



**STATEMENT OF ACCOUNTS**  
**2020/21**

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# 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<sup>st</sup> March 2021. 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 2020/21.

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 2020/21 (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<sup>st</sup> March 2021 of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.
- **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 of council tax and non-domestic rates.
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#### **Other Statements / Financial Reports are:**

- **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 an Audit & Governance 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 2020/21. 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", which 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 2021/22, however participation in the scheme beyond 2021/22 is uncertain.

The past decade of public austerity continues to have a significant impact on the Council. Using the Government's own interpretation of Spending Power, since 2010/11 Halton has had its spending power reduced in real terms by £52m (31%). This continues to bring exceptional challenges for the Council in setting a robust, balanced budget each year whilst continuing to deliver high quality, essential public services. During the same period, demand for adults and children's social care services has increased steadily, adding further challenges and pressures on the budget.

Over the past year the challenges on the Council's financial position and service demand has been dominated by the Covid-19 pandemic. The Council experienced significant organisational disruption as a result of Covid-19, with all Council services being affected. Business continuity arrangements have seen much of the workforce working from home and resources being redeployed to support essential frontline services. Major incident response practices, developed for such situations, were implemented and helped the Council to adapt, at pace, to new challenges and new responsibilities.

Through the Council's partnerships across Cheshire and the Liverpool City Region, and as part of the Cheshire Resilience Forum, the Council has worked to deliver a co-ordinated regional response to the pandemic. Working with local health partners, emergency services and the military, the Council has put in place robust local testing arrangements and established arrangements to prevent and manage local outbreaks. These arrangements are being overseen on a regular basis by the Outbreak Management Board.

## **Financial Performance 2020/21**

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 operates 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 is that both Revenue Support Grant and Improved Better Care Fund are no longer paid as separate grants but instead replaced by the additional retained business rates and an increased element of top-up funding.

On 4<sup>th</sup> March 2020 Council set a 2020/21 revenue budget of £115.8m. At the same time Council approved a council tax requirement for the year of £52.2m, setting the Band D rate at £1,475.70 (excluding preceptors).

For 2020/21 the Council's total Government Settlement Funding Allocation was £52.4m. This is made up of £46.9m Business Rates Baseline Funding and Top-Up Grant of £5.5m. The increase to the Settlement Funding Assessment from 2019/20 is 1.6%. Government also provided an additional grant of £2.9m ring-fenced specifically for social care. Further to this, Government also gave local authorities the power to levy a 2% Adult Social Care council tax precept. Whilst welcome, the increased funding struggles to keep up with user demand from children's and adult social care evidenced over the last decade.

Financial performance and forecast of the Council's annual net spend is reported on a quarterly basis to both the Executive Board and Policy & Performance Boards. During 2020/21 financial performance reports consisted of two elements, one reporting on the operational day to day spending with a second reporting separately on the costs and funding associated with the Covid-19 pandemic.

A budget risk register is maintained on a quarterly basis, key risks are evaluated and control measures put in place.

Over the past 4 years the Council's financial outturn position has reported annual net spend being greater than the available budget. This has been a growing concern year on year given the continued reductions to funding resources compared to the real term increase in costs and increasing demand for services especially within children's services and adult social care. This issue was exacerbated at the start of the financial year given the uncertainty of the pandemic impact and availability of funding to support these costs. At the end of June 2020 the Council had estimated that total net costs for the year would be £6.9m over the approved budget.

Corrective action to budgets, scaling back of costs due to closure of some services and committed Covid funding helped the Council gradually bring down this estimate, reporting forecast overspends of £4.7m and £1.2m at quarter 2 and quarter 3 respectively. The final net spend position at 31<sup>st</sup> March 2021 continued this pattern with overall net costs being £2.3m under the approved budget. Further details on day to day operational spending and Covid net costs are included further on in this report.

The final underspend against budget has helped the Council increase the General Fund balance to £6.3m, approximately 5% of the Council's net budget for the year.

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<sup>st</sup> March 2021 total £128.6m an increase of £23.1m from £105.6m at the same point in 2020.

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<sup>st</sup> March 2021 totalled £64.2m, an increase of £5.9m from 31<sup>st</sup> March 2020. Note that this grant income is ring-fenced for spend on Mersey Gateway only, and cannot be utilised by the Council for any other purpose. Other increases in earmarked reserves include £11.0m in grant income held for a specific purpose but with no repayment conditions attached and £2.6m in balances held by schools under the scheme of delegation.

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>2020/21 Original Budget £000</b>	<b>2020/21 Actual £000</b>
Net Expenditure	115,770	113,111
Parish Precepts	148	148
<b>Total</b>	<b>115,918</b>	<b>113,259</b>
Financed by Local Taxpayers – Council Tax	(52,327)	(52,327)
Financed by Local Taxpayers – Business Rates	(54,251)	(53,932)
Financed by Local Taxpayers – Collection Fund Surplus	(3,825)	(3,825)
Financed by Top-Up Funding	(5,515)	(5,515)
<b>(Surplus)/Deficit for Year</b>	<b>-</b>	<b>(2,340)</b>
<b>General Fund Balance Brought Forward</b>	<b>(4,002)</b>	<b>(4,002)</b>
<b>General Fund Balance Carried Forward</b>	<b>(4,002)</b>	<b>(6,342)</b>

## **Financial Performance 2020/21 – Operational Spending**

This has been an extraordinary year for the Council both in terms of the impact on its finances and on the day to day operation of Council services. Some services have had to re-prioritise to deal with the pandemic whilst others have had to close for prolonged periods. Costs associated with the pandemic have been funded from available Government grant whilst closure of services has helped reduce the variable costs associated with running of those services.

The main budgetary pressure has again been the increasing costs and demand of providing children's social care services, particularly the cost and numbers of out of borough residential placements. Some of these costs have been mitigated by being funded from Covid-19 grant as costs are linked to pressures relating to social distancing and difficulty in being able to move service users to lower cost packages.

Costs for environmental health have been reduced over the past year with employees having worked on Covid-19 related activities and the associated costs funded from the Test & Trace Support Service Grant and the Contain Outbreak Management Fund.

The reduction in variable costs has been most notable within the Community and Environment department where there have been closures to both leisure and cultural services.

Reduction in costs has also been notable as part of the service in providing transport to younger people with special educational needs. The closure of schools during periods of the year has helped reduce these costs compared to previous years. Within the same department, a number of commissioned services have met the conditions associated with specific government grants, helping the Council utilise these grants fully whilst at the same time reducing the pressure on the base budget.

The favourable financial position for the year is in stark contrast to the past four financial years where the Council has repeatedly reported net spend being over the approved budget. However, extreme caution should be adopted in treating the 2020/21 outturn position as a sign of future improvement to the Council's finances. 2020/21 has been very much a one-off situation. As services return to some form of normality during 2021/22, the previous demand pressures will return and hence the Council's budget will once again come under severe pressure.

Severance costs incurred during the year totalled £0.4m (2019/20 - £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.

## **Financial Performance 2020/21 – Covid-19 Impact**

The cost of the pandemic and associated funding has been very much a fluid position over the past year. The Council has continually had to react to the changes in national and locally imposed restrictions and initiatives introduced to help and support local people and businesses.

The impact of Covid-19 has resulted in additional costs for the Council's full range of services, particularly within Public Health and Adult Social Care. In addition to costs, closure of some services during restriction periods has resulted in shortfalls of budgeted income targets over the financial year. There is the real possibility that this impact will continue to be felt in future years.

For 2020/21 the Council has received four tranches of un-ring-fenced grant funding to cover general costs, amounting to £12.8m. The Council has also utilised ring-fenced grant funding of £11.9m for specific services relating to Covid during the past year. However, this excludes grant funding which the Council has received but passported on, for example, business support grants, self-isolation payments and hardship grants relating to council tax support.

Examples of use of specific grants included funding to assist facilitating prompt hospital discharge and reducing acute service pressure on the NHS. Funding was also received to help support efforts for track and trace services, infection control, enforcement, providing food for children and the vulnerable, shielding support and reopening local high streets.

Examples of the use of specific grants including support to 8,052 people who have had to shield; providing 684 emergency food parcels and over 300 medication deliveries; 4,500 amended council tax payment plans to help meet payments; and providing food and utility support over the winter period to 21,122 children. Halton's Outbreak Support Team was created in July 2020, working as a collaborative team to identify outbreaks and situations of concern early and use co-ordinated and rapid containment measures where necessary.

Government announced a compensation scheme to help part fund the loss of sales, fees and charges income incurred as a result of the pandemic. The income loss scheme will involve a 5% deduction, whereby councils will absorb losses up to 5% of their planned sales, fees and charges income, with the government compensating them for 75p in every pound of relevant loss thereafter. The Council will receive £1.685m for the year 2020/21. Government have also committed to the scheme operating in the first quarter of 2021/22.

In summary, excluding the Collection Fund, Covid related costs and loss of income incurred by the Council over the past year will be fully funded from Government grant.

The Council have supported the Government in responding to the pandemic by providing a process to passport on funding to businesses and individuals within the borough. This

included providing funding of £24.4m in grants to support businesses that have had to stop trading at intervals during 2020/21. In addition a further £1.6m of grants were provided on a discretionary basis.

The Council also acted as the Government's agent by providing 9,688 local residents in receipt of council tax support during 2020/21 with a further discount of £150 from their council tax bill.

Where the Council has acted as an agent only (on behalf of Government), these costs and associated funding are excluded from the Comprehensive Income and Expenditure Statement.

### **Schools**

Expenditure incurred in relation to the Schools budget, both by individual schools and the Council totalled £80.0m and is shown in more detail in Note 8.

School balances at 31<sup>st</sup> March 2021 total £7.1m (£4.5m 31<sup>st</sup> March 2020).

At 31<sup>st</sup> March 2021 there was a deficit of £1.0m of schools related central spend compared to the available funding. This balance will be carried forward into 2021/22 and the Council will undertake a DSG deficit recovery plan to set out how the £1.0m will be met over the next year.

### **Comprehensive Income & Expenditure Statement**

Whilst the General Fund shows a net surplus for the year of £2.3m, the accounting position presented in the Comprehensive Income & Expenditure Statement (CIES) shows a deficit for the year of £108.6m. 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 decreased over the year as shown in the Balance Sheet.

Supporting the CIES is the Expenditure and Funding Analysis included in 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 in the surplus position on the provision of services, included as part of the CIES.

The table below reconciles the General Fund underspend, via the deficit position on the provision of services, to the total deficit for 2020/21 on the Comprehensive Income & Expenditure Statement. Included below the table are supporting notes to the amounts within the table.

	<b>2020/21 £000</b>
<b>General Fund Underspend</b>	<b>(2,340)</b>
<b>Transfer from Earmarked Reserves</b>	-
<b>Accounting Adjustments Provision of Services:</b>	
Adjustment for Capital Purposes	
- Depreciation, Impairment and Revaluation Losses of Non-Current Assets	30,768
- Capital Grant Income	(18,779)
- Revenue Expenditure Funded from Capital	9,815
- Loss on De-Recognition of Non-Current Assets	3,129
- Minimum Revenue Provision	(8,632)
- Other Capital Adjustments	(832)
Pension Adjustments	6,107
Movement in Reserves	(23,050)
Other Differences	21,814
<b>Deficit on the Provision of Services</b>	<b>18,000</b>
<b>Accounting Adjustments Other:</b>	
Surplus on Revaluation of PP&E	(5,992)
Gain on Pension Asset	(88,104)
Loss on Pension Assumptions (Demographic, Financial and Other)	185,670
Revaluation of Financial Assets Measured at Fair Value Through Other Comprehensive Income	(1,015)
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>108,559</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 Simms Cross Primary School transferring to academy status from during the year.
  - Minimum Revenue Position – Amount set aside in the General Fund to recognise the repayment of debt. In line with proper accounting practice this is not required to be included in the CIES.
- **Pension Adjustments** - Denotes the difference between the accounting cost of pensions (included in the CIES) and the actual employer contributions to the pension fund. More information on pensions is included elsewhere within the narrative report.
- **Movement in Reserves** - As per proper accounting practice, changes to reserves are not required to be included in the CIES.
- **Other Differences** – Includes the Collection Fund adjustment, difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to council tax and business rates.
- **Surplus on Revaluation of PP&E** - Increase in the value of those non-current assets that have been revalued during the year.
- **Gain on Pension Assets / Loss on Pension Adjustments** – Information on these adjustments is included within the Pension Liability heading as part of the narrative report.
- **Revaluation of 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 31<sup>st</sup> March 2021 unused capital receipts were £2.1m, and the balance on the capital reserve was £2.0m. A significant percentage of the capital receipts are earmarked for future capital projects. The forecast level of receipts as at 31<sup>st</sup> March 2023 is £7.1m.

