 2011** |
| Register Review Date: | **May 2020** |
| Progress update: | **September 2020** |

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## Coronavirus (COVID-19)

| Item | Identified risk | Impact *(Severity)* | Likelihood *(Probability)* | Unmitigated Risk Score (I x L) | Council Priority Area(s) |
|---|---|---|---|---|---|
| **1** | Worldwide Virus Outbreak<br><br>Reduced staffing levels beyond normal tolerance levels, across service areas, as a result of absence linked to COVID-19 (self-isolation and / or sickness absence)<br><br>Major impact on frontline services<br><br>Major impact on processing of monthly payroll for Council, schools and external clients | 5 | 5 | **25** | All |

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| Risk control measures | Residual score with measures implemented | | | Timescale / Review frequency | Lead Officer/s |
|---|---|---|---|---|---|
| | Impact *(Severity)* | Likelihood *(Probability)* | Mitigated Risk Score (I x L) | | |
| • The Local Authority to respond to the Covid-19 Major Emergency<br>• Response to arising issues on a daily basis | 5 | 4 | **20** | Daily/Weekly/ Monthly as situation evolves/rises/ | Chief Executive (David Parr) |

| | | | | | |
|---|---|---|---|---|---|
| • Dedicated 'Restricted' Coronavirus SharePoint area within the Local Authority's SharePoint, which is located via the Emergency Planning portal<br>• As part of the response Chief Executive leads on a weekly Managment Team Teleconference to assess risk, resilience and agree a work programme going forward as part of the response and recovery<br>• The authority takes part in a number of teleconferences led by Cheshire Resillience Forum, i.e. Strategic and Tactical Group Teleconferences<br>• To support the Strategic and Tactical response, a number of Covid-19 Hub Groups have been created and sit-reps are produced<br>• Local Authority Public Health take part in a number of health teleconferences.<br>• Information and actions generated from these teleconfereces are shared appropriately<br>• CRF Situation Reports are produced via the CRF to MHCLG<br>• Data and information is shared by key organisaitons and MHCLG to ensure the local authrotiy have the correct level of information to protect and support the community<br>• Failure to deliver quality services to vulnerable adults would negatively affect the health and wellbeing i.e. increasing complex care needs, ageing population, reduction in available funding, recruitment and provider failure<br>• A number of tested plans and procedures have been activated to respond and recover to this Major Incident<br>• Chief Executive\Strategic Directors\Senior Managmeent Team (Covid-19 Group, are updated on a regular basis<br>• Shielded Individuals Hub in place providing food supplies for vulnerable residents<br>• Personal Protective Equipment Hub (PPE) opened to provide the necessary equipment to enable relevant staff to continue providing vital services | | | | reduces | |

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|---|---|---|---|---|---|
| • A number of wellbeing resources made available to staff<br>• Implement government guidance and PHE direction across the workforce to minimise exposure to virus as far as is possible. This is designed to keep productivity at highest possible level<br>• Regular staff communications (corporate) issued to all staff to direct behaviours<br>• Regular briefings issued to schools<br>• Home working in place for employee's who can do so<br>• Where possible, accommodate home working where employees directed to self-isolate by a health professional / 111<br>• NHS Test, Trace and Isolate service in place / 119<br>• 'Reset'programme ongoing as government measures relaxed to ensure workplaces are safe for minimum numbers of staff to return<br>• Government guidance followed on the wider reopening of schools.<br>• Local Outbreak Plan and Local Outbreak Hub in place<br>• Implement actions in Business Continuity Plan, where staff levels fall below acceptable levels in priority service area to maintain service delivery | | | | | |

## EUROPEAN UNION EXIT

| Item | Identified risk | Impact *(Severity)* | Likelihood *(Probability)* | Unmitigated Risk Score (I x L) | Council Priority Area(s) |
|---|---|---|---|---|---|
| **2** | Local, sub-regional and nationwide identified and unidentified risks | 5 | 5 | **25** | All |

| Risk control measures | Residual score with measures implemented | | | Timescale / Review frequency | Lead Officer/s |
|---|---|---|---|---|---|
| | Impact *(Severity)* | Likelihood *(Probability)* | Mitigated Risk Score (I x L) | | |
| • Dedicated EU Exit working group dealing with arising issues on a monthly basis<br>• Dedicated EU Exit SharePoint area on Council Intranet holding all relevant information<br>• As part of Cheshire Resillience Forum, the Authority takes part in the Strategic Co-ordination Group Tele Conferences on a fortnightly basis<br>• Tactical Co-ordination Group teleconferences take place on a weekly basis | 5 | 4 | **20** | 6 monthly | Strategic Director Enterprise, Community & Resources (Ian Leivesley) |

| | | | | | |
|---|---|---|---|---|---|
| • Risk Assessments are submitted via the Cheshire Resillience Forum to MHCLG (Ministry of Housing, Communities and Local Government) on a weekly basis<br>• Chief Executive/Strategic Directors updated on a regular basis (where appropriate) i.e. Management Team | | | | | |

