



**STATEMENT OF ACCOUNTS**  
**2019/20**

|   | <b>Page</b> |
|---|-------------|
| <b>Contents</b>   |             |
| <b>Narrative Report by the Operation Director – Finance</b> | <b>1</b>    |
| <b>Core Financial Statements</b>                            |             |
| Comprehensive Income and Expenditure Statement              | 19          |
| Balance Sheet   | 21          |
| Movement in Reserves Statement                              | 22          |
| Cash Flow Statement   | 23          |
| <b>Notes to the Core Financial Statements</b>               |             |
| 1. Expenditure and Funding Analysis                         | 24          |
| 2. Expenditure and Income Analysed by Nature                | 31          |
| 3. Other Operating Expenditure                              | 31          |
| 4. Financing and Investment Income and Expenditure          | 32          |
| 5. Taxation and Non Specific Grant Income                   | 32          |
| 6. Material Items of Income and Expenditure                 | 32          |
| 7. Grant Income   | 33          |
| 8. Disclosure of Deployment of Dedicated Schools Grant      | 35          |
| 9. Pooled Budgets   | 36          |
| 10. Officers Remuneration                                   | 38          |
| 11. Exit Packages and Termination Benefits                  | 41          |
| 12. Member Allowances                                       | 42          |
| 13. Related Party Transactions                              | 42          |
| 14. External Audit Fees                                     | 45          |
| 15. Events After the Balance Sheet Date                     | 45          |
| 16. Capital Expenditure and Financing                       | 46          |
| 17. Non-Current Assets, Property, Plant and Equipment       | 48          |
| 18. Heritage Assets   | 53          |
| 19. Investment Properties                                   | 54          |
| 20. Intangible Assets                                       | 55          |
| 21. Assets Held for Sale                                    | 56          |
| 22. Investments   | 56          |
| 23. Debtors   | 59          |
| 24. Cash & Cash Equivalents                                 | 60          |
| 25. Creditors   | 60          |
| 26. Borrowings  | 61          |
| 27. Provisions  | 62          |
| 28. Contingent Liabilities                                  | 62          |
| 29. Other Long Term Liabilities                             | 63          |

|  |     |
|--|-----|
| 30. Leases   | 64  |
| 31. Private Finance Initiatives and Similar Schemes                            | 65  |
| 32. Pension Schemes  | 68  |
| 33. Financial Instruments  | 76  |
| 34. Adjustments between Accounting Basis and Funding Basis<br>under regulation | 86  |
| 35. Usable Reserves  | 89  |
| 36. Transfers to/from Earmarked Reserves                                       | 91  |
| 37. Unusable Reserves  | 93  |
| 38. Cash Flow Statement – Operating Activities                                 | 102 |
| 39. Cash Flow Statement – Investing Activities                                 | 103 |
| 40. Cash Flow Statement – Financing Activities                                 | 103 |
| 41. Interest in Companies and Other Entities                                   | 105 |

### **Supplementary Financial Statements**

|                               |     |
|-------------------------------|-----|
| Collection Fund               | 107 |
| Collection Fund Statement     | 108 |
| Collection Fund Balance Sheet | 109 |
| Notes to the Collection Fund  | 110 |

### **Other**

|   |     |
|---|-----|
| Statement of Responsibilities for the Statement of Accounts | 112 |
| Statement of Accounting Policies                            | 113 |
| Glossary  | 136 |



# Narrative Report by Operational Director - Finance

## Introduction

The aim of this narrative is to provide an understandable guide to the Council's 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 2020. 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 2019/20.

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 2019/20 (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 2020 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.

#### **Other Statements / Financial Reports**

- **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 2019/20 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.

- **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, whose 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 2019/20. 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.

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 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 2020 lost £27.5m (19.7%) in funding or the equivalent of £218.25 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, exacerbated by the impact of Covid (detailed further within the report).

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 10.2% or 3,259 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. Between 2014 and 2018 employment has increased by 15.28% and the number of businesses has increased by 15.49% over the same period. Over the past 6 years the Council has benefitted from growth to gross business rates, increasing by 9.4% since 2014/15.

### **Financial Performance 2019/20**

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 and Top-Up Funding. 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 06 March 2019 Council set a 2019/20 revenue budget of £108.6m. At the same time Council approved a council tax requirement for the year of £49.6m, setting the Band D rate at £1,419.08 (excluding preceptors).

There was a continued reduction to the Councils Settlement Funding Assessment for 2019/20 of £1.7m (3.2%). Government did announce some additional funding of £0.6m for Adult Social Care Winter Care Pressures and £1.1m for wider social care. Whilst welcome the increased



funding struggles to keep up with user demand from Children's & Adult Social Care. 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 monitors the spend position on operational activities on a quarterly basis, forecasting an overspend against budget in the region of £5.1m to £6.8m during the course of the year. 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 2019/20 being £113.9m, £5.3m above the budget for the year (compared to £2.4m above budget in the previous year).

Funding of the overspend position was covered by £4.3m of the Council's Business Rate Retention Reserve with the balance funded from the General Reserve. As at 31 March 2020 the balance of the General Reserve stands at £4.002m.

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 2020 total £105.6m an increase of £23.8m from the same point in 2019, £81.7m.

Included within the Earmarked Reserves is grant provided by Department for Transport to assist in the running costs of Mersey Gateway, this reserve at 31 March 2020 totalled £58.3m. Excluding this grant income, the balance of earmarked reserves is £47.3m (£37.4m on 31 March 2019). Note that this grant income is ring-fenced for spend on the Mersey Gateway only, and cannot be utilised by the Council for any other purpose.

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.

|   | <b>2019/20<br/>Original<br/>Budget<br/>£000</b> | <b>2019/20<br/>Actual<br/>£000</b> |
|---|---|------------------------------------|
| Net Expenditure   | 108,621   | 113,917                            |
| Parish Precepts   | 118   | 118                                |
| <b>Total</b>  | <b>108,739</b>                                  | <b>114,035</b>                     |
| Financed by Local Taxpayers – Council Tax               | (49,715)  | (49,715)                           |
| Financed by Local Taxpayers – Business Rates            | (51,007)  | (51,007)                           |
| Financed by Local Taxpayers – Collection Fund Surplus   | (3,121)   | (3,121)                            |
| Financed by Top-Up Funding                              | (4,896)   | (4,896)                            |
| <b>(Surplus)/Deficit for Year</b>                       | <b>-</b>  | <b>5,296</b>                       |
| <b>General Fund Balance Brought Forward</b>             | <b>(4,999)</b>                                  | <b>(4,998)</b>                     |
| <b>Transfer from Earmarked Reserves to General Fund</b> | <b>-</b>  | <b>(4,300)</b>                     |
| <b>General Fund Balance Carried Forward</b>             | <b>(4,999)</b>                                  | <b>(4,002)</b>                     |

The largest pressure on the budget during the year again related to children’s social care costs. The departmental outturn position reported an overspend against budget of £4.3m. The key pressure on the budget being out of borough residential placements. The Council has sought to put processes in place to identify those children who may be able to step down from residential care into foster care, which will therefore reduce these numbers and costs. However, this will be an ongoing and lengthy process due to the complexities of the cases and there is no certainty that there will be any suitable young people identified.

Other initiatives to reduce costs are focused around the fostering service. In-house foster carers are utilised wherever possible and the Council is part of a collaborative fostering service with Cheshire West and Chester, Cheshire East and Warrington Councils. Every effort is being made to recruit new foster carers, the number of in-house carers has increased significantly over the past year and the number of those children placed within in-house foster placements have increased from 110 at the start of the financial year to 132 in March 2020. Incentives to help recruit and retain foster carers have also been implemented in 2019/20, for example, discretionary council tax relief. These measures continue to have a positive impact on recruitment and retention and have reduced the reliance on independent fostering placements being sought at a much higher cost.

The Community & Environment Department net spend position was £25.2m, £1.2m over the allocated budget. The main pressure area was 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. However, 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). Demand for Community Care has increased over the past year:

- The average number of HBC funded clients receiving a Direct Payment (DP) has increased by 7% (472 to 505) from 2018/19 to 2019/20. The average cost of a DP package is currently £369 per week compared to £318 in April 2019, an increase of 16%.
- The average number of HBC funded residential placements has increased by 2.3% from 2018/19 to 2019/20. The average weekly cost of a residential care package is currently £573 compared to £541 in April 2019 an increase of 6% in line with increases to providers.
- The average total number of clients in receipt of a home care package, funded by social care, has reduced by over 4% from 2018/19 to 2019/20. The cost of an average package of care has increased by 7% from April 2019 to March 2020.

The Council has acquired four older people residential care homes over the past two years. This has been done to ensure there continues to be availability of places in a fragile market. Initial costs involved in the running of the homes including refurbishment, property maintenance and staffing have been significant between April 2019 and March 2020. It is envisaged the cost base will start to reduce as homes become more established.

It is clear that a longer term solution to funding the cost of Social Care and the ageing population is required nationally. One off additional funding provided by Government provides some form of protection but at the same continues to create funding certainty. Without more of a long term focus from Government on providing funding to keep pace with increasing demand it represents a significant finance risk for the Council over the medium term.

Redundancy costs incurred during the year totalled £0.5m (2018/19 - £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 2020 total £4.5m (£4.6m 31 March 2019). In addition, £0.1m (£0.3m 31 March 2019) of unspent schools related funding is held centrally and will carry forward into 2020/21.

## **Comprehensive Income & Expenditure Statement**

Whilst the General Fund shows a net deficit for the year of £5.3m (before transfers from earmarked reserves), the accounting position presented in the Comprehensive Income & Expenditure Statement (CIES) shows a surplus for the year of £161.6m. 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 increased 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 surplus 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 surplus for 2019/20 on the Comprehensive Income & Expenditure Statement. Included below the table are supporting notes to the amounts within the table.

|   | <b>2019/20<br/>£000</b> |
|---|-------------------------|
| <b>General Fund Overspend</b>   | <b>5,296</b>            |
| <b>Transfer from Earmarked Reserves</b>   | <b>(4,300)</b>          |
| <b>Accounting Adjustments Provision of Services:</b>                                      |                         |
| Adjustment for Capital Purposes   |                         |
| - Depreciation, Impairment and Revaluation Losses of Non-Current Assets                   | 37,052                  |
| - Capital Grant Income  | (24,792)                |
| - Revenue Expenditure Funded from Capital   | 3,676                   |
| - Loss on De-Recognition of Non-Current Assets  | 2,783                   |
| - Minimum Revenue Provision   | (8,670)                 |
| - Other Capital Adjustments   | (1,947)                 |
| Pension Adjustments   | 18,622                  |
| Movement in Reserves  | (23,844)                |
| Other Differences   | 2,112                   |
| <b>Deficit on the Provision of Services</b>   | <b>5,988</b>            |
| <b>Accounting Adjustments Other:</b>  |                         |
| Surplus on Revaluation of PP&E  | (53,713)                |
| Gain on Pension Asset   | 10,266                  |
| Gain on Pension Assumptions (Demographic, Financial and Other)                            | (125,350)               |
| Revaluation of Financial Assets Measured at Fair Value Through Other Comprehensive Income | (585)                   |
| <b>Total Comprehensive Income &amp; Expenditure</b>                                       | <b>(163,394)</b>        |

- **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 and Financial Instruments – Transfer of Non-Current Assets, largely relating to Ditton Primary School transferring to academy status from during the year and Includes the de-recognition on closure of Halton Borough Transport.
- 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.
- **Loss on Pension Assets / Gain on Pension Adjustments** – Information on these adjustments is included within the Pension Liability heading as part of the narrative report.
- **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 2020 unused capital receipts were £5.6m, and the balance on the capital reserve was £1.9m. A significant percentage of the capital receipts are earmarked for future capital projects, the forecast level of receipts as at 31 March 2022 is £6.9m

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

On 04 March 2020, Council approved the 2020/21 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 Council's Asset Management Working Group meet on a quarterly basis to plan and develop the Council's Asset Management Plan

## Capital Expenditure

The Council spent £43.3m on capital schemes (excluding finance leases) in 2019/20 compared with planned expenditure of £45.6m. Major elements of spend on the capital programme included; £11.2m on the Runcorn Station Quarter project including highways infrastructure works, £4.2m on bridge and highway maintenance, £3.0m on major works for the Silver Jubilee Bridge and £2.4m improving school grounds and buildings across the Borough.

The approved budget and outturn capital position together with the various sources of funding is as follows:

|   | <b>2019/20<br/>Budget<br/>£000</b> | <b>2019/20<br/>Actual<br/>£000</b> | <b>2019/20<br/>Variance<br/>£000</b> |
|---|------------------------------------|------------------------------------|--------------------------------------|
| <b>Expenditure:</b>                             |                                    |                                    |                                      |
| Schools Related                                 | 2,363                              | 1,247                              | 1,116                                |
| People Directorate                              | 5,060                              | 4,148                              | 912                                  |
| Enterprise, Community and Resources Directorate | 38,161                             | 37,946                             | 215                                  |
| <b>Total Expenditure</b>                        | <b>45,584</b>                      | <b>43,341</b>                      | <b>2,243</b>                         |
| <b>Funded By:</b>                               |                                    |                                    |                                      |
| Borrowing                                       | (22,547)                           | (13,093)                           | (9,454)                              |
| Capital Receipts                                | (4,567)                            | (3,083)                            | (1,484)                              |
| Revenue   | (525)                              | (211)                              | (314)                                |
| Grants and Other Contributions                  | (17,945)                           | (26,954)                           | 9,009                                |
| <b>Total Funding</b>                            | <b>(45,584)</b>                    | <b>(43,341)</b>                    | <b>(2,243)</b>                       |

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 2020 the Council has defined pension net liabilities of £65.4m, this is a decrease of £96.5m to the net liabilities of £161.9m from 31 March 2019. Scheme obligations have reduced by £97.5m over the course of the past year, notably as a result of remeasurement of financial and demographic assumptions. There has been a decrease of £1.0m to the scheme assets attributable to interest returns and decrease 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. For the triennial period 2020-2023 the Council have taken similar steps to pay the past service deficit as a lump sum to create a further cash saving.

### **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 2020/21 was approved by Council on 04 March 2020. 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 2020 long term borrowing totalled £172m, well within the authorised borrowing limit of £240m. 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 £22.9m (£18.0m in 2018/19), and short term deposits (up to 1 year) totalling £65.4m (£60.2m in 2018/19). Deposits over 12 months have remained at £17.0m (£17.0m in 2018/19).

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 2020 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 2020 is a surplus position of £2.2m compared to a surplus position of £5.0m from the previous year. The balance is inclusive of £3.5m surplus being shared during 2019/20 between the Council and major preceptors. It also includes increased provision of £2.8m for doubtful debts. The Council has revised the calculation for bad debt provision to take into account the likelihood of further non-payment of council tax and business rates due to the impact of Covid-19 on the local and national economy.

In setting the 2020/21 budget the Council forecast a collection fund balance of £3.8m in balancing the budget, as at 31 March 2020 the balance of the actual collection fund surplus attributable to Halton is £1.9m. It is a possibility this will lead to a deficit position on the Collection Fund at the end of March 2021. The Collection Fund position will be reviewed during 2020/21 and estimates will be provided in the second half of the financial year of any balance to be dealt with in the following financial years.

Further details on the Collection Fund can be found within the supplementary financial statements.

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 2020 is £6.7m (2018/19 - £5.4m). 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 2019/20**

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 average number of working days lost during the year due to sickness absence has increased from 11.36 in 2018/19 to 11.66.
- Council tax collection rate for the year was 94.57% a decrease of 0.18% on this point last year. Cash collected during the year (on behalf of the Council, Fire, Police and local preceptors) was £62.2m against an expected budget of £60.0m. Cash collected includes growth to the council tax base and a further £1.922m collected from previous year's arrears.
- The 2019/20 collection rate for business rates was 97.06%, a decrease of 1.26% on this point last year. Cash collected during the year (on behalf of the Council and Cheshire Fire) was £57.4m against an expected budget of £51.7m, 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. Further information on the impact of Covid-19 is detailed below.

The Council has continued to review its services, changing the way in which services are delivered 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.

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 ten years.

### **Covid-19 Impact**

Covid-19 has had a significant impact on the Council through the provision of services, impact on staff and the financial consequences. The narrative below is based on information known at the time the report was written (August 2020), however, due to the fluid nature of the pandemic impact, it is likely there will be a number of changes as further information comes to light.

The majority of Council services have continued to operate during the pandemic but there have been a number which have had to close such as schools, libraries, leisure centres, children's centres and areas of culture. Some of these services will gradually start to re-open during the Summer based on Government and Public Health advice. Schools within the Borough gradually welcomed back pupils in June 2020 and it is expected that all pupils will return to full time education in September 2020.

Social care provision since March 2020 has continued with notable increases in service requirements, especially within adult social care. The Council has been supporting care providers through increased funding to cover items such as additional cleaning requirements, staffing and PPE.

In terms of initiatives to support the local community the Council has commissioned a 60 bed emergency residential care home setting to help mitigate the risk in shortage of older people residential settings. This is to be funded through government grant addressed to both the Council and Halton Clinical Commissioning Group. Supporting Shielded individuals within the Borough has been a key priority for the Council. It has aimed to assist these individuals with the support mechanisms they have required at this uncertain time, receiving a level of support through supplies, health and welfare.

The Council's Business Rate and Investment & Development Services teams have administered the provision of business support grants to local businesses to provide financial assistance. Initial grants were to small businesses and those within the retail, leisure and hospitality sector but was expanded to help other businesses outside of these sectors. The value of grants given to date totals £18.4m.

Council staff have predominantly been working at home since the start of the outbreak with little impact upon the delivery of services due to flexible working being a key priority for the Council for a number of years and associated investment in ICT systems. The Council identified a need at an early stage to redeploy staff, where possible, to other priority services. The

number of recorded staff absences relating to Covid-19 since the start of March is 115 (4.3% of all staff) with an average of 23 days lost per recorded instance. The number of staff having to self-isolate and not able to perform duties is 120 (4.6%).

The Council's supply chain has operated effectively during the period, as and when required. The Council has worked with the Liverpool City Region to obtain supplies of Covid related PPE and has a sound process in place for the services to continue their duties with the right equipment. The Council has also worked with suppliers to ensure there is a sustained operation in place post the lockdown period. It has done this by removing the 28 day payment terms to creditors and paying invoices with immediate effect. The Council has acted on the guidance of the Cabinet Office to cover payment of public body suppliers to ensure service continuity during and after the Covid outbreak. The Council acted immediately to ensure suppliers at risk are in a position to resume normal contract delivery once the outbreak is over.

The Council has received several streams of funding from Government to help with the financial impact resulting from Covid, including:

- Additional Local Government Funding – Halton has received £9.280m of non-ring-fenced grant funding to be used to address additional cost pressures resulting from Covid-19. The majority of this funding has so far been applied to fund additional costs within the Adult Social Care Department.
- Hardship Fund – Halton has received £1.619m in funding to reduce the council tax bill of all working age residents in receipt of Council Tax Support by £150.
- Business Rates Reliefs – To date, a sum of £12.531m of business rates relief funding has been provided to take account of the extension of the 100% retail, leisure, hospitality and nursery discounts offered to businesses within the borough.
- Test and Trace - £0.949m of funding has been received to help manage the impact of local outbreaks of Covid-19.
- Infection Control Fund - £1.008m of ring-fenced funding has been provided to assist with the increased costs of infection control within the borough's care homes

The Council undertook an exercise at 30 June 2020 to forecast the net cost of additional spend and loss of income as a result of Covid. This amounted to £12.4m, exceeding the general Covid grant funding of £9.3m received to date by £3.1m. The Council are continuing to look at ways in which overall costs can be reduced and will actively pursue further funding from Government to compensate for loss of income from the suspension of income generating services. Reports are submitted to Ministry of Housing, Communities and Local Government (MHCLG) on a monthly basis making them aware of the costs the Council are incurring as a result of Covid.

