Public Document Pack

Business Efficiency Board

Wednesday, 24 March 2021 at 6.30 p.m.
Via Public Remote Access (please contact the Clerk named below for instructions)

David W R

Chief Executive

BOARD MEMBERSHIP

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

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

The next meeting of the Board is on Wednesday, 7 July 2021

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

Part I

Item No.	**Page No.**
1. MINUTES	**1 - 5**
2. DECLARATION OF INTEREST Members are reminded of their responsibility to declare any Disclosable Pecuniary Interest or Other Disclosable Interest which they have in any item of business on the agenda, no later than when that item is reached or as soon as the interest becomes apparent and, with Disclosable Pecuniary interests, to leave the meeting during any discussion or voting on the item.	
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7. SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AND THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 **PART II** In this case the Board has a discretion to exclude the press and public and, in view of the nature of the business to be transacted, it is **RECOMMENDED** that under Section 100A(4) of the Local Government Act 1972, having been satisfied that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 3 of Part 1 of Schedule 12A to the Act.	
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In accordance with the Health and Safety at Work Act the Council is required to notify those attending meetings of the fire evacuation procedures. A copy has previously been circulated to Members and instructions are located in all rooms within the Civic block.

BUSINESS EFFICIENCY BOARD

At a meeting of the Business Efficiency Board held on Wednesday, 18 November 2020 held remotely.

Present: Councillors M. Lloyd Jones (Chair), E. Cargill, A. Lowe, MacManus, McDermott, Philbin, Joe Roberts, G. Stockton and J. Stockton

Apologies for Absence: Councillors Wall and N. Plumpton Walsh

Absence declared on Council business: None

Officers present: E. Dawson, I. Leivesley, M. Murphy, S. Baker and G. Ferguson

Also in attendance: S. Ironmonger, M. Green and S. Nixon (Grant Thornton). One member of the press.

ITEMS DEALT WITH UNDER DUTIES EXERCISABLE BY THE BOARD

Action

BEB13 MINUTES

The Minutes of the meeting held on 23 September 2020 were taken as read and signed as a correct record.

BEB14 ANNUAL GOVERNANCE STATEMENT 2018/19

The Board considered a report of the Strategic Director, Enterprise, Community and Resources, which sought approval of the revised 2018/19 Annual Governance Statement (AGS).

The Board was reminded that at its meeting on 24 July 2019, the 2018/19 AGS had been presented, with a further updated version presented to the Board on 24th February 2020. The delay in the completion of the external audit of the 2018/19 statement of accounts had necessitated that the document be updated again. This ensured that the AGS was current at the time of the approval of the 2018/19 statement of accounts.

Once approved the AGS would be signed by the Council Leader and Chief Executive and published on the Council's website.

RESOLVED: That the updated Annual Governance

Statement be approved.

BEB15 2018/19 STATEMENT OF ACCOUNTS AUDIT FINDINGS REPORT AND LETTER OF REPRESENTATION

The Board considered a report of the Operational Director, Finance, which sought approval for the Council's 2018/19 Statement of Accounts (the latest version of which was enclosed with the Agenda), and the report of the Audit Findings of the External Auditor (Grant Thornton) on the 2018/19 financial statements. The report also sought approval of the Council's Letter of Representation.

It was reported that the Statement of Accounts set out the Council's financial performance for the year in terms of revenue and capital spending and also presented the year-end financial position as reflected in the balance sheet. The key elements were detailed in the report.

The Board had previously received a number of reports setting out the reasons for the delay in the Council publishing the audit certificate or opinion on the 2018/19 Statement of Accounts. Officers had been working with the External Auditor to reach resolution on a number of technical accounting issue changes. Agreement had been reached in resolving the issues and changes had been made to the draft Statement of Accounts, passed to the Council's External Auditor (Grant Thornton) on 31 May 2019. Changes were set out in the Audit Findings report which was attached as Appendix 2 to the report.

The External Auditor presented the Audit Findings report which summarised the findings from 2018/19 external audit. Section 3 of the report also presented the External Auditor's findings on the Value for Money (VFM) conclusion. It was noted that the overall conclusion was that the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The Board wished to place on record their thanks to the Operational Director, Finance and the Finance Team for their work in the preparation of the accounts and to Grant Thornton for their work on the audit.

Arising from the discussion it was noted that:

- Steps had been taken to improve technical issues between the Council and the External Auditors including development of IT software sharing and weekly meetings; and

- A report on the estimation of pension liabilities could be brought to a future meeting.

RESOLVED: That

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

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

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

BEB16 2019/20 AUDIT OF ACCOUNTS - VERBAL UPDATE

The Board was advised that the Council's 2019/20 accounts had now been received by Grant Thornton and due to the COVID-19 pandemic work was ongoing remotely to complete the audit of those accounts. All field work was expected to be complete in January 2021 and the audit findings would be brought to a Board meeting in March 2021

RESOLVED: That the update be noted.

BEB17 CORPORATE RISK REGISTER BIANNUAL UPDATE 2020/21

The Board considered a report of the Strategic Director, Enterprise, Community and Resources, on the bi-annual update of the Corporate Risk Register.

The Board was advised that the Council recognised its responsibility to manage both internal and external risks as a key component of good corporate governance. At Directorate level, arrangements were in place for the high risk mitigation measures on the Directorate Risk Registers to be reviewed and updated mid-year, in line with Directorate Business Plans. Progress was then reported to Management Team and Policy and Performance Boards.

It was reported that the Risk Control Measures had been reviewed and updated in line with current changes within the Authority and as proposed by managers and stakeholders. The risks had been re-prioritised so that people, (the community and staff), took priority. These were set out in the report.

The Board discussed the impact of COVID-19 and the pressure that it had brought on the Council's finances and budget.

The Board also commended the work of the staff for their ongoing support for Halton residents during the COVID-19 pandemic.

RESOLVED: That

1. the progress of actions be noted; and

2. the robustness of the Corporate Risk Register and the adequacy of the associated risk management arrangements be noted.

BEB18 SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AND THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

The Board considered:

1. whether Members of the press and public should be excluded from the meeting of the Board during consideration of the following item of business in accordance with Section 100A (4) of the Local Government Act 1972 because it was likely that, in view of the nature of the business to be considered, exempt information would be disclosed, being information defined in Section 100 (1) and paragraph 3 of Schedule 12A of the Local Government Act 1972; and

2. whether the disclosure of information was in the public interest, whether any relevant exemptions were applicable and whether, when applying the public interest test and exemptions, the public interest in maintaining the exemption outweighed that in disclosing the information.

RESOLVED: That as, in all the circumstances of the case, the public interest in maintaining the exemption outweighed that in disclosing the information, members of the press and public be excluded from the meeting during consideration of the following item of business in accordance with Section 100A(4) of the Local Government Act 1972 because it was likely that, in view of the nature of the business, exempt information would be disclosed, being information defined in Section 100 (1) and paragraph 3 of Schedule 12A of the Local Government Act 1972.

BEB19 INTERNAL AUDIT PROGRESS REPORT

The Board considered a report of the Divisional Manager, Audit, Procurement and Operational Finance, which provided Members with a summary of internal audit work completed since the last progress report on 21st July 2020 The report also highlighted matters relevant to the Board's responsibilities as the Council's Audit Committee.

It was noted that a total of 15 Internal Audit reports had been finalised since the last progress report. An overall assurance opinion was provided for each audit engagement.

It was reported that as a result of COVID-19, internal audit had needed to adapt and change its focus in the short term. As previously agreed by the Board in July, changes to planned audit work had been agreed with the operational Director – Finance. Revisions to the Audit Plan had seen internal audit complete reviews of the systems for the payment of the Business Support Grants and the Discretionary Grant Fund. In addition a substantial piece of work was ongoing in Adult Social Care providing assurance over the coding of packages of care.

On behalf of the Board the Chair thanked the internal audit team for their work.

RESOLVED: That the report be noted.

Meeting ended at 8.03 p.m.

Agenda Item 3

REPORT TO:	Business Efficiency Board
DATE:	24 March 2021
REPORTING OFFICER:	Strategic Director – Enterprise, Community & Resources
SUBJECT:	Annual Governance Statement - 2019/20
PORTFOLIO:	Resources
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

This report presents the final 2019/20 Annual Governance Statement (AGS) to accompany the 2019/20 statement of accounts. The preparation and publication of an AGS is necessary to meet the statutory requirement set out in regulation 6 of the Accounts and Audit Regulations 2015.

The format of the statement follows the 2016 best practice guidance issued by CIPFA / Society of Local Authority Chief Executives (SOLACE).

2.0 RECOMMENDATIONS:

The Board is asked to consider and approve the 2019/20 Annual Governance Statement subject to any changes or additions that members feel appropriate.

3.0 SUPPORTING INFORMATION

3.1 The Delivering Good Governance in Local Government: Framework, published by the CIPFA / SOLACE, sets the standard for local authority governance in the UK. The Council's AGS for 2019/20 has been developed with reference to this guidance and is attached as an appendix to this report.

3.2 The AGS provides an overview of the governance framework that was in place during 2019/20 and up to the date the financial statements are signed off by the Council's external auditor.

3.3 The 2019/20 AGS was originally presented to the Board on 23 September 2020. It is however important that the AGS is up to date when the statement of accounts are approved. As such, the document is presented again for the Board to the review.

3.4 No substantial changes have been made to the document presented to the Board in September. A few minor corrections have however been made following review of the document by the external auditor. The issue in the action plan relating to the improved arrangements for the preparation of the 2019/20 financial statements has also been updated slightly.

3.5 The Council's Constitution delegates the responsibility to review and approve the AGS to the Business Efficiency Board. As such, the final version of the

AGS will take into account any feedback from the Board. Once approved, the AGS will be signed by the Council Leader and Chief Executive and published on the Council's website.

4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

4.1 In accordance with the Accounts and Audit Regulations 2015, the Council is required to conduct an annual review of its system of internal control and publish an Annual Governance Statement (AGS) with the annual statement of accounts. The process is a key mechanism for ensuring that the Council has an effective system of internal control and governance, and that any areas for development are identified and addressed.

4.2 The powers and duties of the Business Efficiency Board include responsibility for considering the Council's corporate governance arrangements and agreeing necessary actions to ensure compliance with best practice. The AGS provides a commitment to address the governance challenges identified by the Council.

4.3 There are no direct financial implications arising from this report, although the AGS makes reference to the key financial challenges faced by the Council.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 **Children and Young People in Halton**

Good governance leads to good management, good performance and good stewardship of public money. It therefore enables the Council to implement its vision in accordance with its values and to engage effectively with its citizens and service users and ensure good outcomes for them.

5.2 **Employment, Learning and Skills in Halton**

See 5.1 above

5.3 **A Healthy Halton**

See 5.1 above

5.4 **A Safer Halton**

See 5.1 above

5.5 **Halton's Urban Renewal**

See 5.1 above

6.0 RISK ANALYSIS

6.1 The AGS provides assurance that the Council has a sound system of risk management, control and governance. The document provides a public statement of how the Council directs and controls its functions and relates to its community.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 The Council has to have regard to the elimination of unlawful discrimination and harassment and the promotion of equality under the Equalities Act 2010 and related statutes. Proper governance arrangements will ensure that equality and diversity issues are appropriately addressed.

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

Document	Place of Inspection	Contact
CIPFA / SOLACE – Delivering good governance in Local Government: Framework (2016)	Halton Stadium, Widnes	Merv Murphy
CIPFA / SOLACE - Delivering good governance in Local Government: Guidance note for English authorities (2016)		

2019/20

HALTON BOROUGH COUNCIL - ANNUAL GOVERNANCE STATEMENT

What is Governance?

Governance is about how we ensure that we are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Good governance leads to:

- Effective leadership
- Good management
- Good performance
- Good stewardship of public money
- Good public engagement, and
- Good outcomes for our citizens and service users.

The governance framework comprises the culture, values, systems and processes by which an organisation is directed and controlled. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.

Halton Borough Council acknowledges its responsibility for ensuring that there is a sound system of governance. The Council has developed a Local Code of Corporate Governance that defines the principles that underpin the governance of the organisation. The Local Code forms part of the Council Constitution and can be accessed on the Council's website.

The Council's governance framework aims to ensure that in conducting its business it:

- Operates in a lawful, open, inclusive and honest manner;
- Makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively;
- Has effective arrangements for the management of risk;
- Secures continuous improvements in the way that it operates.

What is the Annual Governance Statement?

The Council is required by the Accounts & Audit (England) Regulations 2015 to prepare and publish an annual governance statement. This is a public document that reports on the extent to which the Council complies with its own code of governance.

In this document the Council:

- Acknowledges its responsibility for ensuring that there is a sound system of governance;
- Summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment;
- Describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period;
- Provides details of how the Council has responded to any issue(s) identified in last year's governance statement;
- Reports on any significant governance issues identified from this review and provides a commitment to addressing them.

The annual governance statement reports on the governance framework that has been in place at Halton Borough Council for the year ended 31 March 2020 and up to the date of approval of the statement of accounts.

It is important to note that during March 2020, the Council was required to initiate an emergency response to the COVID-19 pandemic. By necessity this has involved significant changes and disruption to the manner in which Council services are normally delivered. As a result of this, changes to the Council's governance arrangements have been implemented as part of the COVID-19 response. This has included implementing robust measures to support proper decision making and continued transparency and accountability. Details of the changes introduced are described in this document.

How has the Annual Governance Statement been prepared?

The initial review of the Council's governance framework was carried out by a group of officers. This group comprised:

- **The Strategic Director – Enterprise, Community & Resources**

  This post is designated as the Council's Statutory Scrutiny Officer as required under Section 31 of the Local Democracy, Economic Development and Construction Act 2009.

  This role involves promoting and supporting the Council's Overview and Scrutiny Committees.

- **The Operational Director – Legal and Democratic Services**

  This post is designated as the Council's Monitoring Officer under section 5 of the Local Government and Housing Act 1989, as amended by paragraph 24 of schedule 5 Local Government Act 2000.

  The Monitoring Officer is responsible for ensuring that that the Council acts and operates within the law.

- **The Operational Director – Finance**

  This post is designated as the s151 Officer appointed under the 1972 Local Government Act.

  The Operational Director – Finance is the Council's Chief Financial Officer and carries overall responsibility for the financial administration of the Council.

- **The Divisional Manager – Audit, Procurement & Operational Finance**

  This post is responsible for the Council's internal audit arrangements, including the development of the internal audit strategy and annual plan and providing an annual audit opinion on the Council's governance, risk management and control processes.

In preparing the annual governance statement the Council has:

- Reviewed the Council's existing governance arrangements against its Local Code of Corporate Governance;
- Considered any areas where the Local Code of Corporate Governance needs to be updated to reflect changes in the Council's governance arrangements and best practice guidance;
- Assessed the effectiveness of the Council's governance arrangements and highlighted any planned changes in the coming period;
- Considered the impact of COVID-19 in terms of changes made to the Council's governance arrangements.

Management Team, which is chaired by the Chief Executive, has also reviewed the annual governance statement and considered the significant governance issues facing the Council.

The Business Efficiency Board, which is designated as the Council's Audit Committee, provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework and internal control environment. As part of this role the Board reviews and approves the annual governance statement.

What are the key elements of the Council's Governance Framework?

The Council aims to achieve good standards of governance by adhering to the following key principles set out in the best practice guidance 'Delivering Good Governance in Local Government: Framework 2016':

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- Ensuring openness and comprehensive stakeholder engagement;
- Defining outcomes in terms of sustainable economic, social and environmental benefits;
- Determining the interventions necessary to optimise the achievement of the intended outcomes;
- Developing the Council's capacity, including capability of its leadership and the individuals within it;
- Managing risks and performance through robust internal control and strong public financial management;
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The following pages provide a summary of key elements of the Council's governance framework and how they relate to these principles.

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

SUPPORTING PRINCIPLES	EXAMPLES OF HOW WE DID THIS IN 2019/20:
• Behaving with integrity • Demonstrating strong commitment to ethical values • Respecting the rule of law	• The Council has a Constitution that sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, proportionate, transparent and accountable. The Constitution was reviewed and updated in May 20209. • The Council has a Standards Committee with co-opted independent members. The role of the Committee is to promote high standards of member conduct. No matters were brought to the attention of the Monitoring Officer during the year which required formal investigation. • Elected members follow a Code of Conduct to ensure high standards in the way they undertake their duties. The Monitoring Officer provides training to new elected members on the Code of Conduct. • Officer behaviour is governed by the Employees' Code of Conduct. All new employees attending the corporate induction process were made aware of the Code. • Roles and responsibilities relating to the Council's executive and non-executive functions are defined in the Council's Constitution. Decisions and actions taken during the year were made in accordance with these arrangements providing clear accountability. • The Council takes fraud, corruption and maladministration seriously and has established a suite of policies and processes which aim to prevent or deal with such occurrences. On 24 July 2019 the Business Efficiency Board received an annual report summarising the operation of the Council's counter fraud and corruption arrangements. • A corporate complaints procedure operated throughout the year to receive and respond to any complaints received. • Arrangements exist to ensure that members and officers are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include: - Registers of disclosable pecuniary interests were maintained - Registers of gifts and hospitality were maintained - Opportunities to declare disclosable pecuniary interests and disclosable other interests were provided at the start of meetings • The Operational Director – Legal and Democratic Services provided legal advice to the Council as the Council's Monitoring Officer. One of the key functions of that role is to ensure the lawfulness and fairness of decision-making.

Ensuring openness and comprehensive stakeholder engagement

SUPPORTING PRINCIPLES	EXAMPLES OF HOW WE DID THIS IN 2019/20:
• Openness • Engaging comprehensively with institutional stakeholders • Engaging with individual citizens and service users effectively	• Information on the Council's performance, finances and the democratic running of the Council is routinely published on the Council's website. The Council also fully complies with the reporting requirements of the Local Government Transparency Code 2015. • The Council engages with key partners and institutional stakeholders in various ways. Formal partnerships include the Health and Wellbeing Board, the Safer Halton Partnership and the Halton Children's Trust. The Council's Management Team also holds a joint monthly meeting with the management team of Halton Clinical Commissioning Group (CCG). • The Health and Wellbeing Board provides a key forum for public accountability of the NHS, Adult Social Care, Children's Services, Public Health and other commissioned services relating to the wider determinants of health in Halton. • During 2019/20 the Council and Halton CCG entered into a Memorandum of Understanding (MOU) as a transitional arrangement pending the update of the Joint Working Agreement. The MOU provides the basis for collaboration and sets out a shared ambition, agreed principles for engagement and governance arrangements in regard to the activities covered by the pooled budget. • Engagement with citizens and service users is carried out using a variety of methods, including a range of survey techniques (online, paper, face to face) and sampling techniques. The Council also uses qualitative techniques, such as focus and discussion groups. During 2019/20 the Council consulted on a range of issues, which included: - Electric Car Charging Stations - Community Centre satisfaction - Crucial Crew (child safety events) - Library user's satisfaction - Local Plan - Reading in Children • In setting its budget the Council listens to the views of the public and the experience of elected members through their ward work. Individual consultations took place in respect of specific budget proposals and equality impact assessments were completed where necessary.

Defining outcomes in terms of sustainable economic, social and environmental benefits

SUPPORTING PRINCIPLES	EXAMPLES OF HOW WE DID THIS IN 2019/20:
• Defining outcomes • Sustainable economic, social and environmental benefits	• The long-term vision for Halton is set out in the Council's Corporate Plan, which defines the Council's priorities and how it hopes to achieve them. It also explains the Council's values and principles. • The Council's Corporate Planning Framework provides the means by which the Council's activities are developed and monitored. Quarterly performance monitoring reports were produced during the year recording progress against key business plan objectives and targets. These were reported to the Council's Management Team, to the Executive Board and to the Policy and Performance Boards. • Directorate Business Plans were produced for 2019/20 that described key developments and emerging issues relating to each department of the Council. The plans formally set out key objectives, milestones and measures for each business area. • The Executive Board approved the Council's Medium Term Financial Strategy (MTFS) at its meeting on 14 November 2019. The MTFS represents the "finance guidelines" that form part of the medium term corporate planning process. These guidelines identify the financial constraints which the Council will face in delivering its key objectives, and are an important influence on the development of the Corporate Plan, Service Plans and Strategies. • The Council routinely publishes information on the Council's vision, strategy, plans, finances and performance on its website and in the Council newspaper that is distributed to all households in the borough.

Determining the interventions necessary to optimise the achievement of the intended outcomes

SUPPORTING PRINCIPLES	EXAMPLES OF HOW WE DID THIS IN 2019/20:
• Determining interventions • Planning interventions • Optimising achievement of intended outcomes	• The Council's Corporate Planning Framework in operation during the year provided the means by which the Council's activities were developed and monitored. • There is a well-established overview and scrutiny framework with six Policy and Performance Boards (PPBs) aligned to the Council's six corporate plan priorities. Throughout the year they held the Executive to account, scrutinised performance and developed policy proposals for consideration by the Executive. • Quarterly performance monitoring reports were produced throughout the year recording progress against key business plan objectives and targets. These reports were presented to the Council's Management Team, to the Executive Board and to the Policy and Performance Boards. • The Council operates a corporate complaints procedure and specific complaints procedures for Adult Social Care, Children's Social Care, schools and complaints relating to elected members. These procedures allow the Council to identify areas where things may have gone wrong and to put them right and prevent them from happening again. • The Council aims to ensure that the purchase or commissioning of goods, services or works required to deliver services is acquired under Best Value terms. The Council's procurement activity is undertaken in line with the Council's Procurement Strategy, which was updated in 2019/20, and within clearly defined rules set out in Procurement Standing Orders. • The Council's internal audit team carries out a comprehensive programme of audits each year reviewing the Council's front line and support services. The implementation of recommendations arising from this work assists the Council in identifying and managing risks that may impact on the achievement of outcomes.

Developing the Council's capacity, including capability of its leadership and the individuals within it

SUPPORTING PRINCIPLES	EXAMPLES OF HOW WE DID THIS IN 2019/20:
• Developing capacity • Developing leadership • Developing the capability of individuals	• The Council retained the NW Charter for Elected Member Development Exemplar Level status. Newly elected members attend a two-day induction programme with follow-up mentoring. Elected members were also provided with the opportunity for an annual review to identify their development requirements, which are set out in a Member Action Plan. • A comprehensive elected member development programme provided a wide range of learning and development opportunities. • Members of the Business Efficiency Board received regular training throughout the year to assist them in their role as the Council's Audit Committee. • The Council's Organisational Development Strategy (2016 – 2020), includes an Organisational Development Charter. The Strategy confirms the Council's commitment to the ethos that its workforce will be part of the solution to providing excellent services. • The Council operates ongoing processes to identify the personal development needs of employees. The information gained from these processes is used to inform the design of the corporate training programme and to source specialised professional training. • The Council's Organisational Development Team offers continuous leadership development through its accreditation with ILM (City & Guilds). Specific qualifications have been delivered during 2019/20, such as Level 3 and Level 5 in Leadership and Management. As a result, 24 employees continue to develop skills and knowledge regarding leadership and gain recognised qualifications. • The Council has introduced Leadership and Management Framework during 2019/20 to ensure continuous development of the senior leadership team, and have identified specific learning needs to ensure contemporary approaches are utilised. • The Council offer its employees the opportunity to apply for funding to support their academic development that is linked to the Council's priorities thereby increasing individual capacity and supporting succession planning. During 2019/20, the Council supported 18 employees to gain a variety of academic qualifications, such as Masters Degrees, BA Degrees and Diplomas. • The Council is maximising the Apprenticeship Levy by commissioning 10 MSc in Leadership & Management qualifications to employees that will support leadership succession planning as identified in the Organisational Development Strategy.