## DELIVERY OF SERVICES TO VULNERABLE ADULTS

| Item | Identified risk | Impact *(Severity)* | Likelihood *(Probability)* | Unmitigated Risk Score (I x L) | Council Priority Area(s) |
|---|---|---|---|---|---|
| **3** | Failure to deliver quality services to vulnerable adults could negatively affect their health and wellbeing i.e. increasing complex care needs, ageing population, reduction in available funding, recruitment and provider failure. Impact of COVID19 on service delivery | 5 | 5 | **25** | A Healthy Halton / A Safer Halton |

| Risk control measures | Residual score with measures implemented | | | Timescale / Review frequency | Lead Officer/s |
|---|---|---|---|---|---|
| | Impact *(Severity)* | Likelihood *(Probability)* | Mitigated Risk Score (I x L) | | |
| • Effectively allocating and using available finances and resources in the delivery of services<br>• Integration of Health and Social Care with a view to improving the outcomes for people using the services, such as joint commissioning arrangements for services, joint strategies, e.g. Carers Strategy and Autism Strategy, etc.<br>• Transformation of provider markets so that responsive and sustainable markets in adult social care can be developed and supported, e.g. Care Home Development project and Transforming Domiciliary Care | 4 | 5 | **20** | 6 monthly | Strategic Director - People (Milorad Vasic) |

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|---|---|---|---|---|---|
| • Delivery of prevention and early intervention to vulnerable adults through a range of services<br>• Effective use of alternative funding streams and community assets to provide services<br>• Joint approach with Health to ensure efficient quality assurance across all adult social care services<br>**COVID-19**<br>• Care home resilience plan in place focussing on effective infection prevention and control measures including accessing relevant PPE, support with staffing issues, etc.<br>• Development of a Winter Plan underway focussing on four main areas of preventing and controlling the spread of infection in care settings, collaboration across health and social care services, supporting people who receive social care, the workforce and carers and supporting the system. | | | | | |

**SAFEGUARDING CHILDREN AND ADULTS**

| Item | Identified risk | Impact *(Severity)* | Likelihood *(Probability)* | Unmitigated Risk Score (I x L) | Council Priority Area(s) |
|---|---|---|---|---|---|
| **4** | Failure to support and protect the safeguarding of children and adults could adversely impact on their health, safety and opportunity to reach their potential | 5 | 5 | **25** | A Healthy Halton / Employment, Learning and Skills / Children and Young People / A Safer Halton |

| Risk control measures | Residual score with measures implemented | | | Timescale / Review frequency | Lead Officer/s |
|---|---|---|---|---|---|
| | Impact *(Severity)* | Likelihood *(Probability)* | Mitigated Risk Score (I x L) | | |
| • Halton's Children's and Young People Safeguarding Partnership Board fully operational with appropriate resources and are operating within statutory guidance and towards identified priorities<br>• Representatives from the Children's and Adult's Safeguarding Boards to work in partnership through attending corresponding boards<br>• Children's and Adult's Safeguarding Board's to work with strategic groups within the Borough to ensure accountability and effectiveness of safeguarding<br>• Services regularly audit Children's and Adult's cases for quality and consistency of practices | 4 | 4 | **16** | 6 monthly | Strategic Director - People (Milorad Vasic) |

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|---|---|---|---|---|---|
| • Comprehensive suite of performance reports for Children's and Adults are reviewed at least monthly and compared with regional and national benchmarks<br>• Progress reports for Children's and Adults are taken to the Board and Members for their attention<br>• Improving the health and wellbeing of children and adults through early intervention and treatment services delivered in house and externally via a range of providers and partners<br>• Providing efficient safeguards to support vulnerable adults who lack capacity and require the support of the Deprivation of Liberty Safeguards and the Court of Protection<br>• Support local care home providers to drive up the quality of care within their homes to ensure positive outcomes for vulnerable adults<br>**COVID-19**<br>1. Visits to care homes restricted to essential only. Use of technology used to complete assessments including Skype, Facetime etc<br>2. Training sessions, Strategy and MDT Meetings completed by Skype, to mitigate the risk<br>3. Enhanced Care Home Model completed remotely with wider MDT, including GP's, LLAMS and social care<br>4. Section 12 Drs, Advocacy provided with a monthly meeting remotely to review processes and provide support to IASU team<br>5. The Government issued guidance for access to the court of protection<br>6. Advocacy have implemented interim measures regarding their approach during the Pandemic.<br>7. NW ADASS group continues to communicate to share learning, ideas and approaches to manage Safeguarding, DoLS and MCA related issues, with the restrictions that are currently in place | | | | | |

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| 8. Government guidance on how LA’s manage DoLS processes, including how to complete assessment | | | | | |