The financial impact of Covid on the Collection Fund is still being assessed. Given how unique the situation is, it will be the middle of the year before the Council can place some assurance over the forecast outturn position for the Collection Fund. Government have already indicated that any deficit on the Collection Fund can be managed over three years. The Council will continue to lobby Government for financial support to cover the loss on the Collection Fund given the situation is largely beyond local control.

Support has been provided to council tax and business rate payers through deferrals on payment plans and signposting to debt advice agencies.

The Council has reviewed its cashflow position over the short and medium term and is comfortable that it can manage within existing resources without the need for any short term borrowing. This will be managed to a large extent by Government providing COVID 19 funding ahead of costs being incurred and making other grant payments in advance of schedule. The Council has also reviewed plans to invest capital over the short and medium term to hold within more readily accessible accounts.

## **Conclusion**

2019/20 is the fourth consecutive year in which the Council has recorded an overspend position against available budget, increasing from £0.6m in 2016/17 to the 2019/20 position of £5.3m. 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. Covid represents a further risk to the Council's finances, plans and support will continue to be developed to ensure the risk is mitigated as far as possible.

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 31<sup>st</sup> March 2019

|   |      | Gross<br>Expenditure<br>2018/19 | Gross<br>Income<br>2018/19 | Net<br>Expenditure<br>2018/19 |
|---|------|---------------------------------|----------------------------|-------------------------------|
| Services  | Note | £000                            | £000                       | £000                          |
| <b>CONTINUING OPERATIONS</b>  |      |                                 |                            |                               |
| 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)                      |
| <b>Net Expenditure of Continuing Operations</b>   |      | <b>375,785</b>                  | <b>(289,138)</b>           | <b>86,647</b>                 |
| Other Operating Expenditure   | 3    |                                 |                            | 1,760                         |
| Financing and Investment Income & Expenditure   | 4    |                                 |                            | 39,747                        |
| Taxation and Non-Specific Grant Income  | 5    |                                 |                            | (121,030)                     |
| <b>(Surplus) or Deficit on the Provision of Services</b>  |      |                                 |                            | <b>7,124</b>                  |
| (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                        |
| <b>Other Comprehensive Income &amp; Expenditure</b>   |      |                                 |                            | <b>32,775</b>                 |
| <b>TOTAL COMPREHENSIVE INCOME &amp; EXPENDITURE</b>   |      |                                 |                            | <b>39,899</b>                 |

## Comprehensive Income & Expenditure Statement as at 31st March 2020

|   |             | Gross<br>Expenditure<br>2019/20<br>£000 | Gross<br>Income<br>2019/20<br>£000 | Net<br>Expenditure<br>2019/20<br>£000 |
|---|-------------|---|------------------------------------|---------------------------------------|
| <b>Services</b>   | <b>Note</b> |   |                                    |                                       |
| <b>CONTINUING OPERATIONS</b>  |             |   |                                    |                                       |
| Enterprise, Community and Resources   |             | 111,638                                 | (59,320)                           | 52,318                                |
| People  |             | 162,058                                 | (72,993)                           | 89,065                                |
| Schools   |             | 86,082                                  | (75,945)                           | 10,137                                |
| Corporate and Democracy   |             | 2,142                                   | (1,718)                            | 424                                   |
| Mersey Gateway  |             | 39,715                                  | (84,803)                           | (45,088)                              |
| <b>Net Expenditure of Continuing Operations</b>   |             | <b>401,635</b>                          | <b>(294,779)</b>                   | <b>106,856</b>                        |
| Other Operating Expenditure   | <b>3</b>    |   |                                    | 3,089                                 |
| Financing and Investment Income & Expenditure   | <b>4</b>    |   |                                    | 41,042                                |
| Taxation and Non-Specific Grant Income  | <b>5</b>    |   |                                    | (144,999)                             |
| <b>(Surplus) or Deficit on the Provision of Services</b>  |             |   |                                    | <b>5,988</b>                          |
| (Surplus) or Deficit on revaluation of Non-Current Assets   | <b>37</b>   |   |                                    | (53,713)                              |
| (Surplus) or Deficit on revaluation of financial assets measured at fair value through other comprehensive income | <b>37</b>   |   |                                    | (585)                                 |
| Remeasurement of net defined benefit liability  | <b>32</b>   |   |                                    | (115,084)                             |
| <b>Other Comprehensive Income &amp; Expenditure</b>   |             |   |                                    | <b>(169,382)</b>                      |
| <b>TOTAL COMPREHENSIVE INCOME &amp; EXPENDITURE</b>   |             |   |                                    | <b>(163,394)</b>                      |



## Balance Sheet as at 31<sup>st</sup> March 2020

| 31/03/2019<br>Restated<br>£000 |   | Note | 31/03/2020<br>£000 |
|--------------------------------|---|------|--------------------|
| 809,729                        | Non-Current Assets – Property Plant & Equipment | 17   | 864,622            |
| 1,233                          | Heritage Assets                                 | 18   | 1,279              |
| 743                            | Investment Properties                           | 19   | 800                |
| 1,658                          | Intangible Assets                               | 20   | 1,385              |
| 1,313                          | Investments in Associates and Joint Ventures    | 22   | 1,898              |
| 22,376                         | Long Term Investments                           | 22   | 21,755             |
| 13,311                         | Long Term Debtors                               | 23   | 12,668             |
| <b>850,363</b>                 | <b>Total Long Term Assets</b>                   |      | <b>904,407</b>     |
|                                | <b>Current Assets</b>                           |      |                    |
| 375                            | Inventories                                     |      | 272                |
| 7,393                          | Assets held for Sale < 12 months                | 21   | 6,000              |
| 36,016                         | Short Term Debtors                              | 23   | 32,339             |
| 60,253                         | Short Term Investments                          | 22   | 65,408             |
| 18,031                         | Cash/Cash Equivalents                           | 24   | 22,860             |
| <b>122,068</b>                 | <b>Total Current Assets</b>                     |      | <b>126,879</b>     |
|                                | <b>Current Liabilities</b>                      |      |                    |
| (8,209)                        | Short Term Borrowing                            | 26   | (5,629)            |
| (53,439)                       | Short Term Creditors                            | 25   | (58,331)           |
| (5,028)                        | Short Term Receipts in Advance                  | 7    | (3,216)            |
| (5,626)                        | Provisions < 1 year                             | 27   | (4,101)            |
| <b>(72,302)</b>                | <b>Total Current Liabilities</b>                |      | <b>(71,277)</b>    |
| <b>49,766</b>                  | <b>Net Current Assets/(Liabilities)</b>         |      | <b>55,602</b>      |
| <b>900,129</b>                 | <b>Total Net Assets</b>                         |      | <b>960,009</b>     |
|                                | <b>Long Term Liabilities</b>                    |      |                    |
| (172,000)                      | Long Term Borrowing                             | 26   | (172,000)          |
| (2,324)                        | Provisions > 1 year                             | 27   | (4,652)            |
| (14,819)                       | Long Term Receipts in Advance                   | 7    | (12,296)           |
| (536,451)                      | Other Long Term Liabilities                     | 29   | (433,132)          |
| <b>(725,594)</b>               | <b>Total Long Term Liabilities</b>              |      | <b>(622,080)</b>   |
| <b>174,535</b>                 | <b>Total Assets Less Liabilities</b>            |      | <b>337,929</b>     |
| (107,430)                      | Usable Reserves                                 | 35   | (127,695)          |
| (67,105)                       | Unusable Reserves                               | 37   | (210,234)          |
| <b>(174,535)</b>               | <b>Total Equity</b>                             |      | <b>(337,929)</b>   |

Please note that Investments in Associates and Other Joint Ventures has been added as a separate line on the balance sheet for the year ended 31/03/20. The figures for the year ended 31/03/2019 have been restated to reflect this.

## 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                    |
| <b>Balance as at 31<sup>st</sup> March 2018</b>  | <b>(63,893)</b>  | <b>(10,775)</b>          | <b>(10,360)</b>          | <b>(85,028)</b>                 | <b>(129,406)</b>                  | <b>(214,434)</b>        |
| <b>Movement in Reserves during 2018/19</b>   |                  |                          |                          |                                 |                                   |                         |
| Total Comprehensive Income and Expenditure   | 7,124            | -                        | -                        | <b>7,124</b>                    | 32,775                            | 39,899                  |
| Adjustments between Accounting Basis and Funding Basis under Regulations ( <b>note 34a</b> ) | (29,955)         | 3,034                    | (2,603)                  | <b>(29,524)</b>                 | 29,524                            | -                       |
| Other Adjustments  | (2)              | -                        | -                        | <b>(2)</b>                      | 2                                 | -                       |
| <b>(Increase)/Decrease in the year</b>   | <b>(22,833)</b>  | <b>3,034</b>             | <b>(2,603)</b>           | <b>(22,402)</b>                 | <b>62,301</b>                     | <b>39,899</b>           |
| <b>Balance at 31 March 2018 carried forward</b>  | <b>(86,726)</b>  | <b>(7,741)</b>           | <b>(12,963)</b>          | <b>(107,430)</b>                | <b>(67,105)</b>                   | <b>(174,535)</b>        |
| <b>Balance as at 31<sup>st</sup> March 2019</b>  | <b>(86,726)</b>  | <b>(7,741)</b>           | <b>(12,963)</b>          | <b>(107,430)</b>                | <b>(67,105)</b>                   | <b>(174,535)</b>        |
| <b>Movement in Reserves during 2019/20</b>   |                  |                          |                          |                                 |                                   |                         |
| Total Comprehensive Income and Expenditure   | 5,988            | -                        | -                        | <b>5,988</b>                    | (169,382)                         | (163,394)               |
| Adjustments between Accounting Basis and Funding Basis under Regulations ( <b>note 34b</b> ) | (28,837)         | 2,101                    | 482                      | <b>(26,254)</b>                 | 26,254                            | -                       |
| Other Movements  | 1                |                          |                          | <b>1</b>                        | (1)                               | -                       |
| <b>(Increase)/Decrease in the year</b>   | <b>(22,848)</b>  | <b>2,101</b>             | <b>482</b>               | <b>(20,265)</b>                 | <b>(143,129)</b>                  | <b>(163,394)</b>        |
| <b>Balance at 31 March 2020 carried forward</b>  | <b>(109,574)</b> | <b>(5,640)</b>           | <b>(12,481)</b>          | <b>(127,695)</b>                | <b>(210,234)</b>                  | <b>(337,929)</b>        |

Please note that the General Fund Balance includes Earmarked Reserves and School Reserves. See notes 1 and 36 for further details.

## Cash Flow Statement as at 31<sup>st</sup> March 2020

| 2018/19<br>£000 |   | Note      | 2019/20<br>£000 |
|-----------------|---|-----------|-----------------|
| 7,124           | <b>Net (surplus) or deficit on the provision of services</b>                                |           | 5,988           |
| (43,741)        | Adjustments to net (surplus) or deficit on the provision of services for non-cash movements | 38        | (58,538)        |
| 14,713          | Adjust for items in the net (surplus) or deficit on the provision of services               | 38        | 20,589          |
| <b>(21,904)</b> | <b>Net cash flows from Operating Activities</b>   |           | <b>(31,961)</b> |
| 21,598          | Net cash flows from Investing Activities  | 39        | 20,629          |
| 9,622           | Net cash flows from Financing Activities  | 40        | 6,503           |
| <b>9,316</b>    | <b>Net (increase)/decrease in cash and cash equivalents</b>                                 |           | <b>(4,829)</b>  |
| (27,347)        | Cash and Cash Equivalents at the beginning of the reporting period                          | 24        | (18,031)        |
| <b>(18,031)</b> | <b>Cash and Cash Equivalents at the end of the reporting period</b>                         | <b>24</b> | <b>(22,860)</b> |
|                 |   |           |                 |

## **Notes to the Core Financial Statements**

Please note the Accounting Policies are shown on page 113

### **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 2018/19

|  | <b>Outturn<br/>reported to<br/>Management<br/>Restated</b> | <b>Movement in<br/>Earmarked<br/>Reserves</b> | <b>Net Expenditure<br/>Chargeable to<br/>the General<br/>Fund Balances</b> | <b>Adjustments<br/>between the<br/>Funding and<br/>Accounts Basis</b> | <b>Net Expenditure<br/>in the<br/>Comprehensive<br/>Income and<br/>Expenditure<br/>Statement</b> |
|--|--|---|--|---|--|
|  | <b>2018/19<br/>£000</b>                                    | <b>2018/19<br/>£000</b>                       | <b>2018/19<br/>£000</b>  | <b>2018/19<br/>£000</b>   | <b>2018/19<br/>£000</b>  |
| 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)   |
| <b>Net Cost of Services</b>                            | <b>111,634</b>   | <b>(25,314)</b>                               | <b>86,320</b>  | <b>327</b>  | <b>86,647</b>  |
| Other Income and Expenditure                           | (109,227)  | 73  | (109,154)  | 29,631  | (79,523)   |
| <b>(Surplus) or Deficit</b>                            | <b>2,407</b>   | <b>(25,241)</b>                               | <b>(22,834)</b>  | <b>29,958</b>   | <b>7,124</b>   |
| <b>Opening General Fund Balance</b>                    | <b>(5,004)</b>   | <b>(58,889)</b>                               | <b>(63,893)</b>  |   |  |
| Transfer to from Earmarked Reserves to<br>General Fund | (2,400)  | 2,400   | -  |   |  |
| (Surplus) or Deficit in year                           | 2,406  | (25,239)                                      | (22,833)   |   |  |
| <b>Closing General Fund Balance at 31st March</b>      | <b>(4,998)</b>   | <b>(81,728)</b>                               | <b>(86,726)</b>  |   |  |

Please note that the (Surplus) or Deficit in year figure has been restated to correct a rounding error

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

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

## Expenditure and Funding Analysis 2019/20

|   | <b>Outturn<br/>reported to<br/>Management</b> | <b>Movement in<br/>Earmarked<br/>Reserves</b> | <b>Net Expenditure<br/>Chargeable to<br/>the General<br/>Fund Balances</b> | <b>Adjustments<br/>between the<br/>Funding and<br/>Accounts Basis</b> | <b>Net Expenditure<br/>in the<br/>Comprehensive<br/>Income and<br/>Expenditure<br/>Statement</b> |
|---|---|---|--|---|--|
|   | <b>2019/20<br/>£000</b>                       | <b>2019/20<br/>£000</b>                       | <b>2019/20<br/>£000</b>  | <b>2019/20<br/>£000</b>   | <b>2019/20<br/>£000</b>  |
| Enterprise, Community and Resources                 | 48,209  | (1,672)                                       | 46,537   | 5,781   | 52,318   |
| People  | 84,297  | (7)   | 84,290   | 4,775   | 89,065   |
| Schools   | -   | (1,213)                                       | (1,213)  | 11,350  | 10,137   |
| Corporate and Democracy                             | (26,316)                                      | (11,266)                                      | (37,582)   | 38,006  | 424  |
| Mersey Gateway                                      | 7,727   | (14,010)                                      | (6,283)  | (38,805)  | (45,088)   |
| <b>Net Cost of Services</b>                         | <b>113,917</b>                                | <b>(28,168)</b>                               | <b>85,749</b>  | <b>21,107</b>   | <b>106,856</b>   |
| Other Income and Expenditure                        | (108,621)                                     | 24  | (108,597)  | 7,729   | (100,868)  |
| <b>(Surplus) or Deficit</b>                         | <b>5,296</b>                                  | <b>(28,144)</b>                               | <b>(22,848)</b>  | <b>28,836</b>   | <b>5,988</b>   |
| <b>Opening General Fund Balance</b>                 | <b>(4,998)</b>                                | <b>(81,728)</b>                               | <b>(86,726)</b>  |   |  |
| Transfer to from Earmarked Reserves to General Fund | (4,300)                                       | 4,300   | -  |   |  |
| (Surplus) or Deficit in year                        | 5,296   | (28,144)                                      | (22,848)   |   |  |
| <b>Closing General Fund Balance at 31st March</b>   | <b>(4,002)</b>                                | <b>(105,572)</b>                              | <b>(109,574)</b>   |   |  |

**Note to Expenditure and Funding Analysis 2019/20**

| <b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>   | <b>Other Income and Expenditure<br/>£000</b> | <b>Adjustments for Capital Purposes<br/>£000</b> | <b>Net change for the Pension Adjustments<br/>£000</b> | <b>Other Adjustments<br/>£000</b> | <b>Total Adjustments<br/>£000</b> |
|--|--|--|--|-----------------------------------|-----------------------------------|
| Enterprise, Community and Resources  | (2,675)                                      | 1,517  | 6,641  | 298                               | <b>5,781</b>                      |
| People   | (19)   | 3,050  | 5,700  | (3,956)                           | <b>4,775</b>                      |
| Schools  | (1)  | 5,315  | 2,814  | 3,222                             | <b>11,350</b>                     |
| Corporate and Democracy  | 4,318  | 18,232   | (598)  | 16,054                            | <b>38,006</b>                     |
| Mersey Gateway   | (38,656)                                     | (149)  | -  | -                                 | <b>(38,805)</b>                   |
| <b>Net Cost of Services</b>  | <b>(37,033)</b>                              | <b>27,965</b>                                    | <b>14,557</b>  | <b>15,618</b>                     | <b>21,107</b>                     |
| Other Income and Expenditure from the Expenditure and Funding Analysis   | 37,033                                       | (19,863)   | 4,065  | (13,506)                          | <b>7,729</b>                      |
| <b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b> | <b>-</b>                                     | <b>8,102</b>                                     | <b>18,622</b>  | <b>2,112</b>                      | <b>28,836</b>                     |



## **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 Expenditure

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

|                                     | Revenues from<br>External<br>Customers<br>£000 | Interest<br>Revenue<br>£000 | Interest<br>Expense<br>(Restated)<br>£000 | Depreciation<br>and<br>Amortisation<br>£000 |
|-------------------------------------|--|-----------------------------|---|---|
| <b>2018/19</b>                      |  |                             |   |   |
| Enterprise, Community and Resources | (14,892)                                       | -                           | -   | 16,802                                      |
| People                              | (10,439)                                       | -                           | -   | 682   |
| Schools                             | (307)  | -                           | -   | 4,121                                       |
| Corporate and Democracy             | (36)   | (1,677)                     | 2,824                                     | (29,288)                                    |
| Mersey Gateway                      | (60,272)                                       | -                           | 33,074                                    | 7,683                                       |
| <b>Net Cost of Services</b>         | <b>(85,946)</b>                                | <b>(1,677)</b>              | <b>35,898</b>                             | <b>-</b>                                    |

|                                     | Revenues from<br>External<br>Customers<br>£000 | Interest<br>Revenue<br>£000 | Interest<br>Expense<br>£000 | Depreciation<br>and<br>Amortisation<br>£000 |
|-------------------------------------|--|-----------------------------|-----------------------------|---|
| <b>2019/20</b>                      |  |                             |                             |   |
| Enterprise, Community and Resources | (15,429)                                       | -                           | -                           | 14,855                                      |
| People                              | (10,940)                                       | -                           | -                           | 528   |
| Schools                             | (277)  | -                           | -                           | 3,814                                       |
| Corporate and Democracy             | (61)   | (1,943)                     | 3,194                       | (26,924)                                    |
| Mersey Gateway                      | (56,571)                                       | -                           | 32,715                      | 7,727                                       |
| <b>Net Cost of Services</b>         | <b>(83,278)</b>                                | <b>(1,943)</b>              | <b>35,909</b>               | <b>-</b>                                    |