Managing risks and performance through robust internal control and strong public financial management

SUPPORTING PRINCIPLES	EXAMPLES OF HOW WE DID THIS IN 2019/20:
• Managing risk • Managing performance • Robust Internal Control • Managing data • Strong Public Financial Management	• The Council provides decision-makers with full and timely access to relevant information. The executive report template requires information to be provided explaining the policy, financial and risk implications of decisions, as well as implications for each of the corporate priorities and any equality and diversity implications. • The Council has a well-established Audit Committee (the Business Efficiency Board), which met regularly during 2019/20. The Board has clearly defined responsibilities and provides oversight and challenge in regard to the Council's governance, risk management, audit, procurement and counter fraud and corruption arrangements. • The Council has embedded risk management arrangements. Directorate and corporate risk registers outline the key risks faced by the Council, including their impact and likelihood, along with the relevant mitigating controls and actions. The annual review and update of the Corporate Risk Register was approved by the Business Efficiency Board on 24 July 2019. The Council's risk management processes are also used to inform the work of internal audit. • The Council has a Head of Internal Audit and a continuous internal audit service, which was assessed during the year as conforming to the Public Sector Internal Audit Standards. Internal audit plays a key role in reviewing and improving the effectiveness of the Council's risk management, governance and control arrangements. • Despite significant funding reductions and increasing demand for services the Council managed to set a balanced budget for 2020/21 via a robust process led by the Members' Budget Working Group. Outturn spending was higher than the 2019/20 revenue budget, primarily due to continuing pressures within Adults and Children's Social Care and shortfalls in income across a range of service areas. The position was monitored throughout the year through reports to Management Team, the relevant Policy and Performance Boards and Executive Board. Effective action was taken to mitigate the level of overspend.

Implementing good practices in transparency, reporting, and audit to deliver effective accountability

SUPPORTING PRINCIPLES	EXAMPLES OF HOW WE DID THIS IN 2019/20:
• Implementing good practice in transparency • Implementing good practice in reporting • Assurance and effective accountability	• The Council fully complies with the Local Government Transparency Code 2015 and publishes a wide range of information on its website. This includes details of meetings, minutes and agendas, policies and plans, the Council Constitution, the Statement of Accounts, details of members' allowances and expenses (including the outcome of the independent triennial review of the Members' Allowance Scheme which took place during the year), details of senior staff pay, contract awards, and details of land and building assets. • The Council operates clear and effective processes for dealing with Freedom of Information (FOI) requests and Subject Access Requests (SAR). • All Council meetings are open and can be attended by members of the public with the exception of those where confidential or personal matters may be disclosed. Arrangements have also been put in place for members of the public to attend virtual meetings in 2020/21. • The Council's external auditor provides an annual assessment on how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people. • The Council has developed robust procedures to respond positively to the findings and recommendations of external auditors and statutory inspectors. Action plans are developed in response to external inspections and their implementation monitored. • The Council has established various ongoing arrangements that provide effective assurance. These include the work of internal audit, the Council's risk and performance management arrangements, the work of the Information Governance Group, the work of the Policy and Performance Boards and the work of the Standards Committee. • The Council operates a whistleblowing procedure and has well-publicised arrangements for employees and the wider community to raise any concerns.

What are the roles of those responsible for developing and maintaining the Governance Framework?

Council	- Approves the Corporate Plan - Approves the Constitution - Approves the policy and budgetary framework
Executive Board	- The main decision-making body of the Council - Comprises ten members who have responsibility for particular portfolios
Business Efficiency Board	- Designated as the Council's Audit Committee - Provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework, procurement strategy and internal control environment.
Standards Committee	- Promotes high standards of member conduct - Assists members and co-opted members to observe the Council's Member Code of Conduct
Policy & Performance Boards	- There are six Policy & Performance Boards aligned to the Council's six Corporate Plan priorities - They hold the Executive to account, scrutinise performance and develop policy proposals for consideration by the Executive
Management Team	- Implements the policy and budgetary framework set by the Council and provides advice to the Executive Board and the Council on the development of future policy and budgetary issues - A wider management group has been meeting since March to manage the Council's response to the Covid-19.
Internal Audit	- Provides assurance over the Council's governance, risk management and control framework - Delivers an annual programme of audits - Makes recommendations for improvements in the management of risk and value for money
Managers	- Responsible for maintaining and developing the Council's governance and control framework - Contribute to the effective corporate management and governance of the Council

How does the Council monitor and evaluate the effectiveness of its governance arrangements?

The Council annually reviews the effectiveness of its governance framework including the system of internal control. The key sources of assurance that inform this review are outlined below:

Internal Audit

- Annual opinion report
- Internal audit reports

External Audit

- Financial statements audit
- Value For Money conclusion

Information Governance

- Information Governance Annual Report

Counter Fraud Arrangements

- Whistleblowing arrangements
- Annual report on Fraud and Corruption

Risk Management

- Corporate Risk Register Progress Reports

Complaints

- Corporate complaints procedure
- Ombudsman investigations

External Reviews

- External reviews from various regulators and inspectorates

Monitoring Officer

- Legal and Regulatory Assurance

Section 151 Officer

- Financial Controls Assurance

Overview & Scrutiny

- Performance monitoring
- Policy development and review

How has the Council addressed the governance issues from 2018/19?

The 2018/19 annual governance statement contained three key governance issues. Details of these issues and how they were addressed are provided below:

What the issue was:	What we did:
Funding The Council continued to face significant funding reductions whilst demand for Council services is increasing, which had resulted in a 2020/21 budget gap of approximately £4.4m. A key challenge for the Council was therefore to maintain both sufficient front-line and support service capacity and robust governance arrangements in order to continue to deliver its corporate objectives and strategic priorities for 2020/21 and beyond.	The Member's Budget Working Group met regularly during 2019/20 to consider budget saving proposals in the context of the Council's corporate objectives and strategic priorities. Fundamental to the Budget Working Group's assessment was a desire to protect the Borough's most vulnerable residents and the services provided to them. Despite significant funding constraints and increasing demand for services, resulting in the need to make significant budget savings, the Council was able to set a balanced budget for 2020/21.

What the issue was:

What we did:

Peer Review

The Council invited the Local Government Association to undertake a Corporate Peer Challenge of the Council in September 2019. The focus of the Peer Challenge was on improvement.

The feedback report issued following the Peer Review was positive and noted that the Council's achievements have been and continue to be significant. However, the report also recognised the challenges faced by the Council in terms of increasing service demand and the difficult financial context. The report contained eleven recommendations aimed to help the Council develop so that it can continue to operate and deliver in a sustainable way.

An action plan is response to the Peer Review was submitted to the Council's Executive Board on 19 March 2020 and approved at that meeting. Some of the actions were to be undertaken in the short-term, whilst others were deemed matters for the "new Council" scheduled to be elected in all-out in elections in May 2020. The global pandemic has seen the May 2020 all-out elections postponed and the Council direct all its efforts and protecting Halton's Community. The action plan and its delivery has therefore also been postponed but will be reviewed in 2020-21 in the light of the new circumstances at the time.

What the issue was:

Corporate Priorities

The Council is reviewing both its Corporate Plan and priorities with support and challenge from the Local Government Association. It is doing this in the light of the financial challenges it continues to face. It will test whether its existing Corporate Plan is still fit for purpose and whether it still reflects the political priorities of the Council.

What we did:

The members completed initial work in this area, facilitated by the Local Government Association, which concluded that the existing priorities of the Council were still relevant and reflective of the challenges facing the Borough. The further development of this work has however been delayed as a result of the COVID pandemic.

What the issue was:

Ward Boundary Review

The Local Government Boundary Commission for England completed an Electoral Review of the Council, which resulted in a recommendation the Council should consist of 54 councillors - a reduction from the current 56.

The Commission also recommended that the 54 councillors should represent 18 wards rather than the current 21. It was therefore proposed that there would be nine wards in Runcorn and nine wards in Widnes with each ward having three members representing it.

What we did:

These new ward boundary arrangements were subsequently approved by Parliament. The intention was that all 54 Council seats would be contested in the election that was due to take place on 7 May 2020 based on the new boundaries.

However, Section 60 of the Coronavirus Act 2020 postponed various local government elections in England that were due to be held on 7 May 2020 until 6 May 2021.

What are the governance issues for 2020/21?

The Council is satisfied that its corporate governance arrangements are adequate and operating effectively and there are no significant issues that need to be addressed. However, the Council's governance arrangements are kept under constant review and the following Action Plan sets out key areas of focus for the Council in maintaining and developing its governance arrangements in 2020/21.

Issue	Lead Officer	Timescale
Funding The Council continues to face significant funding reductions whilst demand for Council services, particularly within Social Care is rising and there are income shortfalls across many service areas. The COVID-19 pandemic has exacerbated the situation, along with huge uncertainty regarding the Government's plans for the future funding of local government. This makes financial planning extremely difficult at the current time. However, the Medium Term Financial Strategy forecasts that the Council may need to identify £13m of budget savings in order to set a balanced budget for 2021/22. In light of these financial pressures, a key challenge for the Council is to maintain sufficient service capacity and robust governance arrangements in order to continue to deliver its corporate objectives and strategic priorities for 2021/22 and beyond.	Strategic Director – Enterprise, Community & Resources	Ongoing

Issue	Lead Officer	Timescale
<u>Decision-making</u> The COVID-19 pandemic has given rise to unforeseen challenges in terms of the Council's decision-making processes and its traditional meeting structure, with elements of normal decision-making processes of the Council being suspended. Arrangements were already in place providing the Chief Executive with emergency delegated powers in consultation with the Leader of the Council, Monitoring Officer and s151 Officer as appropriate. In accordance with the Local Government Transparency Code 2014, a formal notification record of officer decisions has been maintained to record decisions taken and ensure transparency.	Chief Executive	Already implemented
<u>Elected Member meetings</u> The Coronavirus Act 2020 enables all local authority meetings before 7 May 2021 to be held remotely and removed the requirement for the annual Council meeting in 2020. The Council has made arrangements for all its Boards and Committees to meet on a virtual basis for the foreseeable future. From September 2020, the Council is to revert to the usual cycle of meetings. This will ensure that key executive decisions will be made by Elected Members, and that they will be subject to the formal scrutiny arrangements of the Council. This will replace the emergency arrangements that have been in place and restore the usual governance arrangements of the Council. To support this process, Microsoft Teams is to be made available for Members and those officers who support the Boards and Committees from September.	Ian Leivesley – Strategic Director, Enterprise, Community & Resources	September 2020

Issue	Lead Officer	Timescale
<u>COVID-19 Response</u> The Council has experienced significant organisational disruption as a result of COVID-19 with all Council services being affected. Business continuity arrangements have seen much of the workforce working from home and resources being redeployed to support essential frontline services. Throughout the response period the Council has given priority to maintaining effective governance arrangements. Major incident response practices, developed for such situations, have been implemented and helped the Council to adapt, at pace, to new challenges and new responsibilities. Through the Council's partnerships across Cheshire and the Liverpool City Region, and as part of the Cheshire Resilience Forum, the Council has worked to deliver a co-ordinated regional response. Working with local health partners, emergency services and the military, the Council has put in place robust local testing arrangements and established arrangements to prevent and manage local outbreaks. The Council has prioritised supporting the most vulnerable in the community. Critical services have been maintained. Through the 'shielded hub' the Council has provided food, medicine and support. Accommodation has been secured for homeless individuals and families. The Council has worked with social care providers to look after people living in residential and nursing homes or in receipt of domiciliary care. Waste collection services have continued to run to normal timetables. The Council has also been the conduit to deliver various Government schemes and provided advice to local businesses to help them survive and protect local jobs. Recovery planning is now underway which will help to strengthen the Council's resilience and business continuity arrangements, and also inform and shape the way that services are delivered in the future.	Chief Executive	Ongoing

Issue	Lead Officer	Timescale
<u>2018-19 Audit of Accounts</u> There has been a significant delay in the finalisation and external audit of the Council’s 2018/19 statement of accounts. A large number of issues have arisen during the audit process. These centre around the valuation and accounting treatment for the Mersey Gateway bridge project, which is highly complex and unique in nature. However, a number of issues also relate to the accounting treatment of items which had been signed off as correct in previous years, due to higher levels of assurance now being required through the audit process. The Council has been working with the External Auditors to ensure processes are in place to prevent similar issues arising for 2019/20 and beyond.	Operational Director, Finance	Ongoing

Certification

We have been advised on the implications of the review of the effectiveness of the governance framework by the Business Efficiency Board. The review provides good overall assurance that the Council's arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Specific opportunities to maintain or develop the Council's governance arrangements have been identified through this review. We pledge our commitment to addressing these issues over the coming year and we will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Halton Borough Council:

David Parr - Chief Executive **Rob Polhill - Leader of the Council**

Agenda Item 4

REPORT TO:	Business Efficiency Board
DATE:	24 March 2021
REPORTING OFFICER:	Operational Director, Finance
PORTFOLIO:	Resources
SUBJECT:	2019/20 Statement of Accounts, Audit Findings Report and Letter of Representation
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to seek approval for the Council's Letter of Representation, to consider the Audit Findings Report of the External Auditor (Grant Thornton), and to approve the Council's 2019/20 Statement of Accounts.

2.0 RECOMMENDED: That

1. **The draft Letter of Representation in Appendix 1 be approved and any subsequent additions or amendments be approved by the Operational Director - Finance, in liaison with the Chair of the Business Efficiency Board;**
2. **The External Auditor's draft 2019/20 Audit Findings Report in Appendix 2 and Audit Opinion in Appendix 3 be received and any subsequent additions or amendments be approved by Operational Director - Finance, in liaison with the Chair of the Business Efficiency Board; and**
3. **The Council's draft 2019/20 Statement of Accounts in Appendix 4 be approved and any subsequent additions or amendments be approved by the Operational Director - Finance, in liaison with the Chair of the Business Efficiency Board.**

3.0 BACKGROUND

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

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

3.5 The Statement of Accounts for 2019/20 has been prepared in full compliance with International Financial Reporting Standards (IFRS).

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

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

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

4.0 KEY SECTIONS WITHIN THE STATEMENT OF ACCOUNTS

4.1 The Council's 2019/20 Statement of Accounts is presented in Appendix 4. The Narrative Report by the Operational Director, Finance summarises the Council's financial performance for 2019/20, including revenue and capital spending.

4.2 The Comprehensive Income and Expenditure Statement (CIES) presents gross expenditure, gross income and net expenditure for 2019/20 along with the previous year's comparison. The Net Cost of Continuing Operations is adjusted by a number of appropriations to give the Total Comprehensive Income and Expenditure. The CIES reports on how the Council performed during the year and whether its operations resulted in a surplus or deficit.

4.3 The Council's Balance Sheet sets out the Council's financial position as at 31 March 2020, along with a comparison to the position as at 31 March 2019. The balance sheet is a snapshot of the Council's financial position at a specific point in time, showing what it owns and owes at 31 March.

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

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

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

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

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

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

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

5.0 **VALUE FOR MONEY**

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

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

5.3 The overall conclusion from the External Auditor is the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

6.0 **PRIOR YEAR RECOMMENDATIONS**

6.1 The 2018/19 Audit Findings Report identified a number of recommendations to improve the process and presentation of the Council's Statement of Accounts. These recommendations were approved by the Business Efficiency Board on 18 November 2020 after the draft 2019/20 accounts had been published. Of the 13 recommendations made all but 2 have been fully addressed within the 2019/20 accounts whilst those outstanding will be addressed in drafting the 2020/21 Statement of Accounts.

6.2 The Council has developed a stronger working relationship with Grant Thornton over the last 6 months and improvements have been made to the audit process. Weekly meetings between Council Officers and External Audit have taken place, there has been a system implemented for the sharing of working papers and a weekly action log is maintained of all completed and outstanding actions.

6.0 **NEXT STEPS**

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

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

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

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

7.3 **A Healthy Halton**
See 7.1

7.4 **A Safer Halton**
See 7.1

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

8.0 RISK ANALYSIS
The Accounts and Audit Regulations require that the Statement of Accounts is certified by the External Auditor and published by 30 November 2020. As a result of the delay the council had published a Public Notice giving reasons for the delay.

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

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

Document	**Place of Inspection**	**Contact Officer**
Accounts and Audit Regulations 2015	Halton Stadium	Steve Baker Divisional Manager, Revenues and Financial Management

Code of Practice on Local Authority Accounting in the UK 2019/20	Halton Stadium	Steve Baker Divisional Manager, Revenues and Financial Management

APPENDIX 1

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

Date: TO BE DATED SAME DATE AS DATE OF AUDIT OPINION

Dear Sirs

Halton Borough Council

Financial Statements for the year ended 31 March 2020

This representation letter is provided in connection with the audit of the financial statements of Halton Borough Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

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

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

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

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

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

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and we acknowledge the material valuation uncertainty the valuer has noted in the valuation report. This is on the basis of uncertainties in markets caused by Covid-19 and we are satisfied that there have been no material impairment of asset values as assessed by the valuers. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.

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

vii. Except as disclosed in the financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the Council has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code, subject to the matter raised in the Audit Findings Report.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

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

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached below. We have not adjusted the financial statements for these misstatements brought to our attention as explained alongside each item at the extract of unadjusted items below. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

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

xiv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

Information Provided

xv. We have provided you with:

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

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

c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

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

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

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

xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council, and involves:

a. management;

b. employees who have significant roles in internal control; or

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

xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

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

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

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

Annual Governance Statement

xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS. The final version of the AGS will be provided to you when available and before publication.

Narrative Report

xxv. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements. The final version of the Narrative Report will be provided to you when available and before publication.

Approval

The approval of this letter of representation was minuted by the Council’s Business Efficiency Board at its meeting on 24 March 2021.

Yours faithfully

Name………………………….

Position……………………….

Date…………………………..

Name………………………….

Position……………………….

Date…………………………..

Signed on behalf of the Council

Schedule of unadjusted errors:

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Business Efficiency Boarc is required to approve management's proposal not to adjust for these items.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
CIES incorrect classification of S31 grant income received		0	0	Not material and no impact on total Comprehensive Income and Expenditure.
Dr Corporate and Democracy income (CIES)	694			
Cr Taxation and non specific income (CIES grant and note 5)	(694)			
Note 17 Property Plant and Equipment – to reverse a revaluation of surplus land asset previously disposed				Not material and no impact on total Comprehensive Income and Expenditure.
Dr Revaluation reserve		307	n/a	
Cr Surplus assets		(307)		
Overall impact	**£0**	**£0**	**£0**	

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Grant Thornton

The Audit Findings Report (ISA260) for Halton Borough Council

Year ended 31 March 2020

24 March 2021

Contents

Your key Grant Thornton team members are:

Michael Green
Engagement Lead
T: 0161 953 6382
E: michael.green@uk.gt.com

Stephen Nixon
Senior Manager
T: 0161 234 6362
E: stephen.r.nixon@uk.gt.com

Andrew McNeil
Assistant Manager
T: 0161 234 6366
E: andrew.mcneil@uk.gt.com

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Halton Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid-19	The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. Areas of Halton have endured a high transmission rate of the Covid-19 pandemic and the Council has responded by diverting staff towards dealing with front line services such as responding to residents with adult and social care needs. There have been significant financial challenges as the Council responded to the COVID-19 pandemic through additional costs to support operational services, lost income through reduced trading activity and some cessation of services. In addition, council tax payments and business rates payments reduced as lock down started, businesses closed, and staff furloughed. Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and an extended target date for audited financials statements to 30 November 2020.	We updated our audit risk assessment to consider the impact of the pandemic on our audit and our Audit Plan included a financial statement risk in respect of Covid-19 and highlighted the impact on our VfM approach. Further detail is set out on page 6. Restrictions for non-essential travel has meant both Council finance staff and audit staff have had to work remotely throughout the period of the year end audit which created audit challenges such as remotely accessing financial systems, video calling, physical verification of assets and ensuring the completeness and accuracy of information produced by the entity. Management published their draft financial statements and Annual Governance Statement on 28 August 2020 therefore achieving the MHCLG target deadline for draft accounts to audit. Working papers to support the financial statements followed promptly. The conclusion of the audit has overshot the target date of 28 November 2020 due to delays caused by the late completion of the 2018/19 audit arising from amendments to the draft accounts, plus the impact of Covid-19 upon the audit process.
Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements: • give a true and fair view of the financial position of the Council and its income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	Our audit work was completed remotely during October 2020 to March 2021. Our findings are summarised on pages 5 to 17. We have identified a number of adjustments to the financial statements which are detailed in Appendix C. The adjustments so not impact the Council's General Fund. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (which is presented separately to the Business Efficiency Board), or material changes to the financial statements, subject to the following outstanding matters: • completion of a small number of audit procedure steps including sample item evidence for land and buildings valuation, debtors and creditors and a small number of other areas • completion of our Whole of Government Accounts review • final audit quality review processes and housekeeping processes, including review of the final set of financial statements • confirmations regarding any post balance sheet events • receipt of management representation letter (presented separately to the Business Efficiency Board).

Headlines (continued)

Financial statements (continued)		We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation. Our anticipated audit report opinion will be unmodified including an Emphasis of Matter paragraph, highlighting the material uncertainty that exists regarding the valuation of Council land, buildings and investment property, and in relation to property investments of the Cheshire Local Government Pension Fund. These uncertainties reflect the market conditions arising from the Covid-19 pandemic. We were unable to provide our audit opinion by the deadline of 30 November 2020 due to delays in completing the 2018/19 audit (concluded 23 December 2020) and the additional time required to conduct the audit remotely and meeting via video link.
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of the Council's value for money arrangements. We have concluded that Halton Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19. We therefore anticipate issuing an unqualified value for money conclusion within our Audit Opinion. Our findings are summarised on pages 18 to 22.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • To certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

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Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by Ed, Stephen and the finance team as well as other staff during these unprecedented times.

Audit approach

Overview of the scope of our audit

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

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

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved (listed on page three of this report), we anticipate issuing an unqualified audit opinion following the Business Efficiency Board meeting on 24 March 2021

Our approach to materiality

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

Materiality levels remain the same as reported in our Audit Plan.

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	Amount (£)	Qualitative factors considered
Materiality for the financial statements	5,421,000	This equates to 1.5% of the previous year's gross cost of services expenditure and is considered to be the level above which the users of the accounts would wish to be aware of any misstatement
Performance materiality	3,472,000	Assessed at 65% of financial statements materiality
Trivial matters	271,000	Assessed at 5% of Authority financial statements materiality
Materiality for Senior Officer's Emoluments section of Note 10	25,000	This item merits a lower materiality than financial statement level materiality due to being of particular interest to the public

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Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Covid–19 The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to; - remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation - volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates - financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and - disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, and one of the most significant assessed risks of material misstatement.	In response to the risk identified we: • worked with management to understand the implications the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts, and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 28 August 2020; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council's property valuation expert and pension fund actuary; • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations; and • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment. The results of our work concluded that appropriate arrangements have been put in place to manage the impact of Covid-19. We have noted that the Council valuer has reported a material uncertainty within their report as a result of the impact of the global pandemic. The uncertainty has been reflected by management within the Council financial statements, in line with our expectations. Management have also agreed to include a material uncertainty in relation to the net Local Government Pension liability as a result of uncertainty around the valuation of the Council's share of the pension property assets of Cheshire Pension Fund. Both of these material uncertainties will be referenced in the audit report as an 'emphasis of matter' paragraph. This is not a modification or qualification and is reflective of the auditor drawing attention to a disclosure within the financial statements that we believe is of significant importance. We have not identified any further material uncertainties in relation to Covid-19 that would result in a material misstatement of the financial statements.