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

On 3<sup>rd</sup> March 2021, Council approved the 2021/22 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 £31.2m on capital schemes (excluding finance leases) in 2020/21 compared with planned expenditure of £39.6m (which historically assumes 20% slippage in the £49.5m capital programme). The shortfall of spending compared to allocations is largely as a result of delays to capital schemes caused by the Covid pandemic. Major elements of spend on the capital programme included £9.1m on the Silver Jubilee Bridge Decoupling project, £4.5 grant contribution to Daresbury Enterprise Zone (EZ) for the building of Project Violet funded through retained rates within the EZ, £2.1m on Runcorn Town Centre redevelopment, and £1.0m putting in place the temporary residential care home (Lilycross) to support early discharge from hospitals during the pandemic.

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

	<b>2020/21 Budget £000</b>	<b>2020/21 Actual £000</b>	<b>2020/21 Variance £000</b>
<b>Expenditure:</b>			
Schools Related	2,550	1,540	1,010
People Directorate	3,487	2,168	1,319
Enterprise, Community and Resources Directorate	43,463	27,583	15,880
<b>Total Expenditure</b>	<b>49,500</b>	<b>31,291</b>	<b>18,209</b>
<b>Funded By:</b>			
Borrowing	(19,840)	(11,842)	(7,998)
Capital Receipts	(4,285)	(4,455)	170
Revenue	(153)	(729)	576
Grants and Other Contributions	(25,222)	(14,265)	(10,957)
<b>Total Funding</b>	<b>(49,500)</b>	<b>(31,291)</b>	<b>(18,209)</b>

Analysis of capital expenditure is included as part of the notes to the financial statements in 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<sup>st</sup> March 2021 the Council has defined pension net liabilities of £169.1m. This is an increase of £103.7m to the net liabilities of £65.4m from 31<sup>st</sup> March 2020. Scheme obligations have increased by £205.3m over the course of the past year, notably as a result of remeasurement of financial assumptions. There has been an increase of £101.6m to the scheme assets attributable to the return on plan assets.

Funding levels of the pension fund are monitored on an annual basis. Following the triennial review in 2019, Council approved the payment of the past service deficit cost as a lump sum for the period 2020-2023, 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.

## **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.

In response to the pandemic and to help stabilise the economy, the Bank of England reduced the interest base rate from 0.25% to 0.1% in March 2020. This had the impact of lowering the rates of return the Council were able to generate from cash investments.

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 maintaining the same level of security.

The Council's Treasury Management Strategy for 2021/22 was approved by Council on 3<sup>rd</sup> March 2021. 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, with security being prioritised over yield.

As at 31<sup>st</sup> March 2021 long term borrowing totalled £172m, well within the authorised borrowing limit. Borrowing comprises loans from the Public Works Loan Board of £162m and

a Lenders Option Borrowers Option (LOBO) 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 repaid 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) totals £21.5m (£22.9m in 2019/20), and short term deposits (up to 1 year) total £70.1m (£65.4m in 2019/20). Deposits over 12 months total £7m (£17.0m in 2019/20).

The Council has a prompt payment discount scheme, whereby 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 Council's 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 1<sup>st</sup> April 2013 with the Liverpool City Region pilot scheme introduced on 1<sup>st</sup> April 2017. As part of the pilot scheme the Council collects non-domestic rates on behalf of Cheshire Fire & Rescue Service, and itself.

For the period to 31<sup>st</sup> March 2021 the Council as the Billing Authority collects council tax on behalf of Cheshire Fire & Rescue Service, Cheshire Police & Crime Commissioner, Liverpool City Region Combined Authority, and itself.

As at 31<sup>st</sup> March 2021 the council tax position showed the Council had a gross surplus position of £1.8m (to be shared with major preceptors). This figure is inclusive of a grant contribution of £1.3m from the Government's Hardship Fund, which enabled the Council to reduce by £150 the 2020/21 council tax bills for residents eligible for the Council Tax Reduction Scheme. In setting the 2021/22 budget the Council approved the use of £0.4m of the Collection Fund surplus in balancing the overall budget.

As at 31<sup>st</sup> March 2021 the Business Rates position showed the Council had a gross deficit position of £19.7m. This excludes grant of £13.7m received from Government to apply an expanded 100% rate relief to small businesses, the retail, leisure and hospitality sector and nurseries during 2020/21. The resulting deficit balance of £6.0m can be spread over the next 3 years. Further to this, Government are committed to compensating the Council for 75% of

irrecoverable losses on the Collection Fund resulting from the pandemic, which is currently estimated at £2.8m.

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

The Council has taken a prudent position in setting levels of bad debt and appeal provisions as a result of the effect of the Covid-19 pandemic on the local and national economy.

### **Performance Measures 2020/21**

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 Council's 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, despite the pandemic, decreased from 11.66 in 2019/20 to 10.02 in 2020/21.
- Council tax collection rate for the year was 94.14% a decrease of 0.43% on this point last year. Cash collected during the year (on behalf of the Council, Fire, Police, LCR and local preceptors) was £65.6m against an expected budget of £63.2m. Cash collected includes growth to the council tax base and a further £1.7m collected from previous years' arrears.
- The 2020/21 collection rate for business rates was 96.18%, a decrease of 0.88% on this point last year. Cash collected during the year (on behalf of the Council and Cheshire Fire) was £39.8m against an expected budget of £54.5m. This includes recovery against previous years' arrears and excludes the impact of further relief provided by Government to the Retail, Leisure and Hospitality sector.

## **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 medium term financial impact of the Covid-19 pandemic and the Government response is being considered by the Council, in terms of 2022/23 and subsequent years.

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 2020 and subsequently updated as part of the budget report in March 2021. The latest report identified potential shortfalls in funding for the Council over the following three years of approximately £15.7m (2022/23), £2.0m (2023/24) and £2.1m (2024/25).

The 2021/22 net budget requirement of £111.446m was approved by Council on 3<sup>rd</sup> March 2021. The budget will be funded from £54.5m of council tax (increase of 4.99% on the 2020/21 Band D level), business rates of £51.1m, top-up funding of £5.5m and share of the collection fund surplus of £0.3m.

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 impact of 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.

## **Conclusion**

It is evident across the local government sector that 2020/21 has been a very unusual year given the challenges of the Covid-19 pandemic. The Council has provided exceptional levels of support across all services to help its residents and businesses to manage throughout the pandemic. It has continued to deliver essential public services and provided additional services where required, working closely with colleagues in Health and other partners, and often delivering services in different ways to ensure the safety of residents and staff. Despite the Council recording net spend below the 2020/21 approved budget it would be incorrect to consider pressures on the Council's budget are a thing of the past. The Council has received significant amounts of grant funding over the past year and the temporary closedown of certain services has in many ways distorted the financial position. The national cost of servicing the pandemic is likely to be felt for many years to come and it remains to be seen if resources available to local government are impacted as a result.

In spite of the challenges of the past year, it has evidenced that the Council's financial base position remains sound. Reserve and provision balances continue to be set at prudent levels, continued commitment to capital expenditure allows the borough to develop and grow. The collection fund function funds 95% of the Council's net budget, supported by treasury management and the prompt collection of external charges allows the Council to be more self-sufficient through funding from local resources, albeit with an increased level of risk.

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

## Core Financial Statements

### Comprehensive Income & Expenditure Statement as at 31<sup>st</sup> March 2020

		Gross Expenditure 2019/20	Gross Income 2019/20	Net Expenditure 2019/20
	Note	£000	£000	£000
<b>Services</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	3			3,089
Financing and Investment Income & Expenditure	4			41,042
Taxation and Non-Specific Grant Income	5			(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	37			(53,713)
(Surplus) or Deficit on revaluation of financial assets measured at fair value through other comprehensive income	37			(585)
Remeasurement of net defined benefit liability	32			(115,084)
<b>Other Comprehensive Income &amp; Expenditure</b>				<b>(169,382)</b>
<b>TOTAL COMPREHENSIVE INCOME &amp; EXPENDITURE</b>				<b>(163,394)</b>

## Comprehensive Income & Expenditure Statement as at 31<sup>st</sup> March 2021

		Gross Expenditure 2020/21 £000	Gross Income 2020/21 £000	Net Expenditure 2020/21 £000
<b>Services</b>	<b>Note</b>			
<b>CONTINUING OPERATIONS</b>				
Enterprise, Community and Resources		113,935	(56,569)	57,366
People		172,023	(85,589)	86,434
Schools		78,353	(76,366)	1,987
Corporate and Democracy		2,040	65	2,105
Mersey Gateway		28,777	(65,336)	(36,559)
<b>Net Expenditure of Continuing Operations</b>		<b>395,128</b>	<b>(283,795)</b>	<b>111,333</b>
Other Operating Expenditure	<b>3</b>			3,161
Financing and Investment Income & Expenditure	<b>4</b>			39,227
Taxation and Non-Specific Grant Income	<b>5</b>			(135,721)
<b>(Surplus) or Deficit on the Provision of Services</b>				<b>18,000</b>
(Surplus) or Deficit on revaluation of Non-Current Assets	<b>37</b>			(5,992)
(Surplus) or Deficit on revaluation of financial assets measured at fair value through other comprehensive income	<b>37</b>			(1,015)
Remeasurement of net defined benefit liability	<b>32</b>			97,566
<b>Other Comprehensive Income &amp; Expenditure</b>				<b>90,559</b>
<b>TOTAL COMPREHENSIVE INCOME &amp; EXPENDITURE</b>				<b>108,559</b>

## Balance Sheet as at 31<sup>st</sup> March 2021

31/03/2020			31/03/2021
£000		Note	£000
864,622	Non-Current Assets – Property Plant & Equipment	17	857,943
1,279	Heritage Assets	18	1,291
800	Investment Properties	19	806
1,385	Intangible Assets	20	762
1,898	Investments in Associates and Joint Ventures	22	2,913
21,755	Long Term Investments	22	9,722
12,668	Long Term Debtors	23	14,060
<b>904,407</b>	<b>Total Long Term Assets</b>		<b>887,497</b>
	<b>Current Assets</b>		
272	Inventories		295
6,000	Assets held for Sale < 12 months	21	6,060
32,339	Short Term Debtors	23	35,903
65,408	Short Term Investments	22	70,149
22,860	Cash/Cash Equivalents	24	21,493
<b>126,879</b>	<b>Total Current Assets</b>		<b>133,900</b>
	<b>Current Liabilities</b>		
(5,629)	Short Term Borrowing	26	(617)
(58,331)	Short Term Creditors	25	(55,985)
(3,216)	Short Term Grants Receipts in Advance	7	(16,270)
(4,101)	Provisions < 1 year	27	(3,922)
<b>(71,277)</b>	<b>Total Current Liabilities</b>		<b>(76,794)</b>
<b>55,602</b>	<b>Net Current Assets/(Liabilities)</b>		<b>57,106</b>
<b>960,009</b>	<b>Total Net Assets</b>		<b>944,603</b>
	<b>Long Term Liabilities</b>		
(172,000)	Long Term Borrowing	26	(172,000)
(4,652)	Provisions > 1 year	27	(6,542)
(12,296)	Long Term Grants Receipts in Advance	7	(6,874)
(433,132)	Other Long Term Liabilities	29	(529,817)
<b>(622,080)</b>	<b>Total Long Term Liabilities</b>		<b>(715,233)</b>
<b>337,929</b>	<b>Total Assets Less Liabilities</b>		<b>229,370</b>
(127,695)	Usable Reserves	35	(154,049)
(210,234)	Unusable Reserves	37	(75,321)
<b>(337,929)</b>	<b>Total Equity</b>		<b>(229,370)</b>

Signed by:

Ed Dawson – Operational Director Finance



Date: 30 July 2021

## 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 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	-	-	5,988	(169,382)	(163,394)
Adjustments between Accounting Basis and Funding Basis under Regulations ( <b>note 34a</b> )	(28,837)	2,101	482	(26,254)	26,254	-
Other Adjustments	1			1	(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>
<b>Balance as at 31<sup>st</sup> March 2020</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>
<b>Movement in Reserves during 2020/21</b>						
Total Comprehensive Income and Expenditure	18,000	-	-	18,000	90,559	108,559
Adjustments between Accounting Basis and Funding Basis under Regulations ( <b>note 34b</b> )	(43,396)	3,558	(4,514)	(44,352)	44,352	-
Other Movements	6		(8)	(2)	2	-
<b>(Increase)/Decrease in the year</b>	<b>(25,390)</b>	<b>3,558</b>	<b>(4,522)</b>	<b>(26,354)</b>	<b>134,913</b>	<b>108,559</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>(134,964)</b>	<b>(2,082)</b>	<b>(17,003)</b>	<b>(154,049)</b>	<b>(75,321)</b>	<b>(229,370)</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 2021

2019/20 £000		Note	2020/21 £000
5,988	<b>Net (surplus) or deficit on the provision of services</b>		<b>18,000</b>
(58,538)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	<b>38</b>	(42,654)
24,265	Adjust for items in the net (surplus) or deficit on the provision of services	<b>38</b>	14,894
<b>(28,285)</b>	<b>Net cash flows from Operating Activities</b>		<b>(9,760)</b>
16,953	Net cash flows from Investing Activities	<b>39</b>	5,056
6,503	Net cash flows from Financing Activities	<b>40</b>	6,071
<b>(4,829)</b>	<b>Net (increase)/decrease in cash and cash equivalents</b>		<b>1,367</b>
(18,031)	Cash and Cash Equivalents at the beginning of the reporting period	<b>24</b>	(22,860)
<b>(22,860)</b>	<b>Cash and Cash Equivalents at the end of the reporting period</b>	<b>24</b>	<b>(21,493)</b>

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

Please note the Accounting Policies are shown on page 109.