The 2018/19 figures for interest expense have been restated to correctly show the interest expense relating to the Mersey Gateway

## 2. Expenditure and Income Analysed by Nature

| 2018/19<br>£000  |  | 2019/20<br>£000  |
|------------------|--|------------------|
|                  | <b>Expenditure</b>                                       |                  |
| 143,302          | Employee Benefits  | 148,836          |
| 207,619          | Other service expenses                                   | 223,905          |
| 31,443           | Depreciation, amortisation and impairment                | 37,052           |
| 35,898           | Interest Payments  | 35,909           |
| 3,505            | Precepts and levies                                      | 3,552            |
| <b>421,767</b>   | <b>Total Expenditure</b>                                 | <b>449,254</b>   |
|                  | <b>Income</b>  |                  |
| (115,217)        | Fees and charges and other service income                | (113,851)        |
| (1,763)          | Gain on disposal of non-current assets                   | (668)            |
| (100,011)        | Income from Council Tax and Business Rates               | (101,252)        |
| (195,975)        | Government grants income                                 | (225,552)        |
| (1,677)          | Interest and investment income                           | (1,943)          |
| <b>(414,643)</b> | <b>Total Income</b>                                      | <b>(443,266)</b> |
| <b>7,124</b>     | <b>(Surplus) or Deficit on the Provision of Services</b> | <b>5,988</b>     |

## 3. Other Operating Expenditure

| 2018/19<br>£000 |  | 2019/20<br>£000 |
|-----------------|--|-----------------|
| 110             | Parish Council Precepts                              | 118             |
| 3,395           | Levies   | 3,434           |
| 18              | Movement in value of Assets Held for Sale            | 205             |
| (1,763)         | (Gains)/Losses on the Disposal of non-current assets | (668)           |
| <b>1,760</b>    | <b>Total</b>   | <b>3,089</b>    |

#### 4. Financing and Investment Income and Expenditure

| <b>2018/19</b> |   | <b>2019/20</b> |
|----------------|---|----------------|
| <b>£000</b>    |   | <b>£000</b>    |
| 35,898         | Interest payable and similar charges  | 35,502         |
| -              | Derecognition of Financial Instruments measured at amortised cost                             | 407            |
| -              | Derecognition of Financial Instruments measured at other comprehensive income and expenditure | 430            |
| 2,925          | Net interest on the net defined benefit liability   | 4,065          |
| (1,677)        | Interest receivable and similar charges   | (1,943)        |
| (282)          | Income & Expenditure in relation to Investment Properties and changes in their fair value     | (99)           |
| 79             | Movement in fair value of financial instruments   | 176            |
| 3,398          | Loss on transfer of academies   | 3,022          |
| (594)          | Other investment income   | (518)          |
| <b>39,747</b>  | <b>Total</b>  | <b>41,042</b>  |

#### 5. Taxation and Non Specific Grant Income

| <b>2018/19</b>   |                                  | <b>2019/20</b>   |
|------------------|----------------------------------|------------------|
| <b>£000</b>      |                                  | <b>£000</b>      |
| (48,632)         | Council Tax income               | (50,060)         |
| (51,379)         | Non domestic rates               | (51,192)         |
| (2,152)          | Non-ringfenced government grants | (16,056)         |
| (7,469)          | NNDR Top Up Grant                | (4,896)          |
| (11,398)         | Capital grants and contributions | (22,795)         |
| <b>(121,030)</b> | <b>Total</b>                     | <b>(144,999)</b> |

#### 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:

|   | 31 March 2019<br>£000 | 31 March 2020<br>£000 |
|---|-----------------------|-----------------------|
| <b>Long Term Receipts in Advance</b>    |                       |                       |
| <b>Capital</b>                          |                       |                       |
| Housing, Communities & Local Government | (11,905)              | (12,059)              |
| Department for Transport                | (2,418)               | -                     |
| Other Grants                            | (496)                 | (237)                 |
| <b>Total</b>                            | <b>(14,819)</b>       | <b>(12,296)</b>       |

|   | 31 March 2019   |                 |                | 31 March 2020   |                 |                |
|---|-----------------|-----------------|----------------|-----------------|-----------------|----------------|
|   | Revenue<br>£000 | Capital<br>£000 | Total<br>£000  | Revenue<br>£000 | Capital<br>£000 | Total<br>£000  |
| <b>Short Term Receipts in Advance</b>     |                 |                 |                |                 |                 |                |
| Housing, Communities and Local Government | (757)           | (249)           | <b>(1,006)</b> | (49)            | -               | <b>(49)</b>    |
| Department for Education                  | (181)           | -               | <b>(181)</b>   | -               | (37)            | <b>(37)</b>    |
| Department of Transport                   | (120)           | (1,321)         | <b>(1,441)</b> | -               | (215)           | <b>(215)</b>   |
| Department of Health                      | -               | (1,469)         | <b>(1,469)</b> | (14)            | (1,268)         | <b>(1,282)</b> |
| Department for Work and Pensions          | (43)            |                 | <b>(43)</b>    | -               | -               | -              |
| Other Grants                              | (293)           | (128)           | <b>(421)</b>   | (410)           | (336)           | <b>(746)</b>   |
| Contributions                             | (467)           | -               | <b>(467)</b>   | (887)           | -               | <b>(887)</b>   |
|   | <b>(1,861)</b>  | <b>(3,167)</b>  | <b>(5,028)</b> | <b>(1,360)</b>  | <b>(1,856)</b>  | <b>(3,216)</b> |

The Council credited the following grants to the Comprehensive Income and Expenditure Statement in 2019/20.

|  | <b>2018/19</b>   | <b>2019/20</b>   |
|--|------------------|------------------|
|  | <b>£000</b>      | <b>£000</b>      |
| <b>Revenue Grants Credited to Services</b>       |                  |                  |
| Housing, Communities & Local Government          | (6,558)          | (19,963)         |
| Dedicated Schools Grant                          | (75,748)         | (75,660)         |
| Department for Education                         | (17,244)         | (16,620)         |
| Department for Environment, Food & Rural Affairs | (6)              | (37)             |
| Department for Transport                         | (27,003)         | (25,951)         |
| Department for Works & Pensions                  | (1,606)          | (1,122)          |
| Department of Health                             | (10,684)         | (9,998)          |
| Home Office                                      | (404)            | (472)            |
| Rent Allowance Subsidy                           | (34,654)         | (31,350)         |
| Other Grants                                     | (1,049)          | (632)            |
| <b>Total</b>                                     | <b>(174,956)</b> | <b>(181,805)</b> |

## 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 2019. 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 2019/20 are shown below:

| <b>Total<br/>2018/19<br/>£000</b> |   | <b>Central<br/>Expenditure<br/>2019/20<br/>£000</b> | <b>Individual<br/>Schools<br/>Budget<br/>2019/20<br/>£000</b> | <b>Total<br/>2019/20<br/>£000</b> |
|-----------------------------------|---|---|---|-----------------------------------|
| (111,270)                         | Final DSG before academy recoupment       |   |   | (114,320)                         |
| 35,522                            | Academy figure recouped in year           |   |   | 38,660                            |
| <b>(75,748)</b>                   | <b>Total DSG after academy recoupment</b> |   |   | <b>(75,660)</b>                   |
| (467)                             | Plus brought forward                      |   |   | (348)                             |
| -                                 | Less carry forward agreed in advance      |   |   |                                   |
| <b>(76,215)</b>                   | <b>Agreed budgeted distribution</b>       | <b>(16,940)</b>                                     | <b>(59,068)</b>   | <b>(76,008)</b>                   |
| -                                 | In Year Adjustments                       | (435)   | 435   | -                                 |
| <b>(76,215)</b>                   | <b>Final Budget Distribution</b>          | <b>(17,375)</b>                                     | <b>(58,633)</b>   | <b>(76,008)</b>                   |
| 16,476                            | Less actual central expenditure           | 17,239  |   | 17,239                            |
| 59,391                            | Less actual ISB deployed to schools       |   | 58,633  | 58,633                            |
| -                                 | Plus Council Contribution                 | -   | -   | -                                 |
| <b>(348)</b>                      | <b>Carry Forward</b>                      | <b>(136)</b>  | -   | <b>(136)</b>                      |

## 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 continues to provide an 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 additional funds equal to 54% and 46% respectively (excluding the BCF allocation) for 2019/20.

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



|   | <b>2018/19</b>  |             | <b>2019/20</b>  |
|---|-----------------|-------------|-----------------|
|   | <b>£000</b>     |             | <b>£000</b>     |
| <b>Balance Brought Forward</b>  | <b>142</b>      |             | <b>46</b>       |
| <b>Funding provided to the pooled budget:</b>                             |                 |             |                 |
| - Halton Borough Council  | (24,164)        |             | (3,476)         |
| - Halton Clinical Commissioning Group                                     | (14,311)        |             | (3,497)         |
| - Better Care Fund  | (11,671)        |             | (10,377)        |
| - Winter Pressures  | (639)           |             | (639)           |
|   | <b>(50,785)</b> |             | <b>(17,989)</b> |
| <b>Income raised through the pooled budget:</b>                           |                 |             |                 |
| - Halton Borough Council  | (8,778)         |             | (625)           |
|   | <b>(8,778)</b>  |             | <b>(625)</b>    |
| <b>Expenditure met from the pooled budget:</b>                            |                 |             |                 |
| - Halton Borough Council  | 32,881          |             | 4,139           |
| - Halton Clinical Commissioning Group                                     | 14,276          |             | 3,530           |
| - Better Care Fund  | 11,671          |             | 10,377          |
| - Winter Pressures  | 639             |             | 639             |
|   | <b>59,467</b>   |             | <b>18,685</b>   |
| <b>Net (surplus)/deficit arising on the pooled budget during the year</b> | <b>(96)</b>     |             | <b>71</b>       |
| <b>Share of the (surplus)/deficit for the year:</b>                       |                 |             |                 |
| - Halton Borough Council  | 63%             | (60)        | 54%             |
| - Halton Clinical Commissioning Group                                     | 37%             | (36)        | 46%             |
|   |                 | <b>(96)</b> | <b>71</b>       |

## 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 |          | 2018/19             |              | 2019/20             |                |
|-------------------|----------|---------------------|--------------|---------------------|----------------|
|                   |          | Number of Employees |              | Number of Employees |                |
|                   |          | Teaching            | Non-Teaching | Teaching            | Non - Teaching |
| £50,000           | £54,999  | 32                  | 7            | 35                  | 12             |
| £55,000           | £59,999  | 19                  | 17           | 11                  | 14             |
| £60,000           | £64,999  | 13                  | 9            | 18                  | 10             |
| £65,000           | £69,999  | 14                  | 4            | 13                  | 3              |
| £70,000           | £74,999  | 5                   | 2            | 9                   | 3              |
| £75,000           | £79,999  | -                   | 2            | 2                   | 4              |
| £80,000           | £84,999  | 3                   | 2            | -                   | 3              |
| £85,000           | £89,999  | 2                   | 4            | 2                   | 6              |
| £90,000           | £94,999  | 1                   | 1            | 3                   | 1              |
| £95,000           | £99,999  | -                   | 4            | -                   | 4              |
| £100,000          | £104,999 | -                   | -            | -                   | -              |
| £105,000          | £109,999 | -                   | -            | -                   | -              |
| £110,000          | £114,999 | -                   | -            | -                   | -              |
| £115,000          | £119,999 | -                   | -            | -                   | -              |
| £120,000          | £124,999 | -                   | 2            | -                   | -              |
| £125,000          | £129,999 | -                   | -            | -                   | 2              |
| £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 | -                   | -            | -                   | -              |
| £175,000          | £179,999 | -                   | 1            | -                   | 1              |
|                   |          | <b>89</b>           | <b>55</b>    | <b>93</b>           | <b>63</b>      |

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 below:*

Note 1: The Operational Director for Planning & Transportation left on the 04/03/2018 and was replaced on the 23/05/2018.

Note 2: During 2018/19 & 2019/20 the Operational Director ICT & Support Services continued with development of a new finance system at Sefton Council and Merseytravel. An honorarium was awarded for this which is included in the remuneration figures below. This will be reimbursed from Sefton Council and Merseytravel.

Note 3: During 2019/20, the Operational Director performed the additional role of Director of Public Health Services at Warrington Borough Council on a part-time basis. The payments in relation to that additional role have been made by Halton Borough Council and are included in the salary and remuneration figures detailed below. The Council has been fully reimbursed £18,951 for these costs by Warrington Borough Council during 19/20.

Note 4: In April 2019 the position of Operational Director Policy, People, Performance & Efficiency was created when the post was regraded from Division Manager. The figures stated below only relate to the Operational Director post from 8th April 2019.

| 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 |                  |
|---|---|--------------------------------------|------------------|-------------------------------------|---------|------------------|---------|--|------------------|---------------------------------|----------------|--|------------------|
|   |   | 2018/19                              | 2019/20          | 2018/19                             | 2019/20 | 2018/19          | 2019/20 | 2018/19  | 2019/20          | 2018/19                         | 2019/20        | 2018/19  | 2019/20          |
|   |   | £                                    | £                | £                                   | £       | £                | £       | £  | £                | £                               | £              | £  | £                |
| Chief Executive - David Parr                                      |   | 175,100                              | 179,000          | -                                   | -       | -                | -       | 175,100  | 179,000          | -                               | 0              | 175,100  | 179,000          |
| Strategic Director - People                                       |   | 123,100                              | 125,500          | -                                   | -       | -                | -       | 123,100  | 125,500          | 22,600                          | 22,100         | 145,700  | 147,600          |
| Strategic Director - Enterprise, Communities & Resources          |   | 123,000                              | 125,500          | -                                   | -       | -                | -       | 123,000  | 125,500          | 22,600                          | 23,100         | 145,600  | 148,600          |
| Operational Director - Planning & Transportation                  | 1 | 66,300                               | 79,500           | -                                   | -       | -                | -       | 66,300   | 79,500           | 12,100                          | 14,700         | 78,400   | 94,200           |
| Operational Director - Legal & Democratic Services                |   | 86,500                               | 88,300           | -                                   | -       | -                | -       | 86,500   | 88,300           | 15,900                          | 16,200         | 102,400  | 104,500          |
| Statutory Operational Director - Adult Social Care                |   | 97,400                               | 99,400           | -                                   | -       | -                | -       | 97,400   | 99,400           | 17,900                          | 18,300         | 115,300  | 117,700          |
| Statutory Operational Director - Children & Families Services     |   | 97,400                               | 99,400           | -                                   | -       | -                | -       | 97,400   | 99,400           | 17,900                          | 18,300         | 115,300  | 117,700          |
| Statutory Operational Director - Education, Inclusion & Provision |   | 97,465                               | 99,500           | -                                   | -       | -                | -       | 97,465   | 99,500           | 17,900                          | 18,300         | 115,365  | 117,800          |
| Operational Director - Finance                                    |   | 86,500                               | 88,300           | -                                   | -       | -                | -       | 86,500   | 88,300           | 15,900                          | 16,200         | 102,400  | 104,500          |
| Operational Director - ICT & Support Services                     | 2 | 95,300                               | 97,200           | -                                   | -       | -                | -       | 95,300   | 97,200           | 17,500                          | 17,900         | 112,800  | 115,100          |
| Operational Director - Economy, Enterprise & Property             |   | 86,700                               | 88,700           | -                                   | -       | -                | -       | 86,700   | 88,700           | 16,100                          | 16,400         | 102,800  | 105,100          |
| Operational Director - Community & Environment                    |   | 86,500                               | 88,300           | -                                   | -       | -                | -       | 86,500   | 88,300           | 15,900                          | 16,200         | 102,400  | 104,500          |
| Operational Director - Public Health                              | 3 | 90,900                               | 94,600           | -                                   | -       | -                | -       | 90,900   | 94,600           | 13,000                          | 13,500         | 103,900  | 108,100          |
| Operational Director - Policy, People, Performance & Efficiency   | 4 | -                                    | 80,000           | -                                   | -       | -                | -       | -  | 80,000           | -                               | 14,700         | -  | 94,700           |
|   |   | <b>1,312,165</b>                     | <b>1,433,200</b> | -                                   | -       | -                | -       | <b>1,312,165</b>                                   | <b>1,433,200</b> | <b>205,300</b>                  | <b>225,900</b> | <b>1,517,465</b>                                   | <b>1,659,100</b> |

## 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 |                 |
|------------------------|-----------------------------------|----------|----------------------------------|-----------|-----------------------------|----------|---|-----------|--|-----------------|
|                        | 2018/19                           | 2019/20  | 2018/19                          | 2019/20   | 2018/19                     | 2019/20  | 2018/19                                       | 2019/20   | 2018/19<br>£000                          | 2019/20<br>£000 |
| £0 - £20,000           | 2                                 | 5        | 14                               | 14        | -                           | -        | 16  | 19        | 122                                      | 99              |
| £20,001 - £40,000      | -                                 | 1        | 1                                | 4         | -                           | -        | 1   | 5         | 27                                       | 117             |
| £40,001 - £60,000      | -                                 | -        | -                                | 1         | -                           | -        | -   | 1         | -  | 44              |
| £60,001 - £80,000      | -                                 | -        | 1                                | 1         | -                           | -        | 1   | 1         | 67                                       | 78              |
| £80,001 - £100,000     | -                                 | -        | 1                                | -         | -                           | -        | 1   | -         | 92                                       | -               |
| £100,001 - £150,000    | -                                 | -        | 2                                | 1         | -                           | -        | 2   | 1         | 233                                      | 116             |
| £150,001 - £200,000    | -                                 | -        | -                                | -         | -                           | -        | -   | -         | -  | -               |
| £200,001 - £250,000    | -                                 | -        | -                                | -         | -                           | -        | -   | -         | -  | -               |
| £250,001 - £300,000    | -                                 | -        | -                                | -         | -                           | -        | -   | -         | -  | -               |
| <b>Total</b>           | <b>2</b>                          | <b>6</b> | <b>19</b>                        | <b>21</b> | <b>-</b>                    | <b>-</b> | <b>21</b>                                     | <b>27</b> | <b>541</b>                               | <b>454</b>      |

The total cost of exit packages in 2019/20 is £0.454m (2018/19 - £0.541m) 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 £0.224m, charged to the CIES in 2019/20. There were no early retirements taken in 2019/20 (2018/19 - £0.000m).

### Termination Benefits

In addition to the cost of exit packages the Council incurred liabilities of £0.009m relating to past early retirements charged to the Comprehensive Income and Expenditure Statement. This resulted in total costs for the year of £0.463m.