Significant audit risks (continued)

Risks identified in our Audit Plan	Auditor commentary
The revenue cycle includes fraudulent transactions (rebutted) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we determined at the planning stage that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Halton Borough Council, mean that all forms of fraud are seen as unacceptable	The presumed risk was rebutted at the planning stage of the audit for the reasons given. We reviewed our rebuttal of this risk during the final accounts audit and concluded our assessment as detailed in the Audit Plan was still appropriate. Whilst not a significant risk we have performed audit procedures and testing of material revenue items. Our work did not identify any matters that would lead to a change in our risk assessment.
Management over-ride of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.	We have undertaken the following procedures in relation to this risk: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk or unusual journals • tested high risk and unusual journals recorded for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence; and • evaluated the rationale for changes in accounting policies, estimates or significant unusual transactions. We are currently finalising our work in this area but our audit work so far has not identified any issues in respect of management override of controls which we wish to bring to your attention. We will update the Business Efficiency Board with our conclusions.

Significant audit risks (continued)

Risks identified in our Audit Plan	Auditor commentary
Valuation of land and buildings The Authority re-values its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. The Council's unaudited financial statements 2019/20 include £864.6m net book value of property, plant and equipment (PPE), of which £206.5m is in respect of land and buildings. Additionally, management need to ensure the carrying value in the Authority's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used We therefore identified the valuation of land and buildings, particularly revaluations and impairments, as a significant risk. This is one of the most significant assessed risks of material misstatement.	In response to this risk we have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • written to the internal and external valuer to confirm the basis on which the valuation was carried out • challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding • tested revaluations made during the year to see if they had been input correctly into the Council's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at the year end. During the audit we identified that the school valuation process adopted by management was not consistent with the requirements of the Code of Practice as it was based upon an extrapolation from a sample of assets. Management subsequently engaged their external valuation expert to undertake 100% of the schools valuation. The revised valuation identified a reduction in the valuation of schools of £8.1m. Management have adjusted the financial statements to correct for this as detailed in Appendix C. Further detail can also be found on page 12. Accounting Policy note 30 (a) (Assumptions made about the future and other major sources of estimation uncertainty) to the financial statements, discloses that in applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 ('Red Book'), both the Council's internal and external valuer have declared a "material estimation uncertainty" in their valuation reports. This is on the basis of uncertainties in markets caused by Covid-19. The values in the valuation reports have been used to inform the measurement of property assets at valuation in the financial statements. Having declared this material valuation uncertainty, the valuers have continued to exercise professional judgement in providing the valuation and management believes this remains the best information available to the Authority. Due to the uncertainty, we intend to include an emphasis of matter in our audit report regarding the "material estimation uncertainty" that is reported in note 30 (a). Audit procedures identified a matter regarding depreciation charges being applied to some fully depreciated assets. Management has agreed to revisit their accounting treatment for depreciation charged on these assets that remained in use but were fully depreciated. This resulted in useful economic lives of these assets being revisited and updated in the fixed asset register with an adjustment to be confirmed regarding the charge to the revaluation reserve before transfer to the Capital Adjustment Account as set out in Note 17 (Unusable Reserves). The corresponding amendment is reported at Appendix C. We will update the Business Efficiency Board with our conclusions and any amendments required to the draft financial statements. Audit procedures also identified a surplus land asset on the balance sheet valued at £307k which had been previously disposed of. Management have not adjusted the financial statements to correct for this error on the basis that it is not material. We have included the proposed adjustment in the listing of unadjusted misstatements at Appendix C and have requested a specific representation on this matter within the letter of representation. Subject to resolution of the matters raised above, there are no further matters we wish to bring to your attention regarding the valuation of land and buildings on the Council's balance sheet.

Significant audit risks (continued)

Risks identified in our Audit Plan	Auditor commentary
Valuation of pension fund net liability The Authority's net pension fund liability, as reflected in its balance sheet as the net defined benefit pension liability, represents a significant estimate in the core financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£65m in the Authority's 2019/20 draft balance sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Authority's net pension fund liability as a significant risk, This was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • evaluating the accounting policy for the Authority's membership of the Cheshire Pension Fund for appropriateness and compliance with the Code of Practice for Local Authority Accounting 2019/20 • gaining an understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability was not materially misstated and evaluating the design of the associated controls • assessing the competence, capabilities and objectivity of the actuary (Hymans Robertson LLP) who carried out the pension fund valuation • testing the Authority's membership information provided by Cheshire Pension Fund to the scheme actuary to the underlying records • testing the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • engaging with the auditors of Cheshire Pension Fund to identify, document and evaluate the procedures and controls used by Cheshire Pension Fund to establish the accuracy and completeness of the source data, and over the provision of this source data, to the actuary for the purposes of preparing the triennial valuation, updating our understanding of the Authority's agreement with Cheshire Pension Fund • evaluating the instructions issued by management to their management expert (an actuary) for these estimates and the scope of the actuary's work: and • assessing the accuracy and completeness of the information provided to the actuary to estimate the liability The auditor of Cheshire Pension Fund included an emphasis of matter paragraph in their audit report to reflect the "material estimation uncertainty" that exists in the Fund's property investment portfolio due to Covid-19. Management at the Council updated their accounting policy note (in Accounting Policy note 30 (b) (Assumptions made about the future and other major sources of estimation uncertainty) to the financial statements to make reference to this uncertainty and given the unknown impact on the valuation, we intend to include an emphasis of matter in our audit report. There are no further matters we wish to bring to your attention regarding the valuation of the net pension liability on the Council's balance sheet. Based on the procedures completed as above, we have gained assurance that the net pension liability is fairly stated.

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Other audit risks

Risks identified in our Audit Plan	Auditor commentary
PFI accounting for the Mersey Gateway Bridge The Mersey Gateway Bridge opened in October 2017 and was brought into the 2017/18 financial statements as an infrastructure asset with a related PFI financial liability payable to the operator MerseyLink Ltd. The 2018/19 audit identified material errors arising from the assumptions used by management in the valuation and depreciation of the Bridge, and the calculation of the matching PFI liability. Management have agreed that the related balances should agree to the Operator's PFI Financial Model. Whilst we are satisfied that management are now aware of the proper accounting treatment, we have identified the accounting for the Mersey Gateway Bridge as an other audit risk due to the high values involved.	We have performed the following work in response to the identified risk: • ensured that the balances relating to the Mersey Gateway Bridge are supported by the PFI operators model and relevant underlying information • ensured that the valuation of the Mersey Gateway Bridge is properly valued as an infrastructure asset at cost • ensured that depreciation is charged accurately on a componentised basis We noted that the PFI future payment tables for services schedule in note 31 had not been updated for RPI inflation which is inconsistent with the PFI operator model. This is a disclosure matter with no cost implication for the 2019/20 Comprehensive Income and Expenditure Statement or Balance Sheet. See Recommendation 4 at Appendix A. We ,are awaiting final responses from our specialist PFI audit team but subject to receiving this, we are satisfied that PFI accounting for the Mersey Gateway Bridge now meets the requirements of the Code of Practice and the 2019/20 unitary charge is correctly reported. We will update the Business Efficiency Board once our work in this area is complete.
Penalty Charge Notice (PCN) bad debt provision A significant proportion of the Authority's bad debt provision relates to the collectability of Mersey Gateway Bridge PCNs. At 31 March 2019 the PCN and Toll debt was £17.7m against which the Council has provided £11m (62%). Indications show that the level of PCN debt continues to rise and the collection rates are low. There is therefore a risk that the older debt in particular is uncollectable.	We have performed the following work in response to the identified risk: • reviewed the level of PCN and Toll debt at 31 March 2020 and management's assumptions regarding collectability in arriving at the bad debt provision • reviewed management's process for identifying and writing out uncollectable Toll and PCN debt At 31 March 2020 PCN and Toll debt was £25.57m, against which the Council had provided £22.79m leaving a net debtor of £2.78m. On enquiry the Council advised that they consider the older debts are still recoverable and E-Movis continue to engage with debt enforcement agents to recover all aged debt. Given that 89% of the debtor is now provided for and the residual assessed by management for collectability, we are satisfied that management has prudently calculated the expected recovery of PCN and toll debt in the 2019/20 financial statements.

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Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Provisions for NNDR appeals £6.701m (2018/19 £5.409m)	**NNDR rateable value appeal claims** The Council is responsible for repaying a proportion of successful rateable value appeals. Management has calculated a provision based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. The provision for non domestic rate appeals is £6.701m (£5,409k in 2018/19).	We examined the estimate, considering the; • appropriateness of the underlying information used to determine the estimate • impact of any changes to valuation method • reasonableness of the movement in the estimate • adequacy of disclosure in the financial statements We were satisfied with the methodology for the calculation of the provision.	Green
Insurance provision £1.599m (2018/19 £2.044m)	**Insurance provision** The Council has a number of outstanding insurance claims relating to employers liability and public liability claims as at 31 March 2020.	The Council had not included any new provision for the potential cost to them in settling any outstanding insurance claims. Running alongside the provision, the Council has an Insurance General Fund Reserve to fund possible insurance claims, which has increased by £0.445m during the year to reflect the assessed liability. We were satisfied that the insurance liability is within an acceptable range and unlikely to be materially misstated.	Green

Assessment

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

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings Other - £206.4m (2018/19 £164.8m)	Other land and buildings in the draft accounts comprised approximately £155m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (approximately £51.4m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Sanderson Wetherall to complete the valuation of the majority of property as at 31 March 2020 with the remaining property within the valuation cycle valued by the Council's Internal valuer. 86% of total Land and Buildings assets were revalued during 2019/20, following the updated schools valuations. In line with RICS guidance, the Council's valuers disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue in Accounting Policy note 30(a). The valuation of land and buildings undertaken by the valuer has contributed to a net increase of £48m. Management have considered the year end value of non-valued properties, and the potential valuation change in the assets not revalued during 2019/20 to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the value of these properties. Following the correction of the schools revaluation error, the total year end valuation of Other land and buildings was £206m, a net increase of £42m from 2018/19 (£164m).	• The Council engaged an external valuer (Sanderson Wetherall) to support the internal valuer for the first time during 2019/20 • We have assessed the Council's external valuer, Sanderson Wetherall and the Council's internal valuer, to be competent, capable and objective • We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate, including floor areas and subject to the matters raised below and on page 8, we are satisfied with management's estimates and judgements in this area • During the audit we identified that the schools revaluation increase of approximately £2.1m was calculated by an extrapolated value based upon a sample of four out of 40 schools. Extrapolation of valuation is not an appropriate approach and a sample method to revalue assets does not comply with the Code of Practice requirements to revalue a class of assets • The Council subsequently engaged their valuation expert, Sanderson Wetherall to revalue all schools as at 31 March 2020. This resulted in a revaluation decrease of £6m. The financial statements were amended by £8.1m to correct the error as reported in Appendix C • Management also included the majority of their original school revaluation uplift against a single row in the fixed asset register. Revaluation movements should be posted against individual assets, which was subsequently undertaken using the Sanderson Wetherall revaluations • In relation to assets not revalued in the year, we have used comparison with the auditor's Gerald Eve (valuation specialists) report. We have also challenged the Council's valuation specialist on valuation differences identified through our sensitivity analysis work using other indices. Explanations have been provided by management to support the audit queries raised and we have no matters to raise regarding assets not revalued in year • Overall this key estimate of valuation includes a material uncertainty as at 31 March 2020 and we concur with that conclusion. We have referred to the uncertainty by way of an emphasis of matter in the audit opinion • Overall we are satisfied the Council's land and buildings are not materially misstated. The accounting policy is adequately disclosed including the material uncertainty attached to the valuations of land and buildings as at 31 March 2020. • As a result, an emphasis of matter paragraph on land and buildings valuations as at 31 March 2020 will be reported within our audit opinion	● Green

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Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Net pension liability – £65.4m (2018/19 - £161.8m)	The Council's net pension liability at 31 March 2020 is £65.4m (PY £162m) comprising the Cheshire Local Government defined benefit Local Government pension scheme. The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The Council's actuary disclosed a material uncertainty in the valuation of the Council's pension fund liability at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue in Note 30(b). The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £96.4m net actuarial gain during 2019/20. This has been largely due to the improved actuarial assumptions and an "Experience Gain" of £37m relating to the latest full actuarial valuation data and assumptions.	We examined the estimate, considering; • assessment of management's expert - Hymans Robertson • assessment of actuary's roll forward approach taken, detail work undertaken to confirm reasonableness of approach • use of PWC as auditor's expert to assess actuary and assumptions made by actuary – the table below compares the Actuary assumptions • completeness and accuracy of the underlying information used to determine the estimate • impact of any changes to valuation method • reasonableness of the Council's share of LGPS pension assets • reasonableness of movement in estimate • adequacy of disclosure of estimate in the financial statements	Green

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.3%	2.3%	●
Pension increase rate	1.9%	1.9% - 2.1%	●
Salary growth	2.6%	3% - 3.6%	●
Life expectancy – Males currently aged 45 / 65	21.9 years 21.2 years	21.6 – 23.3 years 20.5 – 22.2 years	●
Life expectancy – Females currently aged 45 / 65	25 years 23.6 years	24.6 – 26.3 years 22.9 -24.3 years	●

See commentary on the amendments to the net pension fund liability on page 9.

We are satisfied that management's process for producing this estimate is sufficiently robust. However, per communications with the auditors of Cheshire Pension Fund we note that they included an emphasis of matter in their audit opinion in relation to property investments held by the Fund. We will include an emphasis of matter in our audit report to that effect. Our opinion is not modified as a result of this.

Significant findings – matters discussed with management

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

Significant matter	Auditor commentary
Halton Borough Transport On 24 January 2020 the Council's subsidiary, Halton Borough Transport (HBT) ceased trading and a liquidator was appointed. The remaining value of the share capital was charged as a loss to the 2019/20 Comprehensive Income and Expenditure Statement (£430k), thereby removing the Council's investment in the subsidiary from its Balance Sheet.	We are content with the Council's narrative explanation and treatment in the financial statements of the transactions relating to the winding up of Halton Borough Transport. We did however challenge management regarding the value of the subsidiary within the group boundary. We have agreed with management's assessment that although the Halton Borough Transport Income and Expenditure position was material for consolidation purposes, there were intra-group transactions which brought the subsidiary below the materiality level for consolidation and production of Group Accounts.

Significant findings – going concern

Our responsibility

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

Going concern commentary	Auditor commentary
Management's assessment process In assessing its going concern position, management look ahead twelve months from its reporting date and have regard to its future cash flow position including whether current spending is in accordance with budget. Management's assessment is that there is no reason to consider the Council is at risk of not being a going concern.	The Council has sufficient cash, investment and reserves balances to deliver their services for 12 months from the date of the financial statements without income contributions.
Work performed We have: • held regular discussions with officers throughout the year; and • examined the Council's financial statements and financial forward planning.	The Council's financial forecasts show that they have sufficient assets available to meet liabilities for the foreseeable future. We have considered these forecasts and the Council's past performance against its budgets. We have no concerns over the Council's financial planning and forecasting at this time. As set out in the VFM conclusion section of this report, the Council's original Medium Term Financial Strategy covering the three year period 2021-24 identifies budget shortfalls of £14.8m to £3.8 m across the period. This has since been updated as agreed by full Council Meeting on 3 March 2021 when a balanced revenue net budget of £111.4m was agreed for 2021/22. Management are mindful of the future uncertainty around the local government funding regime, public spending reviews and the impact of Covid-19 when setting their budget and recognise that the Council cannot continue to rely upon reserves to address budget deficits, however this itself does not pose a going concern risk for the 2019/20 financial statements. Management agreed to include a going concern disclosure note within the accounting policies, to explain that the accounts are prepared on a going concern basis.
Concluding comments	We intend to issue an opinion that is not modified in respect of Going Concern. No events or conditions have been identified in the course of our audit that cast doubt on the entity's ability to continue as a going concern. We have revisited this area in the light of the Covid-19 pandemic and the Council reassessed its position. Commentary on the pandemic has been reflected in the revised financial statements and a balanced budget has been set for 2020/21.

Other matters for communication

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

Issue	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Business Efficiency Board. We have not been made aware of any incidents in the period relevant to our audit and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. We have recommended that management review their processes to disclose related party transactions so as to report only those related parties where the Council exercises control.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council including specific representations in respect of the Group, which is included in the Business Efficiency Board papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banks and investment counterparties. This permission was granted and the confirmations have been received.
Disclosures	Our review found no material omissions in the financial statements. Disclosure omissions raised during the audit are summarised at Appendix C.
Audit evidence and explanations/significant difficulties	All information and explanations requested from management was provided. We have no significant difficulties to report in conducting the audit and management provided full cooperation.

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Other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), are materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No material inconsistencies have been identified and we plan to issue an unmodified opinion in this respect – refer to appendix E. Management agreed to some presentational amendments to Annual Governance Statement and Narrative Report which are reported in Appendix C.
Matters on which we report by exception	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. This work is not yet completed.
Certification of the closure of the audit	We intend to certify the closure of the 2019/20 audit of Halton Council following completion of the specified procedures for Whole of Government Accounts.

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Value for Money

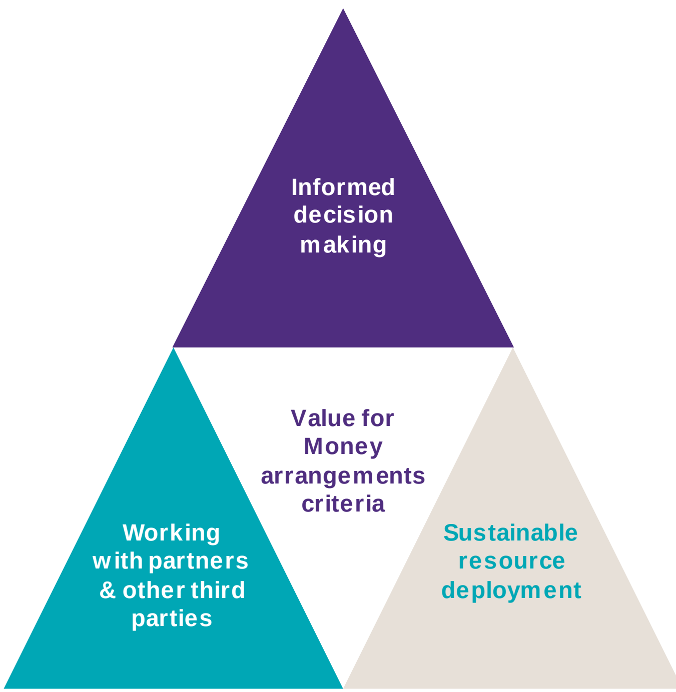
Background to our VFM approach

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

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

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

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



Risk assessment

We carried out an initial risk assessment in September 2020 and identified two significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated September 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We have not identified any new VfM risks in relation to Covid-19 and we do not consider Covid-19 to be a significant risk given the pandemic and lockdown commenced at the end of the 2019/20 financial year. We are satisfied with management's arrangements for managing the Council's response to the pandemic. The financial implications are addressed on the following pages.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment.

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Value for Money

Our work

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

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

- Financial sustainability – the Authority as with other authorities, continues to operate under significant financial pressures and achieving the set budget was considered a key risk
- Informed decision making – the 2018/19 audit identified a number of material errors in the draft accounts and areas where the accounts were not in compliance with the Code of Practice. We have reviewed management's arrangements to deliver improvements in financial reporting in production of the 2019/20 financial statements

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 21 to 23.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Council, however forecasts continued overspends in social care meaning that a deficit medium term financial plan was originally approved by Members with a £14.8m budget gap for 2021/22. This was revised when the Council Meeting on 3 March 2021 set a balanced budget position for 2020/21, achieved through agreed efficiency savings, additional government grant, available reserves, increase to council tax and a review of cost pressures.

Whilst we recognise that management are prudent in assessing the future financial settlements and government support through the Covid pandemic, action should be taken to address the reliance upon reserves in the medium term and to control the overspends experienced in adult services. Halton is not alone in facing these pressures.

The draft accounts and working papers were provided by management for audit to the agreed timeline and the draft accounts were of a good standard, reflecting the efforts made by management to raise the financial reporting standard.

The text of our report, which confirms this can be found at Appendix E.

Significant difficulties in undertaking our work

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

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Value for Money

Key findings

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

Significant risk	Findings	Conclusion
Financial Sustainability At the time of planning the audit, the Council's financial position remains challenging with continued reductions to Government funding and increasing service demands. The Council revised its MTFS in November 2019 for the period 2020/21 to 2022/23. The updated Strategy required revenue savings of approximately £7.9m, £15.1m and £4.4m over the next three years. As a result the Council reported that it needs to remove £27.4m from its budget by reducing spending or increasing income. Covid-19 pressures have emerged subsequently. Our response to the risk was to continue to review budget monitoring reports and updates to the MTFS and to discuss with officers their plans to address future potential budget gaps. We also assessed how the Council is identifying, managing and monitoring financial risks, including the impact of Covid-19 on forecast income.	In March 2019 the Council agreed a net revenue budget for 2019/20 of £108.6 million. During the year, the Council recognised additional pressures particularly additional demand within Children's and Adult Social Care and forecast an overspend of up to £6.8 million. Corrective action however reduced the year end outturn to £113.9 million, being £5.3 million above budget. 2019/20 is the fourth consecutive year that an overspend against budget has been reported. The increase in social care costs is primarily demand led, with additional pressures emerging from the onset of the Covid-19 pandemic in March 2020. This overspend was met through £4.3 million transfer from the earmarked Business Rate Retention Reserve and the balance from the General Reserve. Since the creation of the Liverpool City Region (LCR) Business Rate Retention Pilot, this has been a reliable source of deficit funding to the Council although cannot be relied upon indefinitely. At 31 March 2020 the General Reserve was £4.002 million, a reduction of £0.997 million from the start of the year. Detailed financial monitoring reports are provided quarterly to Members and the Council's management team and these provide sufficient detail and analysis to provide oversight of the financial position. The Council's capital expenditure plan for 2019/20 was £45.584 million with actual expenditure being £43.341 million, an underspend of £2.243 million. The Council's Treasury Management remains strong, with no additional borrowing taken during 2019/20. At 31 March 2020 the Council has borrowed £172 million which is comfortably below the prudential borrowing limit of £240 million. £142 million of the Council's borrowing related to the Council's contribution to the Mersey Gateway Bridge. The Council's cash balances (including deposits under three months) have risen to £22.9 million from £18 million at the start of the year.	The Council operates under significant financial pressures, however, it continues to have effective arrangements in place to routinely monitor its budget and take appropriate action to mitigate against any significant variances or additional calls on resources. Covid-19 has had a significant impact on the Council from mid March 2020, with additional costs to support operational services, lost income, and implications of potential reduced council tax and business rates payments. For the majority of 2019/20 the Covid-19 impact was limited given it commenced during March 2020. The expenditure impact for 2020/21 has been estimated by the Council at £26.5 million before contributions from central government grant and CCG partners. The adult social care additional cost is estimated at £15.5m before the 45% contribution by CCGs. Not all of the residual cost is met by government support. As well as expenditure pressures in 2020/21, Covid-19 has led to a drop in income across business rates, Council tax receipts and other fees and charges. Again these are not fully met by government support. The 2020/21 Q3 budget report shows an overspend of £1.18 million against the revised annual General Fund revenue budget of £121.7 million. Within the overspend, net costs and loss of income associated with Covid-19 is forecast adds a budget pressure of £2.2 million which is partly offset by savings and efficiencies in other operational areas. The Council continues to effectively manage its financial position and is dealing with the impact of Covid-19. The Council has not had to contemplate an emergency budget to offset the impact of Covid-19 and has plans in place to deal with the expected cost of Covid-19.