**HEALTH AND WELLBEING**

| Item | Identified risk | Impact[i] *(Severity)* | Likelihood *(Probability)* | Unmitigated Risk Score (I x L) | Council Priority Area(s) |
|---|---|---|---|---|---|
| **5** | Reduced capacity to sustain delivery of services that prevent harm, protect health and promote positive physical, mental and emotional health and wellbeing across the population of Halton.<br>Failure to engage with appropriate partners and agencies to respond with adequate safeguards and mitigate against current and potential harms to health and wellbeing. | 5 | 4 | **20** | A Healthy Halton / Environment and Regeneration / A Safer Halton / Children and Young People |

| Risk control measures | Residual score with measures implemented | | | Timescale / Review frequency | Lead Officer/s |
|---|---|---|---|---|---|
| | **Impact** *(Severity)* | **Likelihood** *(Probability)* | **Mitigated Risk Score** (I x L) | | |
| • Ensuring that the council adequately fulfils its requirement to protect and promote health within the population, including the appropriate delivery of mandated public health services<br><br>• Oversight of antibiotic stewardship through collaborative approaches to prevent and respond to Antimicrobial Resistance across all | 4 | 4 | **16** | 6 monthly | Director of Public Health (Eileen O'Meara) |

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|---|---|---|---|---|---|
| organisations and sectors: including the implementation of antimicrobial action plans<br><br>• Development and implementation of local, regional; and national pandemic response plans, to cover influenza and other mass population outbreak scenarios; including involvement in PHE and local LRF coordination and response structures<br><br>• Maintain and improving on trajectories to reduce risk of Health Care Associated Infections (eg MRSA, C. Difficile, CRE, E-Coli etc), including regular monitoring, oversight and assurance of providers, using relevant networks and commissioners<br><br>• Promote and improve uptake of all NHS prevention programmes including immunisation and screening and maintain effective oversight and scrutiny of appropriate NHS commissioner and providers.<br><br>• Ensure that appropriate public health engagement and advice is included in the development, maintenance and testing of emergency plans including, adverse weather (heatwave, cold weather and flooding), COMAH<br><br>• Systems are in place for the identifications and mitigation of environmental hazards and mitigation, including ongoing monitoring and assurance of air quality, monitoring of industrial processes, ability to respond to regulatory functions for food hygiene, health and safety. | | | | | |

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| • Ensure that the we engage with all local providers to maximise opportunity for Halton residents to enhance positive wellbeing opportunities, reduce emotional and mental ill health and seek appropriate support at times of crisis, including responding to, and preventing suicides.<br><br>**<u>COVID-19</u>**<br>• Public Health team established 'Halton Outbreak Support Team'<br>• Develop and maintain 'Outbreak' plans<br>• Following up of positive cases<br>• Contact tracing<br>• Outbreak mangement and response<br>• Consequence management<br>• Daily team sit rep meetings<br>• Receive and assess regular data and intelligence reports from systems and analyse to translate into local level data<br>• Fortnightly Health Protection Board meetings which include local organisations and system leaders<br>• Regular meetings across local, regional and national Association of Directors of Public Health, Public Health England, LRF and other relevant system meetings as required<br>• Public Health Team linked in with local, regional and national relevant test, track, trace system meetings | | | | | |

## EDUCATION

| Item | Identified risk | Impact (Severity) | Likelihood (Probability) | Unmitigated Risk Score (I x L) | Council Priority Area(s) |
|---|---|---|---|---|---|
| **6** | Risk of not providing a broad and balanced curriculum and a full educational offer to all children and young people<br>Risk of negatively impacting vulnerable and disadvantaged pupils disproportionately on their educational outcomes and wider lifelong opportunities | 5 | 4 | **20** | Children and Young People |

| Risk control measures | Residual score with measures implemented | | | Timescale / Review frequency | Lead Officer/s |
|---|---|---|---|---|---|
| | Impact (Severity) | Likelihood (Probability) | Mitigated Risk Score (I x L) | | |
| • Children and young people have access to National Tutor Programme<br>• Support for children and young peoples health and well being eg access to Cahms; educational psychology service; specialist teachers; school based mental health first aider etc<br>• All schools and educational provisions to have a trained mental health first aider; a trained SENDCO; pastoral lead and knowledge to signpost youth support services as required<br>• All schools and educational provisions work in close partnership with pupils, parents and carers and communicate regularly and sensitively | 4 | 4 | **16** | Termly or following any child/young person impacted by self-isolation from Covid case or outbreak | Strategic Director - People (Milorad Vasic) |

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|---|---|---|---|---|---|
| • Schools and educational provisions to engage in EEF programmes; NCETM or wider intervention strategies to support progress and attainment for children and young people<br><br>**COVID-19**<br>• Encourage pupils to return to school September 2020<br>• All schools and educational provisions to ensure children and young people are supported with return to school; smooth transition and PHSE<br>• All schools to have an 'Outbreak' plan to ensure access to remote/home/blended learning if a Covid case or outbreak were to occur<br>• Any impact of a positive covid case/outbreak or self-isolation reported to LA (Ann McIntyre/Jill Farrell) to ensure recovery plans are in place and access to remote learning is possible and of high quality<br>• Ensure children and young people have access to IT equipment/resources and opportunity to engage in remote/home/blended learning<br>• Children and young people have access to government funded catch up programmes<br>• Schools and educational provision identify gaps in learning; design a recovery curriculum appropriate to individual needs and hold high expectations and support for children and young people<br>• Schools and educational provisions to closely monitor the impact of catch up and intervention programmes on children and young peoples educational outcomes<br>• All schools and educational provisions to plan and use rigorous risk assessment processes to limit risk of transmission to large groups of children and young people<br>• Daily information briefings cascaded to schools Head teachers | | | | | |