## **12. Members Allowances**

During the year £815,214.84 (2018/19 £799,540.41) 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 2019/20 is shown in note 12. The total of senior officers remuneration paid in 2019/20 is shown in note 10.

For 2019/20 the system has highlighted that 22 Members had interests in various organisations and voluntary sector bodies involving payments worth £6.181m and receipts worth £2.559m for various works and services.

| Payments/receipts from Organisations where Members or their spouse hold an interest | 2019/20      |                | 31/03/2020 |              |
|---|--------------|----------------|------------|--------------|
|   | Expenditure  | Income         | Creditor   | Debtor       |
|   | £000         | £000           | £000       | £000         |
| Brookfields Academy   | 1,022        | (36)           | -          | (5)          |
| Ditton Primary School   | 32           | (102)          | -          | (14)         |
| Ella Together CIC   | 15           | -              | -          | -            |
| Halton & St Helens VCA  | 107          | -              | -          | -            |
| Halton Citizens Advice Bureau   | 296          | -              | -          | -            |
| Halton Borough Transport  | 441          | (132)          | 6          | -            |
| Halton Community Transport  | 188          | (9)            | -          | -            |
| Halton Housing Trust  | 347          | (181)          | -          | (249)        |
| Halton Play Council   | 116          | (4)            | -          | -            |
| Ineos   | -            | (10)           | -          | -            |
| Manchester Port Health Authority  | 19           | (1)            | -          | -            |
| Mersey Gateway Crossings Board  | 1,756        | (39)           | 252        | (6)          |
| Mersey Gateway Environmental Trust  | 460          | (3)            | 126        | (8)          |
| Merseytravel  | 5            | (113)          | -          | (3)          |
| Norton Priory Museum Trust Ltd  | 305          | (311)          | -          | (89)         |
| Ormiston Bolingbroke Academy  | 54           | (268)          | 64         | (10)         |
| Ormiston Chadwick Academy   | 32           | (289)          | -          | (32)         |
| Riverside College Halton  | 512          | (39)           | 44         | -            |
| Sandymoor School  | 69           | (24)           | -          | -            |
| The Grange Academy  | 323          | (1,140)        | 3          | (34)         |
| Umbrella Halton   | 82           | 1              | -          | -            |
| <b>Total</b>  | <b>6,181</b> | <b>(2,700)</b> | <b>495</b> | <b>(450)</b> |

In 2019/20 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 £3.946m and receipts totalled £0.225m in 2019/20.

| Payments/receipts to Organisations where Officers or their spouse hold an interest | 2019/20      |              | 31/03/2020 |          |
|--|--------------|--------------|------------|----------|
|  | Expenditure  | Income       | Creditor   | Debtor   |
|  | £000         | £000         | £000       | £000     |
| Daresbury SIC LLP  | 96           | (204)        | -          | -        |
| HTP Grange Ltd   | 3,725        | (3)          | 12         | -        |
| HTP LEP Ltd  | 104          | -            | -          | -        |
| Halton Chamber Of Commerce   | 21           | (17)         | -          | -        |
| <b>Total</b>   | <b>3,946</b> | <b>(224)</b> | <b>12</b>  | <b>-</b> |

## **Other Public Bodies**

The Council is a member of Liverpool City Region Combined Authority, from which it received £0.971m of income in 2019/20. This related to highways grant funding of £0.350m, funding for the Ways to Work scheme of £0.342m, funding for the LCR Apprenticeship Hub of £0.256m and £0.023m of funding for other schemes relating to economic development and regeneration.

The Council had one pooled budget arrangement with Halton Clinical Commissioning Group during 2019/20 under s75 of the Health Act 2006. Transactions and balances are highlighted in note 9. In addition to the pooled budget arrangement there were further payments of £0.100m made to Halton Clinical Commissioning Group in relation to mental health services, and income received of £1.199m relating to the joint speech and language therapy service (£0.471m), contributions to child in care packages (£0.373m), room hire and administration services (£0.028m), and other social care and public health services (£0.305m).

£4.416m of expenditure was paid to Warrington and Halton NHS Trust, including £2.941m for the provision of beds for social care clients at Halton Hospital, £0.522 for the sexual health service, £0.129m for the Halton Community Team Project, £0.123m for supported hospital discharge services, and £0.701m for other public health and social care services.

## **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 2019/20 in relation to fees relating to external audit, inspection and additional services.

|                                     | <b>2018/19</b> | <b>2019/20</b> |
|-------------------------------------|----------------|----------------|
|                                     | <b>£000</b>    | <b>£000</b>    |
| Fees payable for                    |                |                |
| - Audit                             | 81             | 97             |
| - Additional fees for 2018/19 audit | -              | 54             |
| - Grants and returns                | 15             | 27             |
| - Benchmarking Service              | 13             | 13             |
|                                     | <b>109</b>     | <b>191</b>     |

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 xx March 2021 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 31<sup>st</sup> March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 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.

|   | <b>2018/19</b> | <b>2019/20</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| <b>Opening Capital Financing Requirement</b>                | <b>617,791</b> | <b>608,870</b> |
| <b>Capital Investment:</b>                                  |                |                |
| Property, Plant & Equipment                                 | 16,426         | 39,200         |
| Investment Properties                                       | -              | -              |
| Intangible Assets   | 123            | 465            |
| Revenue Expenditure funded from Capital under Statute       | 5,351          | 3,676          |
| Adding Halton Borough Transport share costs back to CFR     | -              | 430            |
| <b>Source of Finance:</b>                                   |                |                |
| Capital Receipts  | (7,529)        | (3,571)        |
| Government Grants & Other Contributions                     | (14,146)       | (26,953)       |
| Direct Revenue Contributions                                | (344)          | (211)          |
| Minimum Revenue Provision                                   | (8,802)        | (8,670)        |
| <b>Closing Capital Financing Requirement</b>                | <b>608,870</b> | <b>613,236</b> |
| <b>Explanation of movement in year:</b>                     |                |                |
| Increase in underlying need to borrow                       | 3,254          | 13,524         |
| Minimum Revenue Provision statutory set a side              | (8,802)        | (8,670)        |
| Use of Capital Reserves to reduce MRP liability             | (3,373)        | (488)          |
| Deferred Liability Voluntary set a side                     | -              | -              |
| Assets acquired under Finance Leases                        | -              | -              |
| <b>Increase/(Decrease) in Capital Financing Requirement</b> | <b>(8,921)</b> | <b>4,366</b>   |

The table above shows the Council spent £43.3m on capital during 2019/20.

### **Disposal of Assets/Capital Receipts**

Land/Dwellings/Recovered Advances – the Council received £0.266m from the sale of land and various properties.

Under residual arrangements, the Council received £0.205m (£0.197m in 2018/19) from Halton Housing Trust for the sale of homes during the year, and a further £0.226m (£0.226m in 2018/19) under VAT Shelter arrangements.

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

### Movements during 2018/19

|  | Land and<br>Buildings<br>£000 | Community<br>Assets<br>£000 | Infrastructure<br>Assets<br>£000 | Vehicles, Plant<br>and<br>Equipment<br>£000 | Surplus<br>Assets<br>£000 | Under<br>Construction /<br>Development<br>£000 | Total 2018/19<br>£000 | Service<br>Concession<br>Assets included<br>in PPE<br>£000 |
|--|-------------------------------|-----------------------------|----------------------------------|---|---------------------------|--|-----------------------|--|
| <b>Cost or Valuation</b>   |                               |                             |                                  |   |                           |  |                       |  |
| <b>As at 1st April 2018</b>  | <b>193,197</b>                | <b>7,436</b>                | <b>757,504</b>                   | <b>21,607</b>                               | <b>3,692</b>              | <b>4,607</b>                                   | <b>988,043</b>        | <b>472,081</b>   |
| 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                 | -  |
| <b>As at 31<sup>st</sup> March 2019</b>                                  | <b>189,430</b>                | <b>7,543</b>                | <b>769,490</b>                   | <b>21,891</b>                               | <b>3,813</b>              | <b>5,370</b>                                   | <b>997,537</b>        | <b>472,081</b>   |
| <b>Depreciation</b>  |                               |                             |                                  |   |                           |  |                       |  |
| <b>As at 1st April 2018</b>  | <b>(17,909)</b>               | <b>(4,459)</b>              | <b>(125,829)</b>                 | <b>(14,888)</b>                             | <b>(209)</b>              | -  | <b>(163,294)</b>      | <b>(3,368)</b>   |
| 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  | -                             | -                           | -                                | -   | -                         | -  | -                     | -  |
| <b>As at 31<sup>st</sup> March 2019</b>                                  | <b>(24,574)</b>               | <b>(4,885)</b>              | <b>(141,877)</b>                 | <b>(16,193)</b>                             | <b>(279)</b>              | -  | <b>(187,808)</b>      | <b>(10,600)</b>  |
| <b>Balance Sheet Amount as at 31<sup>st</sup> March 19</b>               | <b>164,856</b>                | <b>2,658</b>                | <b>627,613</b>                   | <b>5,698</b>                                | <b>3,534</b>              | <b>5,370</b>                                   | <b>809,729</b>        | <b>461,481</b>   |
| <b>Balance Sheet Amount as at 1<sup>st</sup> April 18</b>                | <b>175,288</b>                | <b>2,977</b>                | <b>631,675</b>                   | <b>6,719</b>                                | <b>3,483</b>              | <b>4,607</b>                                   | <b>824,749</b>        | <b>468,713</b>   |

## Movements during 2019/20

|  | Land and<br>Buildings<br>£000 | Community<br>Assets<br>£000 | Infrastructure<br>Assets<br>£000 | Vehicles, Plant<br>and<br>Equipment<br>£000 | Surplus<br>Assets<br>£000 | Under<br>Construction /<br>Development<br>£000 | Total 2019/20<br>£000 | Service<br>Concession<br>Assets included<br>in PPE<br>£000 |
|--|-------------------------------|-----------------------------|----------------------------------|---|---------------------------|--|-----------------------|--|
| <b>Cost or Valuation</b>   |                               |                             |                                  |   |                           |  |                       |  |
| <b>As at 31<sup>st</sup> March 2019</b>                                  | <b>189,430</b>                | <b>7,543</b>                | <b>769,490</b>                   | <b>21,891</b>                               | <b>3,813</b>              | <b>5,370</b>                                   | <b>997,537</b>        | <b>472,081</b>   |
| Additions and Enhancements   | 3,652                         | 946                         | 31,320                           | 1,374                                       | -                         | 1,860  | 39,152                | -  |
| Revaluations Recognised in the Revaluations Reserve                      | 26,291                        | 42                          | -                                | -   | 446                       | -  | 26,779                | -  |
| Revaluations Recognised in the Provision Services                        | (5,425)                       | (5,051)                     | -                                | -   | (38)                      | (3,717)  | (14,231)              | -  |
| Derecognition – Disposals  | (4,635)                       | (12)                        | -                                | (297)                                       | -                         | -  | (4,944)               | -  |
| Derecognition – Others   | -                             | -                           | -                                | -   | -                         | -  | -                     | -  |
| Assets Reclassified (to)/from held for sale                              | -                             | -                           | -                                | -   | -                         | -  | -                     | -  |
| Other Movements  | (6)                           | -                           | -                                | -   | 1,192                     | -  | 1,186                 | -  |
| <b>As at 31<sup>st</sup> March 2020</b>                                  | <b>209,307</b>                | <b>3,468</b>                | <b>800,810</b>                   | <b>22,968</b>                               | <b>5,413</b>              | <b>3,513</b>                                   | <b>1,045,479</b>      | <b>472,081</b>   |
| <b>Depreciation</b>  |                               |                             |                                  |   |                           |  |                       |  |
| <b>As at 31<sup>st</sup> March 2019</b>                                  | <b>(24,574)</b>               | <b>(4,885)</b>              | <b>(141,877)</b>                 | <b>(16,193)</b>                             | <b>(279)</b>              | -  | <b>(187,808)</b>      | <b>(10,600)</b>  |
| Depreciation for the year  | (7,653)                       | (487)                       | (16,142)                         | (1,891)                                     | (33)                      | -  | (26,206)              | (7,263)  |
| Depreciation written out to revaluation reserve                          | 26,706                        | -                           | -                                | -   | 231                       | -  | 26,937                | -  |
| Depreciation written out to Surplus/Deficit on the Provision of Services | 1,054                         | 3,231                       | -                                | -   | 42                        | -  | 4,327                 | -  |
| Derecognition – Disposals  | 1,613                         | -                           | -                                | 280   | -                         | -  | 1,893                 | -  |
| Derecognition – Other  | -                             | -                           | -                                | -   | -                         | -  | -                     | -  |
| Other movements in depreciation  | -                             | -                           | -                                | -   | -                         | -  | -                     | -  |
| <b>As at 31<sup>st</sup> March 2020</b>                                  | <b>(2,854)</b>                | <b>(2,141)</b>              | <b>(158,019)</b>                 | <b>(17,804)</b>                             | <b>(39)</b>               | -  | <b>(180,857)</b>      | <b>(17,863)</b>  |
| <b>Balance Sheet Amount as at 31<sup>st</sup> March 20</b>               | <b>206,453</b>                | <b>1,327</b>                | <b>642,791</b>                   | <b>5,164</b>                                | <b>5,374</b>              | <b>3,513</b>                                   | <b>864,622</b>        | <b>454,218</b>   |
| <b>Balance Sheet Amount as at 1<sup>st</sup> April 19</b>                | <b>164,856</b>                | <b>2,658</b>                | <b>627,613</b>                   | <b>5,698</b>                                | <b>3,534</b>              | <b>5,370</b>                                   | <b>809,729</b>        | <b>461,481</b>   |

## Depreciation

Depreciation is calculated on a straight line basis and the following useful lives and depreciation rates have been used:

|  |              |
|--|--------------|
| 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 31<sup>st</sup> March 20, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment.

The major commitments are:

|  |       |
|--|-------|
| Silver Jubilee Bridge de-linking/Runcorn Station Quarter | £8.9m |
| Sci Tech – Project Violet                                | £5.9m |
| Widnes Loops   | £4.3m |
| Mersey Gateway   | £1.8m |
| Silver Jubilee Bridge Major Maintenance                  | £1.3m |

At 31<sup>st</sup> March 2020 the capital commitments totalled £28.0m (£28.0m at 31<sup>st</sup> March 2019).

## 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 2019/20 being year 4 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.

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 2019/20 are dated the 1<sup>st</sup> October 2019. The valuation report which is used in the preparation of the Council's Statement of Accounts takes account of all known events throughout 2019/20 which could subsequently affect the assets value and is therefore dated the 31<sup>st</sup> March 2020.

The impact of Covid-19 has meant that a higher degree of caution should be added to the valuations shown, this is detailed further in the section 30(a) of the accounting policies.

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           |
| <b>Valued at current value as at:</b> |                        |                  |                       |                             |              |                                  |                |
| 31 March 2020                         | 172,667                | -                | -                     | -                           | 2,152        | -                                | <b>174,819</b> |
| 31 March 2019                         | 17,306                 | -                | -                     | -                           | 162          | -                                | <b>17,468</b>  |
| 31 March 2018                         | 2,948                  | -                | -                     | -                           | 62           | -                                | <b>3,010</b>   |
| 31 March 2017                         | 1,906                  | -                | -                     | -                           | 805          | -                                | <b>2,711</b>   |
| 31 March 2016                         | 11,626                 | -                | -                     | -                           | 2,193        | -                                | <b>13,819</b>  |
|                                       |                        |                  |                       |                             | -            |                                  |                |
| <b>Valued at Historic Cost</b>        | -                      | 1,327            | 642,791               | 5,164                       | -            | 3,513                            | <b>652,795</b> |
| <b>Total</b>                          | <b>206,453</b>         | <b>1,327</b>     | <b>642,791</b>        | <b>5,164</b>                | <b>5,374</b> | <b>3,513</b>                     | <b>864,622</b> |

### 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 31<sup>st</sup> March 2020, the Council had 76 assets that fell below its de-minimis level of £35,000 which totalled £0.867m. These assets are not recorded on the Balance Sheet.



## 18. Heritage Assets

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

|   | 2018/19               |                           |               | 2019/20               |                           |               |
|---|-----------------------|---------------------------|---------------|-----------------------|---------------------------|---------------|
|   | Civic Regalia<br>£000 | Outdoor Sculpture<br>£000 | Total<br>£000 | Civic Regalia<br>£000 | Outdoor Sculpture<br>£000 | Total<br>£000 |
| <b>Cost or Valuation</b>  |                       |                           |               |                       |                           |               |
| <b>1st April</b>  | <b>858</b>            | <b>375</b>                | <b>1,233</b>  | <b>858</b>            | <b>375</b>                | <b>1,233</b>  |
| Additions   | -                     | -                         | -             | -                     | 46                        | 46            |
| Disposals   | -                     | -                         | -             | -                     | -                         | -             |
| Revaluations  | -                     | -                         | -             | -                     | -                         | -             |
| Impairment Losses/(reversals) Recognised in the Revaluation Reserve                             | -                     | -                         | -             | -                     | -                         | -             |
| Impairment Losses/(reversals) Recognised in the Surplus or Deficit on the Provision of Services | -                     | -                         | -             | -                     | -                         | -             |
| <b>31st March</b>   | <b>858</b>            | <b>375</b>                | <b>1,233</b>  | <b>858</b>            | <b>421</b>                | <b>1,279</b>  |

### 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.

| <b>2018/19</b> |  | <b>2019/20</b> |
|----------------|--|----------------|
| <b>£000</b>    |  | <b>£000</b>    |
| (53)           | Rental income from Investment Property             | (42)           |
| 19             | Direct operating expenses from investment property | -              |
| <b>(34)</b>    |  | <b>(42)</b>    |

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:

|   | <b>2018/19</b> | <b>2019/20</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| <b>Balance at the start of the year</b>       | <b>1,541</b>   | <b>743</b>     |
| Additions:                                    |                |                |
| - Purchases                                   | -              | -              |
| - Construction                                | -              | -              |
| - Subsequent expenditure                      | -              | -              |
| Disposals                                     | -              | -              |
| Net gain/(losses) from fair value adjustments | 248            | 57             |
| Transfers:                                    |                |                |
| - (To)/from Inventories                       | -              | -              |
| - (To)/from Property, Plant and Equipment     | (1,046)        | -              |
| Other changes                                 | -              | -              |
|   | <b>743</b>     | <b>800</b>     |

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 5 years.

The carrying amounts of intangible assets are amortised on a straight-line basis. The amortisation of £0.737m charged to revenue in 2019/20 was charged to various cost centres and then absorbed as an overhead across all service headings in the Net Expenditure of Continuing Operations.