### **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 2019/20

	<b>Outturn reported to Management Restated</b>	<b>Movement in Earmarked Reserves</b>	<b>Net Expenditure Chargeable to the General Fund Balances</b>	<b>Adjustments between the Funding and Accounts Basis</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>
	<b>2019/20 £000</b>	<b>2019/20 £000</b>	<b>2019/20 £000</b>	<b>2019/20 £000</b>	<b>2019/20 £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 £000</b>	<b>Adjustments for Capital Purposes £000</b>	<b>Net change for the Pension Adjustments £000</b>	<b>Other Adjustments £000</b>	<b>Total Adjustments £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>

## Expenditure and Funding Analysis 2020/21

	<b>Outturn reported to Management</b>	<b>Movement in Earmarked Reserves</b>	<b>Net Expenditure Chargeable to the General Fund Balances</b>	<b>Adjustments between the Funding and Accounts Basis</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>
	<b>2020/21 £000</b>	<b>2020/21 £000</b>	<b>2020/21 £000</b>	<b>2020/21 £000</b>	<b>2020/21 £000</b>
Enterprise, Community and Resources	46,442	5,696	52,138	5,228	57,366
People	82,444	4,614	87,058	(624)	86,434
Schools	-	(2,517)	(2,517)	4,504	1,987
Corporate and Democracy	(23,476)	(25,384)	(48,860)	50,965	2,105
Mersey Gateway	8,020	(5,928)	2,092	(38,651)	(36,559)
<b>Net Cost of Services</b>	<b>113,430</b>	<b>(23,519)</b>	<b>89,911</b>	<b>21,422</b>	<b>111,333</b>
Other Income and Expenditure	(115,770)	469	(115,301)	21,968	(93,333)
<b>(Surplus) or Deficit</b>	<b>(2,340)</b>	<b>(23,050)</b>	<b>(25,390)</b>	<b>43,390</b>	<b>18,000</b>
<b>Opening General Fund Balance</b>	<b>(4,002)</b>	<b>(105,572)</b>	<b>(109,574)</b>		
Transfer to from Earmarked Reserves to General Fund					
(Surplus) or Deficit in year	(2,340)	(23,050)	(25,390)		
<b>Closing General Fund Balance at 31st March</b>	<b>(6,342)</b>	<b>(128,622)</b>	<b>(134,964)</b>		

Note to Expenditure and Funding Analysis 2020/21

<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>	<b>Other Income and Expenditure £000</b>	<b>Adjustments for Capital Purposes £000</b>	<b>Net change for the Pension Adjustments £000</b>	<b>Other Adjustments £000</b>	<b>Total Adjustments £000</b>
Enterprise, Community and Resources	(2,628)	5,912	2,028	(84)	<b>5,228</b>
People	(19)	(12)	1,983	(2,576)	<b>(624)</b>
Schools	-	119	818	3,567	<b>4,504</b>
Corporate and Democracy	4,990	18,995	(278)	27,258	<b>50,965</b>
Mersey Gateway	(38,486)	(166)	-	1	<b>(38,651)</b>
<b>Net Cost of Services</b>	<b>(36,143)</b>	<b>24,848</b>	<b>4,551</b>	<b>28,166</b>	<b>21,422</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	36,143	(9,379)	1,556	(6,352)	<b>21,968</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>15,469</b>	<b>6,107</b>	<b>21,814</b>	<b>43,390</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 Statement. 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:

	<b>Revenues from External Customers £000</b>	<b>Interest Revenue £000</b>	<b>Interest Expense £000</b>	<b>Depreciation and Amortisation £000</b>
<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>

	<b>Revenues from External Customers £000</b>	<b>Interest Revenue £000</b>	<b>Interest Expense £000</b>	<b>Depreciation and Amortisation £000</b>
<b>2020/21</b>				
Enterprise, Community and Resources	(9,178)	-	-	15,829
People	(9,562)	-	-	1,028
Schools	(98)	-	-	2,724
Corporate and Democracy	(41)	(1,631)	2,710	(27,601)
Mersey Gateway	(40,631)	-	32,176	8,020
<b>Net Cost of Services</b>	<b>(59,510)</b>	<b>(1,631)</b>	<b>34,886</b>	<b>-</b>

## 2. Expenditure and Income Analysed by Nature

2019/20 £000		2020/21 £000
	<b>Expenditure</b>	
148,836	Employee Benefits	147,819
223,905	Other service expenses	223,140
37,052	Depreciation, amortisation and impairment	30,758
35,909	Interest Payments	34,886
3,552	Precepts and levies	3,592
<b>449,254</b>	<b>Total Expenditure</b>	<b>440,195</b>
	<b>Income</b>	
(129,907)	Fees and charges and other service income	(104,988)
(668)	Gain on disposal of non-current assets	(431)
(101,252)	Income from Council Tax and Business Rates	(90,150)
(209,496)	Government grants income	(224,995)
(1,943)	Interest and investment income	(1,631)
<b>(443,266)</b>	<b>Total Income</b>	<b>(422,195)</b>
<b>5,988</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>18,000</b>

## 3. Other Operating Expenditure

2019/20 £000		2020/21 £000
118	Parish Council Precepts	148
3,434	Levies	3,444
205	Movement in value of Assets Held for Sale	-
(668)	(Gains)/Losses on the Disposal of non-current assets	(431)
<b>3,089</b>	<b>Total</b>	<b>3,161</b>

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

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
35,502	Interest payable and similar charges	34,886
407	Derecognition of Financial Instruments measured at amortised cost	-
430	Derecognition of Financial Instruments measured at other comprehensive income and expenditure	-
4,065	Net interest on the net defined benefit liability	1,556
(1,943)	Interest receivable and similar charges	(1,631)
(99)	Income & Expenditure in relation to Investment Properties and changes in their fair value	(136)
176	Movement in fair value of financial instruments	34
3,022	Loss on transfer of academies	3,593
(518)	Other investment income and expenditure	925
<b>41,042</b>	<b>Total</b>	<b>39,227</b>

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

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
(50,060)	Council Tax income	(53,515)
(51,192)	Non domestic rates	(36,635)
(16,056)	Non-ringfenced government grants	(26,561)
(4,896)	NNDR Top Up Grant	(5,515)
(22,795)	Capital grants and contributions	(13,495)
<b>(144,999)</b>	<b>Total</b>	<b>(135,721)</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:

	<b>31 March 2020</b>	<b>31 March 2021</b>
	<b>£000</b>	<b>£000</b>
<b>Long Term Receipts in Advance</b>		
<b>Capital</b>		
Housing, Communities & Local Government	(12,059)	(4,699)
Other Grants	(237)	(2,175)
<b>Total</b>	<b>(12,296)</b>	<b>(6,874)</b>

	<b>31 March 2020</b>			<b>31 March 2021</b>		
	<b>Revenue</b>	<b>Capital</b>	<b>Total</b>	<b>Revenue</b>	<b>Capital</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Short Term Receipts in Advance</b>						
Housing, Communities and Local Government	(49)	-	<b>(49)</b>	(297)	(7,360)	<b>(7,657)</b>
Department for Business, Energy & Industrial Strategy	-	-	-	(689)	(1,296)	<b>(1,985)</b>
Department for Education	-	(37)	<b>(37)</b>	-	(330)	<b>(330)</b>
Department of Transport	-	(215)	<b>(215)</b>	-	(215)	<b>(215)</b>
Department of Health	(14)	(1,268)	<b>(1,282)</b>	(3,093)	(1,640)	<b>(4,733)</b>
Department for Work and Pensions	-	-	-	-	-	-
Other Grants	(410)	(336)	<b>(746)</b>	(463)	(179)	<b>(642)</b>
Contributions	(887)	-	<b>(887)</b>	(708)	-	<b>(708)</b>
	<b>(1,360)</b>	<b>(1,856)</b>	<b>(3,216)</b>	<b>(5,250)</b>	<b>(11,020)</b>	<b>(16,270)</b>

The Council credited the following grants to the Comprehensive Income and Expenditure Statement in 2020/21.

	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
<b>Revenue Grants Credited to Services</b>		
Department for Housing, Communities & Local Government	(3,907)	(7,195)
Dedicated Schools Grant	(75,660)	(78,923)
Department for Business, Energy & Industrial Strategy	-	(1,611)
Department for Education	(16,620)	(16,418)
Department for Environment, Food & Rural Affairs	(37)	(223)
Department for Transport	(25,951)	(25,031)
Department for Works & Pensions	(1,122)	(1,862)
Department of Health	(9,998)	(13,558)
Home Office	(472)	(433)
Rent Allowance Subsidy	(31,350)	(30,600)
Other Grants	(632)	(3,570)
<b>Total</b>	<b>(165,749)</b>	<b>(179,424)</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 range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2020/21 are shown below:

<b>Total 2019/20 £000</b>		<b>Central Expenditure 2020/21 £000</b>	<b>Individual Schools Budget 2020/21 £000</b>	<b>Total 2020/21 £000</b>
(114,320)	Final DSG before academy recoupment			(122,099)
38,660	Academy figure recouped in year			43,099
<b>(75,660)</b>	<b>Total DSG after academy recoupment</b>			<b>(79,000)</b>
(348)	Plus brought forward			(136)
-	- Less carry forward agreed in advance			100
<b>(76,008)</b>	<b>Agreed budgeted distribution</b>	<b>(18,940)</b>	<b>(60,096)</b>	<b>(79,036)</b>
-	- In Year Adjustments	600	(600)	-
<b>(76,008)</b>	<b>Final Budget Distribution</b>	<b>(18,340)</b>	<b>(60,696)</b>	<b>(79,036)</b>
17,239	Less actual central expenditure	19,336		19,336
58,633	Less actual ISB deployed to schools		60,696	60,696
-	- Plus Council Contribution			-
<b>(136)</b>	<b>Carry Forward</b>	<b>996</b>	-	<b>996</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 58% and 42% respectively (excluding the BCF allocation) for 2020/21.

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

	<b>2019/20</b>		<b>2020/21</b>
	<b>£000</b>		<b>£000</b>
<b>Balance Brought Forward</b>	<b>46</b>		<b>117</b>
<b>Funding provided to the pooled budget:</b>			
- Halton Borough Council	(3,476)		(3,535)
- Halton Clinical Commissioning Group	(3,497)		(3,467)
- Better Care Fund	(10,377)		(10,891)
- Winter Pressures	(639)		(639)
	<b>(17,989)</b>		<b>(18,532)</b>
<b>Income raised through the pooled budget:</b>			
- Halton Borough Council	(625)		(609)
	<b>(625)</b>		<b>(609)</b>
<b>Expenditure met from the pooled budget:</b>			
- Halton Borough Council	4,139		4,053
- Halton Clinical Commissioning Group	3,530		3,401
- Better Care Fund	10,377		10,891
- Winter Pressures	639		639
	<b>18,685</b>		<b>18,984</b>
<b>Net (surplus)/deficit arising on the pooled budget during the year</b>	<b>71</b>		<b>(157)</b>
<b>Share of the (surplus)/deficit for the year:</b>			
- Halton Borough Council	54%	38	58%
- Halton Clinical Commissioning Group	46%	33	42%
		<b>71</b>	<b>(157)</b>
<b>Balance Carried Forward</b>	<b>117</b>		<b>(40)</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 officers disclosure note.