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|---|---|---|---|---|---|
| • Weekly consultation meetings with Schools Trade Unions representatives<br>• Provision of PPE from Local Authority for schools with ongoing support as necessary<br>• Programme of COVID Secure spot check visits to school sites by Health & Safety Team | | | | | |

**CYBER RISK**

| Item | Identified risk | Impact (*Severity*) | Likelihood (*Probability*) | Unmitigated Risk Score (I x L) | Council Priority Area(s) |
|---|---|---|---|---|---|
| **7** | Risk of adverse business Impact as a result of the failure of key business systems brought about by cyber incidents | 5 | 5 | **25** | All |

| Risk control measures | Residual score with measures implemented | | | Timescale / Review frequency | Lead Officer/s |
|---|---|---|---|---|---|
| | Impact (*Severity*) | Likelihood (*Probability*) | Mitigated Risk Score (I x L) | | |
| • The Council adopts a range of activities to manage the risk of loss of services as a result of Cyber threats, which includes risk elimination, reduction, transfer and acceptance<br>• A dedicated service within ICT Services that has the responsibility of managing the cyber risk facing the Council<br>• Clear reporting lines to senior management allowing the risk to be managed<br>• Numerous Compliance regimes that provide the necessary assurance frameworks to demonstrate how the Council complies with industry standards<br>• Ongoing education and awareness programme for key staff | 5 | 4 | **20** | 6 monthly | All Strategic Directors |

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## DATA PROTECTION

| Item | Identified risk | Impact *(Severity)* | Likelihood *(Probability)* | Unmitigated Risk Score (I x L) | Council Priority Area(s) |
|---|---|---|---|---|---|
| **8** | Data Protection: Risk of breach of data caused by mishandling of personal datea by inadequate data handling and not adequately preventing and minimising security incidents, including ICT incidents, resulting in loss of data, unlawful sharing of data, reputational damage and significant financial penalties levied by the Information Commissioner's Office<br><br>Failure to comply with information governance requirements, eg Data Protection Act (General Data Protection Regulation); Freedom of Information Act | 5 | 5 | **25** | All |

| Risk control measures | Residual score with measures implemented | | | Timescale / Review frequency | Lead Officer/s |
|---|---|---|---|---|---|
| | Impact *(Severity)* | Likelihood *(Probability)* | Mitigated Risk Score (I x L) | | |
| • Policies and procedures for council staff including Data Protection<br>• Policy and Information Governance Handbook.<br>• Wide range of guidance about handling personal data available to council staff on the internal intranet site. | 5 | 3 | **15** | 6 monthly | All Strategic Directors |

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|---|---|---|---|---|---|
| • Mandatory training for council staff via E-Learning module<br>• Reporting to internal Information Governance Group, ICT Strategy Board and senior Management Team Reviews and internal audits.<br>• Privacy Impact Assessments for new technologies or where processing is likely to result in a high risk to individuals<br>• Contractor's compliance<br>• Management controls, including effective logging and tracking, complaints and appeals procedures<br>• Effective use of technology<br>• The model publication scheme approved by the Information Commissioner adopted. | | | | | |

## CAPACITY AND RESILIENCE

| Item | Identified risk | Impact *(Severity)* | Likelihood *(Probability)* | Unmitigated Risk Score (I x L) | Council Priority Area(s) |
|---|---|---|---|---|---|
| **9** | Reduced capacity to sustain the delivery of services and respond to emergency situations in line with Council Priorities. | 5 | 4 | **20** | Corporate Effectiveness and Efficiency |

| Risk control measures | Residual score with measures implemented | | | Timescale / Review frequency | Lead Officer/s |
|---|---|---|---|---|---|
| | Impact *(Severity)* | Likelihood *(Probability)* | Mitigated Risk Score (I x L) | | |
| • Maintaining a supportive working environment through shared service organisational ethos, pride and value across Members, staff, management, Unions and partners<br>• Focusing delivery of performance on the council's corporate vision and key strategic priorities leading to a clearly understood and shared set of priorities<br>• Emphasis on management and leadership standards with recognition of the challenges faced by the Authority leading to managers who are able to direct, inform, develop and support staff. This also enables a focus on succession planning<br>• Maintaining a workforce that are skilled, informed, flexible and competent in order to ensure that they deliver efficient and effective services | 4 | 4 | **16** | 6 monthly | All Strategic Directors |

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|---|---|---|---|---|---|
| • COVID-19, see section 1 | | | | | |