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

|   | <b>2018/19</b><br><b>£000</b> | <b>2019/20</b><br><b>£000</b> |
|---|-------------------------------|-------------------------------|
| Balance at start of year:                   |                               |                               |
| Gross carrying amounts                      | 8,955                         | 9,078                         |
| Accumulated amortisation                    | (6,667)                       | (7,420)                       |
| <b>Net carrying amount at start of year</b> | <b>2,288</b>                  | <b>1,658</b>                  |
| <b>Additions:</b>                           |                               |                               |
| Purchases                                   | 123                           | 464                           |
| Amortisation for the period                 | (753)                         | (737)                         |
| <b>Net carrying amount at end of year</b>   | <b>1,658</b>                  | <b>1,385</b>                  |
| <b>Comprising:</b>                          |                               |                               |
| Gross carrying amounts                      | 9,078                         | 9,542                         |
| Accumulated amortisation                    | (7,420)                       | (8,157)                       |
|   | <b>1,658</b>                  | <b>1,385</b>                  |

## 21. Assets Held for Sale

|   | 2018/19<br>£000 | 2019/20<br>£000 |
|---|-----------------|-----------------|
| <b>Balance outstanding at start of Year</b> | <b>7,759</b>    | <b>7,393</b>    |
| Assets newly classified as held for sale:   |                 |                 |
| - Property, Plant and Equipment             | 1,260           | -               |
| - Intangible Assets                         | -               | -               |
| Revaluation Losses                          | (18)            | (205)           |
| Revaluation Gains                           | -               | -               |
| Impairment Losses                           | -               | -               |
| Assets declassified as held for sale:       |                 |                 |
| - Property, Plant and Equipment             | -               | (1,188)         |
| - Intangible Assets                         | -               | -               |
| Assets Sold                                 | (1,518)         | -               |
| Transfers from non-current to current       | -               | -               |
| Other Movements                             | (90)            | -               |
| <b>Balance outstanding at year-end</b>      | <b>7,393</b>    | <b>6,000</b>    |

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

Investments in Associates and Joint Ventures are shown below:

|                                       | 31/03/2019<br>£000 | 31/03/2020<br>£000 |
|---------------------------------------|--------------------|--------------------|
| <b>Associates and Joint Ventures</b>  |                    |                    |
| Daresbury SIC LLP (25% equity shares) | 1,313              | 1,898              |
|                                       | <b>1,313</b>       | <b>1,898</b>       |

Copies of the accounts for Daresbury SIC LLP are available from Companies House ([gov.uk/get-information-about-a-company](http://gov.uk/get-information-about-a-company))

Long Term Investments consist of:

|   | <b>31/03/2019</b> | <b>31/03/2020</b> |
|---|-------------------|-------------------|
|   | <b>£000</b>       | <b>£000</b>       |
| <b>Subsidiaries</b>                                 |                   |                   |
| Halton Borough Transport Ltd                        |                   |                   |
| - Share Capital                                     | 430               | -                 |
| - Debenture 2                                       | 15                | -                 |
| Mersey Gateway Share Capital - de minimis           | -                 | -                 |
|   | <b>445</b>        | <b>-</b>          |
| <b>Other Long Term Investments</b>                  |                   |                   |
| Municipal Bonds Agency                              | 10                | 10                |
| CCLA Property Fund                                  | 4,921             | 4,745             |
| Halton Development Partnership Limited – de minimis | -                 | -                 |
| Widnes Regeneration Limited – de minimis            | -                 | -                 |
| Long Term Deposits                                  | 17,000            | 17,000            |
|   | <b>21,931</b>     | <b>21,755</b>     |
| <b>Total Long Term Investments</b>                  | <b>22,376</b>     | <b>21,755</b>     |

Halton Borough Transport ceased trading on 24<sup>th</sup> January 2020 and the value of the share capital, and outstanding debentures have been charged to the Comprehensive Income and Expenditure Statement in 2019/20.

Copies of the accounts for Mersey Gateway Crossings Board are available from Companies House ([gov.uk/get-information-about-a-company](http://gov.uk/get-information-about-a-company)).

Short term investments consist of:

|  | <b>31/03/2019</b> | <b>31/03/2020</b> |
|--|-------------------|-------------------|
|  | <b>£000</b>       | <b>£000</b>       |
| <b>UK Banks &amp; Building Societies</b>   |                   |                   |
| Lloyds/Bank of Scotland                    | 5,000             | 15,000            |
| Santander                                  | 10,000            | -                 |
| <b>Non-UK Banks</b>                        |                   |                   |
| Commonwealth Bank of Australia             | 10,000            | -                 |
| Australia and New Zealand Banking Group    | -                 | 10,000            |
| <b>Local Authorities</b>                   |                   |                   |
| Thurrock Council                           | 20,000            | 20,000            |
| Cambridgeshire County Council              | 5,000             | -                 |
| Powys County Council                       | 10,000            | -                 |
| Rugby Council                              | -                 | 10,000            |
| Warrington Borough Council                 | -                 | 10,000            |
| Interest accrued on investments 31st March | 252               | 408               |
| <b>Other Investments</b>                   | 1                 | -                 |
|  | <b>60,253</b>     | <b>65,408</b>     |

## 23. Debtors

|                              | Gross Debtors Restated | Impairment Restated | Net Debtors Restated | Gross Debtors | Impairment      | Net Debtors   |
|------------------------------|------------------------|---------------------|----------------------|---------------|-----------------|---------------|
|                              | 31/03/2019             |                     |                      | 31/03/2020    |                 |               |
|                              | £000                   | £000                | £000                 | £000          | £000            | £000          |
| <b>Short Term</b>            |                        |                     |                      |               |                 |               |
| Mersey Gateway               |                        |                     |                      |               |                 |               |
| - Toll and registration fees | 1,369                  | (791)               | 578                  | 1,701         | (1,447)         | 254           |
| - Public charge notices      | 16,551                 | (10,224)            | 6,327                | 23,872        | (21,347)        | 2,525         |
| VAT                          | 4,345                  | -                   | 4,345                | 5,262         | -               | 5,262         |
| Other receivable amounts     | 22,955                 | (3,864)             | 19,091               | 20,975        | (3,110)         | 17,865        |
| Prepayments                  | 1,688                  | -                   | 1,688                | 2,744         | -               | 2,744         |
| Local Taxation               | 12,113                 | (8,126)             | 3,987                | 15,273        | (11,584)        | 3,689         |
|                              | <b>59,021</b>          | <b>(23,005)</b>     | <b>36,016</b>        | <b>69,827</b> | <b>(37,488)</b> | <b>32,339</b> |
| <b>Long Term</b>             |                        |                     |                      |               |                 |               |
| Other receivable amounts     | 13,311                 | -                   | 13,311               | 12,668        | -               | 12,668        |
|                              | <b>13,311</b>          | <b>-</b>            | <b>13,311</b>        | <b>12,668</b> | <b>-</b>        | <b>12,668</b> |

Please note the figures for year ending 31/13/2019 have been restated to reflect the new format used for year ending 31/03/2020.

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

|                      | 31/03/2019   | 31/03/2020   |
|----------------------|--------------|--------------|
|                      | £000         | £000         |
| Less than one year   | 1,886        | 2,132        |
| one to two years     | 787          | 656          |
| two to three years   | 545          | 377          |
| three to four years  | 342          | 215          |
| four to five years   | 211          | 139          |
| five years and above | 216          | 170          |
|                      | <b>3,987</b> | <b>3,689</b> |

## 24. Cash and Cash Equivalents

|                          | <b>31/03/2019</b> | <b>31/03/2020</b> |
|--------------------------|-------------------|-------------------|
|                          | <b>£000</b>       | <b>£000</b>       |
| Cash held by the Council | 60                | 62                |
| Bank current accounts    | 1,121             | 1,598             |
| Short-term deposits      | 16,850            | 21,200            |
|                          | <b>18,031</b>     | <b>22,860</b>     |

## 25. Creditors

|   | <b>31/03/2019</b> | <b>31/03/2020</b> |
|---|-------------------|-------------------|
|   | <b>Restated</b>   |                   |
|   | <b>£000</b>       | <b>£000</b>       |
| Mersey Gateway                              |                   |                   |
| - Payment to toll collection company        | (3,796)           | (4,762)           |
| - Payment of unitary charge                 | (3,125)           | (5,995)           |
| - Construction costs                        | (250)             | (7,143)           |
| Short Term element of Long term liabilities | (6,555)           | (6,843)           |
| Other payable amounts                       | (39,713)          | (33,588)          |
|   | <b>(53,439)</b>   | <b>(58,331)</b>   |

Please note the figures for year ending 31/13/2019 have been restated to reflect the new format used for year ending 31/03/2020.



## 26. Borrowings

Short term borrowings consist of:

|                               | 31/03/2019<br>£000 | 31/03/2020<br>£000 |
|-------------------------------|--------------------|--------------------|
| <b>Source of loans:</b>       |                    |                    |
| Liverpool City Region - LEP   | (5,401)            | -                  |
| Essex County Council          | -                  | (5,000)            |
| Interest accrued on borrowing | (2,808)            | (629)              |
|                               | <b>(8,209)</b>     | <b>(5,629)</b>     |

Long term borrowings consist of:

|                                       | 31/03/2019<br>£000 | 31/03/2020<br>£000 |
|---------------------------------------|--------------------|--------------------|
| <b>Source of loans:</b>               |                    |                    |
| Public Works Loan Board               | (162,000)          | (162,000)          |
| Eurohypo                              | (10,000)           | (10,000)           |
|                                       | <b>(172,000)</b>   | <b>(172,000)</b>   |
| <b>Analysis of loans by maturity:</b> |                    |                    |
| 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)          |
|                                       | <b>(172,000)</b>   | <b>(172,000)</b>   |

## 27. Provisions

|                                      | Short Term           |                             |                          |                | Long Term            |
|--------------------------------------|----------------------|-----------------------------|--------------------------|----------------|----------------------|
|                                      | NNDR Appeals<br>£000 | Insurance Provision<br>£000 | Other Provisions<br>£000 | Total<br>£000  | NNDR Appeals<br>£000 |
| <b>Balance at 1 April 2019</b>       | <b>(3,085)</b>       | <b>(2,044)</b>              | <b>(497)</b>             | <b>(5,626)</b> | <b>(2,324)</b>       |
| Movement in use of provision in year | (1,292)              | 445                         | 44                       | <b>(803)</b>   | -                    |
| Amounts reclassified as <12 months   | -                    | -                           | -                        | -              | -                    |
| Amounts reclassified from >12 months | 2,328                | -                           | -                        | <b>2,328</b>   | (2,328)              |
| <b>Balance at 31 March 2020</b>      | <b>(2,049)</b>       | <b>(1,599)</b>              | <b>(453)</b>             | <b>(4,101)</b> | <b>(4,652)</b>       |

### 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 20/21.

### Insurance Provision

The council have a number of insurance claims outstanding in relation to employers liability and public liability claims. The provision shown above reflect the expected cost to the council, up to the value of excess for each claim, it is assumed that all claims will be settled during 2020/21.

## 28. Contingent Liabilities

At 31<sup>st</sup> March 2020, the Council had 2 categories of material Contingent Liabilities:

### Mersey 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 677 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. A ruling in December 2019 decided that Foundation Trusts were not established for charitable purposes but in February 2020 a number of trusts applied for permission to appeal. If any applications were successful there would be a potential liability of approximately £0.570m with claims being backdated over nine years. The LGA are acting on behalf of Councils nationally in defending the current position on these applications.

## 29. Other Long Term Liabilities

|   | <b>31/03/2019</b> | <b>31/03/2020</b> |
|---|-------------------|-------------------|
|   | <b>£000</b>       | <b>£000</b>       |
| Defined Benefit Pension liability                     | (161,899)         | (65,437)          |
| Finance PFI Lease liability due more than 12 months   | (18,738)          | (18,205)          |
| Mersey Gateway unitary charge due more than 12 months | (355,781)         | (349,471)         |
| Deferred liabilities                                  | (33)              | (19)              |
|   | <b>(536,451)</b>  | <b>(433,132)</b>  |

### 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:

|   | <b>31/03/2019</b> | <b>31/03/2020</b> |
|---|-------------------|-------------------|
|   | <b>£000</b>       | <b>£000</b>       |
| Not later than one year                       | 314               | 217               |
| Later than one year not later than five years | 714               | 676               |
| Later than five years                         | 10,341            | 10,192            |
|   | <b>11,369</b>     | <b>11,085</b>     |

#### 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:

|   | <b>31/03/2019</b> | <b>31/03/2020</b> |
|---|-------------------|-------------------|
|   | <b>£000</b>       | <b>£000</b>       |
| Not later than one year                       | 1,801             | 1,885             |
| Later than one year not later than five years | 2,625             | 2,477             |
| Later than five years                         | 10,326            | 9,240             |
|   | <b>14,752</b>     | <b>13,602</b>     |

#### 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:

|  | <b>31/03/2019</b> | <b>31/03/2020</b> |
|--|-------------------|-------------------|
|  | <b>£000</b>       | <b>£000</b>       |
| Finance lease debtor (net present value of minimum lease payments) |                   |                   |
| - Current  | 488               | 500               |
| - Non Current  | 12,397            | 11,897            |
| Unearned Finance income  | 3,765             | 3,442             |
| <b>Gross investment in the lease</b>                               | <b>16,650</b>     | <b>15,839</b>     |

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

|   | <b>Gross Investment in the lease</b> |                   | <b>Minimum Lease Payments</b> |                   |
|---|--------------------------------------|-------------------|-------------------------------|-------------------|
|   | <b>31/03/2019</b>                    | <b>31/03/2020</b> | <b>31/03/2019</b>             | <b>31/03/2020</b> |
|   | <b>£000</b>                          | <b>£000</b>       | <b>£000</b>                   | <b>£000</b>       |
| Not later than one year                           | 810                                  | 810               | 810                           | 810               |
| Later than one year and not later than five years | 3,239                                | 3,238             | 3,239                         | 3,238             |
| Later than five years                             | 12,601                               | 11,791            | 12,601                        | 11,791            |
|   | <b>16,650</b>                        | <b>15,839</b>     | <b>16,650</b>                 | <b>15,839</b>     |

As 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 1<sup>st</sup> 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 2020 (excluding any estimation of inflation and availability/performance deductions) are as follows:

|                            | <b>Payment for<br/>Services<br/>£000</b> | <b>Reimbursements<br/>of Capital<br/>Expenditure<br/>£000</b> | <b>Interest<br/>£000</b> | <b>Total<br/>£000</b> |
|----------------------------|--|---|--------------------------|-----------------------|
| Payment in 2020/21         | 1,138                                    | 534   | 1,608                    | 3,280                 |
| Payable within 2-5 years   | 4,863                                    | 2,281   | 5,976                    | 13,120                |
| Payable within 6-10 years  | 5,876                                    | 4,389   | 6,134                    | 16,399                |
| Payable within 11-15 years | 6,201                                    | 6,267   | 3,931                    | 16,399                |
| Payable within 16-20 years | 3,633                                    | 5,267   | 941                      | 9,841                 |
| <b>Total</b>               | <b>21,711</b>                            | <b>18,738</b>   | <b>18,590</b>            | <b>59,039</b>         |

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:

|  | <b>2018/19<br/>£000</b> | <b>2019/20<br/>£000</b> |
|--|-------------------------|-------------------------|
| <b>Balance outstanding at 1st April</b>  | <b>19,941</b>           | <b>19,352</b>           |
| Payments during the year                 | (589)                   | (614)                   |
| Capital expenditure incurred in the year | -                       | -                       |
| <b>Balance outstanding at 31st March</b> | <b>19,352</b>           | <b>18,738</b>           |

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. Movements in the value of the Mersey Gateway over the year are detailed in the analysis of the movement on the property, plant and equipment balance in note 17.

The Project Company took on the obligation to construct the bridge and associated roads, and maintain them in a minimum acceptable condition and at the end of the contract the assets will be handed back to the Council for nil consideration. Full details of the requirement to achieve acceptable handback condition are in the Project Agreement. The Council has rights to terminate the contract if it compensates the contractor in full as detailed in the Project Agreement, there are also provision for termination by either party for certain breaches of performance.

### 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 2020 (excluding any deductions) are as follows:

|                            | <b>Payment for<br/>Services<br/>£000</b> | <b>Reimbursements<br/>of Capital<br/>Expenditure<br/>£000</b> | <b>Interest<br/>£000</b> | <b>Total<br/>£000</b> |
|----------------------------|--|---|--------------------------|-----------------------|
| Payment in 2020/21         | 3,344                                    | 6,310   | 27,003                   | 36,657                |
| Payable within 2-5 years   | 14,486                                   | 29,121  | 103,018                  | 146,625               |
| Payable within 6-10 years  | 18,651                                   | 50,866  | 113,763                  | 183,280               |
| Payable within 11-15 years | 24,892                                   | 66,111  | 92,277                   | 183,280               |
| Payable within 16-20 years | 26,064                                   | 94,667  | 62,550                   | 183,281               |
| Payable within 21-25 years | 18,639                                   | 108,707   | 19,278                   | 146,624               |
| <b>Total</b>               | <b>106,076</b>                           | <b>355,782</b>  | <b>417,889</b>           | <b>879,747</b>        |

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:

|  | <b>2018/19</b><br><b>£000</b> | <b>2019/20</b><br><b>£000</b> |
|--|-------------------------------|-------------------------------|
| <b>Balance outstanding at 1st April</b>  | <b>367,359</b>                | <b>361,722</b>                |
| Payments during the year                 | (5,637)                       | (5,940)                       |
| Capital expenditure incurred in the year | -                             | -                             |
| <b>Balance outstanding at 31st March</b> | <b>361,722</b>                | <b>355,782</b>                |

## **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 principal risks to the authority of the scheme are the longevity assumptions, changes to inflation, bond yields, the performance of the equity investments held and any significant statutory or structural changes to the scheme. The risks are, in part, mitigated by the annual process of charging to the General Fund any increase/decrease in the net asset or liability, as identified in the actuarial valuation.

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 2019/20, the Council paid an employer's contribution to the Cheshire Pension Fund of £11.743 m (£10.887m in 2018/19).