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Value for Money

Significant risk	Findings	Conclusion
Financial Sustainability Continued	The Council updated its Medium Term Financial Strategy (MTFS) in March 2020 covering the three year period 2021-24. This identified budget shortfalls of £14.8 million to £3.8 million across the period. This reflects the future uncertainty around the local government funding regime, public spending reviews and the impact of Covid-19. A revised MTFS and 2021/22 budget was agreed by Council February 2021 and set a balanced budget of £111.446 million for 2021/22, including itemised savings of £1.369m and without recourse to funding from General Fund Reserves. The revised budget reflects the updated costs and funding associated with Covid-19 and does not assume future government funding beyond a prudent level. However it is recognised that due to service pressures and funding cuts, budget gaps exist in the medium term. The continued overspends in social care were a key factor in arriving at the forecast budget shortfalls in the original medium term when arriving at the £14.8 million budget gap for 2021/22, and pressures in these areas remain. Whilst we recognise that management are prudent in assessing the future financial settlements and government support through the Covid pandemic, action should be taken to address the reliance upon reserves in the medium term and to control the overspends experienced in adult services. Halton is not alone in facing these pressures. The financial forecast has been eased with the government's announcement that 75% of collection fund losses will be funded centrally, with residual losses being spread across three years rather than just one. The financial impact of Covid-19 was felt from March 2020 although the government has committed to meeting the majority of Council's Covid-19 costs. At 31 March 2020 the Council had received several tranches of government funding to address the impact of the Covid-19 pandemic including £4.337 million non-ringfenced grant for general pressures which is largely allocated to Adult Social Care. Additional business rate reliefs implemented as a result of the pandemic will be fully funded from Government, to date a figure of £13.945m has been claimed. The Council requires further resources to deal with the pandemic and has itemised this in the monthly Covid-19 return to MHCLG. At January 2021 the Council had received £12.8 million general non-ringfenced funding allocation out of the governments overall £4.6 billion support package.	We therefore concluded that there are appropriate arrangements in place for sustainable resource deployment. This supports our proposed 'clean' unqualified VFM conclusion. However, despite the balanced budget set in February 2021 for 2021/22, the ongoing reliance upon reserves to meet medium term budget shortfalls, and escalating adult care costs is not sustainable in the medium term and must be addressed by the Council alongside the enhancements in the government financial support packages.

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Value for Money

Key findings

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

Significant risk	Findings	Conclusion
Informed decision making The 2018/19 audit of the financial statements identified a number of material errors requiring adjustment, and areas where the disclosures were not compliant with the Code of Practice. Our response to the risk was to review management's responses to the 2018/19 audit recommendations and action plan and the progress made in delivering improvements. We also reviewed management's year end financial closedown plan, quality review process and working papers to ensure sufficient steps are made to improve the standard of the 2019/20 accounts.	Management provided their 2019/20 draft financial statements and narrative report for audit on 28 August 2020 in advance of the MHCLG target date of 31 August 2020. This supports the efforts of management in developing and adhering to their final accounts closedown plan and the quality measures in place to review the draft statements for consistency and presentation prior to release for audit. We revisited the recommendations raised in the 2018/19 Audit Findings Report which were intended to address the matters raised. We have sufficient evidence that management has addressed the majority of issues raised in compiling the 2019/20 draft accounts. Supporting working papers were provided for the 2019/20 audit according to the timetable agreed with the audit team. The 2019/20 audit fieldwork itself was however delayed due to ongoing 2018/19 audit work, with the 2018/19 opinion being issued on 23 December 2020. Covid-19 and remote working has impacted auditor availability which added some delay to the audit process. The audit working papers were of a generally good standard and we received the full support of the Council's finance officers in addressing audit queries, aided by weekly update meetings. The draft accounts presented for audit were of a higher quality than those of the previous year, and this is evidenced by the small number of errors reported at Appendix C. The accounts contained one material adjusted error for valuation of schools which management were quick to address, and there were only minor deviations from the Code of Practice to report.	Based upon the findings we are satisfied that the significant risk concerning informed decision making in producing draft accounts that are free from material error, and consistent with the Code of Practice has been addressed. There are some areas where management can further enhance their working papers such as in cleansing populations of debtors/creditors and income/expenditure to facilitate more meaningful audit sampling, but overall there has been a significant improvement from the previous year. See Recommendation 5 at Appendix A. We therefore concluded that there are appropriate arrangements in place for sustainable resource deployment. This supports our proposed 'clean' unqualified VFM conclusion.

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Independence and ethics

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

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Independence and ethics

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. Below are the audit related services provided during the year, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
Audit related			
Certification of Teachers Pension Return	5,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £97,076 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim (including one batch of 40+ extended testing)	15,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £15,000 in comparison to the total fee for the audit of £97,076 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

Independence and ethics

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services was identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
Non-audit related			
CFO Insights Subscription	12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £97,076 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. These fees have not been reflected in the accounts because of the timing of CFO Insights The CFO insights service provides the Council with access to various data sources, which they decide how to use and make their own decisions about the delivery of services, therefore we do not believe there is an impact on the value for money conclusion.

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These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Business Efficiency Board. The service is not subject to contingent fees.

Action plan

We have identified 5 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	**Related party disclosures** We note also that the disclosure is quite extensive and should only reflect related parties where there is control, significant influence and the party is a member of the key management personnel of the reporting entity (Code 3.9.1). This is a repeat recommendation from the 2018/19 audit.	**R1. Related parties** The Council needs to ensure it completes a full assessment of all related parties when compiling its financial statements. It needs to follow the guidance in the Code and only reflect related parties where there is control, significant influence and the party is a member of the key management personnel of the reporting entity (Code 3.9.1). **Management response** Agreed.
Medium	**Compilation of the cashflow statement** On checking the cashflow statement we identified a number of material amendments. Compilation of the cash flow is a repeat recommendation from the 2018/19 audit.	**R2. Cashflow statement** The Council need to ensure it has a thorough process in place for compiling the cashflow statement in line with Code guidance. **Management response** Agreed.

Controls

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

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Public

Action plan (continued)

Assessment	Issue and risk	Recommendations
Medium	**Land and buildings valuation** The Council approach to valuing schools was not compliant with Code guidance to value all assets within a class of assets. This resulted in a material adjustment to the valuation of land and buildings in note 17.	**R3. Land and buildings valuation** The Council need to ensure it has a thorough process in place for obtaining valuations when required in line with Code guidance. **Management response** Agreed. Note that the Council is to move from a five yearly to a three yearly valuation cycle from 2021/22 to gain more assurance on the overall valuations.
Medium	**PFI future commitments** The PFI future payment tables for services schedule in note 31 have not been updated for RPI inflation which is inconsistent with the PFI operator model. Management chose not to update 2019/20 note 31 because it is a disclosure note only and based upon an estimate of future RPI. The 2019/20 unitary charge is correctly reported.	**R4. PFI future payments** The future PFI commitments disclosures should be updated with RPI inflation uplifts to be consistent with the terms of the PFI agreements as set out in the operator models. **Management response** Agreed to update the PFI future payment notes for 2021 financial statements.
Low	**Financial statements supporting working papers** We have noted improvements to the 2019/20 financial statement working papers although are keen to work with management to identify areas for further improvement.	**R5. Financial statements working papers (VFM)** Build on the improvements in the working papers seen for 2019/20 to assist prompt sample selection by the audit team. **Management response** Agreed.

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Follow up of prior year recommendations

We raised the following matters in the audit of Halton Borough Council's 2018/19 financial statements, which resulted in 13 recommendations being reported in our 2018/19 Audit Findings report. We have followed up on the implementation of our recommendations and note the significant progress made, with only two recommendations to be fully to be completed. We note that the 2018/19 recommendations were agreed after the 2019/20 draft financial statements were produced and management have committed to addressing the two outstanding recommendations for 2020/21.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**R1. Improvements to the preparation of the financial statements** The finance and audit team need to complete a thorough evaluation of the financial statements preparation (including quality control arrangements) and the audit process to identify lessons learned for future years.	Good progress made as detailed in VFM section (response to significant risk 2). Action completed.
✓	**R2. Treatment of grants received in advance** We recommend that the Council should: • Ensure that it complies with the requirements of Chapter 2.3 of the CIPFA Code (refs 2.3.2.8 and 2.3.2.9) when accounting for government grants The risk in not understanding the Code requirements in this area is that the Council could overstate its liabilities and understate its reserves position, resulting in incorrect financial information.	Action completed.
X	**R3. Related parties** The Council needs to ensure it completes a full assessment of all related parties when compiling its financial statements. It needs to follow the guidance in the Code and only reflect related parties where there is control, significant influence and the party is a member of the key management personnel of the reporting entity (Code 3.9.27).	This matter has not been fully addressed in the 2019/20 Related Parties note. Management to revisit as part of 2021/22 closedown.

Assessment

✓ Action completed

X Not yet addressed

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Public

Follow up of prior year recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**R4. Valuation of non-current assets** We recommend the Council should: • Cover a sufficient proportion of categories of assets within the cyclical revaluation programme to give adequate assurance on the current values at the end of each reporting period • Perform indices reviews at regular intervals to assess the impact of these on the valuation programme and year end values • Ensure the financial statements meet all Code requirements for the disclosure of non-current assets	Action completed.
✓	**R5. Net pension fund liability** We recommend the Council: • Obtain annual pension fund valuations from its actuary that include all payments it makes in respect of teachers who have taken early retirement • Obtain sufficient supporting evidence for those local government officers who took retirement prior to 1998 and for which Halton are responsible. • Include all relevant actuarial liabilities in its financial statements.	Action completed.
✓	**R6. Mersey Gateway asset and liability** In future when considering any complex areas of the accounts the Council need to consider: • the extent to which they require management expert advice to ensure the financial statements are soundly based • Use relevant underlying information to construct the entries in the financial statements	Action completed.

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Follow up of prior year recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**R7. Depreciation on infrastructure assets** We recommend the Council: • ensures officers are up to date with the requirements of the Code when applying depreciation to its asset base • apply componentisation on those assets of significant value where there are substantial components with differing lives • examine the appropriateness of its accounting policies on a regular basis to make sure these are robust and approved by the Council. Ensure asset lives are appropriately determined.	Action completed.
✓	**R8. Long term investments in companies** We recommend the Council: • Consider the most appropriate method of valuation in Daresbury LLP for future accounting periods. It needs to assess whether using the net asset base is the most appropriate to adequately reflect the value held within this company. It may need specialist advice on future earnings potential if the company is expanding with expected increased profitability.	Action completed.
✓	**R9. CIPFA Code of Practice** The Council need to ensure that its draft financial statements provided for audit are completed fully in line with the requirements of the CIPFA Code. We recommend the Council completes the CIPFA Code disclosure checklist and incorporates this process within its closedown timetable. Rigorous review by senior officers is then needed to ensure the financial statements are Code compliant.	Action completed notwithstanding the matters raised at Appendix C.
✓	**R.10 Mersey Gateway debts** We recommend the Council works closely with the Mersey Gateway Crossings Board to examine the levels and age of debt.	Action completed.

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Follow up of prior year recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**R11. Debtor and creditor general ledger code reconciliations** The Council need to examine the entries within the debtor and creditor ledger codes to ensure these reconcile to the year end debtor and creditor balances.	Action completed.
x	**R12. Cashflow statement** The Council need to ensure it has a thorough process in place for compiling the cashflow statement in line with Code guidance. Any audit amendments need a detailed check by the finance team before being returned as a final document.	Action not completed – compilation errors in the Cashflow statement identified during the 2029/20 audit.
✓	**R13. Expenditure and Funding analysis (note 1)** The Council needs to ensure the compilation of the EFA follows the requirements of the Code and is thoroughly checked prior to sending for audit.	Action completed.

Audit adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Cashflow statement and associated notes – Statement updated with material amendments in several areas to be consistent with the movements reported in the financial statements.	n/a	n/a	n/a
Note 17 Property Plant and Equipment – schools valuation To update the schools revaluation to reflect the decrease in value identified by the external valuer Dr Revaluation Reserve Cr Land and buildings	n/a	Awaiting updated accounts. Amounts and journal to be agreed. 8,100 (8,100)	n/a
Note 37 Unusable Reserves To reflect management's revisit of the remaining useful life of assets in use that are fully depreciated. This is to enable depreciation to be charged to the revaluation reserve and transferred to the Capital Adjustment Account. Dr Capital Adjustment Account Cr Revaluation Reserve	n/a	Awaiting updated accounts. Amounts and journal to be agreed. TBC (TBC)	n/a
Overall impact	**£0**	**£0**	**£0**

Audit adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Business Efficiency Board is required to approve management's proposal not to adjust for these items.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
CIES incorrect classification of S31 grant income received		0	0	Not material and no impact on total Comprehensive Income and Expenditure.
Dr Corporate and Democracy income (CIES)	694			
Cr Taxation and non specific income (CIES grant and note 5)	(694)			
Note 17 Property Plant and Equipment – to reverse a revaluation of surplus land asset previously disposed			n/a	Not material and no impact on total Comprehensive Income and Expenditure.
Dr Revaluation reserve		307		
Cr Surplus assets		(307)		
Overall impact	**£0**	**£0**	**£0**	

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2018/19 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Pension fund liability: non teaching staff retirees pre 1998			n/a	This was an estimated figure which the Council need to accurately confirm in future with its actuary. This has been done for 2019/20.
Dr Unusable reserves – pension reserve		382		
Cr Pension liability (LT)		(382)		
Overall impact	**£0**	**£0**	**£0**	

Audit adjustments (continued)

Misclassification and disclosure changes

Disclosure change	Detail	Auditor recommendations	Adjusted?
Accounting Standards that have been issued but not yet adopted. (Accounting Policy Note 28)	Note updated to make reference to the introduction of IFRS16 Leases standard effective from 1 April 2022.	-	✓
Going Concern (Accounting Policy Note 29)	Accounting policies updated to include a disclosure note to confirm that the accounts are prepared on a going concern basis.	-	✓
Grant Income (Note 7) **Expenditure and Income analysed by nature (Note 2)**	A reclassification of non ringfenced grants was required within disclosure note 7. £16.056m of non-ringfenced grants was removed from note 7 with a corresponding impact on note 2 (Expenditure and Income analysed by nature). Fees, charges and other service income was increased by £16.056m with a corresponding deduction to the grants received. This is a disclosure note only with no impact on the primary statements or General Fund.	-	✓
External Audit Fees (Note 14)	Note updated to be consistent with audit fees payable for 2019/20.	-	✓
Officer's Remuneration (Note 10)	Remuneration banding table updated to include two further employees in the £120k to £125k banding.	-	✓
PFI future payment disclosure table (Note 31)	The PFI future payment tables for services schedule in note 31 have not been updated for RPI inflation which is inconsistent with the PFI operator model. Management chose not to update note 31 because it is a disclosure note only and based upon an estimate of future RPI. The 2019/20 unitary charge is correctly reported.	See Recommendation 4	X
Assumptions made about the future and other major sources of estimation uncertainty - Pension Liability (Accounting Policy note 30b)	Note updated to make reference to the "material estimation uncertainty" in calculating the valuation of the pension investment due to Covid -19 market uncertainty. The matter was raised by the Pension Fund Actuary and the Auditor to the Fund.	-	✓
Financial Instruments – Maturity Analysis (Note 33)	The maturity analysis of financial liabilities was updated for liabilities due within one year (reduced from £65.683m to £58.546m). To be confirmed.	-	✓

Fees

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

Audit fee	Proposed fee	Final fee
Council Audit	97,076	111,637*
Total audit fee (excluding VAT)	**£97,076**	**£111,637**

The fees reconcile to the financial statements.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services (see page 26)	20,000	20,000
Non- Audit Related Services (see page 27)	12,500	12,500
Total non- audit fees (excluding VAT)	**£32,500**	**£32,500**

*To be confirmed

Remote working has taken additional time to explain the audit trail of transactions through remote working rather than discussing processes and procedures in person. There has also been additional work undertaken in response to PPE valuation (particularly schools), IAS 19 and ongoing discussions with management and valuers. The impact of Covid-19 has also required significant additional procedures to be carried out from planning to execution and completion of the audit, along with increased challenge and scrutiny of management judgements, estimates and disclosures within the financial statements.

The audit fee in note 14 does not include the proposed variation of £14,561 as this arose subsequent to the draft accounts being prepared.

Audit opinion

We anticipate we will provide the Council with an unmodified audit report

See separate document

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Management letter of representation

See separate document

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Independent auditor's report to the members of Halton Borough Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Halton Borough Council (the 'Authority') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the EFA, Notes to the Core Statements, and Notes to the Collection Fund Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Operational Director - Finance and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Operational Director - Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Operational Director - Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Operational Director - Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and property investments

We draw attention to Accounting Policy Note 30(a) (Property, Plant and Equipment) of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings as at 31 March 2020. As, disclosed in note 30 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in both the Authority's property valuer's report and the pension fund's property valuation reports. (TEXT TO BE CONFIRMED). Our opinion is not modified in respect of this matter.

We also draw attention to Accounting Policy Note 30(b) (Pensions Liability) of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's share of the Cheshire Pension Fund's property related assets as at 31 March 2020. As, disclosed in note 30 to the financial statements. Our opinion is not modified in respect of this matter.

Other information

The Operational Director - Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Operational Director - Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 112, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Operational Director - Finance. The Operational Director - Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Operational Director – Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Operational Director - Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Business Efficiency Board is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2020. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Michael Green, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

XX March 2021

HALTON
BOROUGH COUNCIL

STATEMENT OF ACCOUNTS

2019/20

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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 March 2020. Included are core financial statements supported by supplementary statements, which will help provide an analysis of the financial performance of the Council over the financial year 2019/20.

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

The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting 2019/20 (known as The Code), which in turn is underpinned by International Financial Reporting Standards.

The Core Statements are:

- **Comprehensive Income and Expenditure Statement** – this statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount which is funded from taxation. The end result is a very different position to how net outturn spend compared to budget is reported. A reconciliation between the two is provided as part of this narrative statement and the Expenditure and Funding Analysis Statement, included within Note 1.

- **Balance Sheet** – The Balance Sheet shows the value as at the 31 March 2020 of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the authority.

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

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

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

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

The Supplementary Financial Statements are:

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

Other Statements / Financial Reports

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

- **Group Accounts** – the purpose of this statement is to present the consolidated position of the Council's activities, in accordance with the Code. This would involve consolidating the accounts of the Council's group entities with the Council's accounts by grossing up the Comprehensive Income and Expenditure Statement and the Balance Sheet whilst eliminating intra group transactions. For 2019/20 the group account statements are excluded as the transactions relating to group entities are not considered material. See Note 41 for further information.

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

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

Organisational Overview

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

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

There have been no significant changes to the Council's governance arrangements during 2019/20. However, further details regarding the effectiveness of those arrangements can be found in the Annual Governance Statement which is reviewed and reported upon annually alongside the Statement of Accounts.

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

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

Public spending austerity continues to have a significant impact on the Council, using the Government's own interpretation of Spending Power, the Council has over the period 2011 to 2020 lost £27.5m (19.7%) in funding or the equivalent of £218.25 per head of population. This has brought exceptional challenges for the Council in setting a robust, balanced budget each year whilst continuing to deliver high quality, essential public services. During this period, whilst financial and other resources available to the Council have reduced considerably, the demand for the Council's services has increased steadily, in particular those relating to Adult and Children's Social Care. As a result, managing spending pressures within a significantly reducing budget has been very challenging, exacerbated by the impact of Covid (detailed further within the report).

The Council continues to have growth in the council tax base, with a steady increase in the number of new properties being developed within the Borough. Over the past 6 years the Council has experienced growth in the taxbase of 10.2% or 3,259 equivalent Band D properties. Given the lack of funding support from Government, council tax growth has been key in delivering additional financial resources.

In addition, business rates income has increased considerably in recent years and this trend is expected to continue given the improvements brought about by the Mersey Gateway Crossing and continued support in economic regeneration, helping to boost the local economy through job growth. Between 2014 and 2018 employment has increased by 15.28% and the number of businesses has increased by 15.49% over the same period. Over the past 6 years the Council has benefitted from growth to gross business rates, increasing by 9.4% since 2014/15.

Financial Performance 2019/20

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

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

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

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

There was a continued reduction to the Councils Settlement Funding Assessment for 2019/20 of £1.7m (3.2%). Government did announce some additional funding of £0.6m for Adult Social Care Winter Care Pressures and £1.1m for wider social care. Whilst welcome the increased funding struggles to keep up with user demand from Children's & Adult Social Care. The Council's net spend position for the past year in comparison to the available budget has continued to be an issue and risk to its finances. The Council monitors the spend position on operational activities on a quarterly basis, forecasting an overspend against budget in the region of £5.1m to £6.8m during the course of the year. Corrective action and close monitoring undertaken by Members and Officers and the action taken to curb spending except where absolutely essential has resulted in total spending for 2019/20 being £113.9m, £5.3m above the budget for the year (compared to £2.4m above budget in the previous year).

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

The Council holds earmarked reserves which have been set aside to cover known future one-off costs. The value of earmarked reserves as at 31 March 2020 total £105.6m an increase of £23.8m from the same point in 2019, £81.7m.

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

Details of the earmarked reserves are shown in Note 36

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

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

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

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

The Community & Environment Department net spend position was £25.2m, £1.2m over the allocated budget. The main pressure area was associated with the level of generated income. Given the marked reduction in Government Grant since 2010 the Council has looked at other ways in making up the shortfall in funding resources, with a lot of emphasis on increasing income levels. However, shortfalls within leisure management, school meals service and commercial catering accounts income levels have contributed towards the overspend position.

Services pressures continue to be evident in Adult Social Care with a particular pressure on the Complex Care Pool Budget which the Council host in partnership with Halton Clinical Commissioning Group (HCCG). Demand for Community Care has increased over the past year:

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

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

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

Redundancy costs incurred during the year totalled £0.5m (2018/19 - £0.5m). These were met from the Transformation Fund Reserve which the Council established to meet the costs associated with structural changes. Posts vacated from staff electing to take up voluntary redundancy terms have been deleted from the Council's staffing structure to provide on-going savings. Further details on exit packages can be found in supporting note 11 to the financial statements.

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

Schools

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

School balances at 31 March 2020 total £4.5m (£4.6m 31 March 2019). In addition, £0.1m (£0.3m 31 March 2019) of unspent schools related funding is held centrally and will carry forward into 2020/21.