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**COUNCIL FINANCES**

| Item | Identified risk | Impact[ii] (*Severity*) | Likelihood (*Probability*) | Unmitigated Risk Score (I x L) | Council Priority Area(s) |
|---|---|---|---|---|---|
| **10** | A significant reduction in the Council's funding from Government grant and/or locally raised business rates/council tax, leads to an inability to deliver the Council's key service priorities, especially those services essential for the support of the most vulnerable members of the community.<br><u>Covid19</u><br>A significant shortfall in Government grant funding provided to meet Covid19 related costs, fees & charges/sales income losses, and ongoing reductions in council tax and business rates income. | 5 | 5 | **25** | Corporate Effectiveness and Efficiency |

| Risk control measures | Residual score with measures implemented | | | Timescale / Review frequency | Lead Officer/s |
|---|---|---|---|---|---|
| | **Impact** (*Severity*) | **Likelihood** (*Probability*) | **Mitigated Risk Score** (I x L) | | |
| • Financial Planning is undertaken to compare available financial resources with spending requirements over the medium term (3 years), resulting in preparation of the Medium Term Financial Strategy which allows overall budget gaps to be identified at an early stage and appropriate plans put in place to tackle them | 5 | 4 | **20** | 6 monthly | Strategic Director - Enterprise Community & Resources (Ian Leivesley) |

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|---|---|---|---|---|---|
| • Proposed developments regarding the future funding of Local Government nationally are monitored, to assess the potential impact for the Council and take account of this within the Medium Term Strategy. Responses have been submitted to the Government's consultations on "Fair Funding – a Review of Relative Needs and Resources" and "Business Rates Retention Reform" both individually and jointly with the LCR councils and Sigoma. The Government have confirmed that the Spending Review has been deferred until 2020, which will be closely monitored to assess the impact for Halton.<br>• Effective Business Planning to ensure that appropriate resources are directed towards the Councils key strategic priorities<br>• Budget setting is aligned to the annual Business Planning Cycle in order to ensure that the value of financial resources are maximised<br>• Budget Risk Register works in conjunction with the Budget Setting Cycle to ensure that emerging budget risks are identified together with relevant mitigating measures<br>• Exploring the potential for collaboration, shared services and partnership working with neighbouring Local Authorities<br>• Continue to respond to new challenges to maintain current performance<br>Covid19<br>• Covid19 related costs are being separately identified within the Agresso system as far as possible and along with estimated income losses are being reported monthly to MHCLG.<br>• Covid19 related costs and income losses are being closely monitored and will be reported regularly to Management Team and Executive Board. | | | | | |

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|---|---|---|---|---|---|
| • A review of the 2020/21 Council budget will be undertaken in order to assess the impact of Covid19 upon the existing budget, in light of the level of Covid19 funding provided by Government. The outcome of this review will identify any funding gaps which will require action such as spending reductions, use of reserves etc.<br>• The 2021-2024 Medium Term Financial Strategy will be reviewed to assess the likely impact of Covid19 upon the Council's forecast spending requirements and funding resources over the next three years. In particular, the impact of the expected economic recession upon council tax and business rates income will be modelled, as well as ongoing spending pressures and levels of Government funding. This will provide the framework for preparing future years' annual budgets and anticipating potential budget funding gaps. | | | | | |

**KEEPING HALTON COMMUNITY SAFE**

| Item | Identified risk | Impact[iii] *(Severity)* | Likelihood *(Probability)* | Unmitigated Risk Score (I x L) | Council Priority Area(s) |
|---|---|---|---|---|---|
| **11** | A failure to monitor and appropriately manage the risks created by global, national and local events, and how these might impact on local community tensions, could potentially lead to a threat to security and have an adverse effect on the stability of Halton's communities. | 5 | 3 | **15** | A Healthy Halton / Environment and Regeneration / A Safer Halton |

| Risk control measures | Residual score with measures implemented | | | Timescale / Review frequency | Lead Officer/s |
|---|---|---|---|---|---|
| | Impact *(Severity)* | Likelihood *(Probability)* | Mitigated Risk Score (I x L) | | |
| • The Safer Halton Partnership (SHP) involves joint working, clear communications and information sharing across various partner agencies, including emergency services. The SHP works to ensure that there is community cohesion with safe and secure neighbourhood environments<br>• Multi agency Community Safety team that addresses anti-social behaviour and crime thus supporting the SHP agenda | 4 | 3 | **12** | 6 monthly | Chief Executive (David Parr) |

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|---|---|---|---|---|---|
| • The Channel Panel is a multi-agency group which provides support for those who are vulnerable to be drawn into terrorism through a programme of early intervention and diversion<br>• Emergency Planning team have developed and tested Multi-Agency Response plans in place for all risks within the borough<br>• To respond to 'Major Accident' cloudburst incidents at Upper Tier COMAH sites; Emergency Planning Team have tested and validated Emergency COMAH Plans for all 9 sites<br>• Emergency Planning Team work in partnership with the Cheshire Resilience Forum to provide an integrated approach for dealing with emergencies across Cheshire<br>• Emergency Planning Team work with cross border organisations/agencies within Merseyside and the Liverpool City Region regarding cross border risks and resilience planning<br>• Critical Incident Management procedures, including 'lockdown', have been developed, communicated and tested for Council buildings and schools<br>• Security surveys conducted for main council buildings and schools<br>• COVID-19, see section 1 | | | | | |