Remuneration Band		2019/20		2020/21	
		Number of Employees		Number of Employees	
		Teaching	Non-Teaching	Teaching	Non - Teaching
£50,000	£54,999	15	12	14	10
£55,000	£59,999	7	14	14	10
£60,000	£64,999	10	10	7	9
£65,000	£69,999	7	3	9	11
£70,000	£74,999	6	3	8	4
£75,000	£79,999	1	4	-	4
£80,000	£84,999	-	3	1	1
£85,000	£89,999	1	6	1	2
£90,000	£94,999	1	1	-	5
£95,000	£99,999	-	4	1	2
£100,000	£104,999	-	-	-	3
£105,000	£109,999	-	-	-	-
£110,000	£114,999	-	-	-	-
£115,000	£119,999	-	-	-	-
£120,000	£124,999	-	-	-	-
£125,000	£129,999	-	2	-	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	-	-
£180,000	£184,999	-	-	-	1
		<b>48</b>	<b>63</b>	<b>55</b>	<b>64</b>

The figures in the above table for 2019/20 have been restated to exclude salaries for staff at Voluntary Aided Schools who are employed directly by the school's governing body. 45 staff

with a total salary value of £2,752,207 have been removed from the 2019/20 figures. In 2020/21, 51 staff members of Voluntary Aided Schools with a total salary value of £3,147,868 have been excluded from Note 10.

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.

*This note refers to the detailed table below:*

Note 1: During 2020/21, the Operational Director – Public Health, performed the additional role of Director of Public Health Services at Warrington Borough Council on a part-time basis at a total remuneration cost of £21,091. The payments in relation to this additional role have been made by Halton Borough Council and are included in the salary and remuneration figures detailed overleaf, however, the Council has been fully reimbursed for these costs by Warrington Borough Council.

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	
		2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
		£	£	£	£	£	£	£	£	£	£	£	£
Chief Executive - David Parr		179,000	182,500	-	-	-	-	179,000	182,500	-	-	179,000	182,500
Strategic Director - People		125,500	128,600	-	-	-	-	125,500	128,600	22,100	24,200	147,600	152,800
Strategic Director - Enterprise, Communities & Resources		125,500	128,600	-	-	-	-	125,500	128,600	23,100	8,200	148,600	136,800
Operational Director - Planning & Transportation		79,500	83,600	-	-	-	-	79,500	83,600	14,700	16,500	94,200	100,100
Operational Director - Legal & Democratic Services		88,300	90,600	-	-	-	-	88,300	90,600	16,200	17,700	104,500	108,300
Statutory Operational Director - Adult Social Care		99,400	102,000	-	-	-	-	99,400	102,000	18,300	20,000	117,700	122,000
Statutory Operational Director - Children & Families Services		99,400	102,000	-	-	-	-	99,400	102,000	18,300	20,000	117,700	122,000
Statutory Operational Director - Education, Inclusion & Provision		99,500	102,100	-	-	-	-	99,500	102,100	18,300	20,000	117,800	122,100
Operational Director - Finance		88,300	90,600	-	-	-	-	88,300	90,600	16,200	17,700	104,500	108,300
Operational Director - ICT & Support Services		97,200	98,400	-	-	-	-	97,200	98,400	17,900	19,300	115,100	117,700
Operational Director - Economy, Enterprise & Property		88,700	90,600	-	-	-	-	88,700	90,600	16,400	17,900	105,100	108,500
Operational Director - Community & Environment		88,300	90,600	-	-	-	-	88,300	90,600	16,200	17,700	104,500	108,300
Operational Director - Public Health	1	94,600	96,900	-	-	-	-	94,600	96,900	13,500	13,900	108,100	110,800
Operational Director - Policy, People, Performance & Efficiency		80,000	86,000	-	-	-	-	80,000	86,000	14,700	16,800	94,700	102,800
		<b>1,433,200</b>	<b>1,473,100</b>	-	-	-	-	<b>1,433,200</b>	<b>1,473,100</b>	<b>225,900</b>	<b>229,900</b>	<b>1,659,100</b>	<b>1,703,000</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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20 £000	2020/21 £000
£0 - £20,000	5	4	14	21	-	-	19	25	99	186
£20,001 - £40,000	1	-	4	3	-	-	5	3	117	78
£40,001 - £60,000	-	-	1	2	-	-	1	2	44	93
£60,001 - £80,000	-	-	1	-	-	-	1	-	78	-
£80,001 - £100,000	-	-	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	1	-	-	-	1	-	116	-
£150,001 - £200,000	-	-	-	-	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	-	-	-	-	-	-	-
£250,001 - £300,000	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>6</b>	<b>4</b>	<b>21</b>	<b>26</b>	<b>-</b>	<b>-</b>	<b>27</b>	<b>30</b>	<b>454</b>	<b>357</b>

The total cost of exit packages in 2020/21 is £0.357m (2019/20 - £0.454m) 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. There were no early retirements taken in 2020/21 (2019/20 - £0.000m).

### Termination Benefits

The Council incurred no liabilities relating to past early retirements charged to the Comprehensive Income and Expenditure Statement.

## **12. Members Allowances**

During the year £833,827.59 (2019/20 - £815,214.84) 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 2020/21 is shown in Note 12. The total of senior officers remuneration paid in 2020/21 is shown in Note 10.

In 2020/21, 7 Members had interests in various organisations and voluntary sector bodies involving payments worth £2.140m and receipts worth £0.296m for various works and services.

<b>Payments/receipts from Organisations where Members or their spouse hold an interest</b>	<b>2020/21</b>		<b>31/03/2021</b>	
	<b>Expenditure £000</b>	<b>Income £000</b>	<b>Creditor £000</b>	<b>Debtor £000</b>
Halton Housing Trust	210	(256)	14	(36)
Halton Play Council	96	(3)	-	-
Mersey Gateway Crossings Board	1,822	(37)	189	(2)
Umbrella Halton	12	-	-	-
<b>Total</b>	<b>2,140</b>	<b>(296)</b>	<b>203</b>	<b>(38)</b>

In 2020/21 the declarations also showed that one Executive Officer represented the Council on the board one body within the borough. Payments between HBC and this body totalled £4.530m and receipts totalled £0.199m in 2020/21.

<b>Payments/receipts to Organisations where Officers or their spouse hold an interest</b>	<b>2020/21</b>		<b>31/03/2021</b>	
	<b>Expenditure £000</b>	<b>Income £000</b>	<b>Creditor £000</b>	<b>Debtor £000</b>
Daresbury SIC LLP	4,530	(199)	-	-
<b>Total</b>	<b>4,530</b>	<b>(199)</b>	<b>-</b>	<b>-</b>

### **Other Public Bodies**

The Council is a member of Liverpool City Region Combined Authority, from which it received £0.399m of income in 2020/21, plus outstanding debtors of £2.437m. This related to highways grant funding of £2.257m from Merseytravel, funding for skills and apprenticeship programmes of £0.342m and £0.162m of funding for other schemes relating to economic development and regeneration. £0.109m of expenditure was incurred in 2020/21.

The Council had one pooled budget arrangement with Halton Clinical Commissioning Group during 2020/21 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 £0.038m made to Halton Clinical Commissioning Group in relation to children's therapy equipment, and income received of £0.379m relating to joint-funded children's care packages, and £0.071m of contributions towards two Health Engagement Officer posts within Children's Services.

£2.845m of expenditure was paid to Warrington and Halton Hospitals NHS Trust, including £1.473m for the provision of beds for social care clients at Halton Hospital, £0.904m for reablement services, £0.175m for the Halton Community Team Project, £0.169m for supported hospital discharge services, and £0.124m for other public health and social care services. One member of the Council is a Governor of the Trust.

The Council incurred £4.813m of expenditure with Bridgewater Community Healthcare NHS Trust in 2021/22 for the 0-19 Public Health Service (£3.547m), the Adult Social Care Joint

Equipment Service (£0.617m), the Rapid Action Rehabilitation Service (£0.360m), vision and deafness support services (£0.04m), and other public health and social care services (£0.249m).

In 2020/21 there was a contract with North West Boroughs NHS Trust to provide occupational health services to the Council, at a cost of £0.075m. Additionally, £0.026m of income was received from the Trust to fund mental health services within Halton. One member of the Council is a Governor of the Trust.

£0.266m of expenditure to Cheshire Police was incurred in 2020/21, including £0.1m to fund additional Police Community Support Officers within Halton. £0.092m of income was received, along with £0.045m of debtors at 31<sup>st</sup> March 2021. £0.093m of income related to funding for various community safety projects and £0.044m was received for the Halton Substance Misuse service. One member of the Council is a member of the Cheshire Police and Crime Panel.

Full details of the Council's pension fund transactions can be found in Note 32, Pension Schemes. One member of the Council is a member of the Cheshire Pensions Panel.

#### **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 2020/21 for fees relating to external audit, inspection and additional services.

	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Fees payable for		
- Audit	97	128
- Additional fees for prior year audit	54	33
- Grants and returns	27	21
- Benchmarking Service	13	-
	<b>191</b>	<b>182</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 30<sup>th</sup> July 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 2021, 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>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
<b>Opening Capital Financing Requirement</b>	<b>608,870</b>	<b>613,236</b>
<b>Capital Investment:</b>		
Property, Plant & Equipment	39,200	21,350
Investment Properties	-	-
Intangible Assets	465	126
Revenue Expenditure Funded from Capital under Statute	3,676	9,815
Adding Halton Borough Transport share costs back to CFR	430	-
<b>Source of Finance:</b>		
Capital Receipts	(3,571)	(4,957)
Government Grants & Other Contributions	(26,953)	(14,266)
Direct Revenue Contributions	(211)	(729)
Minimum Revenue Provision	(8,670)	(9,356)
<b>Closing Capital Financing Requirement</b>	<b>613,236</b>	<b>615,219</b>
<b>Explanation of movement in year:</b>		
Increase in underlying need to borrow	13,524	11,841
Minimum Revenue Provision statutory set aside	(8,670)	(9,356)
Use of Capital Reserves to reduce MRP liability	(488)	(502)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>4,366</b>	<b>1,983</b>

The table above shows the Council spent £26.8m on capital during 2020/21.

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

Land/Dwellings/Recovered Advances – the Council received £0.865m from the sale of land and various properties.

Under residual arrangements, the Council received £0.019m (£0.205m in 2019/20) from Halton Housing Trust for the sale of homes during the year, and a further £0.067m (£0.226m in 2019/20) under VAT Shelter arrangements.

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

### Movements during 2019/20

	Land and Buildings £000	Community Assets £000	Infrastructure Assets £000	Vehicles, Plant and Equipment £000	Surplus Assets £000	Under Construction / Development £000	Total 2019/20 £000	Service Concession Assets included in PPE £000
<b>Cost or Valuation</b>								
<b>As at 1st April 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 1st April 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>

## Movements during 2020/21

	Land and Buildings £000	Community Assets £000	Infrastructure Assets £000	Vehicles, Plant and Equipment £000	Surplus Assets £000	Under Construction / Development £000	Total 2020/21 £000	Service Concession Assets included in PPE £000
<b>Cost or Valuation</b>								
<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>
Additions and Enhancements	2,368	105	15,282	2,257	-	1,327	21,339	-
Revaluations Recognised in the Revaluations Reserve	239	-	-	-	1,707	-	1,946	-
Revaluations Recognised in the Provision Services	(3,990)	-	-	-	(29)	-	(4,019)	-
Derecognition – Disposals	(3,593)	-	-	(24)	(344)	-	(3,961)	-
Derecognition – Others	-	-	-	-	-	-	-	-
Assets Reclassified (to)/from held for sale	-	-	-	-	(60)	-	(60)	-
Other Movements	733	1,296	-	800	-	(2,829)	-	-
<b>As at 31<sup>st</sup> March 2021</b>	<b>205,064</b>	<b>4,869</b>	<b>816,092</b>	<b>26,001</b>	<b>6,687</b>	<b>2,011</b>	<b>1,060,724</b>	<b>472,081</b>
<b>Depreciation</b>								
<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>-</b>	<b>(180,857)</b>	<b>(17,863)</b>
Depreciation for the year	(7,328)	(215)	(17,424)	(1,862)	(61)	-	(26,890)	(7,232)
Depreciation written out to revaluation reserve	4,024	-	-	-	21	-	4,045	-
Depreciation written out to Surplus/Deficit on the Provision of Services	891	-	-	-	9	-	900	-
Derecognition – Disposals	-	-	-	-	-	-	-	-
Derecognition – Other	-	-	-	-	-	-	-	-
Other movements in depreciation	-	-	-	21	-	-	21	-
<b>As at 31<sup>st</sup> March 2021</b>	<b>(5,267)</b>	<b>(2,356)</b>	<b>(175,443)</b>	<b>(19,645)</b>	<b>(70)</b>	<b>-</b>	<b>(202,781)</b>	<b>(25,095)</b>
<b>Balance Sheet Amount as at 31<sup>st</sup> March 21</b>	<b>199,797</b>	<b>2,513</b>	<b>640,649</b>	<b>6,356</b>	<b>6,617</b>	<b>2,011</b>	<b>857,943</b>	<b>446,986</b>
<b>Balance Sheet Amount as at 1<sup>st</sup> April 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>



## 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 March 2021, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment.