Comprehensive Income & Expenditure Statement

Whilst the General Fund shows a net deficit for the year of £5.3m (before transfers from earmarked reserves), the accounting position presented in the Comprehensive Income & Expenditure Statement (CIES) shows a surplus for the year of £161.6m. The CIES takes a wider view of financial performance than that shown in the General Fund and shows the true accounting position for the year. This deficit represents the total amount by which the Council's equity has increased over the year as shown in the Balance Sheet.

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

The table below reconciles the General Fund overspend via the deficit position on the provision of services to the total surplus for 2019/20 on the Comprehensive Income & Expenditure Statement. Included below the table are supporting notes to the amounts within the table.

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

- **Adjustment for Capital Purposes**
  - Depreciation and Revaluation Loss of Non-Current Assets – Reflects the annual cost of assets consumed during the year
  - Capital Grant Income – Used to help fund the capital programme, recognised in the CIES in line with proper accounting practice.
  - Revenue Expenditure Funded from Capital – Capital funded expenditure charged to the CIES under statute.
  - Loss on De-Recognition of Non-Current Assets and Financial Instruments – Transfer of Non-Current Assets, largely relating to Ditton Primary School transferring to academy status from during the year and Includes the de-recognition on closure of Halton Borough Transport.
  - Minimum Revenue Position – Amount set aside in the General Fund to recognise the repayment of debt. In line with proper accounting practice this is not required to be included in the CIES.

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

Capital Planning

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

At 31st March 2020 unused capital receipts were £5.6m, and the balance on the capital reserve was £1.9m. A significant percentage of the capital receipts are earmarked for future capital projects, the forecast level of receipts as at 31 March 2022 is £6.9m

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

On 04 March 2020, Council approved the 2020/21 Capital Strategy. This helps provide a high level, long term overview of how capital expenditure, capital financing and treasury management will contribute to the provision of services. It also provides an overview of how associated risks are managed and implications for future financial sustainability. The Council's Asset Management Working Group meet on a quarterly basis to plan and develop the Council's Asset Management Plan

Capital Expenditure

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

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

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

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

Pension Liability

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

As at 31 March 2020 the Council has defined pension net liabilities of £65.4m, this is a decrease of £96.5m to the net liabilities of £161.9m from 31 March 2019. Scheme obligations have reduced by £97.5m over the course of the past year, notably as a result of remeasurement of financial and demographic assumptions. There has been a decrease of £1.0m to the scheme assets attributable to interest returns and decrease in value of assets.

Funding levels of the pension fund are monitored on an annual basis. Following the triennial review in 2016 Council approved the payment of past service deficit cost as a lump sum for the period 2017-2020, rather than paying these on a monthly basis as had been the historical preferred method. This resulted in a cash saving over the period given the forecast low level of investment returns and strong cash flow position of the Council. For the triennial period 2020-2023 the Council have taken similar steps to pay the past service deficit as a lump sum to create a further cash saving.

Treasury Management

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

The Council's Treasury Management Strategy for 2020/21 was approved by Council on 04 March 2020. The aim of the treasury management operation is to ensure that cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments, security being prioritised over yield.

As at 31 March 2020 long term borrowing totalled £172m, well within the authorised borrowing limit of £240m. Borrowing comprises loans from the Public Works Loan Board of £162m and a Lenders Option Borrowers Option loan with Commerzbank for £10m. There was no new borrowing (long or short term) undertaken over the course of the year.

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

The Council's cash flow position continues to be well managed, cash held (and deposits payable within 3 months) total £22.9m (£18.0m in 2018/19), and short term deposits (up to 1 year) totalling £65.4m (£60.2m in 2018/19). Deposits over 12 months have remained at £17.0m (£17.0m in 2018/19).

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

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

Collection Fund

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

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

For the period to 31 March 2020 the Council as the Billing Authority collects Council Tax on behalf of Cheshire Fire & Rescue Service, Cheshire Police & Crime Commissioner and itself.

The balance on the Collection Fund as at 31 March 2020 is a surplus position of £2.2m compared to a surplus position of £5.0m from the previous year. The balance is inclusive of £3.5m surplus being shared during 2019/20 between the Council and major preceptors. It also includes increased provision of £2.8m for doubtful debts. The Council has revised the calculation for bad debt provision to take into account the likelihood of further non-payment of council tax and business rates due to the impact of Covid-19 on the local and national economy.

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

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

In accordance with accounting guidelines, the Collection Fund is required to identify a provision for NNDR valuation appeal claims. The provision as at 31 March 2020 is £6.7m (2018/19 - £5.4m). Despite the numbers of appeals originating from the 2017 valuation exercise being much less than from 2010 the Council continues to take a prudent view in providing for the cost of existing and future appeals. Funding is released from the appeals provision following the Council reviewing reductions in rateable values previously set at the commencement of the current valuation period, 01 April 2017.

Performance Measures 2019/20

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

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

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

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

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

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

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

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

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

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

Financial Planning

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

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

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

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

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

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

Covid-19 Impact

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

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

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

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

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

Council staff have predominantly been working at home since the start of the outbreak with little impact upon the delivery of services due to flexible working being a key priority for the Council for a number of years and associated investment in ICT systems. The Council identified a need at an early stage to redeploy staff, where possible, to other priority services. The number of recorded staff absences relating to Covid-19 since the start of March is 115 (4.3%of all staff) with an average of 23 days lost per recorded instance. The number of staff having to self-isolate and not able to perform duties is 120 (4.6%).

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

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

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

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

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

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

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

Conclusion

2019/20 is the fourth consecutive year in which the Council has recorded an overspend position against available budget, increasing from £0.6m in 2016/17to the 2019/20 position of £5.3m. It demonstrates that despite making tough decisions in realigning budgets to available resources the demand pressure on vital local services is outpacing the level of available funding.

In spite of such tough future challenges, the past year has evidenced the Council’s financial base position remains sound. Reserve and provision balances continue to be set at prudent levels, continued commitment to capital expenditure allowing the borough to develop and grow, an organisation fit for purpose and supported by treasury management and collection fund functions, allowing the Council to be more self-sufficient through funding from local resources, albeit with an increased level of risk. Covid represents a further risk to the Council’s finances, plans and support will continue to be developed to ensure the risk is mitigated as far as possible.

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

Ed Dawson

Operational Director – Finance

Core Financial Statements

Comprehensive Income & Expenditure Statement as at 31st March 2019

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

Comprehensive Income & Expenditure Statement as at 31st March 2020

Services	Note	Gross Expenditure 2019/20 £000	Gross Income 2019/20 £000	Net Expenditure 2019/20 £000
CONTINUING OPERATIONS				
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)
Net Expenditure of Continuing Operations		**401,635**	**(294,779)**	**106,856**
Other Operating Expenditure	**3**			3,089
Financing and Investment Income & Expenditure	**4**			41,042
Taxation and Non-Specific Grant Income	**5**			(144,999)
(Surplus) or Deficit on the Provision of Services				**5,988**
(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)
Other Comprehensive Income & Expenditure				**(169,382)**
TOTAL COMPREHENSIVE INCOME & EXPENDITURE				**(163,394)**

Balance Sheet as at 31st March 2020

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

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

Movement in Reserves Statement

	General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	TOTAL USABLE RESERVES (Note 35) £000	TOTAL UNUSABLE RESERVES (Note 37) £000	TOTAL COUNCIL RESOURCES £000
Balance as at 31st March 2018	**(63,893)**	**(10,775)**	**(10,360)**	**(85,028)**	**(129,406)**	**(214,434)**
Movement in Reserves during 2018/19						
Total Comprehensive Income and Expenditure	7,124	-	-	**7,124**	32,775	39,899
Adjustments between Accounting Basis and Funding Basis under Regulations (**note 34a**)	(29,955)	3,034	(2,603)	**(29,524)**	29,524	-
Other Adjustments	(2)	-	-	**(2)**	2	-
(Increase)/Decrease in the year	**(22,833)**	**3,034**	**(2,603)**	**(22,402)**	**62,301**	**39,899**
Balance at 31 March 2018 carried forward	**(86,726)**	**(7,741)**	**(12,963)**	**(107,430)**	**(67,105)**	**(174,535)**
Balance as at 31st March 2019	**(86,726)**	**(7,741)**	**(12,963)**	**(107,430)**	**(67,105)**	**(174,535)**
Movement in Reserves during 2019/20						
Total Comprehensive Income and Expenditure	5,988	-	-	**5,988**	(169,382)	(163,394)
Adjustments between Accounting Basis and Funding Basis under Regulations (**note 34b**)	(28,837)	2,101	482	**(26,254)**	26,254	-
Other Movements	1			**1**	(1)	-
(Increase)/Decrease in the year	**(22,848)**	**2,101**	**482**	**(20,265)**	**(143,129)**	**(163,394)**
Balance at 31 March 2020 carried forward	**(109,574)**	**(5,640)**	**(12,481)**	**(127,695)**	**(210,234)**	**(337,929)**

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 31st March 2020

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

Notes to the Core Financial Statements

Please note the Accounting Policies are shown on page 113

1. Expenditure and Funding Analysis

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

Expenditure and Funding Analysis 2018/19

	Outturn reported to Management Restated	Movement in Earmarked Reserves	Net Expenditure Chargeable to the General Fund Balances	Adjustments between the Funding and Accounts Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	2018/19	2018/19	2018/19	2018/19	2018/19
	£000	£000	£000	£000	£000
Enterprise, Community and Resources	50,299	1,515	51,814	4,546	56,360
People	81,468	93	81,561	(374)	81,187
Schools	-	(1,540)	(1,540)	6,490	4,950
Corporate and Democracy	(20,133)	(942)	(21,075)	20,692	(383)
Mersey Gateway	-	(24,440)	(24,440)	(31,027)	(55,467)
Net Cost of Services	**111,634**	**(25,314)**	**86,320**	**327**	**86,647**
Other Income and Expenditure	(109,227)	73	(109,154)	29,631	(79,523)
(Surplus) or Deficit	**2,407**	**(25,241)**	**(22,834)**	**29,958**	**7,124**
Opening General Fund Balance	**(5,004)**	**(58,889)**	**(63,893)**		
Transfer to from Earmarked Reserves to General Fund	(2,400)	2,400	-		
(Surplus) or Deficit in year	2,406	(25,239)	(22,833)		
Closing General Fund Balance at 31st March	**(4,998)**	**(81,728)**	**(86,726)**		

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

Note to Expenditure and Funding Analysis 2018/19

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

Expenditure and Funding Analysis 2019/20

	Outturn reported to Management 2019/20 £000	Movement in Earmarked Reserves 2019/20 £000	Net Expenditure Chargeable to the General Fund Balances 2019/20 £000	Adjustments between the Funding and Accounts Basis 2019/20 £000	Net Expenditure in the Comprehensive Income and Expenditure Statement 2019/20 £000
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)
Net Cost of Services	**113,917**	**(28,168)**	**85,749**	**21,107**	**106,856**
Other Income and Expenditure	(108,621)	24	(108,597)	7,729	(100,868)
(Surplus) or Deficit	**5,296**	**(28,144)**	**(22,848)**	**28,836**	**5,988**
Opening General Fund Balance	**(4,998)**	**(81,728)**	**(86,726)**		
Transfer to from Earmarked Reserves to General Fund	(4,300)	4,300	-		
(Surplus) or Deficit in year	5,296	(28,144)	(22,848)		
Closing General Fund Balance at 31st March	**(4,002)**	**(105,572)**	**(109,574)**		

Note to Expenditure and Funding Analysis 2019/20

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

Other Income and Expenditure

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

- Interest Payable and Receivable
- Levy Payments

Adjustments for Capital Purposes

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

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

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

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

Net Charge for Pension Adjustments

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

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

Other adjustments

This column includes

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

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

Segmental Income and Expenditure

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

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

2019/20	Revenues from External Customers £000	Interest Revenue £000	Interest Expense £000	Depreciation and Amortisation £000
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
Net Cost of Services	**(83,278)**	**(1,943)**	**35,909**	**-**

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

2. Expenditure and Income Analysed by Nature

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

3. Other Operating Expenditure

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

4. Financing and Investment Income and Expenditure

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

5. Taxation and Non Specific Grant Income

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

6. Material Items of Income and Expenditure

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

7. Grant Income

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

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

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

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

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

8. Disclosure of Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2019. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school. Overspends and underspends on the two elements are required to be accounted for separately.

Details of the deployment of DSG receivable for 2019/20 are shown below:

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

9. Pooled Budgets

Better Care Fund

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

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

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

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

In addition to the BCF and ABCF allocations, the Council and Clinical Commissioning Group each contributed additional funds equal to 54% and 46% respectively (excluding the BCF allocation) for 2019/20.

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

		2018/19 £000		2019/20 £000
Balance Brought Forward		**142**		**46**
Funding provided to the pooled budget:				
- Halton Borough Council		(24,164)		(3,476)
- Halton Clinical Commissioning Group		(14,311)		(3,497)
- Better Care Fund		(11,671)		(10,377)
- Winter Pressures		(639)		(639)
		(50,785)		**(17,989)**
Income raised through the pooled budget:				
- Halton Borough Council		(8,778)		(625)
		(8,778)		**(625)**
Expenditure met from the pooled budget:				
- Halton Borough Council		32,881		4,139
- Halton Clinical Commissioning Group		14,276		3,530
- Better Care Fund		11,671		10,377
- Winter Pressures		639		639
		59,467		**18,685**
Net (surplus)/deficit arising on the pooled budget during the year		**(96)**		**71**
Share of the (surplus)/deficit for the year:				
- Halton Borough Council	63%	(60)	54%	38
- Halton Clinical Commissioning Group	37%	(36)	46%	33
		(96)		**71**

10. Officers Remuneration

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

Remuneration Band		2018/19 Number of Employees		2019/20 Number of Employees	
		Teaching	Non-Teaching	Teaching	Non - Teaching
£50,000	£54,999	32	7	35	12
£55,000	£59,999	19	17	11	14
£60,000	£64,999	13	9	18	10
£65,000	£69,999	14	4	13	3
£70,000	£74,999	5	2	9	3
£75,000	£79,999	-	2	2	4
£80,000	£84,999	3	2	-	3
£85,000	£89,999	2	4	2	6
£90,000	£94,999	1	1	3	1
£95,000	£99,999	-	4	-	4
£100,000	£104,999	-	-	-	-
£105,000	£109,999	-	-	-	-
£110,000	£114,999	-	-	-	-
£115,000	£119,999	-	-	-	-
£120,000	£124,999	-	2	-	-
£125,000	£129,999	-	-	-	2
£130,000	£134,999	-	-	-	-
£135,000	£139,999	-	-	-	-
£140,000	£144,999	-	-	-	-
£145,000	£149,999	-	-	-	-
£150,000	£154,999	-	-	-	-
£155,000	£159,999	-	-	-	-
£160,000	£164,999	-	-	-	-
£165,000	£169,999	-	-	-	-
£170,000	£174,999	-	-	-	-
£175,000	£179,999	-	1	-	1
		89	**55**	**93**	**63**

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

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

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

These notes refer to the detailed note below:

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

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

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

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

Post Title		Salary (including fees & Allowances)		Compensation for loss of employment		Benefits in Kind		Total Remuneration excluding pension contributions		Employers Pension contributions		Total Remuneration including pension contributions	
		2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
		£	£	£	£	£	£	£	£	£	£	£	£
Chief Executive - David Parr		175,100	179,000	-	-	-	-	175,100	179,000	-	0	175,100	179,000
Strategic Director - People		123,100	125,500	-	-	-	-	123,100	125,500	22,600	22,100	145,700	147,600
Strategic Director - Enterprise, Communities & Resources		123,000	125,500	-	-	-	-	123,000	125,500	22,600	23,100	145,600	148,600
Operational Director - Planning & Transportation	1	66,300	79,500	-		-	-	66,300	79,500	12,100	14,700	78,400	94,200
Operational Director - Legal & Democratic Services		86,500	88,300	-	-	-	-	86,500	88,300	15,900	16,200	102,400	104,500
Statutory Operational Director - Adult Social Care		97,400	99,400	-	-	-	-	97,400	99,400	17,900	18,300	115,300	117,700
Statutory Operational Director - Children & Families Services		97,400	99,400	-	-	-	-	97,400	99,400	17,900	18,300	115,300	117,700
Statutory Operational Director - Education, Inclusion & Provision		97,465	99,500	-	-	-	-	97,465	99,500	17,900	18,300	115,365	117,800
Operational Director - Finance		86,500	88,300	-	-	-	-	86,500	88,300	15,900	16,200	102,400	104,500
Operational Director - ICT & Support Services	2	95,300	97,200	-	-	-	-	95,300	97,200	17,500	17,900	112,800	115,100
Operational Director - Economy, Enterprise & Property		86,700	88,700	-	-	-	-	86,700	88,700	16,100	16,400	102,800	105,100
Operational Director - Community & Environment		86,500	88,300	-	-	-	-	86,500	88,300	15,900	16,200	102,400	104,500
Operational Director - Public Health	3	90,900	94,600	-	-	-	-	90,900	94,600	13,000	13,500	103,900	108,100
Operational Director - Policy, People, Performance & Efficiency	4	-	80,000	-	-	-	-	-	80,000	-	14,700	-	94,700
		1,312,165	**1,433,200**	**-**	**-**	**-**	**-**	**1,312,165**	**1,433,200**	**205,300**	**225,900**	**1,517,465**	**1,659,100**

11. Exit Packages and Termination Benefits

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

Exit package cost band	Number of compulsory redundancies		Number of voluntary redundancies		Number of early retirements		Total of number of exit packages by cost band		Total cost of exit packages in each band	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19 £000	2019/20 £000
£0 - £20,000	2	5	14	14	-	-	16	19	122	99
£20,001 - £40,000	-	1	1	4	-	-	1	5	27	117
£40,001 - £60,000	-		-	1	-	-	-	1	-	44
£60,001 - £80,000	-		1	1	-	-	1	1	67	78
£80,001 - £100,000	-		1	-	-	-	1	-	92	-
£100,001 - £150,000	-		2	1	-	-	2	1	233	116
£150,001 - £200,000	-		-		-	-	-	-	-	
£200,001 - £250,000	-		-		-	-	-	-	-	
£250,001 - £300,000	-		-		-	-	-	-	-	
Total	**2**	**6**	**19**	**21**	**-**	**-**	**21**	**27**	**541**	**454**

The total cost of exit packages in 2019/20 is £0.454m (2018/19 - £0.541m) charged to the authority's Comprehensive Income and Expenditure Statement (CIES). Costs associated with redundancies include officers aged 55 or over being able to access their pensions immediately, the costs of which amounted to £0.224m, charged to the CIES in 2019/20. There were no early retirements taken in 2019/20 (2018/19 - £0.000m).

Termination Benefits

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

12. Members Allowances

During the year £815,214.84 (2018/19 £799,540.41) was paid to Members including Mayoral and Deputy Mayoral allowances.

13. Related Party Transactions

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

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

Materiality

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

Central Government

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

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

Members and Officers

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

The total of members allowances paid in 2019/20 is shown in note 12. The total of senior officers remuneration paid in 2019/20 is shown in note 10.

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

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

In 2019/20 the declarations also showed that two Executive Officers represented the Council on the boards of four bodies within the borough. Payments between HBC and those bodies totalled £3.946m and receipts totalled £0.225m in 2019/20.

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

Other Public Bodies

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

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

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

Entities Controlled or Significantly Influenced by the Council

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

14. External Audit Fees

The Council paid the following amounts to Grant Thornton in 2019/20 in relation to fees relating to external audit, inspection and additional services.

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

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

15. Events after the Balance Sheet Date

These accounts have been authorised for issue by the Operational Director Finance, on the xx March 2021 and reflect all known events for the financial year. Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing at 31st March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

16. Capital Expenditure and Financing

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

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

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

Disposal of Assets/Capital Receipts

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

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

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

Movements during 2018/19

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

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
Cost or Valuation								
As at 31st March 2019	**189,430**	**7,543**	**769,490**	**21,891**	**3,813**	**5,370**	**997,537**	**472,081**
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**	-
As at 31st March 2020	**209,307**	**3,468**	**800,810**	**22,968**	**5,413**	**3,513**	**1,045,479**	**472,081**
Depreciation								
As at 31st March 2019	**(24,574)**	**(4,885)**	**(141,877)**	**(16,193)**	**(279)**	**-**	**(187,808)**	**(10,600)**
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	-	-	-	-	-	-	**-**	
As at 31st March 2020	**(2,854)**	**(2,141)**	**(158,019)**	**(17,804)**	**(39)**	**-**	**(180,857)**	**(17,863)**
Balance Sheet Amount as at 31st March 20	**206,453**	**1,327**	**642,791**	**5,164**	**5,374**	**3,513**	**864,622**	**454,218**
Balance Sheet Amount as at 1st April 19	**164,856**	**2,658**	**627,613**	**5,698**	**3,534**	**5,370**	**809,729**	**461,481**

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 31st March 20, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment.

The major commitments are:

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

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

Revaluations

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every 5 years using the rota below with 2019/20 being year 4 in the cycle. All valuations are carried out internally by the Council's in-house valuer Louise Risk MRICS. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

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

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

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

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

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

	Other Land & Buildings	Community Assets	Infrastructure Assets	Vehicles, Plant & Equipment	Surplus	Under Construction / Development	Total
	£000	£000	£000	£000	£000	£000	£000
Valued at current value as at:							
31 March 2020	172,667	-	-	-	2,152	-	**174,819**
31 March 2019	17,306	-	-	-	162	-	**17,468**
31 March 2018	2,948	-	-	-	62	-	**3,010**
31 March 2017	1,906	-	-	-	805	-	**2,711**
31 March 2016	11,626	-	-	-	2,193	-	**13,819**
					-		
Valued at Historic Cost	-	1,327	642,791	5,164	-	3,513	**652,795**
Total	**206,453**	**1,327**	**642,791**	**5,164**	**5,374**	**3,513**	**864,622**

Land & Buildings

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

Community Assets

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

Infrastructure

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

Vehicles, Plant and Equipment

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

Intangible Assets

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

Surplus Assets

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

Assets under Construction/Development

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

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

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

Valuation Techniques Used to Determine Level 2 Fair Values.

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

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

Highest and Best Use

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

De-minimis Assets

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

18. Heritage Assets

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

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

Other Heritage Assets

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

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

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

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

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

19. Investment Properties

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

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

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

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

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

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

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

20. Intangible Assets

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

All software is given a finite life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are 5 years.

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

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

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

21. Assets Held for Sale

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

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

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

22. Investments

Investments in Associates and Joint Ventures are shown below:

	31/03/2019	31/03/2020
	£000	£000
Associates and Joint Ventures		
Daresbury SIC LLP (25% equity shares)	1,313	1,898
	1,313	**1,898**

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

Long Term Investments consist of:

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

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

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

Short term investments consist of:

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

23. Debtors

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

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

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

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

24. Cash and Cash Equivalents

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

25. Creditors

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

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

26. Borrowings

Short term borrowings consist of:

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

Long term borrowings consist of:

	31/03/2019 £000	31/03/2020 £000
Source of loans:		
Public Works Loan Board	(162,000)	(162,000)
Eurohypo	(10,000)	(10,000)
	(172,000)	**(172,000)**
Analysis of loans by maturity:		
Maturing in 1-2 years	-	-
Maturing in 2-5 years	-	-
Maturing in 5-10 years	-	-
Maturing in more than 10 years	(172,000)	(172,000)
	(172,000)	**(172,000)**

27. Provisions

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

NNDR Appeals
The Council is required to make a provision for NNDR valuation appeal claims. It is assumed appeals outstanding on the 2010 list will be settled in 20/21.