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## CHANGES TO GOVERNMENT ARRANGEMENTS

| Item | Identified risk | Impact (*Severity*) | Likelihood (*Probability*) | Unmitigated Risk Score (I x L) | Council Priority Area(s) |
|---|---|---|---|---|---|
| **12** | Changes to Government arrangements and other public sector organisations could potentially lead to a deterioration of local services | 5 | 5 | **25** | A Healthy Halton / Employment, learning and skills / Children and Young People / A Safer Halton / Corporate effectiveness and business efficiency |

| Risk control measures | Residual score with measures implemented | | | Timescale / Review frequency | Lead Officer/s |
|---|---|---|---|---|---|
| | Impact (*Severity*) | Likelihood (*Probability*) | Mitigated Risk Score (I x L) | | |
| • Ensuring that both Members and officers from the Council plays an active role in the Combined Authority for the Liverpool City Region<br>• Through 'One Halton' work the Authority is ensuring a smooth interaction between Health and Halton colleagues | 5 | 3 | **15** | 6 monthly | Chief Executive (David Parr) |

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**MERSEY GATEWAY**

| Item | Identified risk | Impact (*Severity*) | Likelihood (*Probability*) | Unmitigated Risk Score (I x L) | Council Priority Area(s) |
|---|---|---|---|---|---|
| **13** | Lack of effective management of and adherence to governance arrangements / contractual requirements or disrupted journeys could lead to increased project costs. In addition these could also lead to adverse publicity and reputational risks to the Council | 5 | 3 | **15** | Environment and Regeneration / Employment, Learning and Skills |

| Risk control measures | Residual score with measures implemented | | | Timescale / Review frequency | Lead Officer/s |
|---|---|---|---|---|---|
| | Impact (*Severity*) | Likelihood (*Probability*) | Mitigated Risk Score (I x L) | | |
| <u>Demand Management Participation Agreement (DMPA)</u><br>• Base line is realistic and achievable<br>• Agreed contract is designed to incentivise an increase in volumes of traffic<br>• Mersey Gateway Crossings Board has a role in managing the DMPA<br>• Effective publicity around speed and reliability of bridge<br><br><u>Tolling Risk</u><br>• In order to mitigate the risk of the project not delivering sufficient toll revenue each year to meet project costs, a liquidity reserve of £19m | 5 | 2 | **10** | 6 monthly | Strategic Director - Enterprise Community & Resources (Ian Leivesley) |

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| has been established jointly by the Department for Transport and Halton Borough Council (through borrowing funded from future toll revenues). If necessary the reserve will be topped-up periodically by undertaking further borrowing.<br><br><u>Conclusion of Construction Phase to Subsequent Operating Phase</u><br>• Dedicated company (Mersey Gateway Crossings Board Ltd) now established, with suitably experienced staff and directors, both Executive and Non-executive, and supported by class leading professional advisers. The relationship between Council and MGCB is detailed within a Governance Agreement<br>• Routine project assurance monitored through external bodies including specialist non-executive directors and advisers on the Board of Directors of MGCB, external Gateway Reviews (4Ps) Department for Transport and HM Treasury scrutiny at specific project milestones<br>• Delivery within the Funding Framework agreed with Government that is reviewed at regular intervals and managed through the Mersey Gateway Crossings Board's Risk Register, which is reviewed regularly by both the Audit Committee and the Board of Directors<br>• Maintenance of effective relationships with Government Departments (as co funders for MG) maintained by both Department for Transport and HM Treasury being represented on the Board of Directors of MGCB | | | | | |

## COMMUNITY EXPECTATIONS

| Item | Identified risk | Impact (*Severity*) | Likelihood (*Probability*) | Unmitigated Risk Score (I x L) | Council Priority Area(s) |
|---|---|---|---|---|---|
| **14** | Failure to effectively realise community expectations could lead to damage to the Authorities reputation and credibility resulting in negative views towards the transparency of the decision making process | 5 | 4 | **20** | Corporate Effectiveness and Efficiency |

| Risk control measures | Residual score with measures implemented | | | Timescale / Review frequency | Lead Officer/s |
|---|---|---|---|---|---|
| | Impact (*Severity*) | Likelihood (*Probability*) | Mitigated Risk Score (I x L) | | |
| • Consultation and community engagement embedded in the Council's constitution (local code of corporate governance)<br>• Utilising recognised mediums to identify, communicate and coordinate community expectations and priorities. These include:<br>Surveys;<br>Customer analysis;<br>On line services;<br>Local and social media;<br>Target consultation exercises for specific projects;<br>Service user groups;<br>Elected member surgeries; and | 4 | 4 | **16** | 6 monthly | All Strategic Directors |