The major commitments are:

Green Cycling/Walking Corridors	£0.21m
Schools Capital Works	£0.18m
Silver Jubilee Bridge De-linking/Runcorn Station Quarter	£0.31m
Solar Farm Extension	£0.14m
Street Lighting Upgrades	£0.49m
Windmill Hill Flood Risk Assessment Scheme	£0.18m

At 31 March 2021 the capital commitments totalled £2.21m (£28.0m at 31 March 2020).

## 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 2020/21 being year 5 in the cycle. Valuations were carried out by Sanderson Weatherall LLP and 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 2020/21 are dated the 1<sup>st</sup> October 2020. The valuation report which is used in the preparation of the Council's Statement of Accounts takes account of all known events throughout 2020/21 which could subsequently affect the assets value and is therefore dated the 31<sup>st</sup> March 2021.

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 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 2021	84,924	-	-	-	4,129	-	89,053
31 March 2020	93,176	-	-	-	1,462	-	94,638
31 March 2019	16,021	-	-	-	162	-	16,183
31 March 2018	2,887	-	-	-	59	-	2,946
31 March 2017	2,789	-	-	-	805	-	3,594
<b>Valued at Historic Cost</b>	-	2,513	640,649	6,356	-	2,011	651,529
<b>Total</b>	<b>199,797</b>	<b>2,513</b>	<b>640,649</b>	<b>6,356</b>	<b>6,617</b>	<b>2,011</b>	<b>857,943</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 2021, the Council had 79 assets that fell below its de-minimis level of £35,000 which totalled £0.900m. These assets are not recorded on the Balance Sheet.

## 18. Heritage Assets

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

	2019/20			2020/21		
	Civic Regalia £000	Outdoor Sculpture £000	Total £000	Civic Regalia £000	Outdoor Sculpture £000	Total £000
<b>Cost or Valuation</b>						
<b>1st April</b>	<b>858</b>	<b>375</b>	<b>1,233</b>	<b>858</b>	<b>421</b>	<b>1,279</b>
Additions	-	46	46		12	12
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>421</b>	<b>1,279</b>	<b>858</b>	<b>433</b>	<b>1,291</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 Museum Trust.

## 19. Investment Properties

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

<b>2019/20</b> <b>£000</b>		<b>2020/21</b> <b>£000</b>
(42)	Rental Income from Investment Property	(43)
-	Direct Operating Expenses from Investment Property	-
<b>(42)</b>		<b>(43)</b>

Investment Properties are not directly involved in the delivery of a service and are valued annually.

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 undertake repairs, maintenance or enhancement.

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

	<b>2019/20</b> <b>£000</b>	<b>2020/21</b> <b>£000</b>
<b>Balance at the start of the year</b>	<b>743</b>	<b>800</b>
Additions:		
- Purchases	-	-
- Construction	-	-
- Subsequent expenditure	-	-
Disposals	-	(87)
Net gain/(losses) from fair value adjustments	57	93
Transfers:		
- (To)/from Inventories	-	-
- (To)/from Property, Plant and Equipment	-	-
Other changes	-	-
	<b>800</b>	<b>806</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 £0.749m charged to revenue in 2020/21 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 is as follows:

	2019/20 £000	2020/21 £000
Balance at start of year:		
Gross carrying amounts	9,078	9,542
Accumulated amortisation	(7,420)	(8,157)
<b>Net carrying amount at start of year</b>	<b>1,658</b>	<b>1,385</b>
<b>Additions:</b>		
Purchases	464	126
Amortisation for the period	(737)	(749)
<b>Net carrying amount at end of year</b>	<b>1,385</b>	<b>762</b>
<b>Comprising:</b>		
Gross carrying amounts	9,542	9,668
Accumulated amortisation	(8,157)	(8,906)
	<b>1,385</b>	<b>762</b>

## 21. Assets Held for Sale

	2019/20	2020/21
	£000	£000
<b>Balance outstanding at start of Year</b>	<b>7,393</b>	<b>6,000</b>
Assets newly classified as held for sale:		
- Property, Plant and Equipment	-	60
- Intangible Assets	-	-
Revaluation Losses	(205)	-
Revaluation Gains	-	-
Impairment Losses	-	-
Assets declassified as held for sale:		-
- Property, Plant and Equipment	(1,188)	-
- Intangible Assets	-	-
Assets Sold	-	-
Transfers from non-current to current	-	-
Other Movements	-	-
<b>Balance outstanding at year-end</b>	<b>6,000</b>	<b>6,060</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:

	31/03/2020	31/03/2021
	£000	£000
<b>Associates and Joint Ventures</b>		
Daresbury SIC LLP (25% equity shares)	1,898	2,913
	<b>1,898</b>	<b>2,913</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>31/03/2020</b>	<b>31/03/2021</b>
	<b>£000</b>	<b>£000</b>
<b>Subsidiaries</b>		
Mersey Gateway Share Capital - de minimis	-	-
	-	-
<b>Other Long Term Investments</b>		
Municipal Bonds Agency	10	10
CCLA Property Fund	4,745	4,712
Halton Development Partnership Limited – de minimis	-	-
Widnes Regeneration Limited – de minimis	-	-
Long Term Deposits	17,000	5,000
	<b>21,755</b>	<b>9,722</b>
<b>Total Long Term Investments</b>	<b>21,755</b>	<b>9,722</b>

Short term investments consist of:

	<b>31/03/2020</b>	<b>31/03/2021</b>
	<b>£000</b>	<b>£000</b>
<b>UK Banks &amp; Building Societies</b>		
Lloyds/Bank of Scotland	15,000	-
Santander	-	20,000
<b>Non-UK Banks</b>		
Australia and New Zealand Banking Group	10,000	-
<b>Local Authorities</b>		
Thurrock Council	20,000	25,000
Cambridgeshire County Council	-	5,000
Derbyshire County Council	-	5,000
Powys County Council	-	10,000
Rugby Council	10,000	-
Slough Borough Council	-	5,000
Warrington Borough Council	10,000	-
Interest accrued on investments 31st March	408	149
<b>Other Investments</b>	-	-
	<b>65,408</b>	<b>70,149</b>

## 23. Debtors

	Gross Debtors	Impairment	Net Debtors	Gross Debtors	Impairment	Net Debtors
	31/03/2020			31/03/2021		
	£000	£000	£000	£000	£000	£000
<b>Short Term</b>						
Mersey Gateway						
- Toll and registration fees	1,701	(1,447)	254	1,414	(919)	495
- Public charge notices	23,872	(21,347)	2,525	16,206	(11,733)	4,473
VAT	5,262	-	5,262	4,479	-	4,479
Other receivable amounts	20,975	(3,110)	17,865	23,576	(2,961)	20,615
Prepayments	2,744	-	2,744	2,318	-	2,318
Local Taxation	15,273	(11,584)	3,689	16,264	(12,741)	3,523
	<b>69,827</b>	<b>(37,488)</b>	<b>32,339</b>	<b>64,257</b>	<b>(28,354)</b>	<b>35,903</b>
<b>Long Term</b>						
Other receivable amounts	12,668	-	12,668	14,060	-	14,060
	<b>12,668</b>	<b>-</b>	<b>12,668</b>	<b>14,060</b>	<b>-</b>	<b>14,060</b>

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

	31/03/2020	31/03/2021
	£000	£000
Less than one year	2,132	2,043
one to two years	656	635
two to three years	377	363
three to four years	215	225
four to five years	139	126
five years and above	170	131
	<b>3,689</b>	<b>3,523</b>

## 24. Cash and Cash Equivalents

	31/03/2020	31/03/2021
	£000	£000
Cash held by the Council	62	60
Bank current accounts	1,598	1,993
Short-term deposits	21,200	19,440
	<b>22,860</b>	<b>21,493</b>

## 25. Creditors

	31/03/2020	31/03/2021
	£000	£000
Mersey Gateway		
- Payment to toll collection company	(4,762)	(1,685)
- Payment of unitary charge	(5,995)	(6,112)
- Construction costs	(7,143)	(27)
Short Term element of Long term liabilities	(6,843)	(6,996)
Other payable amounts	(33,588)	(41,165)
	<b>(58,331)</b>	<b>(55,985)</b>

## 26. Borrowings

Short term borrowings consist of:

	31/03/2020 £000	31/03/2021 £000
<b>Source of loans:</b>		
Essex County Council	(5,000)	-
Interest accrued on borrowing	(629)	(617)
	<b>(5,629)</b>	<b>(617)</b>

Long term borrowings consist of:

	31/03/2020 £000	31/03/2021 £000
<b>Source of loans:</b>		
Public Works Loan Board	(162,000)	(162,000)
Commerzbank	(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
	NDR Appeals £000	Insurance Provision £000	Other Provisions £000	Total £000	NDR Appeals £000
<b>Balance at 1 April 2020</b>	<b>(2,049)</b>	<b>(1,599)</b>	<b>(453)</b>	<b>(4,101)</b>	<b>(4,652)</b>
Movement in use of provision in year	209	(129)	99	179	(1,890)
Amounts reclassified as <12 months	-	-	-	-	-
Amounts reclassified from >12 months	-	-	-	-	-
<b>Balance at 31 March 2021</b>	<b>(1,840)</b>	<b>(1,728)</b>	<b>(354)</b>	<b>(3,922)</b>	<b>(6,542)</b>

### NDR Appeals

The Council is required to make a provision for NDR valuation appeal claims. It is assumed that appeals outstanding on the 2010 list will be settled in 2021/22.

### Insurance Provision

The Council have a number of insurance claims outstanding in relation to employers' liability and public liability claims. The provision shown above reflects the expected cost to the Council, up to the value of the excess for each claim. It is assumed that all claims will be settled during 2021/22.

## 28. Contingent Liabilities

At 31<sup>st</sup> March 2021, the Council had 1 category 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 £3.5m and £7.4m for dealing with such claims.

## 29. Other Long Term Liabilities

	<b>31/03/2020</b>	<b>31/03/2021</b>
	<b>£000</b>	<b>£000</b>
Defined Benefit Pension liability	(65,437)	(169,109)
Finance PFI Lease liability due more than 12 months	(18,205)	(17,725)
Mersey Gateway unitary charge due more than 12 months	(349,471)	(342,954)
Deferred liabilities	(19)	(29)
	<b>(433,132)</b>	<b>(529,817)</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>31/03/2020</b>	<b>31/03/2021</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	217	248
Later than one year not later than five years	676	637
Later than five years	10,192	10,044
	<b>11,085</b>	<b>10,929</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>31/03/2020</b>	<b>31/03/2021</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	1,885	1,861
Later than one year not later than five years	2,477	2,565
Later than five years	9,240	9,069
	<b>13,602</b>	<b>13,495</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>31/03/2020</b>	<b>31/03/2021</b>
	<b>£000</b>	<b>£000</b>
Finance lease debtor (net present value of minimum lease payments)		
- Current	500	513
- Non Current	11,897	11,384
Unearned Finance income	3,442	3,133
<b>Gross investment in the lease</b>	<b>15,839</b>	<b>15,030</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>31/03/2020</b>	<b>31/03/2021</b>	<b>31/03/2020</b>	<b>31/03/2021</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	3,238	3,238	3,238	3,238
Later than five years	11,791	10,982	11,791	10,982
	<b>15,839</b>	<b>15,030</b>	<b>15,839</b>	<b>15,030</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<sup>th</sup> 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 15<sup>th</sup> 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<sup>st</sup> March 2021 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	<b>Payment for Services £000</b>	<b>Reimbursements of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
Payment in 2021/22	1,726	479	1,562	3,767
Payable within 2-5 years	6,763	2,525	5,780	15,068
Payable within 6-10 years	8,255	4,823	5,756	18,834
Payable within 11-15 years	8,781	6,659	3,394	18,834
Payable within 16-20 years	3,335	3,719	480	7,534
<b>Total</b>	<b>28,860</b>	<b>18,205</b>	<b>16,972</b>	<b>64,037</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:

	2019/20 £000	2020/21 £000
<b>Balance outstanding at 1st April</b>	<b>19,352</b>	<b>18,738</b>
Payments during the year	(614)	(533)
Capital expenditure incurred in the year	-	-
<b>Balance outstanding at 31st March</b>	<b>18,738</b>	<b>18,205</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<sup>th</sup> 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 provisions 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<sup>st</sup> March 2021 (excluding any deductions) are as follows:

	<b>Payment for Services £000</b>	<b>Reimbursements of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
Payment in 2021/22	4,896	6,518	26,518	37,932
Payable within 2-5 years	18,927	32,053	100,744	151,724
Payable within 6-10 years	27,272	52,527	109,857	189,656
Payable within 11-15 years	31,355	71,120	87,181	189,656
Payable within 16-20 years	30,961	103,558	55,136	189,655
Payable within 21-25 years	18,646	83,696	11,452	113,794
<b>Total</b>	<b>132,057</b>	<b>349,472</b>	<b>390,888</b>	<b>872,417</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>2019/20 £000</b>	<b>2020/21 £000</b>
<b>Balance outstanding at 1st April</b>	<b>361,722</b>	<b>355,782</b>
Payments during the year	(5,940)	(6,310)
Capital expenditure incurred in the year	-	-
<b>Balance outstanding at 31st March</b>	<b>355,782</b>	<b>349,472</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) defined benefit scheme, meaning

that the Council and its employees pay contributions into a fund, calculated at a level intended to balance the pension 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 Teachers' 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 31 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 2020/21, the Council paid an employer's contribution to the Cheshire Pension Fund of £16.189 m (£11.743m in 2019/20).