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

28. Contingent Liabilities

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

M**ersey Gateway**

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

Under Part 1 of the Land Compensation Act 1973 the council has received 677 claims from a number of residential properties in the proximity of the Mersey Gateway and relevant project roads. The obligation cannot be measured with sufficient reliability although the Council are estimating a potential cost of between £3.5 million and £6.5m for dealing with such claims.

NHS and Foundation Trusts Applications for Mandatory Relief from Business Rates

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

Legal advice has been received from the Local Government Association (LGA) which concludes that NHS Trusts and Foundations are not charities and therefore are not entitled to mandatory rating relief regardless of the precise use being made of the hereditament in question. A ruling in December 2019 decided that Foundation Trusts were not established for charitable purposes but in February 2020 a number of trusts applied for permission to appeal. If any applications were successful there would be a potential liability of approximately £0.570m with claims being backdated over nine years. The LGA are acting on behalf of Councils nationally in defending the current position on these applications.

29. Other Long Term Liabilities

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

30. Leases

Operating Leases – Authority as lessee

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

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

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

Operating Leases - Authority as a Lessor

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

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

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

Finance Leases - Authority as a Lessor

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

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

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

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

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

31. Private Finance Initiatives and Similar Schemes

Halton Grange School PFI Scheme

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

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

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

Payments

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

Payments remaining to be made under the PFI contract at 31 March 2020 (excluding any estimation of inflation and availability/performance deductions) are as follows:

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

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:

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

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

Mersey Gateway – Unitary Payments

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

The Mersey Gateway Bridge is recognised in Infrastructure Assets on the Council's Balance Sheet. Movements in the value of the Mersey Gateway over the year are detailed in the analysis of the movement on the property, plant and equipment balance in note 17.

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

Payments

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

Payments remaining to be made under the scheme at 31 March 2020 (excluding any deductions) are as follows:

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

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:

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

32. Pension Schemes

Disclosure of Net Pensions Asset/Liability

Participation in pension schemes

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

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

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

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

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

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

Local Government Pension Scheme

Transactions Relating to Post-Employment Benefits

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

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

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

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:

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

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

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

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

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

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

Local Government Pension Scheme assets comprised

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

Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary are shown below:

	2018/19	2019/20
Mortality Assumptions		
Longevity at 65 for current pensioners:		
- Men	22.3 years	21.2 years
- Women	24.5 years	23.6 years
Longevity at 65 for future pensioners:		
- Men	23.9 years	21.9 years
- Women	26.5 years	25.0 years
Rate of inflation	2.5%	1.9%
Rate of increase in salaries	2.8%	2.6%
Rate of increase in pensions	2.5%	1.9%
Rate for discounting scheme liabilities	2.4%	2.3%
Take-up of option to convert annual pension into retirement lump sum		
- Service to April 2008	50%	50%
- Service from April 2008	75%	75%

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

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

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contribution at a constant rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the 20 years following the last valuation. Funding levels are monitored on an annual basis and the next triennial valuation was due to be completed on 31 March 2022.

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

The authority is anticipated to pay contributions of £15.430m to the scheme in 2020/21.

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

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

Teachers' Pension Scheme

Defined Contribution Scheme

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

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

The Council is responsible for any additional benefits granted upon early retirement, outside the standard terms of the scheme. For the year 2019/20 the cost was £0.445m (£0.479m in 2018/19).

NHS Pension Scheme

Defined Contribution Scheme

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

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

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

33. Financial Instruments

Categories of Financial Instruments

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

Financial Assets

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

Financial Liabilities

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

Financial Instruments Designated at Fair Value through Profit or Loss

The council's investments in the CCLA Property Fund has been disclosed at Fair Value through Profit or Loss which is valued at £4.745m at 31st March 2020.

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

As the property fund has been designated at Fair Value through Profit or Loss the changes in the valuation will have a direct impact on the General Fund Balance. The value of the investment was £4.921m at 31st March 2019 giving a cost to the General Fund of £0.176m in 2019/20.

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

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

The Council holds a 25% equity holding in Daresbury SIC LLP, valued at a net asset value of £1.898m at 31st March 2020 (£1.313m at 31st March 2019).

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

Income, Expense, Gains and Losses

	2018/19		2019/20	
	Surplus or Deficit on the Provision of Services £000	**Other Comprehensive Income and Expentidure £000**	**Surplus or Deficit on the Provision of Services £000**	**Other Comprehensive Income and Expentidure £000**
Net (gains)/losses on:				
financial assets measured at fair value through profit or loss	79	-	176	-
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	-	(1,313)	-	(585)
Interest revenue				
financial assets measured at amortised cost	(1,470)	-	(1,733)	-
financial assets measured at fair value through profit or loss	(207)	-	(210)	-
Interest expense	35,898	-	35,502	-
Net Gain/(Loss)	**34,300**	**(1,313)**	**34,572**	**(585)**

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	31/03/2019 £000	31/03/2020 £000
Fair Value through Profit or Loss: CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	4,921	4,746
Fair Value through Comprehensive Income & Expenditure				
Daresbury SIC LLP	Level 2	Net Asset Valuation	1,313	1,898
Halton Borough Transport	Level 3	At Cost	430	-
Municipal Bonds Agency	Level 3	At Cost	10	10

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

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

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets held by the authority are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments (Level 2), using the following assumptions:

- Estimated ranges of interest rates at 31st March 2020 for loans from PWLB and other loans receivable and payable based on new lending rates for equivalent loans at that date.
- No early repayment or impairment is recognised for loans or investments.
- Short Term Investments, Cash and Cash Equivalents are held at carrying value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount less a provision for impairment.
- Short term creditors are carried at cost.

The fair values are shown below:

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

The fair value of assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate investments where the interest receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at the 31st March 2020) attributable to the commitment to receive interest above current market rates.

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

The fair values of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31st March 2020) arising from a commitment to pay interest to lenders above current market rates.

Nature and Extent of Risks from Financial Instruments

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

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

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

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

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

Fair Value

The Code requires that each class of financial asset and liability should disclose the "fair value" in a way that permits it to be compared with its carrying amount, as well as the method used in determining such fair values. The Council has used Link Asset Services, its treasury management advisors to calculate these values and they have based the calculation on the appropriate PWLB rate for new loans as at 31st March 2020.

Credit Risk

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

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

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

The Council's maximum exposure to credit risk in relation to its investments held in banks and building societies of £101.354m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all Council deposits, but there was no evidence at 31st March 2020 that this was likely to crystallise.

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

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

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

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

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

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

None of the Council's counterparties had any difficulty in repaying their liabilities during 2019/20. There has been no impairment of any financial assets during the course of the year. The Council does not anticipate any losses due to non-performance of its counterparties.

An analysis of the customer/client debt is shown below. As at 31st March 2020 £34.550m of this debt is overdue:

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

Liquidity Risk

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

The maturity analysis of financial liabilities is as follows.

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

Market Risk

Interest Rate Risk

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

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

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

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

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

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

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

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

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

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

Price Risk

The Council has invested £5m in the CCLA property fund as at 31st March 2020. The price of the investment is subject to potential gains and losses based on market volatility. The investment is shown in the accounts at its value as at 31st March 2020 and any gains or losses relating to this investment are shown in the Comprehensive Income and Expenditure Statement.

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

Foreign Exchange Risk

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

34. Adjustments between Accounting Basis and Funding Basis under regulation

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

(a) 2018/19

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

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

(b) 2019/20

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

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Movement in Usable Reserves £000**	**Movement in Unusable Reserves £000**
Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	-	-	-	**-**	**-**
Use of Capital Receipts Reserve to Finance new Capital Expenditure	-	3,083	-	**3,083**	**(3,083)**
Use of Capital Receipts to reduce MRP liabilty	-	488	-	**488**	**(488)**
Contribution from the Capital Receipts Reserve towards the administration cost of non-current asset disposals	-	-	-	**-**	**-**
Transfer from the Deferred Capital Receipts Reserve upon the receipt of cash	-	-	-	**-**	**-**
Pensions Reserve					
Reversal of items relating to retirement benefits debited/credited to the CIES	(30,810)	-	-	**(30,810)**	**30,810**
Employers pension contributions and direct payments to pensioners	12,188	-	-	**12,188**	**(12,188)**
Collection Fund Adjustment					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(2,591)	-	-	**(2,591)**	**2,591**
Accumulated Absences Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration with statutory requirements	478	-	-	**478**	**(478)**

35. Usable Reserves

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

General Fund Balance

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

Earmarked Reserves

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

The movements in earmarked reserves are analysed in Note 36.

Capital Receipts Reserve

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

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

Capital Grants Unapplied

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

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

36. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20.

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

General Fund	Balance at 31st March 2018 Restated £000	Movement (to)/from Reserve £000	Balance at 31st March 2019 Restated £000	Movement (to)/from Reserve £000	Balance at 31st March 2020 £000
Pension Past Service Deficit To enable pension deficits to be funded as a lump sum, resulting in finance efficiencies	**(924)**	(2,483)	**(3,407)**	(2,916)	**(6,323)**
Revenue Efficiencies To help fund budget gaps over the medium term	**(4,922)**	1,916	**(3,006)**	(1,473)	**(4,479)**
NNDR Pilot Scheme To fund No Detriment policy as part of the Liverpool City Region 100% business rate retention scheme	**(2,452)**	(2,607)	**(5,059)**	5,059	**-**
Mersey Gateway Grant Reserve To fund any shortfall in the Mersey Gateway tolling Income to cover unitary charge payments, and repayment of grant to Department for Transport	**(19,866)**	(24,441)	**(44,307)**	(13,948)	**(58,255)**
Covid Grant Funding from MHCLG to cover the additional costs and fall in income associated to the Covid-19 pandemic	**-**	-	**-**	(3,642)	**(3,642)**
Government Grants RIA Grants Income held for a specific purpose but with no repayment conditions attached	**-**	**-**	-	**(5,126)**	**(5,126)**
Covid-19 Contingency To fund additional costs in respect of COVID-19 pandemic	**-**	-	-	(2,000)	**(2,000)**
Other Earmarked Reserves Total of reserves under £750k	**(5,095)**	528	**(4,567)**	(849)	**(5,416)**
TOTAL ALL RESERVES	**(58,889)**	**(22,839)**	**(81,728)**	**(23,844)**	**(105,572)**

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

37. Unusable Reserves

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

Revaluation Reserve

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

Revalued downwards or impaired and the gains are lost.

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

Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1st April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

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

Available for Sale Financial Instruments Reserve

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

2018/19		**2019/20**
£000		**£000**
154	**Balance at 1 April**	**-**
(154)	Transfer to General Fund	**-**
	Restated Balance at 1st April	**-**
-	Upward revaluation of investments	
-	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	
-	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	
-	**Balance at 31 March**	**-**

Capital Adjustment Account

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

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

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

2018/19 £000		£000	2019/20 £000
(129,437)	**Balance at 1 April**		(123,945)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
28,580	Charges for depreciation and impairment of non-current assets	26,206	
2,110	Revaluation losses on Property, Plant and Equipment	10,109	
753	Amortisation of intangible assets	737	
5,351	Revenue expenditure funded from capital under statute	3,676	
-	Derecognition of Financial Instruments measured at other comprehensive income and expenditure	430	
3,398	Carrying value of Academies transferred	3,022	
5,362	Carrying amount of non-current assets sold	29	
45,554			**44,209**
(8,993)	Adjusting amounts written out of the Revaluation Reserve		(5,134)
36,561	**Net written out amount of the cost of non-current assets consumed in the year**		**39,075**
	Capital financing applied in the year:		
(4,156)	Use of the Capital Receipts Reserve to finance new capital expenditure	(3,083)	
(14,146)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(24,792)	
	Application of grants to capital financing from the Capital Grants Unapplied Account	(2,161)	
(8,802)	Statutory provision for the financing of capital investment charged against the General Fund	(8,670)	
(3,373)	Use of Capital Receipts to reduce MRP liability	(488)	
(344)	Capital expenditure charged against the General Fund	(211)	
(30,821)			**(39,405)**
(248)	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement		(57)
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
(123,945)	**Balance at 31st March**		**(124,332)**

Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

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

2018/19 £000		£000	2019/20 £000
105,552	**Balance at 1st April**		**161,900**
	Re-measurement of the net defined benefit liability comprising:		
-	Changes in demographic assumptions	(30,097)	
56,417	Changes in financial assumptions	(57,527)	
(95)	Other experience	(37,726)	
(15,490)	Returns on assets excluding amounts included in net interest	10,266	
40,832			**(115,084)**
26,849	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		30,810
(11,333)	Employers pensions contributions and direct payments to pensioners payable in the year		(12,188)
161,900	**Balance at 31st March**		**65,438**

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.

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

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.

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

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

2018/19 £000		2019/20 £000
(6,409)	**Balance at 1 April**	**(4,551)**
390	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
1,468	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
(4,551)	**Balance at 31 March**	**(1,960)**

Financial Instruments Revaluation Reserve

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

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

2018/19 £000		2019/20 £000
-	**Balance at 1 April**	**(1,313)**
(1,313)	Upward revaluation of investments	(585)
-	Downward revaluation of investments	-
-	Change in impairment loss allowances	-
(1,313)		**(1,898)**
-	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	**-**
(1,313)	**Balance at 31 March**	**(1,898)**

Accumulated Absences Account

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

2018/19 £000		2019/20 £000
1,849	**Balance at 1 April**	**2,144**
(1,848)	Settlement or cancellation of accrual made at the end of the preceding year	(2,144)
2,143	Amount accrued at the end of the current year	1,666
295	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	**(478)**
2,144	**Balance at 31 March**	**1,666**

38. Cash Flow Statement – Operating Activities

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

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

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

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

The cash flows for operating activities include the following items:

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

39. Cash Flow Statement – Investing Activities

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

40. Cash Flow Statement – Financing Activities

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

Reconciliation of Liabilities Arising from Financing Activities

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

41. Interest in Companies and Other Entities

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

Subsidiary

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

As at 31st March 2020 the following was a subsidiary of the Council:-

- Mersey Gateway Crossings Board Ltd - The principal activity of the company is to deliver the Mersey Gateway Bridge project, and to administer and oversee the construction and maintenance of the new tolled crossings, including the tolling of the existing Silver Jubilee Bridge. The Council holds 100% of the shares issued by the company. An amount of £500k is held as a long term debtor on the Council's Balance Sheet, this is the amount which has been passed to Mersey Gateway Crossings Board Ltd as working capital.

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

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

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

Joint Ventures

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

As at 31st March 2020 the Council were party to the following joint venture:-

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

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

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

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

Associates

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

As at 31st March 2020 the Council had associate relationships with the following:-

- Daresbury Science & Innovation Campus LLP - The principal activity of the LLP is the management and development of the Sci-Tech Daresbury Campus. Designated members of the partnership are Langtree Daresbury Ltd and Daresbury Science & Innovation Campus (Pub Sec) LLP, for which the Council is an equal partner in. An amount of £6.7m is held as a long term debtor on the Council's Balance Sheet. This relates to a long term lease agreement between the Council and the company for a property asset based at the Sci-Tech Daresbury Campus.

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

The cumulative value of non-current assets held by group entities is £6.880m which is equivalent to 0.76% of non-current assets held by the Council and therefore considered to be not of material value to be consolidated into group accounts. The value of cumulative equity held by the group entities is £3.758m

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

Collection Fund

The Collection Fund is an agents statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities and the Government in relation to Council Tax and Non-Domestic Rates.

Collection Fund Statement

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

Collection Fund Balance Sheet

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

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

Notes to the Collection Fund

1. Introduction of the Council Tax

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

2. The Council Tax Base Determination

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

The parishes' individual tax bases are shown below:

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

3. Precepting Authorities

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

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

4. Non-Domestic Rates

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

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

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

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

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

To approve the Statement of Accounts.

The Operational Director – Finance Responsibilities

The Operational Director – Finance is responsible for the preparation of the Council's statement of accounts which, in terms of CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice"), is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year (ended 31st March 2020).

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

Selected suitable accounting policies and then applied them consistently;

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

Made judgements and estimates that were reasonable and prudent;

Complied with the Code of Practice.

The Operational Director – Finance has also:

Kept proper accounting records which were kept up to date;

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

I certify that this Statement of Accounts presents a true and fair view of the financial position and income and expenditure of Halton Borough Council for the year ended 31 March 2020

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

Signed by:

Operational Director – Finance

Date: xx March 2021

Statement of Accounting Policies

1. General

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

Halton Borough Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which is required to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice of Local Authority Accounting in the United Kingdom 2019/20 supported by International Financing Reporting Standards (IFRS).

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

2. Changes to the 2019/20 Accounting Policies

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

3. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

3(a) Revenue Recognition

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

3(b) Employee Costs

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

3(c) Termination Benefits

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

3(d) Interest

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

3(e) Supplies and Services

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

3(f) Cash and Cash Equivalents

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

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

3(g) Debtors and Creditors

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

4. Contingent Assets

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

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

5. Contingent Liabilities

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

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

6. The Collection Fund

The Council is required by statute to maintain a separate fund (i.e. The Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates.

7(a) Council Tax Income

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

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

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

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

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

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

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

8. Events after the Reporting Period

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

Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

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

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

9. Financial Instruments

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

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

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

9(a) Financial Liabilities

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

9(b) Financial Assets

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

There are three main classes of financial assets measured at:

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

- fair value through other comprehensive income (FVOCI)

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

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

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

Financial Assets Measured at Fair Value through Profit of Loss

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

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

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

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

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

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

10. Fair Value

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

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

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

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

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

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

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

11. Government Grants, Other Contributions and Donated Assets

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

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

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

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

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

12. Interest in Companies and Other Entities

The Council has an interest in subsidiaries, joint ventures and associated entities that would require it to prepare group accounts. As the transactions relating to group entities are not material, no group financial statements are being produced for the 2019/20 accounts.

The definition of materiality as per the Code of Practice on Local Authority Accounting is:

The relevance of information contained in the financial statements is affected by its nature and materiality. Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Therefore, materiality provides a threshold or cut-off point rather than a primary qualitative characteristic which information must have if it is to be useful. An authority need not comply with the Code, as to both disclosure and accounting principles, if the information is not material to the true and fair view of the financial statements and to the understanding of users.

In assessing the materiality of group entities an assessment has been undertaken of the following quantitative and qualitative factors:

Quantitative Factor

- The activities of group entities are not significant to the representation of the operational activities of the authority as a whole.
- Gross Value of the investments in gross entities are not significant in terms of the balance sheet of HBC.
- Gross Value of the borrowings or other liabilities of group entities are not significant to the balance sheet of HBC.

- An adjustment to usable reserves that would arise on consolidation would not be significant.

Qualitative Factor

- The authority does not depend significantly on group entities for continued provision of statutory services.
- There is no concern to which the Council has passed on control of its assets to other parties.
- There is no concern about the extent to which the Council is exposed to commercial risk.
- Not consolidating group entities does not mask significant trends.
- Grouping the accounts would not provide any more useful disclosures.

13. Intangible Assets

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

Intangible assets are initially measured at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined with reference to an active market. In practice, no intangible asset held by the Council meets these criteria, and they are therefore carried at amortised cost. The depreciable amount of any intangible asset is amortised over its useful live to the relevant service line in the Comprehensive Income and Expenditure Statement.

14. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

15. Leases

15(a) Finance Leases

Leases are classified as Finance Leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee.

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

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

Lease payments are apportioned between:

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

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

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

15(b) Operating Leases

Operating leases are all leases which are not categorised as finance leases. Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

16. Non-Current Assets, Property, Plant and Equipment

16(a) Recognition

Non-current assets are assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Expenditure on the acquisition, creation or enhancement of a non-current asset is capitalised on an accruals basis. Expenditure is only capitalised when it adds to or extends, and not merely maintains the value of an existing asset.

16(b) Measurement

Assets are initially measured at cost, comprising:

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Council). Where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

- Infrastructure, assets under construction and community assets are measured on the basis of depreciated historic cost.
- Surplus asset, investment properties and assets held for sale are based on their fair value, estimated at highest and best use from a market participant's perspective.
- School buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- All other assets are measured at current value which is determined as the amount that would be paid for the asset in its existing use ("existing use value" – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. For non-property assets (e.g. vehicles, plant and equipment) that have short useful lives or low values (or both) depreciated historical cost basis is used as a proxy for current value.

Assets are subject to an annual impairment check. A proportion of the assets will be subject to revaluation each year to allow for the workload of revaluation to be more evenly spread and the balance sheet to be more accurate. Each asset will be re-valued on a 5 year cycle.

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

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Council operates a de-minimis level of £35,000 at acquisition, in respect of land and property, and a qualified valuer certifies the valuation. In respect of vehicles, plant & equipment theses are carried at depreciated historic cost subject to an initial recognition de-minimis of £5,000.

16(c) Impairment

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

Where impairment losses are identified, the carrying amount of the asset is written down first against the accumulated gains in the revaluation reserve.

Where there is no longer a balance in the revaluation reserve to consume the loss, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

When an impairment loss is reversed, the reversal is credited to the relevant services lines in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss and adjusted for depreciation that would have been charged if the loss had never been recognised.

16(d) Disposals and Non-Current Assets Held for Sale

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

To be classified as held for sale an asset must meet all of the following criteria:

- The asset (or disposal group) must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets (or disposal groups).
- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to its current value.

- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

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

Receipts from the disposal of PPE assets greater than £10,000 are credited to the useable capital receipts reserve on an accruals basis. Lower amounts are treated as de-minimis and credited to the revenue account.

16(e) Depreciation

Depreciation is provided for on all property, plant and equipment assets with a finite useful life. The provision for depreciation is calculated by allocating the cost less any estimated residual value of the asset over its useful life. The useful lives of assets are estimated on a realistic basis and reviewed regularly, and where necessary revised.

The estimated useful lives of assets by class are as follows:

Buildings & Other Operational Properties	Up to 60 years
Existing Highway Infrastructure and Community Assets	15 Years
New Highway Infrastructure	25 Years
Mersey Gateway Crossing - In line with the policy on Componentisation (Para 16g), significant components are:	
• Structures (Main Crossing, Earthworks, Bridge Approaches)	120 Years
• Highways (incl Street Lighting)	25 Years
• Other (Tolling, Landscaping, Signage)	30 Years
• General (Financing and Development Costs)	Split pro-rata across above elements
Vehicles, Plant and Equipment	3-10 Years
Intangible Assets	5-10 Years
Finance Leases – vehicles, plant and equipment of lease	3-10 Years equal to length

Finance Leases – buildings	Up to 60 years

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

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

An exception to depreciation is made for assets without a determinable finite useful life (ie freehold land and certain community assets) and assets that are not yet available for use (ie assets under construction), these are not depreciated.

16(f) Investment Property

Investment property is property (land or a building – or part of a building – or both) held solely to earn rentals or for capital appreciation or both, rather than for:

(a) Use in the production or supply of goods or services or for administrative purposes; or

(b) Sale in the ordinary course of operations.