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|---|---|---|---|---|---|
| Other meetings<br>• Conducting Equality Impact Assessments with new and revised Policies<br>• Honesty and integrity by the Authority in communicating with the public having regard to reducing budgets including promoting a self-help agenda<br>• Any decisions to cease or amend service provision that has a significant impact on communities; early warning of intended actions through direct engagement with relevant communities to invite views<br>• Continue to respond to new challenges to maintain current performance<br>• COVID-19, Residents, partners, members, MP and staff kept informed via various platforms<br>1. Specific area on [www.halton.gov.uk](http://www.halton.gov.uk) set up to highlight changes to services and information available to support the community<br>2. Press releases issued to local broadcast and newspaper media<br>3. Council's social media accounts used to cascade details quickly – in the first six weeks there were 1.92m social media impressions and nearly 500,000 visits to website<br>4. For persons who did not have access to the internet or do not use the internet regularly to access information, a special issue of Inside Halton produced and hand delivered to over 35k homes. | | | | | |

**PARTNERSHIPS**

| Item | Identified risk | Impact *(Severity)* | Likelihood *(Probability)* | Unmitigated Risk Score (I x L) | Council Priority Area(s) |
|---|---|---|---|---|---|
| **15** | Ineffective and poorly governed partnerships with statutory and non-statutory organisations will lead to a lack of accountability and ineffective use of resources resulting in a failure to meet the needs of and improve outcomes for local communities. | 3 | 3 | **9** | A Healthy Halton / Employment Learning and Skills / Children and Young People / A Safer Halton / Environment and Regeneration |

| Risk control measures | Residual score with measures implemented | | | Timescale / Review frequency | Lead Officer/s |
|---|---|---|---|---|---|
| | Impact *(Severity)* | Likelihood *(Probability)* | Mitigated Risk Score (I x L) | | |
| • Having efficient and effective arrangements with external partners through a shared strategic vision and action plans enables and influences partners to deliver at local levels<br>• Maintaining financial probity with the pooled budgets, as appropriate, with partners through effective governance arrangements<br>• Engagement with communities and partners on service priorities in order to identify and design alternative forms of delivery, as appropriate, maximising opportunities for joint working<br>• Collaborating with partners to identify and address community issues<br>• COVID-19, Stakeholders and Partners have a responsibility to have effective and well developed relationships which will enable a swift and effect | 2 | 2 | **4** | 6 monthly | Chief Executive (David Parr) |

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| responsive for Halton residents. These responsibilities are detailed in the council's emergency plans and local outbreak plans. | | | | | |

**FRAUD**

| Item | Identified risk | Impact *(Severity)* | Likelihood *(Probability)* | Unmitigated Risk Score (I x L) | Council Priority Area(s) |
|---|---|---|---|---|---|
| **16** | Inadequate control systems lead to an increase in fraud and financial loss | 4 | 3 | **12** | Corporate Effectiveness and Efficiency |

| Risk control measures | Residual score with measures implemented | | | Timescale / Review frequency | Lead Officer/s |
|---|---|---|---|---|---|
| | Impact *(Severity)* | Likelihood *(Probability)* | Mitigated Risk Score (I x L) | | |
| The Business Efficiency Board monitors and reviews the adequacy of the Council's anti-fraud and corruption policies and arrangements. These arrangements include:<br>• Maintenance of an effective system of internal control<br>• Rigorous pre-employment checks of new employees<br>• Officers' Code of Conduct<br>• Members' Code of Conduct<br>• Gifts and Hospitality Policy<br>• Registration of Interests<br>• Local Code of Corporate Governance<br>• Whistleblowing arrangements<br>• Finance Standing Orders | 3 | 2 | **6** | 6 monthly | Strategic Director – Enterprise, Community & Resources (Ian Leivesley) |

- Procurement Standing Orders
- Anti-Fraud, Bribery & Corruption Strategy
- Fraud Response Plan
- Fraud Sanction and Prosecution Policy
- Anti-Facilitation of Tax Evasion Policy
- Fraud and bribery awareness training
- A continuous internal audit of the Council's systems and services
- A corporate fraud investigation team, which receives fraud referrals, investigates allegations, recovers losses and sanctions fraudsters
- Crime insurance policy to indemnify the Council against significant financial loss resulting from fraud
- Participation in the National Fraud Initiative
- Fraud awareness campaigns encouraging members of the public and employees to raise any concerns about fraud and corruption
- Collaboration with other local authorities and sharing of best practice in regard to tackling fraud and corruption
- Formal arrangements with the DWP to participate in joint criminal fraud investigations relating to the Council Tax Reduction Scheme (CTRS) and social security benefit fraud
- Membership of the National Anti-Fraud Network (NAFN), which is the largest shared service in the country and provides data, intelligence and best practice in support of fraud and investigation work