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:

	2019/20	2020/21
<b>Comprehensive Income &amp; Expenditure Statement</b>		
<b>Cost of Services</b>	<b>£000</b>	<b>£000</b>
Current Service Costs	27,047	21,022
Past Service Costs/(Gain)	147	14
Losses/(Gains) from Settlements	(449)	-
<b>Finance &amp; Investment Income &amp; Expenditure</b>		
Net interest expense	4,065	1,556
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>30,810</b>	<b>22,592</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)	10,266	(88,104)
Actuarial (gains) and losses arising on changes in demographic assumptions	(30,096)	12,333
Actuarial (gains) and losses arising on changes in financial assumptions	(57,527)	180,281
Other experience	(37,727)	(6,944)
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(115,084)</b>	<b>97,566</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>(30,810)</b>	<b>(22,592)</b>
Actual amount charged against the General Fund Balance for pensions in the year:		
Contributions in respect of unfunded benefits	<b>445</b>	<b>436</b>
Employers' contributions payable to scheme	<b>11,743</b>	<b>16,050</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>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Present value of funded liabilities	(654,714)	(859,589)
Present value of unfunded liabilities	(5,880)	(6,281)
Fair value of plan assets	595,157	696,761
<b>Sub Total</b>	<b>(65,437)</b>	<b>(169,109)</b>
Other movement in the liability / (asset)	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>(65,437)</b>	<b>(169,109)</b>

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

	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
<b>Opening fair value of scheme assets</b>	596,078	595,157
Interest income	14,269	13,681
Remeasurement gain / (loss)	-	-
The return on plan assets, excluding the amount included in the net interest expense	(10,266)	88,104
Contributions from employer	11,743	16,189
Contributions from employees into the scheme	3,870	4,019
Benefits Paid	(19,182)	(19,297)
Effect of Settlements	(1,355)	(1,092)
<b>Closing fair value of scheme assets</b>	<b>595,157</b>	<b>696,761</b>

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

	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
<b>Opening balance at 1 April</b>	<b>(757,973)</b>	<b>(660,594)</b>
Current service cost	(27,047)	(21,022)
Interest Cost	(18,334)	(15,237)
Contribution from scheme participants	(3,870)	(4,019)
Remeasurement (gains) and losses:		
- Actuarial gains / losses arising from changes in demographic assumptions	30,096	(12,333)
- Actuarial gains / losses arising from changes in financial assumptions	57,527	(180,281)
- Other	37,723	6,944
Past service cost	(147)	(14)
Benefits paid	19,627	19,594
Liabilities extinguished on settlements	1,804	1,092
<b>Closing balance at 31 March</b>	<b>(660,594)</b>	<b>(865,870)</b>

Local Government Pension Scheme assets comprised

	Fair value of scheme assets 2019/20			Fair value of scheme assets 2020/21		
	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000
<b>Cash and cash equivalents</b>	-	17,413	17,413	-	31,133	31,133
Equity securities						
- Consumer	7,528	-	7,528	11,340	-	11,340
- Manufacturing	6,043	-	6,043	13,585	-	13,585
- Energy & utilities	878	-	878	581	-	581
- Financial institutions	8,371	-	8,371	7,094	-	7,094
- Health & Care	3,646	-	3,646	5,043	-	5,043
- Information technology	29,887	-	29,887	51,233	-	51,233
- Other	2,156	-	2,156	4,681	-	4,681
<b>Sub-total equity</b>	<b>58,509</b>	-	<b>58,509</b>	<b>93,557</b>	-	<b>93,557</b>
Debt Securities						
- Corporate Bonds	-	-	-	-	-	-
- Government Bonds	-	-	-	-	-	-
- Other	-	-	-	-	-	-
<b>Sub-total bonds</b>	-	-	-	-	-	-
Property						
- UK property	-	47,673	47,673	-	49,621	49,621
- Overseas property	-	831	831	-	885	885
<b>Sub-total property</b>	-	<b>48,504</b>	<b>48,504</b>	-	<b>50,506</b>	<b>50,506</b>
<b>Private Equity</b>	-	<b>22,405</b>	<b>22,405</b>	-	<b>23,684</b>	<b>23,684</b>
Other investment funds						
- Equities	91,266	-	91,266	132,849	-	132,849
- Bonds	220,647	43,877	264,524	245,604	48,544	294,148
- Hedge funds	-	67,963	67,963	-	42,949	42,949
- Other	-	24,573	24,573	-	27,935	27,935
<b>Sub-total investment funds</b>	<b>311,913</b>	<b>136,413</b>	<b>448,326</b>	<b>378,453</b>	<b>119,428</b>	<b>497,881</b>
<b>Total Assets</b>	<b>370,422</b>	<b>224,735</b>	<b>595,157</b>	<b>472,010</b>	<b>224,751</b>	<b>696,761</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:

	2019/20	2020/21
Mortality Assumptions		
Longevity at 65 for current pensioners:		
- Men	21.2 years	21.4 years
- Women	23.6 years	24.0 years
Longevity at 65 for future pensioners:		
- Men	21.9 years	22.4 years
- Women	25.0 years	25.7 years
Rate of inflation	1.9%	2.9%
Rate of increase in salaries	2.6%	3.6%
Rate of increase in pensions	1.9%	2.9%
Rate for discounting scheme liabilities	2.3%	2.0%
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 2021</b>		
0.5% decrease in Real Discount Rate	10%	88,766
0.5% increase in the Salary Increase Rate	1%	9,545
0.5% increase in the Pension Increase Rate	9%	77,263

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

The objectives of the scheme are to keep employers' contribution at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the 20 years following the last valuation. Funding levels are monitored on an annual basis and the next triennial valuation is due to be completed on 31<sup>st</sup> 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<sup>st</sup> March 2014 (or service after 31<sup>st</sup> 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 £12.613m to the scheme in 2021/22.

The weighted average duration of the defined benefit obligation for scheme members is 19 years in 2020/21 (19 years in 2019/20)

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 2020/21, the Council paid an employers' contribution to the Teachers' Pension Agency of £6.302m (£5.472m in 2019/20) in respect of teachers' pension costs. The contribution rate for 2020/21 was 23.7% (16.5% in 2019/20) 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 2020/21 the cost was £0.466m (£0.445m in 2019/20).

## **NHS Pension Scheme**

### **Defined Contribution Scheme**

In 2020/21 the Council paid an employers' contribution to the National Health Service Pensions Scheme in respect of 31 employees, the amount paid was £0.161m (£0.164m in 2019/20) in respect of these former NHS employees' pension costs. The contribution rate was 14.4% (14.4% in 2019/20) 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

	<b>Long Term</b> <b>31/03/2020</b> <b>£000</b>	<b>Current</b> <b>31/03/2020</b> <b>£000</b>	<b>Long Term</b> <b>31/03/2021</b> <b>£000</b>	<b>Current</b> <b>31/03/2021</b> <b>£000</b>
<b>Fair value through profit and loss</b>	4,745	-	4,711	-
<b>Amortised cost</b>				
- Investments	17,000	65,408	5,001	70,149
- Debtors	12,668	20,850	14,060	24,684
- Cash & Cash Equivalents	-	22,860	-	21,493
<b>Fair value through other comprehensive income</b>				
- designated equity instruments	10	-	10	-
- other	1,898	-	2,913	-
<b>Total financial assets</b>	<b>36,321</b>	<b>109,118</b>	<b>26,695</b>	<b>116,326</b>

## Financial Liabilities

	<b>Long Term 31/03/2020 £000</b>	<b>Current 31/03/2020 £000</b>	<b>Long Term 31/03/2021 £000</b>	<b>Current 31/03/2021 £000</b>
<b>Financial Liabilities at amortised cost</b>				
- Borrowings	(172,000)	(5,629)	(172,000)	(617)
- Finance lease liabilities and PFI	(18,204)	(534)	(17,725)	(479)
- Mersey Gateway Unitary Charge	(349,472)	(6,310)	(342,954)	(6,518)
- Creditors	-	(46,073)	-	(41,962)
<b>Fair Value through profit or loss</b>	-	-	-	-
<b>Total financial liabilities</b>	<b>(539,676)</b>	<b>(58,546)</b>	<b>(532,679)</b>	<b>(49,576)</b>

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

The Council's investment in the CCLA Property Fund has been disclosed at Fair Value through Profit or Loss which is valued at £4.711m at 31<sup>st</sup> March 2021.

The valuation is based on the net asset value provided by CCLA at 31<sup>st</sup> March 2021.

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 £4.745m at 31<sup>st</sup> March 2020 giving a cost to the General Fund of £0.034m in 2020/21.

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

The Council holds a 25% equity holding in Daresbury SIC LLP, valued at a net asset value of £2.913m at 31<sup>st</sup> March 2021 (£1.898m at 31<sup>st</sup> March 2020).

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

	2019/20		2020/21	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
<b>Net (gains)/losses on:</b>				
financial assets measured at fair value through profit or loss	176	-	34	-
equity instruments measured at fair value through other comprehensive income - derecognition charged to surplus or deficit on the provision of services	430	-	-	-
financial assets measured at amortised cost	407	-	-	-
financial assets measured at fair value through other comprehensive income	-	(585)	-	(1,015)
<b>Interest revenue</b>				
financial assets measured at amortised cost	(1,733)	-	(1,424)	-
financial assets measured at fair value through profit or loss	(210)	-	(207)	-
<b>Interest expense</b>	35,502	-	34,886	-
<b>Net Gain/(Loss)</b>	<b>34,572</b>	<b>(585)</b>	<b>33,289</b>	<b>(1,015)</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 £000	Valuation technique used to measure fair value £000	31/03/2020 £000	31/03/2021 £000
Fair Value through Profit or Loss: CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	4,746	4,711
Fair Value through Comprehensive Income & Expenditure Daresbury SIC LLP	Level 2	Net Asset Valuation	1,898	2,913
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 2021 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:

	2019/20		2020/21	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
<b>Financial Assets - short term</b>				
Investments - loans and receivables	65,408	65,408	70,149	70,149
Cash and Cash Equivalents	22,860	22,860	21,493	21,493
Debtors	20,850	20,850	24,684	24,684
<b>Financial Assets - long term</b>				
Investments	17,000	17,265	5,001	5,056
Debtors	12,668	13,108	14,060	14,951
Fair Value through profit and loss	4,745	4,745	4,711	4,711
Fair Value through other comprehensive income	1,908	1,908	2,923	2,923

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 2021) attributable to the commitment to receive interest above current market rates.

	2019/20		2020/21	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
<b>Financial Liabilities - short term</b>				
Borrowings	(5,629)	(5,629)	(617)	(617)
Finance lease liabilities & PFI	(534)	(534)	(479)	(479)
Mersey Gateway unitary charge	(6,310)	(6,310)	(6,518)	(6,518)
Creditors	(46,073)	(46,073)	(41,962)	(41,962)
<b>Financial Liabilities - long term</b>				
Borrowings	(172,000)	(206,688)	(172,000)	(223,489)
Finance lease liabilities & PFI	(18,204)	(30,226)	(17,725)	(29,953)
Mersey Gateway unitary charge	(349,472)	(598,373)	(342,954)	(605,731)

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 2021) 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 2021.

### **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 £39.445m 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 2021 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 Deposit per institution £000</b>	<b>Counterparties</b>	<b>Exposure at 31/03/2021 £000</b>
40,000	UK Government	-
	UK Banks and Building Societies	
30,000	- Minimum Rating AAA	-
25,000	- Minimum Rating AA	14,950
20,000	- Minimum Rating A	24,495
10,000	- Minimum Rating BBB	-
	Foreign Banks (with Sovereign Rating of AAA)	
20,000	- Minimum Rating AAA	-
10,000	- Minimum Rating AA	-
5,000	- Minimum Rating A	-
	Money Market Funds	
20,000	- Minimum Rating AAA	-
10,000	Property Funds	4,711
40,000	Local Authorities	55,000
		<b>99,156</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.