Investment properties are initially measured at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain to the General Fund balance. Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are reversed out of the General Fund in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000 the Capital Receipts Reserve) the Capital Receipts Reserve.

16(g) Componentisation

The objective of component accounting is to follow proper accounting practice by ensuring that items of Property, Plant and Equipment are accurately and fairly included in the Balance Sheet and the Comprehensive Income and Expenditure Statement. Consumption of economic benefits should be properly reflected over the assets individual useful lives, through depreciation charges.

The overall value of an asset must be fairly apportioned over significant components, which need to be accounted for separately, with their useful lives and the method of depreciation being determined on a reasonable and consistent basis.

Having identified individual material assets or groups of similar assets with similar characteristics, each component part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the asset shall be depreciated separately.

Once individual material assets and asset groups have been identified, items of Property, Plant and Equipment will be categorised as follows based on their significance, useful life and depreciation method:

Component	**Detail**
Superstructure and substructure	Frame, upper floors, roof, stairs, external walls, external windows and doors, internal walls and partitions, internal doors
Internal Finishes and Fittings	Wall, floor, ceiling finishes, fittings and furnishings
Services	Sanitary appliances, services equipment, disposal installations, water installations, heat source, space heating and air conditioning, ventilating systems, electrical installations, fuel installations, fire and lightening protection, communication and security installations, builders work in connection and management and commissioning of services
Land	Land upon which the property is constructed

The basis upon which the calculation of the value of components will be made is replacement cost. The actual split will be determined following individual valuation of the property.

Land is a separate component in its own right, but is not considered for deprecation purposes. Generally, land is considered to have an infinite life.

When an asset is enhanced or replaced, the cost of the replacement component is compared with the cost of the total asset. If the cost of the enhancement or replacement is above 15% or £35,000 of the overall cost of the asset, a proportion of the relevant component's carrying value is derecognised and replaced by the cost of the new replacement asset.

When an asset is acquired or re-valued, the cost of its component parts will be broken down into Superstructure and Substructure, Internal Finishes and Fittings and Services. Land will be identified as a separate component in its own right.

16(h) Charges to Revenue for Non-Current Assets

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

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

The Council does not raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, the Council is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund balance from Capital Adjustment Account in the Movement in Reserves Statement known as the Minimum Revenue Provision (MRP).

16(i) Schools (Land & Buildings)

Section 20 of the Schools Standards and Framework Act 1998 established the following categories of maintained schools in England and Wales:

(a) Community Schools
(b) Foundation Schools
(c) Voluntary Schools comprising Voluntary Aided and Voluntary Controlled
(d) Community Special Schools, and
(e) Foundation Special Schools

In order to recognise a non-current school's asset on the Council's Balance Sheet, the Council has followed the recognition criteria of the Code and determined the extent to which the Council has control of the service potential associated with the schools assets.

The Council has concluded that a) Community Schools and d) Community Special Schools will form part of the Council's non-current Assets.

For all other schools the Council is merely using the non-current asset under licence. A licence passes no interest in the non-current asset to the Council and is always revocable, therefore these schools will not form part of the Council's non-current assets.

16(j) Accounting for Schools Transferring to Academy Status

The accounting standards on group accounts and consolidation mean all types of school are now considered to be entities controlled by the Council. When a school transfers to academy status this control is transferred to a third party. As a result the school as an entity needs to be derecognised in the Council's accounts by writing off the net assets of the school to the Comprehensive Income and Expenditure Statement.

17. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply and service. The total absorption costing principal is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

18. Pension Costs

General

The cost of providing pensions for employees is charged in accordance with the requirements of IAS19 Retirement Benefits subject to the interpretation set out in the Code governing the pension schemes. The Council pays an employer's contribution to the Cheshire Pension Fund; Teachers' Pension Agency and National Health Service Pension Scheme.

Pensions Reserve

Where there is a difference between the amount charged to the Comprehensive Income and Expenditure Statement in the year and the amount payable to the pension funds, that sum is taken to the Pension Reserve. This additional debit or credit to the services is shown as a reconciling item in the Movement in Reserves Statement within the Adjustments between Accounting Basis and Funding Basis under regulations note.

Classification of Schemes

Defined Benefit Schemes

Accounting policies set out as below apply in respect of pension costs arising from the Local Government Pension Scheme and unfunded discretionary benefits paid:

(i) The liabilities of the Cheshire Pension Fund and unfunded liabilities of the Teacher Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

(ii) Liabilities are discounted to their value at current prices, using the relevant discount rate.

(iii) The assets of Cheshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value

a. Quoted securities – current bid price
b. Unquoted securities – professional estimate
c. Unitised securities – current bid price
d. Property – market value

(iv) The change in the net pensions liabilities is analysed into the following components:

a. Service cost comprising:

i. Current services cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement of the services for which the employees worked

ii. Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of services earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
iii. Net interest on the net defined benefit liability (asset), ie net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of the contribution and benefit payments.

b. Re-measurements
comprising:

i. The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
ii. Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

c. Contribution paid to Pension Funds – cash paid as employer’s contributions to the pension fund in settlement of liabilities: not accounted for as an expense.

(v) In relation to retirement benefits, statutory provision require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensions in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather that as benefits are earned by employees.

Defined Contribution Schemes

The arrangements for the Teacher’s Pension Scheme and the NHS Pension Scheme means that liabilities for these benefits cannot ordinarily be specified by the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments or benefits is recognised on the Balance Sheet. The relevant service line in the Comprehensive Income and Expenditure Statement is charged with the Council’s contributions payable to Teachers Pensions and NHS Pension Scheme in the year.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

19. Pooled Budgets

Under Section 75 of the Health Act, the Council is able to establish joint working arrangements with NHS bodies and other Councils to pool funds from both organisations to create a single pot. Where pooled budgets are established, the Councils accounts reflect only the Councils share of the overall pot and exclude the share attributable to partner organisations.

20. Prior Period Adjustments

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

21. Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are created by a charge to a service and as such appear in the Comprehensive Income and Expenditure Statement in the Cost of Services in the year the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking account of risks and uncertainties. Where it becomes apparent that a lower settlement is anticipated than first thought, the provision is reversed and credited back to the relevant service.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

22. Repurchase of Borrowing

Gains or losses arising on the repurchase or early settlement are charged in the Comprehensive Income and Expenditure Statement in the period during which the repurchase is made. If the repurchase was coupled with refinancing or restructuring, gains or losses are charged over the life of the replacement loan.

23. Reserves

The Council sets aside specific amounts as reserves for future policy purposes to cover contingencies. Reserves are created by apportioning amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from the reserve is incurred, it is charged to the apportionment service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

The reserve is then appropriated back in the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

The Council maintains two kinds of reserve, Usable and Unusable Reserves.

Usable reserves comprise:

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

Unusable reserves comprise:

Revaluation Reserve
Capital Adjustment Account
Financial Instruments Adjustment Account
Pensions Reserve
Collection Fund Adjustment Account
Deferred Capital Receipts Reserve
Employee Benefit Reserve

Usable reserves are available to fund expenditure, either revenue or capital incurred by the Council. Unusable reserves are not available to fund expenditure since they do not represent new resources available to the Council.

24. Revenue Expenditure Funded from Capital under Statute

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the creation on a non-current asset on the Balance Sheet. Such expenditure is charged to the appropriate service account within the Comprehensive Income and Expenditure Statement in accordance with the provisions of the Code.

Where the Council has determined to meet the cost of this expenditure from existing capital resources or borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses the amounts charged so that there is no impact on the Council Tax.

25. Senior Officers

The Council is required to disclose senior officers who are paid a salary of more than £150,000 by name and job title. The requirement also extends to those officers whose salary is more than £50,000 and have a statutory role defined by legislation or is responsible for directing and controlling the day-to-day operations of the Council, disclosure is restricted to job title.

26. Service Concessions

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

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

Non-current assets recognised on the Balance Sheet are re-valued and depreciated in the same way as property, plant and equipment owned by the Council.

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

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

27. Heritage Assets

Where applicable, heritage assets are measured at insurance valuation on the Balance Sheet.

Unlike other non-current assets depreciation is not required on heritage assets which have infinite useful lives. Similarly, impairment reviews are only required in limited circumstances, for example if a heritage asset has suffered breakage of physical deterioration.

28. Accounting Standards that have been issued but not yet adopted

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

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

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

29. Critical Judgements in Applying Accounting Policies

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

29(a) Future levels of funding

There is a continued high degree of uncertainty about future levels of funding for local government. The Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

29(b) Mersey Gateway Unitary Payments

On 13 October 2017 the Mersey Gateway Crossing opened. The project is funded through a mixture of capital payments from the Council and monthly unitary payments to Merseylink. Unitary payments cover the costs of construction of the bridge.

To calculate an initial valuation of the liability of future unitary payments the Council has estimated the present value of payments due using the Internal Rate of Return implicit within the operators financial model. The carrying and fair value of the liability will be reduced on an annual basis in line with unitary payments.

29(c) Covid 19 Pandemic

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

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

30. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made by taking into account historical experience, current trends and other relevant factors. However, because some balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

30(a) Property, Plant and Equipment

The carrying amount in the Balance Sheet at the 31 March 2020 is £862.8m, of which £454.2m relates to the Unitary Charge element of the Mersey Gateway Crossing.

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

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

If the useful life of Buildings included in Property, Plant and Equipment is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings could increase between 10%-15% equating to an additional £0.765m to £1.148m for every year that useful lives had been reduced.

30(b) Pensions Liability

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

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Hymans Robertson LLP is engaged on behalf of the Council by Cheshire West and Chester Council to provide expert advice about the assumptions to be applied.

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

30(c) Provisions

The carrying amount in the Balance Sheet at 31 March 2020 is £8.753m which includes £6.701m for NNDR Appeals, and £1.599m for Insurances.

Estimation of the provisions are based on the best estimate of expenditure required to settle the obligation. Any subsequent increase or decrease in these amounts would lead to a corresponding decrease or increase in the General Fund, or the Collection Fund in respect of NNDR Appeals.

31 Going Concern

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

Glossary of Terms

For the purposes of the Code of Practice the following definitions have been adopted:

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Accounting Policies

Those principals, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

(a) Recognising;
(b) Selecting and measurement bases for; and
(c) Presenting.

Assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the Income and Expenditure account or Balance Sheet it is to be presented.

Acquired Operations

Operations comprise services and divisions of service as defined in SerCOP. Acquired operations are those operations of the Council that are acquired in the period.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

(a) Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or

(b) The actuarial assumptions have changed.

Capital Expenditure

Expenditure on the acquisition of a non-current asset or expenditure which adds to and not merely maintains the value of an existing non-current asset.

Class of Non-Current Assets

The classes of non-current assets required to be included in the accounting statements are:

Property, Plant and Equipment:

- Other land and buildings
- Vehicles, plant, furniture and equipment
- Infrastructure assets
- Community assets
- Assets under construction
- Surplus assets

Other classes of assets:

- Investment properties
- Assets held for sale
- Heritage assets

Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

Constructive Obligation

An obligation that derives from a Council's actions where:

(a) By an established pattern of past practice, published policies or a sufficiently specific current statement, the Council has indicated to other parties that it will accept certain responsibilities; and
(b) As a result, the Council has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Local Authority's control.

Contribution

A contribution may be received from a partner to help perform a particular function (i.e. PCT and third sector in health/education, S106 developers etc…)

Contingent Liability

A contingency liability is either:

(a) A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
(b) A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

The corporate and democratic core comprises all activities which Local Authorities engage in specifically because they are elected multi-purpose Authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no basis for apportioning these costs over or across services.

Current Service Cost (Pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailment

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

(a) Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and
(b) Termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Deferred Charges

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. Examples of deferred charges are expenditure on items such as improvement grants and the expenses of private acts.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme

A pension other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation

The measure of cost or revalued amount of the benefits of the non-current asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a non-current asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods or services produced by the asset.

Discontinued Operations

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all of the following conditions are met:

(a) The termination of the operation is completed either in the period before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
(b) The activities related to the operation have ceased permanently;
(c) The termination of the operation has a material effect on the nature and focus of the Local Authority's operations and represents a material reduction in its provision of services resulting either from its withdrawal from a particular activity (whether a service of division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the Local Authority's continuing operations;
(d) The assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes

Operations not satisfying all the conditions are classified as continuing.

Discretionary Benefits

Retirement benefits which the employer has no legal, contractual or constructive obligation to award which are awarded under the Council's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or the Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

Estimation Techniques

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

(a) Methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible non-current asset consumed in a period
(b) Different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

Events after the Balance Sheet Date

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give a fair presentation of the accounts.

Exit Packages

Exit packages are defined as amounts payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits. Exit packages also include enhancement of retirement benefits, when an employee retires early without actuarial reduction of pension.

Expected Rate of Return on Pensions Assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Extraordinary Items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase of use of the asset.

Finance Lease

A finance lease is one where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment form the lessor to the lessee. A lease would be classified as finance lease if:

- The lease transfers ownership of the asset to the lessee by the end of the lease term.
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain the option will be exercised.
- The lease term is for the major part of the economic life of the asset.
- The present value of minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

Notwithstanding the fact that the lease meets the definitions above, the presumption that an asset should be classified as a finance lease may in exceptional circumstances be rebutted if it can be clearly demonstrated that the lease in question does not transfer substantially all the risks and rewards of ownership (other than legal title) to the lessee.

Going Concern

The concept that the Council will remain in operational existence for the foreseeable future, in particular that the Income and Expenditure Account and Balance Sheet assume no intention to curtail significantly the scale of the operations.

Government Grants

Assistance by Government and Inter-Government Agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to a Council in return for past or future compliance with certain conditions relating to the activities of the Council.

Heritage Assets

Heritage Assets are assets that have historical, artistic, scientific, technological, geophysical or environmental qualities. Examples of heritage assets held by the Council include civic regalia, paintings and artefacts.

Impairment

A reduction in the value of a non-current asset below its carrying amount on the Balance Sheet.

Infrastructure Assets

Non-current assets that are inalienable, expenditure on which is recoverable only by continued use if the asset created. Examples of infrastructure assets are highways and footpaths.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period of present value of the scheme liabilities because the benefits are one period closer to settlement.

Inventories

The amount of unused or unconsumed stocks held in exception of future use. Comprise the following categories:

(a) goods or other assets purchased for re-sale;
(b) consumable stores;
(c) raw materials and components purchased for incorporation into products for sale;
(d) products and services in intermediate stages of completion;
(e) long-term contact balances; and
(f) finished goods.

Investments (Non-Pensions Fund)

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pensions fund, that do not meet the above criteria should be classified as current assets.

Investments (Pensions Fund)

The investments of the Pensions Fund will be accounted for in the statements of that Fund. However, councils are also required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

Investments Properties

Interest in land and/or buildings:

(a) In respect of which construction work and development have been completed; and
(b) Which is held for its investment potential, and rental income being negotiated at arm's length.

Liquid Resources

Current asset investments that are readily disposable by the Council without disrupting its business and are either readily convertible to known amounts of cash or close to the carrying amount, or traded in an active market.

Long-Term Contracts

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

Net Book Value

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Debt

The Council's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than debt.

Net Realisable Value

The open market value of the asset in its existing use (or open market value in case of non-operational assets), less the expenses to be incurred in realising the asset.

Operating Lease

A lease other than a finance lease.

Past Service Cost

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvements to, retirement benefits.

Prior Period Adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Projected Unit Method

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefit valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

(a) The benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
(b) The accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

Related Parties

Two or more parties are related parties when at any time during the financial period:

(a) A party has direct or indirect control of the other party; or
(b) The parties are subject to common control from the same source; or
(c) One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
(d) The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

Examples of related parties of a Council include:

(a) Central government;
(b) Local authorities and other bodies precepting or levying demands on the Council Tax;
(c) Its subsidiary and associated companies;
(d) Its joint ventures and joint ventures partners;
(e) Its members
(f) Its chief officers; and
(g) Its pension fund.

Examples of related parties of a pension fund include its:

(a) Administering authority and its related parties
(b) Scheduled bodies and their related parties; and
(c) Trustees and advisors

This list is not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

(a) Members of the close family, or the same household; and

(b) Partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

(a) The purchase, sale, lease rental or hire of assets between related parties;
(b) The provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund;
(c) The provision of a guarantee to a third party in relation to a liability or obligation of a related party;
(d) The provision of services to a related party, including the provision of pension fund administration services;
(e) Transactions with individuals who are related parties of the Council or a pension fund, except those applicable to other members of the community or the pension fund, such as council tax, rents and repayments of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the Council, but also in relation to its related party.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances and the money value of any other benefits received other than in cash. Pension contributions payable by the employee are excluded.

Residual Value

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of acquisition (or revaluation) of the asset and do not take account of expected future prices.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date, or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Settlement

An irrevocable action that relieves the employee (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

(a) A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
(b) The purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
(c) The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy.

Total Cost

The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.

Useful Life

The period over which the Council will derive benefits from the use of a non-current asset.

Vested Rights

In relation to a defined benefit scheme, these are:

(a) For active members, benefits to which they would unconditionally be entitled on leaving the scheme;
(b) For deferred pensioners, their preserved benefits;
(c) For pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.

REPORT TO:	Business Efficiency Board
DATE:	24 March 2021
REPORTING OFFICER:	Strategic Director – Enterprise, Community & Resources
SUBJECT:	Procurement – Update Report
PORTFOLIO:	Resources
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

The Business Efficiency Board is responsible for overseeing the Council's procurement arrangements. This report provides members with an update on:

- Procurement activity in 2020/21;
- Brexit and its impact on the Council's procurement arrangements
- The progress achieved in delivering the Council's Procurement Strategy 2020-2023

2.0 RECOMMENDATION:

That the report be noted.

3.0 SUPPORTING INFORMATION

<u>Procurement Activity in 2020/21</u>

3.1 Procurement activity during 2020/21 has inevitably been impacted significantly as a result of COVID-19. This situation is likely to continue in the short to medium term as the Council, and the wider economy, starts to move from the response phase of the pandemic to the recovery phase.

3.2 The pandemic has presented a number of new challenges for the Council and its suppliers. From a procurement perspective, the impact has been managed by the Procurement Team working closely with service areas in order to support them through a very difficult period.

3.3 The Procurement Team maintains a detailed work plan that identifies all existing contracts and when they are due for renewal. It also takes account of new planned procurements. This insight has allowed a proactive approach in terms of the support provided to service areas and in helping to identify solutions to ensure continuity of supply of key services and products during the crisis.

3.4 Key actions taken during the year include:

- Essential procurements that supported the delivery of key services were identified and prioritised for completion. One particular example at the onset of the pandemic was the support provided to source personal protective equipment for employees. At that time, demand outstripped supply and a significant amount of resource was spent sourcing new suppliers and undertaking appropriate due diligence in order to ensure sufficiency and quality of supply.

- All tenders at the evaluation stage at the start of the pandemic were reviewed. Discussions took place with service areas to determine whether to make an award or to pause the process after taking account of COVID-19 considerations.
- Tenders in progress at the start of the pandemic were reviewed in conjunction with service areas and tender periods extended where necessary with arrangements made to address any additional COVID-19 related requirements.
- Support has been provided to service areas to address any particular areas of concern with key suppliers in regard to the fulfilment of contractual commitments;
- Tenders due to be published were reviewed and support was provided to service areas to consider the urgency of the requirement and whether the supply market was in a position to respond;
- Guidance and advice was provided to relevant staff in service areas on the procurement options in light of COVID-19 taking account of related Government guidance;
- Arrangements were put in place at the early stage of the pandemic to ensure that all suppliers were put on immediate payments terms rather than the standard 30 days terms. Normal payment terms resumed at the end of July for all suppliers with the exception of adult social care providers who continue to be paid immediately.

3.5 In order to respond to the emergency situation the Council has made use of flexibilities provided by Regulation 32 of the Public Contract Regulations, which makes specific provisions for public authorities to procure urgent goods, services and works in exceptional circumstances. These provisions have proved helpful in that they have allowed the Council to respond quickly and make direct awards due to the extreme urgency of the situation. The regulation has also allowed the Council to extend or modify existing contracts to prevent the need to go to market at a time when the Council was unlikely to obtain best value.

3.6 Where the Council has made use of specific provisions under Regulation 32 a detailed record of decisions and actions has been maintained. This will allow the Council to justify its actions if necessary in the event of a legal challenge. The records set out the reason for the decision, alternative options considered and rejected, background documents and any consultation undertaken. All such emergency decisions have also been reported retrospectively to the Executive Board and published on the Council’s website.

3.7 Inevitably the period has also seen an increase in the numbers of waivers of Procurement Standing Orders being sought in order to extend or vary existing contracts which were due to expire. These waiver requests have followed the regular procedures set out in Procurement Standing Orders and have been subject to the usual robust scrutiny to provide assurance that the waiver is in the Council's best interests and helps to secure value for money. Waiver requests up to a value of £100k can be approved by the Head of Procurement. Requests above that figure require Executive Board approval.

3.8 The impact of COVID-19 on the Council's procurement activities is likely to continue to be significant during 2021/22. An ongoing challenge in some areas of the Council relates to the capacity of staff to commit time to a tender process, given the impact of the pandemic, and the need to focus on other more urgent COVID-19 related activities. The Procurement Team will however continue to operate in accordance with the Council's Procurement Strategy and support all Council departments in their procurement activity and help ensure continuity of key services.

Brexit

3.9 The Brexit transition period ended on 31 December 2020. As such, from 1 January 2021 there have been some relatively minor changes to above-threshold regulated procurement.

3.10 The most significant change is the introduction of the new e-tender service 'Find a Tender'. This is the new UK e-notification service where notices for new high value procurements are required to be published in place of the Official Journal of the European Union's Tenders Electronic Daily (OJEU/TED).

3.11 This change basically just means that from 1 January 2021 the Council's above threshold tender opportunities will be published on a different web-portal. Any procurements on OJEU that were commenced prior to the end of the Transition Period must be concluded on OJEU.

3.12 There are no changes to the Public Procurement Thresholds for 2021 and all existing UK procurement portals, i.e. Contracts Finder, Public Contracts Scotland, Sell2Wales, eTenders NI, MOD Defence Contracts Online etc. remain in place without any changes. For information, the Public Procurement Thresholds that apply to the Council are set out below:

- Public works contracts - £4,733,252
- Public supply contracts and public services contracts - £189,330
- Public service contracts for social and other specific services - £663,540

3.13 The Council will continue to publish all of its tender opportunities on The Chest procurement portal. Functionality exists for above threshold opportunities to be posted automatically from The Chest to the Find a Tender service.

3.14 The Government has stated that there will be no immediate changes to procurement policies for 2021. The UK is now an independent signatory to the WTO Agreement on Government Procurement (the "GPA") and any new legislation will be based on GPA principles. However, the EU procurement laws, on which the UK rules are based, are already largely reflective of the GPA provisions and thresholds.

3.15 The Government has however published a green paper on Transforming Public procurement in December 2020, which sets out proposals for reform of the public procurement system in England. The proposals were subject to a 12 week consultation period ending on 10 March 2021. The Green Paper can be accessed via the following link:

https://www.gov.uk/government/consultations/green-paper-transforming-public-procurement.