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:

|  | <b>2018/19</b>  | <b>2019/20</b>   |
|--|-----------------|------------------|
| <b>Comprehensive Income &amp; Expenditure Statement</b>  | <b>Restated</b> |                  |
| <b>Cost of Services</b>  | <b>£000</b>     | <b>£000</b>      |
| Current Service Costs  | 22,135          | 27,047           |
| Past Service Costs/(Gain)  | 2,825           | 147              |
| Losses/(Gains) from Settlements  | (1,036)         | (449)            |
| <b>Finance &amp; Investment Income &amp; Expenditure</b>   |                 |                  |
| Net interest expense   | 2,925           | 4,065            |
| <b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>  | <b>26,849</b>   | <b>30,810</b>    |
| <b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>  |                 |                  |
| Re-measurement of the net defined benefit liability comprising:  |                 |                  |
| Return on plan assets (excluding the amount included in the net interest expense)  | (15,490)        | 10,266           |
| Actuarial (gains) and losses arising on changes in demographic assumptions   | -               | (30,096)         |
| Actuarial (gains) and losses arising on changes in financial assumptions   | 56,417          | (57,527)         |
| Other experience   | (95)            | (37,727)         |
| <b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>  | <b>40,832</b>   | <b>(115,084)</b> |
| <b>Movement in Reserves Statement</b>  |                 |                  |
| Reversal of net charges made to the Surplus or Deficit on the provision of Services for post-employment benefits in accordance with the Code | <b>(26,849)</b> | <b>(30,810)</b>  |
| Actual amount charged against the General Fund Balance for pensions in the year:   |                 |                  |
| Contributions in respect of unfunded benefits  | <b>446</b>      | <b>445</b>       |
| Employers' contributions payable to scheme   | <b>10,887</b>   | <b>11,743</b>    |

## 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:

|  | <b>2018/19</b>   | <b>2019/20</b>  |
|--|------------------|-----------------|
|  | <b>Restated</b>  |                 |
|  | <b>£000</b>      | <b>£000</b>     |
| Present value of funded liabilities                          | (751,153)        | (654,714)       |
| Present value of unfunded liabilities                        | (6,824)          | (5,880)         |
| Fair value of plan assets                                    | 596,078          | 595,157         |
| Sub Total  | <b>(161,899)</b> | <b>(65,437)</b> |
| Other movement in the liability / (asset)                    | -                | -               |
| <b>Net liability arising from defined benefit obligation</b> | <b>(161,899)</b> | <b>(65,437)</b> |

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

|  | <b>2018/19</b> | <b>2019/20</b> |
|--|----------------|----------------|
|  | <b>£000</b>    | <b>£000</b>    |
| <b>Opening fair value of scheme assets</b>   | 573,142        | 596,078        |
| Interest income  | 15,301         | 14,269         |
| Remeasurement gain / (loss)  | -              | -              |
| The return on plan assets, excluding the amount included in the net interest expense | 15,490         | (10,266)       |
| Contributions from employer  | 10,887         | 11,743         |
| Contributions from employees into the scheme   | 3,636          | 3,870          |
| Benefits Paid  | (17,798)       | (19,182)       |
| Effect of Settlements  | (4,580)        | (1,355)        |
| <b>Closing fair value of scheme assets</b>   | <b>596,078</b> | <b>595,157</b> |

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

|  | <b>2018/19</b>   | <b>2019/20</b>   |
|--|------------------|------------------|
|  | <b>Restated</b>  |                  |
|  | <b>£000</b>      | <b>£000</b>      |
| <b>Opening balance at 1 April</b>  | <b>(678,689)</b> | <b>(757,973)</b> |
| Current service cost   | (22,135)         | (27,047)         |
| Interest Cost  | (18,226)         | (18,334)         |
| Contribution from scheme participants                                      | (3,636)          | (3,870)          |
| Remeasurement (gains) and losses:  |                  |                  |
| - Actuarial gains / losses arising from changes in demographic assumptions | -                | 30,096           |
| - Actuarial gains / losses arising from changes in financial assumptions   | (56,417)         | 57,527           |
| - Other  | 92               | 37,723           |
| Past service cost  | (2,825)          | (147)            |
| Benefits paid  | 18,243           | 19,627           |
| Liabilities extinguished on settlements                                    | 5,616            | 1,804            |
| <b>Closing balance at 31 March</b>   | <b>(757,977)</b> | <b>(660,594)</b> |

Please note the local government pension scheme and the teachers unfunded scheme were shown separately in the 2018/19 accounts. The figures have been amalgamated for 2019/20 so the 2018/19 figures above have been restated to reflect this treatment.

Local Government Pension Scheme assets comprised

|                                   | Fair value of scheme assets<br>2018/19           |  |                | Fair value of scheme assets<br>2019/20           |  |                |
|-----------------------------------|--|--|----------------|--|--|----------------|
|                                   | Quoted<br>prices in<br>active<br>markets<br>£000 | Quoted<br>prices not in<br>active<br>markets<br>£000 | Total<br>£000  | Quoted<br>prices in<br>active<br>markets<br>£000 | Quoted<br>prices not in<br>active<br>markets<br>£000 | Total<br>£000  |
| <b>Cash and cash equivalents</b>  | -  | 11,629   | 11,629         | -  | 17,413   | 17,413         |
| Equity securities                 |  |  |                |  |  |                |
| - Consumer                        | 7,237  | -  | 7,237          | 7,528  | -  | 7,528          |
| - Manufacturing                   | 4,480  | -  | 4,480          | 6,043  | -  | 6,043          |
| - Energy & utilities              | 949  | -  | 949            | 878  | -  | 878            |
| - Financial institutions          | 8,417  | -  | 8,417          | 8,371  | -  | 8,371          |
| - Health & Care                   | 2,645  | -  | 2,645          | 3,646  | -  | 3,646          |
| - Information technology          | 28,026   | -  | 28,026         | 29,887   | -  | 29,887         |
| - Other                           | 1,861  | -  | 1,861          | 2,156  | -  | 2,156          |
| <b>Sub-total equity</b>           | <b>53,615</b>                                    | <b>-</b>   | <b>53,615</b>  | <b>58,509</b>                                    | <b>-</b>   | <b>58,509</b>  |
| Debt Securities                   |  |  |                |  |  |                |
| - Corporate Bonds                 | -  | -  | -              | -  | -  | -              |
| - Government Bonds                | -  | -  | -              | -  | -  | -              |
| - Other                           | -  | -  | -              | -  | -  | -              |
| <b>Sub-total bonds</b>            | <b>-</b>   | <b>-</b>   | <b>-</b>       | <b>-</b>   | <b>-</b>   | <b>-</b>       |
| Property                          |  |  |                |  |  |                |
| - UK property                     | -  | 48,860   | 48,860         | -  | 47,673   | 47,673         |
| - Overseas property               | -  | 867  | 867            | -  | 831  | 831            |
| <b>Sub-total property</b>         | <b>-</b>   | <b>49,727</b>  | <b>49,727</b>  | <b>-</b>   | <b>48,504</b>  | <b>48,504</b>  |
| <b>Private Equity</b>             | <b>-</b>   | <b>20,683</b>  | <b>20,683</b>  | <b>-</b>   | <b>22,405</b>  | <b>22,405</b>  |
| Other investment funds            |  |  |                |  |  |                |
| - Equities                        | 85,726   | -  | 85,726         | 91,266   | -  | 91,266         |
| - Bonds                           | 227,151  | 42,769   | 269,920        | 220,647  | 43,877   | 264,524        |
| - Hedge funds                     | -  | 80,176   | 80,176         | -  | 67,963   | 67,963         |
| - Other                           | -  | 24,602   | 24,602         | -  | 24,573   | 24,573         |
| <b>Sub-total investment funds</b> | <b>312,877</b>                                   | <b>147,547</b>                                       | <b>460,424</b> | <b>311,913</b>                                   | <b>136,413</b>                                       | <b>448,326</b> |
| <b>Total Assets</b>               | <b>366,492</b>                                   | <b>229,586</b>                                       | <b>596,078</b> | <b>370,422</b>                                   | <b>224,735</b>                                       | <b>595,157</b> |

## 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:

|  | 2018/19    | 2019/20    |
|--|------------|------------|
| Mortality Assumptions  |            |            |
| Longevity at 65 for current pensioners:                              |            |            |
| - Men  | 22.3 years | 21.2 years |
| - Women  | 24.5 years | 23.6 years |
| Longevity at 65 for future pensioners:                               |            |            |
| - Men  | 23.9 years | 21.9 years |
| - Women  | 26.5 years | 25.0 years |
| Rate of inflation  | 2.5%       | 1.9%       |
| Rate of increase in salaries   | 2.8%       | 2.6%       |
| Rate of increase in pensions   | 2.5%       | 1.9%       |
| Rate for discounting scheme liabilities                              | 2.4%       | 2.3%       |
| 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 reasonable 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.

|   | Approximate % increase to Employer Liability | Approximate monetary amount £000 |
|---|--|----------------------------------|
| <b>Change in assumptions at 31 March 2020</b> |  |                                  |
| 0.5% decrease in Real Discount Rate           | 10%  | 63,447                           |
| 0.5% increase in the Salary Increase Rate     | 1%   | 7,224                            |
| 0.5% increase in the Pension Increase Rate    | 8%   | 55,590                           |

## **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 2022.

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 £15.430m to the scheme in 2020/21.

The weighted average duration of the defined benefit obligation for scheme members is 19 years in 2019/20 (18.7 years in 2018/19)

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 2019/20, the Council paid an employers' contribution to the Teachers' Pension Agency of £5.472m (£4.452m in 2018/19) in respect of teachers' pension costs. The contribution rate for 2019/20 was 16.5% (16.5% in 2018/19) 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 2019/20 the cost was £0.445m (£0.479m in 2018/19).

## **NHS Pension Scheme**

### **Defined Contribution Scheme**

In 2019/20 the Council paid an employers' contribution to the National Health Service Pensions Scheme in respect of 34 employees, the amount paid was £0.164m (£0.174m in 2018/19) in respect of these former NHS employees' pension costs. The contribution rate was 14.4% (14.4% in 2018/19) 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 Instruments

#### Categories of Financial Instruments

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

#### Financial Assets

|  | Long Term<br>31/03/2019<br>£000 | Current<br>31/03/2019<br>£000 | Long Term<br>31/03/2020<br>£000 | Current<br>31/03/2020<br>£000 |
|--|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| <b>Fair value through profit and loss</b>            | 4,921                           | -                             | 4,745                           | -                             |
| <b>Amortised cost</b>                                |                                 |                               |                                 |                               |
| - Investments  | 17,015                          | 60,253                        | 17,000                          | 65,408                        |
| - Debtors  | 13,311                          | 24,152                        | 12,668                          | 20,850                        |
| - Cash & Cash Equivalents                            | -                               | 18,031                        | -                               | 22,860                        |
| <b>Fair value through other comprehensive income</b> |                                 |                               |                                 |                               |
| - designated equity instruments                      | 440                             | -                             | 10                              | -                             |
| - other  | 1,313                           | -                             | 1,898                           | -                             |
| <b>Total financial assets</b>                        | <b>37,000</b>                   | <b>102,436</b>                | <b>36,321</b>                   | <b>109,118</b>                |

#### Financial Liabilities

|  | Long Term<br>31/03/2019<br>£000 | Current<br>31/03/2019<br>£000 | Long Term<br>31/03/2020<br>£000 | Current<br>31/03/2020<br>£000 |
|--|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| <b>Financial Liabilities at amortised cost</b> |                                 |                               |                                 |                               |
| - Borrowings                                   | (172,000)                       | (8,209)                       | (172,000)                       | (5,629)                       |
| - Finance lease liabilities and PFI            | (18,738)                        | (614)                         | (18,204)                        | (534)                         |
| - Mersey Gateway Unitary Charge                | (355,782)                       | (5,941)                       | (349,472)                       | (6,310)                       |
| - Creditors                                    | -                               | (36,211)                      | -                               | (46,073)                      |
| <b>Fair Value through profit or loss</b>       | -                               | -                             | -                               | -                             |
| <b>Total financial liabilities</b>             | <b>(546,520)</b>                | <b>(50,975)</b>               | <b>(539,676)</b>                | <b>(58,546)</b>               |



### **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 £4.745m at 31<sup>st</sup> March 2020.

The valuation is based on the net asset value provided by CCLA at 31<sup>st</sup> March 2020.

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 value of the investment was £4.921m at 31<sup>st</sup> March 2019 giving a cost to the General Fund of £0.176m in 2019/20.

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

The Council held a 99% equity holding in Halton Borough Transport Limited at a value of £430k. The company ceased trading in January 2020 and the investment has therefore been derecognised. The value of the equity at the date of derecognition was £430k and has been charged to the Comprehensive Income and Expenditure Statement. The cumulative loss on disposal is £430k.

The Council holds a 25% equity holding in Daresbury SIC LLP, valued at a net asset value of £1.898m at 31<sup>st</sup> March 2020 (£1.313m at 31<sup>st</sup> 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

|   | 2018/19  |   | 2019/20  |   |
|---|--|---|--|---|
|   | Surplus or<br>Deficit on the<br>Provision of<br>Services<br>£000 | Other<br>Comprehensive<br>Income and<br>Expenditure<br>£000 | Surplus or<br>Deficit on the<br>Provision of<br>Services<br>£000 | Other<br>Comprehensive<br>Income and<br>Expenditure<br>£000 |
| <b>Net (gains)/losses on:</b>   |  |   |  |   |
| financial assets measured<br>at fair value through profit<br>or loss  | 79   | -   | 176  | -   |
| equity instruments<br>measured at fair value<br>through other<br>comprehensive income<br>- derecognition charged to<br>surplus or deficit on the<br>provision of services | -  | -   | 430  | -   |
| financial assets measured<br>at amortised cost  |  |   | 407  |   |
| financial assets measured<br>at fair value through other<br>comprehensive income  | -  | (1,313)   | -  | (585)   |
| <b>Interest revenue</b>   |  |   |  |   |
| financial assets measured<br>at amortised cost  | (1,470)  | -   | (1,733)  | -   |
| financial assets measured<br>at fair value through profit<br>or loss  | (207)  | -   | (210)  | -   |
| <b>Interest expense</b>   | 35,898   | -   | 35,502   | -   |
| <b>Net Gain/(Loss)</b>  | <b>34,300</b>  | <b>(1,313)</b>  | <b>34,572</b>  | <b>(585)</b>  |

## 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<br>£000 | Valuation technique used to measure fair value<br>£000          | 31/03/2019<br>£000 | 31/03/2020<br>£000 |
|--|---|---|--------------------|--------------------|
| Fair Value through Profit or Loss:<br>CCLA Property Fund | Level 1                                     | Unadjusted quoted prices in active markets for identical shares | 4,921              | 4,746              |
| Fair Value through Comprehensive Income & Expenditure    |   |   |                    |                    |
| Daresbury SIC LLP  | Level 2                                     | Net Asset Valuation   | 1,313              | 1,898              |
| Halton Borough Transport                                 | Level 3                                     | At Cost   | 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 31<sup>st</sup> March 2020 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:

|   | 2018/19         |            | 2019/20         |            |
|---|-----------------|------------|-----------------|------------|
|   | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
|   | £000            | £000       | £000            | £000       |
| <b>Financial Assets - short term</b>          |                 |            |                 |            |
| Investments - loans and receivables           | 60,253          | 60,266     | 65,408          | 65,408     |
| Cash and Cash Equivalents                     | 18,031          | 18,031     | 22,860          | 22,860     |
| Debtors                                       | 24,152          | 24,152     | 20,850          | 20,850     |
| <b>Financial Assets - long term</b>           |                 |            |                 |            |
| Investments                                   | 17,015          | 17,269     | 17,000          | 17,265     |
| Debtors                                       | 13,311          | 13,311     | 12,668          | 13,108     |
| Fair Value through profit and loss            | 4,921           | 4,921      | 4,745           | 4,745      |
| Fair Value through other comprehensive income | 1,753           | 1,753      | 1,908           | 1,908      |

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 31<sup>st</sup> March 2020) attributable to the commitment to receive interest above current market rates.

|   | 2018/19         |            | 2019/20         |            |
|---|-----------------|------------|-----------------|------------|
|   | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
|   | Restated        | Restated   |                 |            |
|   | £000            | £000       | £000            | £000       |
| <b>Financial Liabilities - short term</b> |                 |            |                 |            |
| Borrowings                                | (8,209)         | (8,209)    | (5,629)         | (5,629)    |
| Finance lease liabilities & PFI           | (614)           | (614)      | (534)           | (534)      |
| Mersey Gateway unitary charge             | (5,941)         | (5,941)    | (6,310)         | (6,310)    |
| Creditors                                 | (36,211)        | (36,211)   | (46,073)        | (46,073)   |
| <b>Financial Liabilities - long term</b>  |                 |            |                 |            |
| Borrowings                                | (172,000)       | (219,403)  | (172,000)       | (206,688)  |
| Finance lease liabilities & PFI           | (18,738)        | (32,595)   | (18,204)        | (30,226)   |
| Mersey Gateway unitary charge             | (355,782)       | (635,084)  | (349,472)       | (598,373)  |

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 31<sup>st</sup> March 2020) 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 31<sup>st</sup> March 2020.

### **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 £101.354m 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 31<sup>st</sup> March 2020 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:

| <b>Maximum<br/>Deposit<br/>per institution<br/>£000</b> | <b>Counterparties</b>                        | <b>Exposure at<br/>31/03/2020<br/>£000</b> |
|---|--|--|
| 30,000  | UK Government                                | -  |
|   | UK Banks and Building Societies              |  |
| 30,000  | - Minimum Rating AAA                         | -  |
| 25,000  | - Minimum Rating AA                          | 15,200                                     |
| 20,000  | - Minimum Rating A                           | 21,154                                     |
| 10,000  | - Minimum Rating BBB                         | -  |
|   | Foreign Banks (with Sovereign Rating of AAA) |  |
| 20,000  | - Minimum Rating AAA                         | -  |
| 10,000  | - Minimum Rating AA                          | 10,000                                     |
| 5,000   | - Minimum Rating A                           | -  |
|   | Money Market Funds                           |  |
| 20,000  | - Minimum Rating AAA                         | -  |
| 10,000  | Property Funds                               | 4,745                                      |
| 20,000  | Local Authorities                            | 55,000                                     |
|   |  | <b>106,099</b>                             |

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<br>Outstanding at<br>31/03/2020<br>£000 | Historical<br>experience<br>of default<br>% | Estimated<br>maximum exposure<br>to default and non-<br>collection at<br>31/03/2020<br>£000 |
|---|--|---|---|
| Deposits with AA rated banks and building societies |  |   |   |
| - 1 year and over                                   | -  | 0.02  | -   |
| - under 1 year                                      | 25,200   | 0.00  | -   |
| Deposits with A rated banks and building societies  |  |   |   |
| - 1 year and over                                   | -  | 0.05  | -   |
| - under 1 year                                      | 21,154   | 0.00  | -   |
| Deposits with other Local Authorities               | 55,000   | 0.00  | -   |
| Deposits with MMF                                   | -  | 0.00  | -   |
| Deposits with property funds                        | 4,745  | 0.00  | -   |
|   | <b>106,099</b>                                 |   | -   |

None of the Council's counterparties had any difficulty in repaying their liabilities during 2019/20. 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 31<sup>st</sup> March 2020 £34.550m of this debt is overdue:

|                           | 31/03/2019<br>£000 | 31/03/2020<br>£000 |
|---------------------------|--------------------|--------------------|
| Less than 3 months        | 9,506              | 7,181              |
| 3 to 6 months             | 4,284              | 3,555              |
| 6 months to 1 year        | 7,245              | 6,486              |
| More than 1 year          | 7,157              | 18,114             |
|                           | <b>28,192</b>      | <b>35,336</b>      |
| Provision for non-payment | (14,880)           | (25,904)           |

### 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.

|                       | <b>31/03/2019</b> | <b>31/03/2020</b> |
|-----------------------|-------------------|-------------------|
|                       | <b>£000</b>       | <b>£000</b>       |
| Less than 1 year      | 50,997            | 58,546            |
| Between 1 and 2 years | 7,137             | 6,997             |
| Between 2 and 5 years | 22,262            | 24,404            |
| More than 5 years     | 517,407           | 508,269           |
|                       | <b>597,803</b>    | <b>598,216</b>    |

## **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.

If interest rates had been 1% higher with all other variables held constant, the financial effect would be:

|   | <b>31/03/2020</b> |
|---|-------------------|
|   | <b>£000</b>       |
| Increase in interest payable on short term borrowings     | 21                |
| Increase in interest receivable on short term investments | (1,136)           |
|   | <b>(1,115)</b>    |