## FUNDING AND INCOME GENERATION

| Item | Identified risk | Impact (*Severity*) | Likelihood (*Probability*) | Unmitigated Risk Score (I x L) | Council Priority Area(s) |
|---|---|---|---|---|---|
| **17** | Failure to maximise and identify funding opportunities in light of government cuts resulting in a potential challenge of the Councils capacity to delivery its priorities | 4 | 4 | **16** | A Healthy Halton / Employment, Learning and Skills / Children and Young People / A Safer Halton |

| Risk control measures | Residual score with measures implemented | | | Timescale / Review frequency | Lead Officer/s |
|---|---|---|---|---|---|
| | Impact (*Severity*) | Likelihood (*Probability*) | Mitigated Risk Score (I x L) | | |
| • Continuing to identify funding streams and income generating options through horizon scanning, alternative untapped funding opportunities and shared partnerships with 3rd sector, private sector, and other public sector bodies<br>• During the budget setting process Directorates identify and prioritise funding requirements biannually including ensuring that there are systems to capture and report when funding comes to an end<br>• Corporate External Funding Team reports to Executive Board and Management Team to highlight services the Team can offer and meets with Departments to identify funding requirements; regularly signposts Council services to specific funding streams | 3 | 4 | **12** | 6 monthly | All Strategic Directors |

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|---|---|---|---|---|---|
| • Commercially focussed through establishing trading and income generation possibilities in order to protect and effectively use funds; pilot Charging Policy for bid-writing introduced September 2018 for 12 months<br>• Continue to work with colleagues to improve the methods of dissemination and ensure prioritisation of/submission to relevant funding streams | | | | | |

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**FUNDING AND INCOME GENERATION**

| Item | Identified risk | Impact (*Severity*) | Likelihood (*Probability*) | Unmitigated Risk Score (I x L) | Council Priority Area(s) |
|---|---|---|---|---|---|

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|---|---|---|---|---|---|
| **17.1** | Uncertainty surrounding transition arrangements in respect of European Funding<br><br>Lack of certainty regarding the length of European Programmes and Successor Funding through the 'Transformation and Prosperity Fund' | 4 | 5 | **20** | A Healthy Halton / Employment, Learning and Skills / Children and Young People / A Safer Halton |

| **Risk control measures** | **Residual score with measures implemented** | | | **Timescale / Review frequency** | **Lead Officer/s** |
|---|---|---|---|---|---|
| | **Impact** (*Severity*) | **Likelihood** *(Probability)* | **Mitigated Risk Score** (I x L) | | |
| • Work with Combined Authority to lobby Central Government for a fair and proper allocation of the 'Shared Properity Fund'. | 4 | 4 | **16** | 6 monthly | All Strategic Directors |

## Version Control Record

| Version | Date Created | Date of Amendment: | Nature of Amendment | Date of Next Review: |
|---|---|---|---|---|
| 1.0 | 13.10.11 | | | |
| 1.1 | | 28.8.12 | Progress Commentary | |
| 2.0 | | 13.3.13 | Reviewed and updated | 13.10.13 |
| 2.1 | | 20.9.13 | Progress Commentary | |
| 3.0 | | 31.3.14 | Reviewed and updated in line with the Corporate Peer Challenge and the revised Business Planning Process and associated guidance notes | 13.10.14 |
| 3.1 | | 15.9.14 | Progress Commentary | |
| 4.0 | | 10.4.15 | Reviewed and updated | 12.10.15 |
| 4.1 | | 10.9.15 | Progress Commentary | |
| 5.0 | | 01.4.16 | Reviewed and updated | 01.4.17 |
| 5.1 | | 10.9.16 | Progress Commentary | |
| 6.0 | | 01.04.17 | Reviewed and updated | 01.9.17 |

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|---|---|---|---|---|
| **6.1** | | **10.09.17** | **Progress Commentary** | |
| **7.0** | | **01.04.18** | **Reviewed and updated** | **01.9.18** |
| **7.1** | | **01.09.18** | **Progress Commentary** | |
| **8.0** | | **01.04.19** | **Reviewed and updated** | **01.09.19** |
| **8.1** | | **01.09.19** | **Progress Commentary** | |
| **9.0** | | **01.05.20** | **Reviewed and updated** | **01.5.20** |
| **9.1** | | **01.09.20** | **Progress Commentary** | |

**Scoring Mechanism**

Once the business risks are identified and analysed they are scored by multiplying the impact and likelihood. They will then establish a final score (or significance rating) for that risk:

| IMPACT | | | | | | |
|---|---|---|---|---|---|---|
| | HI | 5 | 10 | 15 | 20 | 25 |
| | S | 4 | 8 | 12 | 16 | 20 |
| | M | 3 | 6 | 9 | 12 | 15 |
| | L | 2 | 4 | 6 | 8 | 10 |
| | IM | 1 | 2 | 3 | 4 | 5 |
| | | H IMPROB | IMPROB | POSS | PROB | H PROB |
| | | | | | | |

LIKELIHOOD

Those that have been placed in the red boxes are the primary or Top Risks followed by lower risks leading to improbable risks.

Measures to control the risks are identified from the following options;

1. Reducing the likelihood; or
2. Reducing the impact; or
3. Changing the consequences of the risks by,
    - Avoidance
    - Reduction
    - Retention
    - Transference; or
4. Devising Contingencies, i.e. Business Continuity Planning

The risks are scored again to establish the effects the measures have once implemented on reducing the risks and identify a score rating for residual risks.

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