	<b>Amount Outstanding at 31/03/2021 £000</b>	<b>Historical experience of default %</b>	<b>Estimated maximum exposure to default and non- collection at 31/03/2021 £000</b>
Deposits with AA rated banks and building societies			
- 1 year and over	-	0.02	-
- under 1 year	14,950	0.00	-
Deposits with A rated banks and building societies			
- 1 year and over	-	0.05	-
- under 1 year	24,495	0.00	-
Deposits with other Local Authorities	55,000	0.00	-
Deposits with MMF	-	0.00	-
Deposits with property funds	4,711	0.00	-
	<b>99,156</b>		<b>-</b>

None of the Council's counterparties had any difficulty in repaying their liabilities during 2020/21. 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 2021 £26.912m of this debt is overdue:

	<b>31/03/2020 £000</b>	<b>31/03/2021 £000</b>
Less than 3 months	7,181	8,382
3 to 6 months	3,555	2,148
6 months to 1 year	6,486	4,143
More than 1 year	18,114	14,698
	<b>35,336</b>	<b>29,371</b>
Provision for non-payment	(25,904)	(15,613)

### 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>31/03/2020</b>	<b>31/03/2021</b>
	<b>£000</b>	<b>£000</b>
Less than 1 year	58,546	46,645
Between 1 and 2 years	6,997	7,324
Between 2 and 5 years	24,404	27,255
More than 5 years	508,269	498,100
	<b>598,216</b>	<b>579,324</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 Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy, the 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>31/03/2021</b>
	<b>£000</b>
Increase in interest payable on short term borrowings	2
Increase in interest receivable on short term investments	(1,145)
	<b>(1,143)</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 2021. 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 2021 and any gains or losses relating to this investment are shown in the Comprehensive Income and Expenditure Statement.

The Council has 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) 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 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)	-	-

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
	£000	£000	£000	£000	£000
<b>Capital Receipts Reserve</b>					
Use of Capital Receipts Reserve to Finance new Capital Expenditure	-	3,083	-	3,083	(3,083)
Use of Capital Receipts to reduce MRP liability	-	488	-	488	(488)
				-	
<b>Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited/credited to the CIES	(30,810)	-	-	(30,810)	30,810
Employers pension contributions and direct payments to pensioners	12,188	-	-	12,188	(12,188)
				-	
<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)	-	-	(2,591)	2,591
				-	
<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	-	-	478	(478)
<b>TOTAL ADJUSTMENTS</b>	<b>(28,837)</b>	<b>2,101</b>	<b>482</b>	<b>(26,254)</b>	<b>26,254</b>

**(b) 2020/21**

	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	(26,890)	-	-	(26,890)	26,890
Revaluation losses on Property, Plant and Equipment	(3,119)	-	-	(3,119)	3,119
Movements in the Market Value of Investment Properties	93	-	-	93	(93)
Amortisation of Intangible Assets	(749)	-	-	(749)	749
Capital Grants and Contributions applied	10,568	-	3,698	14,266	(14,266)
Revenue Expenditure Funded by Capital Under Statute	(9,815)	-	-	(9,815)	9,815
Derecognition of Financial Instruments measured at other comprehensive income and expenditure	-	-	-	-	-
Amounts written off on disposal of Academies to CIES	(3,593)	-	-	(3,593)	3,593
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	464	(1,399)	-	(935)	935
<b>Insertion of items not debited or credited to the CIES:</b>					
Statutory provision for the financing of Capital investment	9,356	-	-	9,356	(9,356)
Capital expenditure charged against the General Fund Balance	729	-	-	729	(729)
<b>Capital Grants Unapplied Account</b>					
Capital Grants and Contributions unapplied credited to the CIES	8,212	-	(8,212)	-	-

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000	Movement in Unusable Reserves £000
<b>Capital Receipts Reserve</b>					
Use of Capital Receipts Reserve to Finance new Capital Expenditure	-	4,455	-	4,455	(4,455)
Use of Capital Receipts to reduce MRP liability	-	502	-	502	(502)
<b>Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited/credited to the CIES	(22,592)	-	-	(22,592)	22,592
Employers pension contributions and direct payments to pensioners	16,486	-	-	16,486	(16,486)
<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	(19,934)	-	-	(19,934)	19,934
<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	(1,616)	-	-	(1,616)	1,616
<b>Dedicated Schools Grant Adjustment Account</b>					
Reversing impact of overspent Dedicated Schools Grant on General Fund	(996)	-	-	(996)	996
<b>TOTAL ADJUSTMENTS</b>	<b>(43,396)</b>	<b>3,558</b>	<b>(4,514)</b>	<b>(44,352)</b>	<b>44,352</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 which are 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>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
	General Fund	
(4,002)	- Excluding Earmarked Reserves	(6,342)
(105,572)	- Earmarked Reserves	(128,622)
	Capital Reserves	
(5,640)	- Capital Receipts Reserve	(2,082)
(12,481)	- Capital Grants Unapplied	(17,003)
<b>(127,695)</b>	<b>Total Usable Reserves</b>	<b>(154,049)</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 2020/21.

	Balance at 31 <sup>st</sup> March 2019	Movement (to)/from Reserve	Balance at 31 <sup>st</sup> March 2020	Movement (to)/from Reserve	Balance at 31 <sup>st</sup> March 2021
General Fund	£000	£000	£000	£000	£000
<b>Schools Reserves</b> Balances held by schools under the scheme of delegation	(4,617)	100	(4,517)	(2,582)	(7,099)
<b>Capital</b> To support Capital Programme	(2,028)	128	(1,900)	(147)	(2,047)
<b>Insurance General Fund</b> To self-fund possible insurance claims	(1,313)	(445)	(1,758)	129	(1,629)
<b>Building Schools for the Future Capital</b> To fund future capital costs	(3,585)	(1,245)	(4,830)	(821)	(5,651)
<b>Enterprise and Employment</b> To fund E&E activities for future years	(791)	(265)	(1,056)	(191)	(1,247)
<b>Health &amp; Community</b> To support future revenue budgets	(2,398)	344	(2,054)	(699)	(2,753)
<b>Equal Pay</b> To fund costs arising from equal pay claims	(1,000)	512	(488)	488	-
<b>A&amp;C Savings</b> To help finance A&C budget	(1,599)	1,599	-	-	-
<b>Transformation Fund</b> To fund costs arising from future efficiency reviews	(758)	342	(416)	(184)	(600)
<b>Public Health &amp; Health Protection</b> To fund future Public Health activities	(549)	-	(549)	(975)	(1,524)
<b>Fleet Replacement</b> Rolling replacement programme for Council fleet vehicle	(1,430)	209	(1,221)	316	(905)
<b>Enterprise Zone</b> To support development of Daresbury Science Park	(789)	(394)	(1,183)	1,183	-

	Balance at 31st March 2019	Movement (to)/from Reserve	Balance at 31st March 2020	Movement (to)/from Reserve	Balance at 31st March 2021
General Fund	£000	£000	£000	£000	£000
<b>Pension Past Service Deficit</b> To enable pension deficits to be funded as a lump sum, resulting in finance efficiencies	(3,407)	(2,916)	(6,323)	1,646	(4,677)
<b>Revenue Efficiencies</b> To help fund budget gaps over the medium term	(3,006)	(1,473)	(4,479)	(254)	(4,733)
<b>NNDR Pilot Scheme</b> To fund No Detriment policy as part of the Liverpool City Region 100% business rate retention scheme	(5,059)	5,059	-	(5,321)	(5,321)
<b>Mersey Gateway Grant Reserve</b>  To fund any shortfall in the Mersey Gateway tolling Income to cover unitary charge payments, and repayment of grant to Department for Transport	(44,307)	(13,948)	(58,255)	(5,929)	(64,183)
<b>Covid Grant</b> Funding from MHCLG to cover the additional costs and fall in income associated to the Covid-19 pandemic	-	(3,642)	(3,642)	2,273	(1,369)
<b>Government Grants RIA</b> Grants Income held for a specific purpose but with no repayment conditions attached	-	(5,126)	(5,126)	(11,023)	(16,149)
<b>Covid-19 Contingency</b> To fund additional costs in respect of COVID-19 pandemic	-	(2,000)	(2,000)	-	(2,000)
<b>Other Earmarked Reserves</b> Total of reserves under £750k	(5,092)	(683)	(5,775)	(960)	(6,735)
<b>TOTAL ALL RESERVES</b>	<b>(81,728)</b>	<b>(23,844)</b>	<b>(105,572)</b>	<b>(23,051)</b>	<b>(128,622)</b>

In order to streamline the note any reserves under £0.750m have been summarised as 'Other Earmarked Reserves' in the table above.

### 37. Unusable Reserves

2019/20 £000		2020/21 £000
(136,518)	Revaluation Reserve	(131,392)
65,438	Pensions Reserve	169,110
(124,332)	Capital Adjustment Account	(120,251)
(12,629)	Deferred Capital Receipts	(12,127)
(1,960)	Collection Fund Adjustment Account	17,974
(1,898)	Financial Instruments Revaluation Reserve	(2,913)
1,665	Accumulated Absences Account	3,282
-	Dedicated Schools Grant Adjustment Account	996
<b>(210,234)</b>	<b>Total Unusable Reserves</b>	<b>(75,321)</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.

2019/20 £000		£000	2020/21 £000
<b>(87,939)</b>	<b>Balance at 1 April</b>		<b>(136,518)</b>
(59,196)	Upward revaluation of assets	(7,378)	
5,483	Downward revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services	1,386	
<b>(53,713)</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus/(Deficit) on the Provision of Services</b>		<b>(5,992)</b>
3,933	Difference between fair value depreciation and historical cost depreciation	8,242	
1,201	Accumulated gain on academies transferred	2,683	
-	Accumulated gains on assets sold or scrapped	193	
<b>5,134</b>	<b>Amount written off to the Capital Adjustment Account</b>		<b>11,118</b>
<b>(136,518)</b>	<b>Balance at 31 March</b>		<b>(131,392)</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.

2019/20 £000 (123,945)		£000	2020/21 £000 (124,331)
	<b>Balance at 1 April</b>		
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
26,206	Charges for depreciation and impairment of non-current assets	26,890	
10,109	Revaluation losses on Property, Plant and Equipment	3,119	
737	Amortisation of intangible assets	749	
3,676	Revenue expenditure funded from capital under statute	9,815	
430	Derecognition of Financial Instruments measured at other comprehensive income and expenditure	-	
3,022	Carrying value of Academies transferred	3,593	
29	Carrying amount of non-current assets sold	433	
<b>44,209</b>			<b>44,599</b>
(5,134)	Adjusting amounts written out of the Revaluation Reserve		(11,118)
<b>39,075</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>33,481</b>
	<b>Capital financing applied in the year:</b>		
(3,083)	Use of the Capital Receipts Reserve to finance new capital expenditure	(4,455)	
(24,792)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(10,568)	
(2,161)	Application of grants to capital financing from the Capital Grants Unapplied Account	(3,698)	
(8,670)	Statutory provision for the financing of capital investment charged against the General Fund	(9,356)	
(488)	Use of Capital Receipts to reduce MRP liability	(502)	
(211)	Capital expenditure charged against the General Fund	(729)	
<b>(39,405)</b>			<b>(29,308)</b>
(57)	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement		(93)
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
<b>(124,332)</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>(120,251)</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 employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that the funding will have been set aside by the time the benefits come to be paid.

<b>2019/20</b>		<b>£000</b>	<b>2020/21</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>
<b>161,900</b>	<b>Balance at 1<sup>st</sup> April</b>		<b>65,438</b>
	Re-measurement of the net defined benefit liability comprising:		
(30,097)	Changes in demographic assumptions	12,333	
(57,527)	Changes in financial assumptions	180,280	
(37,726)	Other experience	(6,943)	
10,266	Returns on assets excluding amounts included in net interest	(88,104)	
<b>(115,084)</b>			<b>97,566</b>
30,810	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		22,592
(12,188)	Employers pensions contributions and direct payments to pensioners payable in the year		(16,486)
<b>65,438</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>169,110</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>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
(232)	Castlefields Equity Advances	(232)
(6,910)	Scitech Daresbury Lease	(6,661)
(5,487)	Venture Fields lease	(5,235)
<b>(12,629)</b>		<b>(12,128)</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>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
<b>(13,401)</b>	<b>Balance at 1 April</b>	<b>(12,629)</b>
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
772	Transfer to the Capital Receipts Reserve upon receipt of cash	501
<b>(12,629)</b>	<b>Balance at 31 March</b>	<b>(12,128)</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>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
<b>(4,551)</b>	<b>Balance at 1 April</b>	<b>(1,960)</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	
1,391		(104)
	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	
1,200		20,038
<b>(1,960)</b>	<b>Balance at 31 March</b>	<b>17,974</b>

## Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the authority arising from increases 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>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
<b>(1,313)</b>	<b>Balance at 1 April</b>	<b>(1,898)</b>
(585)	Upward revaluation of investments	(1,015)
-	- Downward revaluation of investments	-
-	- Change in impairment loss allowances	-
<b>(1,898)</b>		<b>(2,913)</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 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>(1,898)</b>	<b>Balance at 31 March</b>	<b>(2,913)</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.