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 31<sup>st</sup> March 2020. 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 31<sup>st</sup> March 2020 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) 2018/19

|  | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Usable Reserves | Movement in Unusable Reserves |
|--|----------------------|--------------------------|--------------------------|-----------------------------|-------------------------------|
|  | £000                 | £000                     | £000                     | £000                        | £000                          |
| <b>Capital adjustment account reversal of items debited or credited to the CIES:</b>               |                      |                          |                          |                             |                               |
| 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 Expenditure 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 gain/loss on disposal to the CIES | 1,763                | (4,495)                  | -                        | (2,732)                     | 2,732                         |
| <b>Insertion of items not debited or credited to the CIES:</b>                                     |                      |                          |                          |                             |                               |
| 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)                         |
| <b>Capital Grants Unapplied Account</b>  |                      |                          |                          |                             |                               |
| 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<br>£000 | Capital Receipts Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Movement in Usable Reserves<br>£000 | Movement in Unusable Reserves<br>£000 |
|--|------------------------------|----------------------------------|----------------------------------|-------------------------------------|---------------------------------------|
| <b>Capital Receipts Reserve</b>  |                              |                                  |                                  |                                     |                                       |
| 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 liability  | -                            | 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   | -                            | -                                | -                                | -                                   | -                                     |
| <b>Pensions Reserve</b>  |                              |                                  |                                  |                                     |                                       |
| 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)                              |
| <b>Collection Fund Adjustment</b>  |                              |                                  |                                  |                                     |                                       |
| 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                                 |
| <b>Accumulated Absences Account</b>  |                              |                                  |                                  |                                     |                                       |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration with statutory requirements                       | (295)                        | -                                | -                                | (295)                               | 295                                   |
| <b>TOTAL ADJUSTMENTS</b>   | <b>(29,955)</b>              | <b>3,034</b>                     | <b>(2,603)</b>                   | <b>(29,524)</b>                     | <b>29,524</b>                         |

**(b) 2019/20**

|  | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Usable Reserves | Movement in Unusable Reserves |
|--|----------------------|--------------------------|--------------------------|-----------------------------|-------------------------------|
|  | £000                 | £000                     | £000                     | £000                        | £000                          |
| <b>Capital adjustment account reversal of items debited or credited to the CIES:</b>                           |                      |                          |                          |                             |                               |
| Charges for depreciation and impairment on non-current assets  | (26,206)             | -                        | -                        | (26,206)                    | 26,206                        |
| Revaluation losses on Property, Plant and Equipment  | (10,109)             | -                        | -                        | (10,109)                    | 10,109                        |
| Movements in the Market Value of Investment Properties   | 57                   | -                        | -                        | 57                          | (57)                          |
| Amortisation of Intangible Assets  | (737)                | -                        | -                        | (737)                       | 737                           |
| Capital Grants and Contributions applied   | 24,792               | -                        | 2,161                    | 26,953                      | (26,953)                      |
| Revenue Expenditure Funded by Capital Under Statute  | (3,676)              | -                        | -                        | (3,676)                     | 3,676                         |
| Derecognition of Financial Instruments measured at other comprehensive income and expenditure                  | (430)                | -                        | -                        | (430)                       | 430                           |
| Amounts written off on disposal of Academies to CIES   | (3,022)              | -                        | -                        | (3,022)                     | 3,022                         |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | 669                  | (1,470)                  | -                        | (801)                       | 801                           |
| <b>Insertion of items not debited or credited to the CIES:</b>   |                      |                          |                          |                             |                               |
| Statutory provision for the financing of Capital investment  | 8,670                | -                        | -                        | 8,670                       | (8,670)                       |
| Capital expenditure charged against the General Fund Balance   | 211                  | -                        | -                        | 211                         | (211)                         |
| <b>Capital Grants Unapplied Account</b>  |                      |                          |                          |                             |                               |
| Capital Grants and Contributions unapplied credited to the CIES  | 1,679                | -                        | (1,679)                  | -                           | -                             |
| Application of Grants to Capital Financing transferred to the Capital Adjustment Account                       | -                    | -                        | -                        | -                           | -                             |

|  | General Fund<br>Balance<br>£000 | Capital Receipts<br>Reserve<br>£000 | Capital Grants<br>Unapplied<br>£000 | Movement in<br>Usable Reserves<br>£000 | Movement in<br>Unusable Reserves<br>£000 |
|--|---------------------------------|-------------------------------------|-------------------------------------|--|--|
| <b>Capital Receipts Reserve</b>  |                                 |                                     |                                     |  |  |
| 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   | -                               | 3,083                               | -                                   | <b>3,083</b>                           | <b>(3,083)</b>                           |
| Use of Capital Receipts to reduce MRP liability  | -                               | 488                                 | -                                   | <b>488</b>                             | <b>(488)</b>                             |
| 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   | -                               | -                                   | -                                   | -                                      | -  |
| <b>Pensions Reserve</b>  |                                 |                                     |                                     |  |  |
| Reversal of items relating to retirement benefits debited/credited to the CIES   | (30,810)                        | -                                   | -                                   | <b>(30,810)</b>                        | <b>30,810</b>                            |
| Employers pension contributions and direct payments to pensioners  | 12,188                          | -                                   | -                                   | <b>12,188</b>                          | <b>(12,188)</b>                          |
| <b>Collection Fund Adjustment</b>  |                                 |                                     |                                     |  |  |
| 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 | (2,591)                         | -                                   | -                                   | <b>(2,591)</b>                         | <b>2,591</b>                             |
| <b>Accumulated Absences Account</b>  |                                 |                                     |                                     |  |  |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration with statutory requirements                       | 478                             | -                                   | -                                   | <b>478</b>                             | <b>(478)</b>                             |

### 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.

| <b>2018/19</b>   |                                | <b>2019/20</b>   |
|------------------|--------------------------------|------------------|
| <b>£000</b>      |                                | <b>£000</b>      |
|                  | General Fund                   |                  |
| (4,998)          | - Excluding Earmarked Reserves | (4,002)          |
| (81,728)         | - Earmarked Reserves           | (105,572)        |
|                  | Capital Reserves               |                  |
| (7,741)          | - Capital Receipts Reserve     | (5,640)          |
| (12,963)         | - Capital Grants Unapplied     | (12,481)         |
| <b>(107,430)</b> | <b>Total Usable Reserves</b>   | <b>(127,695)</b> |

### 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 2019/20.

|   | Balance at 31 <sup>st</sup><br>March 2018<br>Restated<br>£000 | Movement<br>(to)/from<br>Reserve<br>£000 | Balance at 31 <sup>st</sup><br>March 2019<br>Restated<br>£000 | Movement<br>(to)/from<br>Reserve<br>£000 | Balance at 31 <sup>st</sup><br>March 2020<br>£000 |
|---|---|--|---|--|---|
| <b>General Fund</b>   |   |  |   |  |   |
| <b>Schools Reserves</b>   | (3,714)   | (903)                                    | (4,617)   | 100                                      | (4,517)   |
| Balances held by schools under the scheme of delegation                 |   |  |   |  |   |
| <b>Capital</b>  | (2,898)   | 870                                      | (2,028)   | 128                                      | (1,900)   |
| To support Capital Programme  |   |  |   |  |   |
| <b>Insurance General Fund</b>   | (3,357)   | 2,044                                    | (1,313)   | (445)                                    | (1,758)   |
| To self-fund possible insurance claims                                  |   |  |   |  |   |
| <b>Building Schools for the Future Capital</b>                          | (3,346)   | (239)                                    | (3,585)   | (1,245)                                  | (4,830)   |
| To fund future capital costs  |   |  |   |  |   |
| <b>Enterprise and Employment</b>  | (718)   | (73)                                     | (791)   | (265)                                    | (1,056)   |
| To fund E&E activities for future years                                 |   |  |   |  |   |
| <b>Health &amp; Community</b>   | (1,378)   | (1,020)                                  | (2,398)   | 344                                      | (2,054)   |
| To support future revenue budgets                                       |   |  |   |  |   |
| <b>Equal Pay</b>  | (1,783)   | 783                                      | (1,000)   | 512                                      | (488)   |
| To fund costs arising from equal pay claims                             |   |  |   |  |   |
| <b>A&amp;C Section 256 Monies</b>                                       | (770)   | 770                                      | -   | -  | -   |
| Contribution from H&StH PCT with joint outcomes                         |   |  |   |  |   |
| <b>A&amp;C Savings</b>  | (2,217)   | 618                                      | (1,599)   | 1,599                                    | -   |
| To help finance A&C budget  |   |  |   |  |   |
| <b>Transformation Fund</b>  | (1,000)   | 242                                      | (758)   | 342                                      | (416)   |
| To fund costs arising from future efficiency reviews                    |   |  |   |  |   |
| <b>Fleet Replacement</b>  | (1,673)   | 243                                      | (1,430)   | 209                                      | (1,221)   |
| Rolling replacement programme for Council fleet vehicle                 |   |  |   |  |   |
| <b>European Match Funding 2014-2020</b>                                 | (1,247)   | 674                                      | (573)   | 166                                      | (407)   |
| Contribution to the European 2014-2020 Programme                        |   |  |   |  |   |
| <b>Discretionary Social Fund</b>  | (818)   | 317                                      | (501)   | -  | (501)   |
| To continue to provide the hardship fund once Government support ceases |   |  |   |  |   |
| <b>Enterprise Zone</b>  | (711)   | (78)                                     | (789)   | (394)                                    | (1,183)   |
| To support development of Daresbury Science Park                        |   |  |   |  |   |

|  | Balance at 31st<br>March 2018<br>Restated<br>£000 | Movement<br>(to)/from<br>Reserve<br>£000 | Balance at 31st<br>March 2019<br>Restated<br>£000 | Movement<br>(to)/from<br>Reserve<br>£000 | Balance at 31st<br>March 2020<br>£000 |
|--|---|--|---|--|---------------------------------------|
| <b>General Fund</b>  |   |  |   |  |                                       |
| <b>Pension Past Service Deficit</b><br>To enable pension deficits to be funded as a lump sum, resulting in finance efficiencies  | (924)   | (2,483)                                  | (3,407)   | (2,916)                                  | (6,323)                               |
| <b>Revenue Efficiencies</b><br>To help fund budget gaps over the medium term   | (4,922)   | 1,916                                    | (3,006)   | (1,473)                                  | (4,479)                               |
| <b>NNDR Pilot Scheme</b><br>To fund No Detriment policy as part of the Liverpool City Region 100% business rate retention scheme   | (2,452)   | (2,607)                                  | (5,059)   | 5,059                                    | -                                     |
| <b>Mersey Gateway Grant Reserve</b><br><br>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)  | (24,441)                                 | (44,307)  | (13,948)                                 | (58,255)                              |
| <b>Covid Grant</b><br>Funding from MHCLG to cover the additional costs and fall in income associated to the Covid-19 pandemic  | -   | -  | -   | (3,642)                                  | (3,642)                               |
| <b>Government Grants RIA</b><br>Grants Income held for a specific purpose but with no repayment conditions attached  | -   | -  | -   | (5,126)                                  | (5,126)                               |
| <b>Covid-19 Contingency</b><br>To fund additional costs in respect of COVID-19 pandemic  | -   | -  | -   | (2,000)                                  | (2,000)                               |
| <b>Other Earmarked Reserves</b><br>Total of reserves under £750k   | (5,095)   | 528                                      | (4,567)   | (849)                                    | (5,416)                               |
| <b>TOTAL ALL RESERVES</b>  | <b>(58,889)</b>                                   | <b>(22,839)</b>                          | <b>(81,728)</b>                                   | <b>(23,844)</b>                          | <b>(105,572)</b>                      |

In order to streamline the note any reserves under £0.750m have been summarised as 'Other Earmarked Reserves' in the table above, the 2018/19 figures have been restated to reflect this.



### 37. Unusable Reserves

| 2018/19<br>£000 |   | 2019/20<br>£000  |
|-----------------|---|------------------|
| (87,939)        | Revaluation Reserve                       | (136,518)        |
| 161,900         | Pensions Reserve                          | 65,438           |
| (123,945)       | Capital Adjustment Account                | (124,332)        |
| (13,401)        | Deferred Capital Receipts                 | (12,629)         |
| (4,551)         | Collection Fund Adjustment Account        | (1,960)          |
| (1,313)         | Financial Instruments Revaluation Reserve | (1,898)          |
| 2,144           | Accumulated Absences Account              | 1,665            |
| <b>(67,105)</b> | <b>Total Unusable Reserves</b>            | <b>(210,234)</b> |

#### 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 1<sup>st</sup> April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

| 2018/19<br>£000 |   | £000     | 2019/20<br>£000  |
|-----------------|---|----------|------------------|
| <b>(90,342)</b> | <b>Balance at 1 April</b>   |          | <b>(87,939)</b>  |
| (6,668)         | Upward revaluation of assets  | (59,196) |                  |
| 78              | Downward revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services          | 5,483    |                  |
| <b>(6,590)</b>  | <b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus/(Deficit) on the Provision of Services</b> |          | <b>(53,713)</b>  |
| 5,743           | Difference between fair value depreciation and historical cost depreciation   | 3,933    |                  |
| 1,727           | Accumulated gain on academies transferred   | 1,201    |                  |
| 1,523           | Accumulated gains on assets sold or scrapped  |          |                  |
| <b>8,993</b>    | <b>Amount written off to the Capital Adjustment Account</b>   |          | <b>5,134</b>     |
| <b>(87,939)</b> | <b>Balance at 31 March</b>  |          | <b>(136,518)</b> |

## 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 1<sup>st</sup> April 2018.

| <b>2018/19</b> |  | <b>2019/20</b> |
|----------------|--|----------------|
| <b>£000</b>    |  | <b>£000</b>    |
| <b>154</b>     | <b>Balance at 1 April</b>                              | -              |
| <b>(154)</b>   | Transfer to General Fund                               | -              |
|                | <b>Restated Balance at 1st April</b>                   | -              |
| -              | 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   |                |
| -              | <b>Balance at 31 March</b>                             | -              |

## **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 1<sup>st</sup> April 2007, the date the revaluation reserve was created to hold such gains.

| 2018/19<br>£000  |   | £000     | 2019/20<br>£000  |
|------------------|---|----------|------------------|
| <b>(129,437)</b> | <b>Balance at 1 April</b>   |          | <b>(123,945)</b> |
|                  | <b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>         |          |                  |
| 28,580           | Charges for depreciation and impairment of non-current assets   | 26,206   |                  |
| 2,110            | Revaluation losses on Property, Plant and Equipment   | 10,109   |                  |
| 753              | Amortisation of intangible assets   | 737      |                  |
| 5,351            | Revenue expenditure funded from capital under statute   | 3,676    |                  |
| -                | Derecognition of Financial Instruments measured at other comprehensive income and expenditure   | 430      |                  |
| 3,398            | Carrying value of Academies transferred   | 3,022    |                  |
| 5,362            | Carrying amount of non-current assets sold  | 29       |                  |
| <b>45,554</b>    |   |          | <b>44,209</b>    |
| (8,993)          | Adjusting amounts written out of the Revaluation Reserve  |          | (5,134)          |
| <b>36,561</b>    | <b>Net written out amount of the cost of non-current assets consumed in the year</b>  |          | <b>39,075</b>    |
|                  | <b>Capital financing applied in the year:</b>   |          |                  |
| (4,156)          | Use of the Capital Receipts Reserve to finance new capital expenditure  | (3,083)  |                  |
| (14,146)         | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (24,792) |                  |
| (8,802)          | Application of grants to capital financing from the Capital Grants Unapplied Account  | (2,161)  |                  |
| (3,373)          | Statutory provision for the financing of capital investment charged against the General Fund  | (8,670)  |                  |
| (344)            | Use of Capital Receipts to reduce MRP liability   | (488)    |                  |
| <b>(30,821)</b>  | Capital expenditure charged against the General Fund  | (211)    |                  |
| (248)            | Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement            |          | (57)             |
| -                | Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement                                       |          | -                |
| <b>(123,945)</b> | <b>Balance at 31<sup>st</sup> March</b>   |          | <b>(124,332)</b> |

## 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.

| <b>2018/19</b> |  | <b>£000</b> | <b>2019/20</b>   |
|----------------|--|-------------|------------------|
| <b>£000</b>    |  | <b>£000</b> | <b>£000</b>      |
| <b>105,552</b> | <b>Balance at 1<sup>st</sup> April</b>   |             | <b>161,900</b>   |
|                | Re-measurement of the net defined benefit liability comprising:  |             |                  |
| -              | Changes in demographic assumptions   | (30,097)    |                  |
| 56,417         | Changes in financial assumptions   | (57,527)    |                  |
| (95)           | Other experience   | (37,726)    |                  |
| (15,490)       | Returns on assets excluding amounts included in net interest   | 10,266      |                  |
| <b>40,832</b>  |  |             | <b>(115,084)</b> |
|                | 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         |  |             | 30,810           |
| (11,333)       | Employers pensions contributions and direct payments to pensioners payable in the year   |             | (12,188)         |
| <b>161,900</b> | <b>Balance at 31<sup>st</sup> March</b>  |             | <b>65,438</b>    |

## Deferred Capital Receipts Reserve

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

| <b>2018/19</b>  |                              | <b>2019/20</b>  |
|-----------------|------------------------------|-----------------|
| <b>£000</b>     |                              | <b>£000</b>     |
| (232)           | Castlefields Equity Advances | (232)           |
| (284)           | Castlefields Lakeside        | -               |
| (7,153)         | Scitech Daresbury Lease      | (6,910)         |
| (5,732)         | Venture Fields lease         | (5,487)         |
| <b>(13,401)</b> |                              | <b>(12,629)</b> |

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.

| <b>2018/19</b>  |  | <b>2019/20</b>  |
|-----------------|--|-----------------|
| <b>£000</b>     |  | <b>£000</b>     |
| <b>(10,771)</b> | <b>Balance at 1 April</b>  | <b>(13,401)</b> |
| (6,243)         | Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | -               |
| 3,613           | Transfer to the Capital Receipts Reserve upon receipt of cash  | 772             |
| <b>(13,401)</b> | <b>Balance at 31 March</b>   | <b>(12,629)</b> |

## 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

| <b>2018/19</b> |  | <b>2019/20</b> |
|----------------|--|----------------|
| <b>£000</b>    |  | <b>£000</b>    |
| <b>(6,409)</b> | <b>Balance at 1 April</b>  | <b>(4,551)</b> |
|                | 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            |  | 1,391          |
|                | 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          |  | 1,200          |
| <b>(4,551)</b> | <b>Balance at 31 March</b>   | <b>(1,960)</b> |
|                |  |                |

## 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.

| <b>2018/19</b> |  | <b>2019/20</b> |
|----------------|--|----------------|
| <b>£000</b>    |  | <b>£000</b>    |
| -              | <b>Balance at 1 April</b>  | <b>(1,313)</b> |
| (1,313)        | Upward revaluation of investments  | (585)          |
| -              | Downward revaluation of investments  | -              |
| -              | Change in impairment loss allowances   | -              |
| <b>(1,313)</b> | Accumulated gains or losses on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment                             | <b>(1,898)</b> |
| -              | 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 | -              |
| <b>(1,313)</b> | <b>Balance at 31 March</b>   | <b>(1,898)</b> |



## 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 31<sup>st</sup> March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

| <b>2018/19</b> |   | <b>2019/20</b> |
|----------------|---|----------------|
| <b>£000</b>    |   | <b>£000</b>    |
| <b>1,849</b>   | <b>Balance at 1 April</b>   | <b>2,144</b>   |
| (1,848)        | Settlement or cancellation of accrual made at the end of the preceding year   | (2,144)        |
| 2,143          | Amount accrued at the end of the current year   | 1,666          |
| <b>295</b>     | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | <b>(478)</b>   |
| <b>2,144</b>   | <b>Balance at 31 March</b>  | <b>1,666</b>   |

### 38. Cash Flow Statement – Operating Activities

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

| <b>2018/19</b>  |   | <b>2019/20</b>  |
|-----------------|---|-----------------|
| <b>£000</b>     |   | <b>£000</b>     |
| (28,580)        | Depreciation  | (26,202)        |
| (2,110)         | Impairment and downward valuation   | (10,109)        |
| (753)           | Amortisation of Intangible Assets   | (737)           |
| 248             | Movement in market value of investment properties   | 57              |
| 9,130           | Impairment Debtors  | (14,482)        |
| 12,837          | (Increase)/Decrease in Creditors and Receipts in Advance  | 2,223           |
| (197)           | Increase/(Decrease) in Debtors  | 11,582          |
| (37)            | Increase/(Decrease) in Inventories  | (103)           |
| (15,516)        | Movement in Pension Liability   | (18,622)        |
| (1,944)         | Contributions (to)/from Provisions  | (803)           |
| (5,362)         | Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised | (29)            |
| (3,398)         | Loss on transfer to academies   | (3,022)         |
| (8,059)         | Other non-cash adjustments  | 1,709           |
| <b>(43,741)</b> | <b>Total non-cash movements</b>   | <b>(58,538)</b> |

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

| <b>2018/19</b> |   | <b>2019/20</b> |
|----------------|---|----------------|
| <b>£000</b>    |   | <b>£000</b>    |
| 10,218         | Capital Grants credited to the surplus or deficit on the provisions of services | 22,795         |
| 4,495          | Proceeds from the sale of non-current assets                                    | 1,470          |
| -              | Other cash flows from investing or financing activities                         | (3,676)        |
| <b>14,713</b>  | <b>Net Cash flows from investing or financing activities</b>                    | <b>20,589</b>  |

The cash flows for operating activities include the following items:

| <b>2018/19</b> |                    | <b>2019/20</b> |
|----------------|--------------------|----------------|
| <b>£000</b>    |                    | <b>£000</b>    |
| (1,491)        | Interest received  | (1,786)        |
| 6,179          | Interest paid      | 35,420         |
| -              | Dividends received |                |
| <b>4,688</b>   |                    | <b>33,634</b>  |

### 39. Cash Flow Statement – Investing Activities

| <b>2018/19</b> |  | <b>2019/20</b> |
|----------------|--|----------------|
| <b>£000</b>    |  | <b>£000</b>    |
| 21,900         | Purchase of property, plant and equipment, investment property and intangible assets               | 37,481         |
| 120,000        | Purchase of short term and long term investments   | 90,000         |
| (4,495)        | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (1,813)        |
| (100,039)      | Proceeds from short term and long term investments   | (85,000)       |
| (15,768)       | Other receipts from investing activities   | (20,039)       |
| <b>21,598</b>  | <b>Net Cash flows from Investing Activities</b>  | <b>20,629</b>  |

### 40. Cash Flow Statement – Financing Activities

| <b>2018/19</b> |   | <b>2019/20</b> |
|----------------|---|----------------|
| <b>£000</b>    |   | <b>£000</b>    |
| -              | Cash receipts of short and long term borrowing  | (10,000)       |
| 3,396          | Agency treatment of Collection Fund balances  | 67             |
| 6,226          | Cash payments from the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts | 6,035          |
| -              | Repayments of short term and long term borrowing  | 10,401         |
| -              | Other payments for financing activities   | -              |
| <b>9,622</b>   | <b>Net Cash flows from Financing Activities</b>   | <b>6,503</b>   |

## Reconciliation of Liabilities Arising from Financing Activities

|   | Note | 31/03/2019<br>£000 | Financing<br>Cash Flows<br>£000 | Non-Cash<br>Changes<br>£000 | 31/03/2020<br>£000 |
|---|------|--------------------|---------------------------------|-----------------------------|--------------------|
| Long Term Borrowings                            | 26   | (172,000)          | -                               | -                           | (172,000)          |
| Short Term Borrowing                            | 26   | (8,209)            | 401                             | 2,179                       | (5,629)            |
| On Balance Sheet PFI Liabilities                | 31   | (381,074)          | 6,035                           | 519                         | (374,520)          |
| <b>Net Cash flows from Financing Activities</b> |      | <b>(561,283)</b>   | <b>6,436</b>                    | <b>2,698</b>                | <b>(552,149)</b>   |

## **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 2020 the following was a subsidiary of the Council:-

- 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 subsidiary has not been consolidated into group accounts as they are not considered to be of material value.

Copies of the accounts for Mersey Gateway Crossings Board Ltd are available from Companies House.

On 24 January 2020, Halton Borough Transport (a subsidiary of the Council) ceased trading. Appointment of a liquidator was made by way of a creditors winding up order. Derecognition of the Council's investment in the company is included in more detail in note 4 to the financial statements.

### **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 2020 the Council were party to the following joint venture:-

- Daresbury Science & Innovation Campus (Pub Sec) 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.

On 31 March 2020 Daresbury Science and Innovation Campus Ltd (a joint venture of the Council) was formally dissolved with no financial impact. Daresbury Science & Innovation

Campus LLP was established in a prior year to take over the activities of the company leading to the termination of the activities of the company and the winding up.

In accordance with paragraph 9.1.1.7 of the Code, the Council's equity within the joint venture 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 2020 the Council had associate relationships with the following:-

- Daresbury Science & Innovation Campus LLP - 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 £6.7m 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 £6.880m which is equivalent to 0.76% 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 £3.758m

Note that although the Council does have an investment in Widnes Regeneration Ltd and Halton Development Partnership, 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.

## **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

| 2018/19             |                            |                  |   | 2019/20             |                            |                  |
|---------------------|----------------------------|------------------|---|---------------------|----------------------------|------------------|
| Council Tax<br>£000 | Non Domestic Rates<br>£000 | Total<br>£000    |   | Council Tax<br>£000 | Non Domestic Rates<br>£000 | Total<br>£000    |
| (58,764)            |                            | (58,764)         | <b>Income</b>                                   |                     |                            |                  |
|                     |                            |                  | Council Tax                                     | (62,443)            |                            | (62,443)         |
|                     | (56,028)                   | (56,028)         | Non Domestic Rates                              |                     | (57,364)                   | (57,364)         |
|                     | 3,051                      | 3,051            | Transitional Protection Payment                 |                     | 2,625                      | 2,625            |
| <b>(58,764)</b>     | <b>(52,977)</b>            | <b>(111,741)</b> |   | <b>(62,443)</b>     | <b>(54,739)</b>            | <b>(117,182)</b> |
|                     |                            |                  | <b>Expenditure</b>                              |                     |                            |                  |
|                     |                            |                  | <u>Precepts, Demands &amp; Shares</u>           |                     |                            |                  |
|                     | -                          | -                | Central Government                              |                     | -                          | -                |
| 47,447              | 49,456                     | 94,134           | Halton Borough Council                          | 49,597              | 51,007                     | 100,604          |
| 6,076               |                            | 5,561            | Cheshire Police Authority                       | 7,005               |                            | 7,005            |
| 2,599               | 500                        | 2,982            | Cheshire Fire Service                           | 2,717               | 515                        | 3,232            |
| -                   |                            | -                | Liverpool City Region                           | 664                 |                            | 664              |
| 110                 |                            | 88               | Parish Precept                                  | 118                 |                            | 118              |
|                     |                            |                  | <u>Apportionment of Previous Year's Surplus</u> |                     |                            |                  |
|                     | 3,748                      | 195              | Central Government                              |                     |                            | -                |
| 1,464               | 3,391                      | 1,713            | Halton Borough Council                          | 1,736               | 1,386                      | 3,122            |
| 189                 |                            | 197              | Cheshire Police Authority                       | 217                 | -                          | 217              |
| 84                  | 72                         | 93               | Cheshire Fire Service                           | 97                  | 14                         | 111              |
|                     |                            |                  | <u>Charges to Collection Fund</u>               |                     |                            |                  |
| 199                 | 12                         | 216              | Write off uncollectable amounts                 | 349                 | 241                        | 590              |
| 1,051               | 527                        | 727              | Increase / (Decrease) in Bad Debt Provision     | 1,591               | 1,252                      | 2,843            |
|                     | (96)                       | (2,469)          | Increase / (Decrease) in Appeals Provision      |                     | 1,304                      | 1,304            |
|                     | 156                        | 158              | Cost of Collection                              |                     | 156                        | 156              |
|                     | -                          | -                | Disregarded Amounts                             |                     | 76                         | 76               |
| <b>59,219</b>       | <b>57,766</b>              | <b>103,595</b>   |   | <b>64,091</b>       | <b>55,951</b>              | <b>120,042</b>   |
|                     |                            |                  |   |                     |                            |                  |
| <b>(3,787)</b>      | <b>(6,549)</b>             | <b>(10,336)</b>  | <b>Balance Brought Forward</b>                  | <b>(3,332)</b>      | <b>(1,760)</b>             | <b>(5,092)</b>   |
| <b>455</b>          | <b>4,789</b>               | <b>5,244</b>     | <b>Movement on Fund Balance</b>                 | <b>1,648</b>        | <b>1,212</b>               | <b>2,860</b>     |
| <b>(3,332)</b>      | <b>(1,760)</b>             | <b>(5,092)</b>   | <b>Balance Carried Forward</b>                  | <b>(1,684)</b>      | <b>(548)</b>               | <b>(2,232)</b>   |



## Collection Fund Balance Sheet

| 2018/19           |                       |                       |               | Council Tax                  |                   |                       |                       |             | 2019/20       |  |  |  |  |
|-------------------|-----------------------|-----------------------|---------------|------------------------------|-------------------|-----------------------|-----------------------|-------------|---------------|--|--|--|--|
| Halton BC<br>£000 | Cheshire P&CC<br>£000 | Cheshire Fire<br>£000 | Total<br>£000 |                              | Halton BC<br>£000 | Cheshire P&CC<br>£000 | Cheshire Fire<br>£000 | LCR<br>£000 | Total<br>£000 |  |  |  |  |
| 7,411             | 1,046                 | 406                   | 8,863         | Arrears                      | 8,328             | 1,177                 | 434                   | 106         | 10,045        |  |  |  |  |
| (4,471)           | (632)                 | (245)                 | (5,348)       | Provision for Doubtful Debts | (5,753)           | (813)                 | (300)                 | (73)        | (6,939)       |  |  |  |  |
| (597)             | (84)                  | (33)                  | (714)         | Overpayments / Prepayments   | (749)             | (106)                 | (39)                  | (10)        | (904)         |  |  |  |  |
| (2,807)           | (369)                 | (156)                 | (3,332)       | (Surplus)/Deficit            | (1,418)           | (186)                 | (76)                  | (4)         | (1,684)       |  |  |  |  |
| 464               | 39                    | 28                    | 531           | Cash                         | (408)             | (72)                  | (19)                  | (19)        | (518)         |  |  |  |  |
| -                 | -                     | -                     | -             |                              | -                 | -                     | -                     | -           | -             |  |  |  |  |

| 2018/19             |                   |                       |               | Non-Domestic Rates           |                     |                   |                       |               | 2019/20 |  |  |  |
|---------------------|-------------------|-----------------------|---------------|------------------------------|---------------------|-------------------|-----------------------|---------------|---------|--|--|--|
| Central Gov<br>£000 | Halton BC<br>£000 | Cheshire Fire<br>£000 | Total<br>£000 |                              | Central Gov<br>£000 | Halton BC<br>£000 | Cheshire Fire<br>£000 | Total<br>£000 |         |  |  |  |
|                     | 4,704             | 48                    | 4,752         | Arrears                      | -                   | 5,734             | 58                    | 5,792         |         |  |  |  |
|                     | (3,655)           | (37)                  | (3,692)       | Provision for Doubtful Debts | -                   | (4,894)           | (49)                  | (4,943)       |         |  |  |  |
|                     | (5,410)           | (54)                  | (5,464)       | Appeals Provision            | -                   | (6,700)           | (68)                  | (6,768)       |         |  |  |  |
|                     | (738)             | (7)                   | (745)         | Overpayments / Prepayments   | -                   | (277)             | (3)                   | (280)         |         |  |  |  |
|                     | (1,741)           | (19)                  | (1,760)       | (Surplus)/Deficit            | -                   | (543)             | (5)                   | (548)         |         |  |  |  |
|                     | 6,840             | 69                    | 6,909         | Cash                         | -                   | 6,680             | 67                    | 6,747         |         |  |  |  |
| -                   | -                 | -                     | -             |                              | -                   | -                 | -                     | -             |         |  |  |  |

## Notes to the Collection Fund

### 1. Introduction of the Council Tax

The property based Council Tax was introduced on the 1<sup>st</sup> April 1993, replacing the personal liability Community Charge. The Council determined its Band D equivalent tax base for 2018/19 at 34,950 (2017/18 – 34,435)

### 2. The Council Tax Base Determination

| Band   | Properties    | Ratio | Band D Equivalents |
|--|---------------|-------|--------------------|
| Disabled   | 67            | 5/9   | 37                 |
| A  | 17,140        | 6/9   | 11,427             |
| B  | 9,660         | 7/9   | 7,513              |
| C  | 6,976         | 8/9   | 6,201              |
| D  | 4,459         | 9/9   | 4,459              |
| E  | 3,419         | 11/9  | 4,179              |
| F  | 1,107         | 13/9  | 1,599              |
| G  | 340           | 15/9  | 567                |
| H  | 30            | 18/9  | 60                 |
| <b>Total</b>   | <b>43,198</b> |       | <b>36,042</b>      |
| Reductions relating to Non-Collection and changes in assumptions |               |       | <b>(1,092)</b>     |
| Tax Base set for 2019/20   |               |       | <b>34,950</b>      |

The parishes' individual tax bases are shown below:

|               | 2018/19 | 2019/20 |
|---------------|---------|---------|
| Hale          | 665     | 660     |
| Daresbury     | 172     | 173     |
| Moore         | 328     | 329     |
| Preston Brook | 338     | 359     |
| Halebank      | 529     | 526     |
| Sandymoor     | 1,112   | 1,216   |

### 3. Precepting Authorities

Halton Borough Council has three precepting authorities, Cheshire Police & Crime Commissioner, Cheshire Fire Authority and, from 2019/20, Liverpool Combined Authority. The Band D charge and total precept are shown in the table below:

|   | <b>2018/19</b> | <b>2019/20</b> |
|---|----------------|----------------|
|   | <b>£</b>       | <b>£</b>       |
| <b>Cheshire Police and Crime Commissioner</b> |                |                |
| - Band D Charge                               | 176.44         | 200.44         |
| - Precept                                     | 6,075,711      | 7,005,378      |
| <b>Cheshire Fire Authority</b>                |                |                |
| - Band D Charge                               | 75.48          | 77.74          |
| - Precept                                     | 2,599,154      | 2,717,013      |
| <b>Cheshire Fire Authority</b>                |                |                |
| - Band D Charge                               | -              | 19.00          |
| - Precept                                     | -              | 664,050        |

### 4. Non-Domestic Rates

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

|   | <b>2018/19</b> | <b>2019/20</b> |
|---|----------------|----------------|
|   | <b>£</b>       | <b>£</b>       |
| Rateable value at 31st March                  | 127,153,958    | 128,962,061    |
| Non Domestic rating multiplier                | 49.3           | 50.4           |
| Small Business Non Domestic rating multiplier | 48.0           | 49.1           |

# 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 31<sup>st</sup> March 2020).

In preparing this Statement of Accounts, the Operational Director – Finance 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 2020

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: xx March 2021

## **Statement of Accounting Policies**

### **1. General**

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-ending 31 March 2020.

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 2019/20 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 2019/20 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, Cheshire Fire & Rescue Service and Liverpool City Region Combined Authority) 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 & 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 2019/20 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 life 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 these 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: |                                      |
| <ul style="list-style-type: none"> <li>• Structures (Main Crossing, Earthworks, Bridge Approaches)</li> </ul> | 120 Years                            |
| <ul style="list-style-type: none"> <li>• Highways (incl Street Lighting)</li> </ul>                           | 25 Years                             |
| <ul style="list-style-type: none"> <li>• Other (Tolling, Landscaping, Signage)</li> </ul>                     | 30 Years                             |
| <ul style="list-style-type: none"> <li>• General (Financing and Development Costs)</li> </ul>                 | 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           |



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:

| <b>Component</b>                | <b>Detail</b>  |
|---------------------------------|--|
| 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 Council 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 than 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 and job title. 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, disclosure is restricted to job title.

## **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 2019/20 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by new accounting standards which have been issued at the balance sheet date but which will not apply to local authorities' accounts until subsequent financial years.

The 2020/21 Code will incorporate some minor changes to accounting policies but it is not anticipated that these will have any impact on the figures recognised with the authority's accounts.

It is currently anticipated that changes to lease accounting standards under IFRS 16 will come into effect for local authorities from 1<sup>st</sup> April 2022. The changes will apply prospectively and a restatement of the balance sheet for prior years will not be required. The changes will affect accounting for assets leased in, and will remove the current distinction between finance leases and operating leases. All leases in will require the recognition of a 'right of use' asset and a liability to pay future rentals. This will bring short term leases in of assets within the scope of the local authority statutory capital framework. However it is not anticipated that there will be any material impact on the council's spendable reserves as a result of the changes. The council does not yet have sufficient information available to quantify the likely impact on its balance sheet of the new assets and liabilities to be recognised.

## **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.

### **29(c) Covid 19 Pandemic**

The impact of Covid 19 places a great deal of financial uncertainty on the Council. There are a number of areas subject to estimation and uncertainty and it is not yet possible to provide any indication that the assets of the Council will be impaired. This is inclusive of:

- Impact on Property, Plant and Equipment valuations.
- Impact on financial instruments and investment property measurement.
- Potential credit losses

### **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 2020 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 2020 is £862.8m, of which £454.2m 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.

The economic impact of Covid 19 has resulted in assets being subject to estimation uncertainty. The outbreak has impacted market activity in many sectors and as at the valuation date, less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value. The valuations are therefore reported on the basis of 'material valuation uncertainty'. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.

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 £0.765m to £1.148m for every year that useful lives had been reduced.

#### **30(b) Pensions Liability**

The carrying amount in the Balance Sheet at the 31 March 2020 is £65.4m

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.

As with Property, Plant and Equipment as a result of the Covid 19 pandemic, there is a material uncertainty in relation to the valuation of property and unquoted equities as at 31 March 2020. As a result a higher degree of caution should be attached to valuations than would normally be the case.

### **30(c) Provisions**

The carrying amount in the Balance Sheet at 31 March 2020 is £8.753m which includes £6.701m for NNDR Appeals, and £1.599m 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 these amounts would lead to a corresponding decrease or increase in the General Fund, or the Collection Fund in respect of NNDR Appeals.

### **31 Going Concern**

The statement of accounts has been prepared on an assumption that the Council will continue in operational existence for the foreseeable future. This a requirement of the Code, which reflects the fact that since the management of a statutory local authority does not have the power to cease operations and wind up the entity, a statutory local authority will always be a going concern as defined by IAS1 (Presentation of Financial Statements).

## **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 or 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 from 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 contract 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.