2019/20 £000		2020/21 £000
2,144	<b>Balance at 1 April</b>	1,666
(2,144)	Settlement or cancellation of accrual made at the end of the preceding year	(1,666)
1,666	Amount accrued at the end of the current year	3,282
(478)	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	1,616
<b>1,666</b>	<b>Balance at 31 March</b>	<b>3,282</b>

### Dedicated Schools Grant Adjustment Account

Statutory arrangements require that any school budget deficits must not be charged to the General Fund, and the deficit must be carried forward to be funded from future Dedicated Schools Grant Income. The deficit balance is held in the Dedicated Schools Grant Adjustment Account as shown below:

2019/20 £000		2020/21 £000
-	<b>Balance at 1 April</b>	-
-	Amount by which Dedicated Schools Grant is in deficit at 31st March	996
-	<b>Balance at 31 March</b>	<b>996</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>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
(26,202)	Depreciation	(26,890)
(10,109)	Impairment and downward valuation	(3,129)
(737)	Amortisation of intangible assets	(749)
57	Movement in market value of investment properties	103
(14,482)	(Increase)/decrease in impairment debtors	9,135
2,223	(Increase)/decrease in creditors and receipts in advance	(2,797)
11,582	Increase/(decrease) in debtors	(6,225)
(103)	Increase/(decrease) in inventories	23
(18,622)	Non-cash pension adjustments	(6,106)
(803)	Contributions (to)/from provisions	(1,711)
(29)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(433)
(3,022)	Loss on transfer to academies	(3,593)
1,709	Other non-cash adjustments	(282)
<b>(58,538)</b>	<b>Total non-cash movements</b>	<b>(42,654)</b>

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

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
22,795	Capital grants credited to the surplus or deficit on the provisions of services	13,495
1,470	Proceeds from the sale of non-current assets	1,399
-	Other cash flows from investing or financing activities	-
<b>24,265</b>	<b>Net cash flows from investing or financing activities</b>	<b>14,894</b>

The cash flows for operating activities include the following items:

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
(1,786)	Interest received	(1,890)
35,420	Interest paid	34,885
-	Dividends received	-
<b>33,634</b>		<b>32,995</b>

### 39. Cash Flow Statement – Investing Activities

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
33,805	Purchase of property, plant and equipment, investment property and intangible assets	28,646
90,000	Purchase of short term and long term investments	85,000
(1,813)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,594)
(85,000)	Proceeds from short term and long term investments	(90,000)
(20,039)	Other receipts from investing activities	(16,996)
<b>16,953</b>	<b>Net Cash flows from Investing Activities</b>	<b>5,056</b>

### 40. Cash Flow Statement – Financing Activities

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
(10,000)	Cash receipts of short and long term borrowing	-
67	Agency treatment of Collection Fund balances	68
6,035	Cash payments from the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	7,312
10,401	Repayments of short term and long term borrowing	5,000
-	Net Adjustment for Agency Treatment of Government Grants	(6,309)
-	Other payments for financing activities	-
<b>6,503</b>	<b>Net Cash flows from Financing Activities</b>	<b>6,071</b>

## Reconciliation of Liabilities Arising from Financing Activities

	Note	31/03/2020 £000	Financing Cash Flows £000	Non-Cash Changes £000	31/03/2021 £000
Long Term Borrowings	26	(172,000)	-	-	(172,000)
Short Term Borrowing	26	(5,629)	5,000	12	(617)
On Balance Sheet PFI Liabilities	31	(374,520)	7,312	(469)	(367,677)
<b>Net Cash flows from Financing Activities</b>		<b>(552,149)</b>	<b>12,312</b>	<b>(457)</b>	<b>(540,294)</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 31<sup>st</sup> March 2021 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.

#### 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 31<sup>st</sup> March 2021 the Council were party to the following joint venture:-

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

In accordance with paragraph 9.1.1.7 of the Code, the Council's equity within the joint 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 31<sup>st</sup> March 2021 the Council had an associate relationship with the following:-

- Daresbury SIC LLP- The principal activity of the LLP is the management and development of the Sci-Tech Daresbury Campus in the North West. Designated members of the partnership are Langtree Daresbury Ltd and Daresbury SIC (Pubsec) LLP, in which the Council is an equal partner. An amount of £6.4m 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.

Note that although the Council does have an investment in Widnes Regeneration Ltd and Halton Development Partnership Limited (dissolved 26<sup>th</sup> April 2021 with no financial impact), 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 agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities and the Government in relation to council tax and non-domestic rates.

## Collection Fund Statement

2019/20				2020/21		
Council Tax £000	Non Domestic Rates £000	Total £000		Council Tax £000	Non Domestic Rates £000	Total £000
(62,443)		(62,443)	<b>Income</b>			
			Council Tax	(64,230)		(64,230)
			Transfer from General Fund to cover cost of COVID-19 council tax hardship	(1,336)		(1,336)
	(57,364)	(57,364)	Non Domestic Rates		(41,586)	(41,586)
	2,625	2,625	Transitional Protection Payment		1,799	1,799
<b>(62,443)</b>	<b>(54,739)</b>	<b>(117,182)</b>		<b>(65,566)</b>	<b>(39,787)</b>	<b>(105,353)</b>
			<b>Expenditure</b>			
			<u>Precepts, Demands &amp; Shares</u>			
			Central Government		-	-
49,597	51,007	100,604	Halton Borough Council	52,179	53,932	106,111
7,005		7,005	Cheshire Police Authority	7,441		7,441
2,717	515	3,232	Cheshire Fire Service	2,804	545	3,349
664		664	Liverpool City Region	672		672
118		118	Parish Precept	148		148
			<u>Apportionment of Previous Year's Surplus</u>			
			Central Government		-	-
1,736	1,386	3,122	Halton Borough Council	1,084	2,742	3,826
217		217	Cheshire Police Authority	139		139
97	14	111	Cheshire Fire Service	59	28	87
			<u>Charges to Collection Fund</u>			
349	241	590	Write off uncollectable amounts	261	(1)	260
1,591	1,252	2,843	Increase / (Decrease) in Bad Debt Provision	629	706	1,335
	1,304	1,304	Increase / (Decrease) in Appeals Provision		1,699	1,699
	156	156	Cost of Collection		157	157
	76	76	Disregarded Amounts		220	220
<b>64,091</b>	<b>55,951</b>	<b>120,042</b>		<b>65,416</b>	<b>60,028</b>	<b>125,444</b>
<b>(3,332)</b>	<b>(1,760)</b>	<b>(5,092)</b>	<b>Balance Brought Forward</b>	<b>(1,684)</b>	<b>(548)</b>	<b>(2,232)</b>
<b>1,648</b>	<b>1,212</b>	<b>2,860</b>	<b>Movement on Fund Balance</b>	<b>(150)</b>	<b>20,241</b>	<b>20,091</b>
<b>(1,684)</b>	<b>(548)</b>	<b>(2,232)</b>	<b>Balance Carried Forward</b>	<b>(1,834)</b>	<b>19,693</b>	<b>17,859</b>

Further information on the Collection Fund balance as at 31 March 2021 can be found within the Narrative Report (Page 14).

## Collection Fund Balance Sheet

2019/20					Council Tax	2020/21				
Halton BC £000	Cheshire P&CC £000	Cheshire Fire £000	LCR £000	Total £000		Halton BC £000	Cheshire P&CC £000	Cheshire Fire £000	LCR £000	Total £000
8,328	1,177	434	106	10,045	Arrears	9,807	1,426	510	120	11,863
(5,753)	(813)	(300)	(73)	(6,939)	Provision for Doubtful Debts	(6,254)	(910)	(326)	(77)	(7,567)
(749)	(106)	(39)	(10)	(904)	Overpayments / Prepayments	(888)	(129)	(46)	(11)	(1,074)
(1,418)	(186)	(76)	(4)	(1,684)	(Surplus)/Deficit	(1,522)	(219)	(79)	(14)	(1,834)
(408)	(72)	(19)	(19)	(518)	Cash	(1,143)	(168)	(59)	(18)	(1,388)
-	-	-	-	-		-	-	-	-	-

2019/20				Non-Domestic Rates	2020/21			
Central Gov £000	Halton BC £000	Cheshire Fire £000	Total £000		Central Gov £000	Halton BC £000	Cheshire Fire £000	Total £000
-	5,734	58	5,792	Arrears	-	6,421	65	6,486
-	(4,894)	(49)	(4,943)	Provision for Doubtful Debts	-	(5,593)	(56)	(5,649)
-	(6,700)	(68)	(6,768)	Appeals Provision	-	(8,383)	(85)	(8,468)
-	(277)	(3)	(280)	Overpayments / Prepayments	-	(492)	(5)	(497)
-	(543)	(5)	(548)	(Surplus)/Deficit	-	19,496	197	19,693
-	6,680	67	6,747	Cash	-	(11,449)	(116)	(11,565)
-	-	-	-		-	-	-	-

## 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 2020/21 at 35,359 (2019/20 – 34,950)

### 2. The Council Tax Base Determination

Band	Properties	Ratio	Band D Equivalents
Disabled	69	5/9	38
A	17,481	6/9	11,654
B	9,740	7/9	7,576
C	7,012	8/9	6,233
D	4,560	9/9	4,560
E	3,438	11/9	4,202
F	1,137	13/9	1,642
G	323	15/9	538
H	30	18/9	60
<b>Total</b>	<b>43,790</b>		<b>36,503</b>
Reductions relating to Non-Collection and changes in assumptions			<b>(1,144)</b>
Tax Base set for 2020/21			<b>35,359</b>

The parishes' individual tax bases are shown below:

	2019/20	2020/21
Hale	660	663
Daresbury	173	179
Moore	329	327
Preston Brook	359	368
Halebank	526	523
Sandymoor	1,216	1,265

### 3. Precepting Authorities

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

	<b>2019/20</b>	<b>2020/21</b>
	£	£
<b>Cheshire Police and Crime Commissioner</b>		
- Band D Charge	200.44	210.44
- Precept	7,005,378	7,440,948
<b>Cheshire Fire Authority</b>		
- Band D Charge	77.74	79.29
- Precept	2,717,013	2,803,615
<b>Liverpool City Region</b>		
- Band D Charge	19.00	19.00
- Precept	664,050	671,821

### 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>2019/20</b>	<b>2020/21</b>
	£	£
Rateable value at 31st March	128,962,061	127,967,261
Non Domestic rating multiplier	50.4	51.2
Small Business Non Domestic rating multiplier	49.1	49.9

# 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 2021).

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 2021.



Signed by:

*Operational Director – Finance*

Date:

30 July 2021

## **Statement of Accounting Policies**

### **1. General**

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-ending 31<sup>st</sup> March 2021.

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 2020/21 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 2020/21 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 or 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. 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 2020/21 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 lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing

down the lease liability. 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 (i.e. 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
Finance Leases – buildings	Up to 60 years

All assets are depreciated on a straight line basis, with depreciation commencing the year after acquisition. In exceptional circumstances, for example, if a particularly expensive asset is acquired with a short life expectancy, then a charge may be levied in the year of acquisition to ensure the charge to the service is more in line with the consumption of the asset.

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

An exception to depreciation is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. 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.

### **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 lightning 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 the 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 Teachers' Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- (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 service 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), i.e. 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 requires 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 Teachers’ 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 Council's accounts reflect only the Council's 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:

- Capital Receipts Reserve
- General Fund Balance
- Schools Balances
- Earmarked Reserves
- Capital Grants Unapplied
- Earmarked Schools Budget Reserve

Unusable reserves comprise:

- Revaluation Reserve
- Capital Adjustment Account
- Financial Instruments Revaluation Reserve
- Pensions Reserve
- Collection Fund Adjustment Account
- Deferred Capital Receipts Reserve
- Accumulated Absences Account
- Dedicated Schools Grant Adjustment Account

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 or 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 2020/21 (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 2021/22 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.

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<sup>th</sup> 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<sup>st</sup> March 2021 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<sup>st</sup> March 2021 is £857.9m, of which £447.0m relates to the Unitary Charge element of the Mersey Gateway Crossing.

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its spending on repairs and maintenance, bringing into doubt the useful lives of those assets. Ongoing maintenance for the Mersey Gateway Crossing is covered by unitary payments and therefore has no impact on the Council's on-going repairs and maintenance spending.

If the useful life of Buildings included in Property, Plant and Equipment is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings could increase between 10%-15% equating to an additional £0.733m to £1.099m for every year that useful lives had been reduced.

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

The carrying amount in the Balance Sheet at the 31<sup>st</sup> March 2021 is £169.1m

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.

An estimate of the impact of any changes to the principals assumptions provided by the actuary are shown in the Note 32 (page 72).

### **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.