3.16 The Green Paper is a lengthy and complex document and its proposals seek to introduce greater flexibility for contracting authorities. Key elements from the paper include:

- The new legislation will be underpinned by seven core principles relating to public procurement:
  - public good
  - value for money
  - transparency
  - integrity
  - efficiency
  - fair treatment of suppliers and
  - non-discrimination
- Proposals to streamline the existing recognised procurement procedures,
- An increased focus on transparent and open contracting,
- The creation of a new body to oversee public procurement, and
- Proposals to speed up the process relating to procurement challenges.

3.17 The Council has responded to the consultation and a copy of the Council's response is attached at Appendix A.

Procurement Strategy

3.18 The Council's current Procurement Strategy covers the period 2020-2023. The strategy contains objectives and local goals and builds upon the progress made with the delivery of the previous strategies. Delivery of the strategy supports the continuous improvement and development of the Council's procurement function and therefore assists the achievement of the Council's corporate goals and objectives.

3.19 The strategy was developed with reference to The National Procurement Strategy for Local Government in England 2018, and is focused around four key themes:

- Showing leadership
- Behaving commercially
- Achieving community benefits
- Governance

3.20 Appendix B provides an update on progress against planned actions in the strategy. As referred to earlier in the report, COVID-19 has had a significant impact on the work of the Procurement Team over the past year. However, progress has continued to be made across all four themes of the strategy.

3.21 It is important to note that many of the planned actions in the strategy are ongoing activities. As such they are part of the Procurement team's standard working practices and are employed on an everyday basis in terms of providing support to client departments.

3.22 Understandably, some of the development activities within the strategy have not progressed as much as planned due to the impact of COVID-19. For instance, whilst there have been notable successes in terms of Social Value outcomes over the past year, delivery of some Social Value commitments has not been possible. However, the anticipated easing of lockdown restrictions in the coming months should allow further progress in this area in 2021/22.

3.23 The immediate priority for the Procurement team however continues to be supporting the Council's response to the pandemic from a procurement perspective and ensuring continuity in terms of the delivery of key services.

4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

4.1 Effective procurement practice helps to reduce the costs associated with undertaking procurement. It can also help to realise financial savings from more robust procurement activity. As such, effective procurement forms a key element of the Council's Medium Term Financial Strategy.

4.2 There are no other financial or policy implications arising directly from this report.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 **Children and Young People in Halton**

Effective procurement practice helps to realise cashable savings from the Council's spending. This contributes to a better use of resources and thereby contributes to the delivery of all the Council's priorities.

5.2 **Employment, Learning and Skills in Halton**

See 5.1 above

5.3 **A Healthy Halton**

See 5.1 above

5.4 **A Safer Halton**

See 5.1 above

5.5 **Halton's Urban Renewal**

See 5.1 above

6.0 RISK ANALYSIS

6.1 There are no risks resulting directly from this report. However, the adoption of robust procurement practice protects the Council from challenges to its procurement activities and helps to secure value for money.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 None

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

There are no background papers under the meaning of the Act.

Appendix A

Transforming Public Procurement

Green Paper Consultation Questions and HBC Responses

Q1. Do you agree with the proposed legal principles of public procurement?

Yes

Q2. Do you agree there should be a new unit to oversee public procurement with new powers to review and, if necessary, intervene to improve the commercial capability of contracting authorities?

Further detail is required to better understand the remit of the unit, what powers it will have and how it will operate. Insufficient information is provided to explain why a new regulatory body is required.

Q3. Where should the members of the proposed panel be drawn from and what sanctions do you think they should have access to in order to ensure the panel is effective?

This would depend on the remit of the unit. It may however be possible to expand the role of an existing body, such as the National Audit Office, to undertake this role rather than the creation of a new body.

Q4. Do you agree with consolidating the current regulations into a single, uniform framework?

Yes, if the consolidation simplifies the regulations and makes them easier to understand for public bodies and suppliers alike. A simpler legal framework may encourage increased supplier participation.

Q5. Are there any sector-specific features of the UCR, CCR or DSPCR that you believe should be retained?

N/A

Q6. Do you agree with the proposed changes to the procurement procedures?

Yes

Q7. Do you agree with the proposal to include crisis as a new ground on which limited tendering can be used?

Yes

Q8. Are there areas where our proposed reforms could go further to foster more effective innovation in procurement?

Increasing the value thresholds for supplies and services would reduce the cost and resource of undertaking a formal process for both procurement and SME's/VCSE's.

Aligning the value thresholds for the Transparency Code and Contract Finder would improve consistency and visibility of data to be published.

Direct Awards – include flexibility for the use of direct award as an option within the award criteria for the new procedures and frameworks, particularly if the cost of change due to legacy systems would have a detrimental financial impact on the authority and public purse.

Q9. Are there specific issues you have faced when interacting with contracting authorities that have not been raised here and which inhibit the potential for innovative solutions or ideas?

N/A

Q10. How can government more effectively utilise and share data (where appropriate) to foster more effective innovation in procurement?

It would be beneficial to consider the reintroduction of trailblazing authorities to share knowledge and lessons learnt. A central repository for authorities to access or the creation of a central library on contract finder for authorities to upload information on common categories of spend and/or contracts.

A price benchmarking tool on common commodities would also be commercially beneficial and assist authorities to identify price variations and support improved commercial decisions.

Q11. What further measures relating to pre-procurement processes should the Government consider to enable public procurement to be used as a tool to drive innovation in the UK?

See response to Q10

Q12. In light of the new competitive flexible procedure, do you agree that the Light Touch Regime for social, health, education and other services should be removed?

Yes

Q13. Do you agree that the award of a contract should be based on the "most advantageous tender" rather than "most economically advantageous tender"?

It is unclear what difference this would actually make to the evaluation / award process. The Council has not encountered any difficulties or confusion with the application and interpretation of 'most economically advantageous tender'.

It is important that authorities are still allowed to select what is relevant and proportionate for inclusion within the evaluation; the Council would not support social value and environmental criteria becoming mandatory requirements for evaluation.

Q14. Do you agree with retaining the basic requirement that award criteria must be linked to the subject matter of the contract but amending it to allow specific exceptions set by the Government?

No - It is highly important to retain the basic requirement that award criteria must be linked to the subject matter of the contract. The Council does not agree to the Government amending the criteria to allow specific exceptions. Consideration of other criteria may distort the award outcome and result in tax payers failing to obtain value for money, which is one of the proposed legal principles of public procurement.

Q15. Do you agree with the proposal for removing the requirement for evaluation to be made solely from the point of view of the contracting authority, but only within a clear framework?

No - this proposal will complicate rather than simplify public procurement and potentially lead to an increase in challenges. It may also impact on the outcome of procurements resulting in contracting authorities failing to obtain best value.

Q16. Do you agree that, subject to self-cleaning, fraud against the UK's financial interests and non-disclosure of beneficial ownership should fall within the mandatory exclusion grounds?

Yes

Q17. Are there any other behaviours that should be added as exclusion grounds, for example tax evasion as a discretionary exclusion?

Tax evasion should also be a mandatory exclusion.

Q18. Do you agree that suppliers should be excluded where the person/entity convicted is a beneficial owner, by amending regulation 57(2)?

Yes

Q19. Do you agree that non-payment of taxes in regulation 57(3) should be combined into the mandatory exclusions at regulation 57(1) and the discretionary exclusions at regulation 57(8)?

Yes

Q20. Do you agree that further consideration should be given to including DPAs as a ground for discretionary exclusion?

Yes

Q21. Do you agree with the proposal for a centrally managed debarment list?

Yes

Q22. Do you agree with the proposal to make past performance easier to consider?

Yes in principle – However, any system would need to be workable in practice and easily understood by both contracting bodies and suppliers. Guidance on what constitutes a significant breach or deficiency in performance would need to be provided by the Government.

It could also present an increased risk of challenge from suppliers that are excluded from an opportunity. The use of KPIs may be helpful if the information published is meaningful to other contracting authorities. It does however create additional work for contracting authorities, which may be difficult for smaller organisations that already have stretched resources.

It would be more likely to work if a centrally managed system could be implemented for all authorities to access and work consistently.

Q23. Do you agree with the proposal to carry out a simplified selection stage through the supplier registration system?

Yes in principle – improving the process for suppliers to register and be considered for public sector contracts would be a positive development.

The system should be a passport for suppliers; once registered they can be accessed by all public sector bodies. It is important to consider how these details will be validated and to apply relevant time periods for suppliers to verify and evidence their details and any changes. This validation process must be the responsibility of the suppliers to ensure their registration is still active and not an additional burden for authorities.

Q24. Do you agree that the limits on information that can be requested to verify supplier self-assessments in regulation 60, should be removed?

Yes

Q25. Do you agree with the proposed new DPS+?

Yes in principle - consideration must also be given to include the current flexibility available when using a DPS for Light Touch services. It is important that the new DPS+ replicates this.

Q26. Do you agree with the proposals for the Open and Closed Frameworks?

Yes

Q27. Do you agree that transparency should be embedded throughout the commercial lifecycle from planning through procurement, contract award, performance and completion?

Yes in principle – however any central system needs to be manageable at a practical level for contracting bodies. The proposals as they stand appear potentially onerous and would be an extra burden on procurement teams. Regulation 84 already provides transparency for the end to end process but it is disappointing that these reports are not already used to support transparency.

Q28. Do you agree that contracting authorities should be required to implement the Open Contracting Data Standard?

No - the addition of 15+ notices would be onerous and an extra burden on procurement teams and resource. Is there evidence that suppliers actually want information to this level? Also, see response to Q27 regarding Regulation 84.

Q29. Do you agree that a central digital platform should be established for commercial data, including supplier registration information?

Yes in principle, particularly if it makes it less onerous for suppliers to do business with the public sector. Implementation of such a solution may however present many challenges given the number of contracting authorities. Training for procurement teams and suppliers would be required. Maintaining and updating the system could be onerous for smaller procurement teams.

Most of the Council's procurement is below threshold. The consultation does not address below threshold procurement. From a practical perspective procurement teams would want to operate the same procurement system / portal regardless of contract value.

Q30. Do you believe that the proposed Court reforms will deliver the required objective of a faster, cheaper and therefore more accessible review system? If you can identify any further changes to Court rules/processes which you believe would have a positive impact in this area, please set them out here.

No - Whilst there are benefits to a faster, cheaper and more accessible review system, there is a potential risk that the number of procurement challenges will increase significantly as a result of the proposed changes. This would be an extremely unwelcome development for procurement teams.

Q31. Do you believe that a process of independent contracting authority review would be a useful addition to the review system?

Yes in principle – however, consideration must also be given to the potential delays this may create in regard to the pending award decision. Clarity about what constitutes a breach is extremely important and needs to be communicated clearly to the supply market. This may help the understanding of aggrieved bidders and may prevent delays in making an award due to disappointment at the outcome of the award decision.

Q32. Do you believe that we should investigate the possibility of using an existing tribunal to deal with low value claims and issues relating to ongoing competitions?

No - this will potentially open up the opportunity for aggrieved suppliers to issue claims that will impact on delivery of services and put further strain on resources. It will also increase the cost of procurement for both bidders and authorities.

Q33. Do you agree with the proposal that pre-contractual remedies should have stated primacy over post-contractual damages?

Yes in principle - introducing primacy measures which allow for elements of a procurement process to be re-run from a suitable step in the process, wider clarification from bidders to be sought, decisions to be set aside or documents to be amended may be a better option to discuss with bidders rather than the award of damages served upon an authority.

The additional responsibility and burden put upon procurement teams and other internal resource must however be considered.

Q34. Do you agree that the test to lift automatic suspensions should be reviewed? Please provide further views on how this could be amended to achieve the desired objectives.

Yes

Q35. Do you agree with the proposal to cap the level of damages available to aggrieved bidders?

Yes

Q36. How should bid costs be fairly assessed for the purposes of calculating damages?

Damages should be based on the time taken to prepare the bid calculated using an hourly/day rate of the relevant persons who have prepared and submitted the bid. This needs to be evidenced.

The Council has concerns that there is a risk that an incumbent supplier may put in a speculative bid to trigger an extension of an existing contract whilst the case is heard.

Q37. Do you agree that removal of automatic suspension is appropriate in crisis and extremely urgent circumstances to encourage the use of informal competition?

Yes

Q38. Do you agree that debrief letters need no longer be mandated in the context of the proposed transparency requirements in the new regime?

Yes - if the proposed transparency requirements are implemented contracting authorities should no longer be required to issue debrief letters.

Q39. Do you agree that:

- **businesses in public sector supply chains should have direct access to contracting authorities to escalate payment delays?**

  No - The Council fully supports prompt payment of its suppliers and their supply chains. However, more detail is however needed on how contracting authorities could enforce prompter payments in supply chains. This additional responsibility would also increase the workload for contracting authorities at a time when resources are already stretched.

- **there should be a specific right for public bodies to look at the payment performance of any supplier in a public sector contract supply chain?**

  No – to date the Council has never had any need to examine the payment performance of a supplier in the supply chain.

- **private and public sector payment reporting requirements should be aligned and published in one place?**

  Yes

Q40. Do you agree with the proposed changes to amending contracts?

In principle, if it is made clearer for authorities as to what constitutes a substantive change and what is an acceptable amendment without the need to publish a contract amendment notice.

Greater clarity is needed on what is in scope and what is not.

Q41. Do you agree that contract amendment notices (other than certain exemptions) must be published?

No - this will put further burden and uncertainty on to authorities when trying to make improvements and amendments to a contract, due to the increased risk of challenge from suppliers and will potentially delay in progress.

Q42. Do you agree that contract extensions which are entered into because an incumbent supplier has challenged a new contract award, should be subject to a cap on profits?

Yes but a simple system would be required to achieve this. Payments during the suspension period could be capped at the rate of the existing contract.

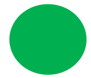
PROCUREMENT STRATEGY UPDATE

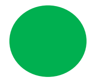
Theme 1: Showing Leadership

Objectives:

- Engaging Councillors and Senior Managers
- Working with Partners
- Engaging Strategic Suppliers

Area of Focus	Planned Actions	Position statement – February 2021:	RAG Rating
Using the skills and expertise of the Procurement team in contributing to reports to be presented to the Executive Board on procurement related decisions	• Continuing to engage with elected members and senior managers, championing the impact of good procurement practice	The Procurement Team is routinely consulted regarding reports to Executive Board that have procurement implications. Regular engagement takes place with senior officers, and elected members as appropriate, in regard to procurement activity and practice.	

Area of Focus	Planned Actions	Position statement – February 2021:	RAG Rating
Procurement planning and provision of support to client departments through early engagement	• Aligning procurement work plans with the business needs of client departments • Maintaining and improving engagement between the Procurement team and client departments	The Procurement team have provided support and guidance to client departments to ensure continuation of key services that may otherwise have been affected due to Covid-19 Lockdown. Examples of services / tenders supported during the pandemic: • Domestic Abuse - New Joint Commissioned Service between Adults and Children's services • Single Homelessness Service - Adult Commissioned Service • Property Term Contracts - Mechanical, Electrical and Building Maintenance	

Area of Focus	Planned Actions	Position statement – February 2021:	RAG Rating
Working with procurement partners across the Liverpool City Region	• Continuing to develop and share knowledge to influence procurement activity across the Liverpool City Region • Continuing to support programme management of, and participate in, the Liverpool City Region Procurement Workstream	During the pandemic LCR Authorities communicated and worked together to ensure supplies of PPE were available across the region. A collaborative joint purchase for 11R masks was awarded, which allowed vital supplies to be obtained at a competitive price to meet demand. Halton is the lead for the LCR Agency Contract which will expire Feb 2023. The pre-procurement scoping and options appraisal stage has commenced with LCR colleagues to identify and agree the best route to market and service changes to optimise value for money and efficiency savings. The Chest procurement portal contract will expire in July 2023; the portal is accessed by 42 North West Regional Authorities. Halton is a member of the NW Regional Strategic Group for The Chest and will play a key part in the pre-procurement scoping and options appraisal stage for the future plans and route to market for this contract. Meetings of the LCR Procurement Workstream were suspended during 2020 following the pandemic outbreak. Meetings are due to re-start during 2021.	

Area of Focus	Planned Actions	Position statement – February 2021:	RAG Rating
Identifying and engaging the Council's strategic suppliers at local, regional and national level	• Engaging client departments and supporting supplier review meetings • Identifying and engaging with common strategic suppliers within the Liverpool City Region and wider partners	Ongoing activity - Recent examples include: • Procurement supported the Council's Children In Need (CIN) with a bespoke requirement for agency workers as a result of an Ofsted recommendation. This resulted in successful appointments being made through Procurement liaison with Matrix. This was achieved in an extremely tight timescale and provided a solution that delivered value for money. • Procurement also liaised with Wray Bros, the contracted supplier for the LCR authorities of PPE to agree priority availability and delivery to the Care Homes and Emergency Hub during the pandemic.	

Theme 2: Behaving Commercially

Objectives:

- Creating Commercial Opportunities
- Managing Contracts and Relationships
- Managing Strategic Risk

Area of Focus	Planned Actions	Position statement – February 2021:	RAG Rating
Collaborating with partner organisations to identify new commercial opportunities through market shaping and shared working	Further developing partner relationships with: • Liverpool City Region – Heads of Procurement • LCR Combined Authority (CA) • CA Commissioning Lead – Adults Services • Other wider partner organisations	The Council continues to work with partner organisations to shape markets and deliver better outcomes. A current ongoing example is the LCR Partner Provider Arrangement (PPA) for the provision of Children's Residential & Foster Care Placements 2020. Halton is the procurement lead for this tender. A new route to market has been developed with the LCR Commissioners using a Dynamic Purchasing System that will allow unsuccessful providers at round one to have the opportunity to resubmit a bid to gain access onto the PPA when future rounds re-open (Round 2 is planned for April 2021). The aim is to keep this arrangement small in terms of numbers, giving our Partner Providers a greater sense of exclusivity, commitment and access through the PPA than is normally possible on much larger national frameworks.	

Area of Focus	Planned Actions	Position statement – February 2021:	RAG Rating
Identifying and exploring revenue generating opportunities from procurement related activity	• Increasing spend via the Council’s card programme to generate rebate income • Exploring opportunities to increase participation in the Early Payment Scheme	The strategy to increase spend across the Council’s card programme has been successful with over £5m expenditure being channelled through it in 2019/20. This has resulted in the Council receiving rebate income in excess of £39k. Details of the Council’s Early Payment Scheme were embedded into the procurement tender documents in December 2019 and this has proved successful in helping increase the number of suppliers signing up to the voluntary scheme. The Council also generates an income from rebates obtained through contracts let through YPO Frameworks and from rebates negotiated on certain contracts that are determined by the level of spend.	
Identifying best route to market and most effective and efficient procurement procedure to optimise commercial opportunities	• Identifying compliant frameworks open to the Council • Identifying the most appropriate procurement route and procedure in line with legislation	Ongoing activity - A recent example is the support provided to the Children In Need (CIN) with a recent bespoke requirement for agency workers. Procurement liaised with the Matrix Business Manager and were able to successfully appoint all staff required within an extremely tight timescale. This avoided potentially expensive “off contract” spend.	

Area of Focus	Planned Actions	Position statement – February 2021:	RAG Rating
Visibility and forward planning of future pipeline opportunities	• Identifying and communicating pipeline opportunities to client departments • Supporting client departments with pre-procurement planning • Facilitating early market engagement with the supply market	The Procurement team has created and implemented a bespoke online work plan system that provides visibility of current and future sourcing and tendering opportunities, waivers and extensions. This intelligence and process allows the team to plan and prioritise projects in consultation with commissioners and client depts. to ensure the most suitable and compliant route to market is followed to optimise efficiency savings for the Council.	

Area of Focus	Planned Actions	Position statement – February 2021:	RAG Rating
Supporting client departments in developing the approach to contract management	• Including review meetings with suppliers within the terms and conditions of the contract • Analysing and identifying spend data to reduce 'off contract' spend • Utilising management information from suppliers to improve understanding of contract activity	The Procurement team supports client departments with contract management and attends review meetings with suppliers as required. Recent examples include: • Frozen Food Contract – Schools and Non-School locations including Care Homes • Grocery Food Contract – Schools and Non-School locations including Care Homes. The team also shares intelligence with client departments to help manage contracts, e.g. regular support is provided to HR to assist with monitoring the profile and spend of current active agency placements. Management information is also either created or obtained from suppliers to understand and improve contract activity; e.g. recent support was provided to rationalise the product baskets in the Frozen Food contract from 970 to 374, which will deliver an annual cost avoidance saving of £126,000.	

Area of Focus	Planned Actions	Position statement – February 2021:	RAG Rating
Managing risk effectively through robust procurement contract documentation and procedures when awarding a contract	• Reviewing contract documentation and procedures in line with changes to relevant legislation • Ensuring contract documentation includes robust clauses that include mobilisation and exit plans • Ensuring that all procurement documentation and guidelines are kept up to date • Applying risk-based sourcing to all opportunities published over £1,000	Contract documents regularly updated to reflect changes in legislation – current example is VAT domestic reverse charges Modern Slavery Act 2015 to be included within contract Terms and Conditions. In compliance with Cabinet Office guidance, terms and conditions specifically relating to COVID-19 has been inserted in contract documentation where appropriate. Procurement Standing Orders in the process of being reviewed to reflect changes from end of Brexit transition.	

Theme 3: Achieving Community Benefits

Objectives:

- Obtaining Social Value
- Engaging Local SME's, micro-businesses and VCSE's

Area of Focus	Planned Actions	Position statement – February 2021:	RAG Rating
Continuing to explore opportunities for additional social and community benefits that can be delivered through procurement without increasing costs	• Developing skills and knowledge within the Procurement team and client departments to improve and build Social Value outcomes into the procurement process • Strengthening relationships with suppliers to improve understanding of Social Value	The Procurement team has gained knowledge and a wider understanding of the service provided by the Community Shop in Runcorn. This relationship has led to the delivery of 1,536 of surplus tinned soup being donated by the Council's grocery food provider to the community shop and local foodbanks. Covid-19 has however impacted on the delivery of social and wider community benefits from procurement. This has been due to supplier priorities being focused on delivery of core service needs.	
Reviewing and developing the Council's existing Social Value Framework and monitoring system	• Further developing the Council's approach to Social Value in line with regional and national best practice • Monitoring delivery of both financial and non-financial outcomes offered by suppliers	Procurement have started to review existing contracts to identify any Social Value offers and opportunities that can then be linked up with relevant Council departments or community projects that may benefit from these offers.	
Adopting a robust approach to ethical and sustainability issues in the Council's supply chain	• Engaging locally, regionally and nationally to develop learning and awareness of emerging best practice • Ensuring contract documentation is updated appropriately to reflect the Council's requirements in terms of ethical and sustainability issues	The Procurement team maintains an awareness of best practice and any legislative requirements in respect of ethical and sustainability issues. Provisions incorporated into standard contract documentation where appropriate, i.e. modern slavery.	

Area of Focus	Planned Actions	Position statement – February 2021:	RAG Rating
Operating procurement processes that encourage local SMEs, micro-businesses and VCSE's to compete for work and to benefit from the Council's spending	• Including lots within contracts to make them more commercially attractive for local SME's, micro businesses and VCSE's • Publishing opportunities over £1,000 on The Chest and Contract Finder • Ensuring that the Council's procurement documentation and procedures are clear and simple making it easier for suppliers to bid for work • Updating the Council's webpages to assist businesses on registering on The Chest and to provide practical advice on bidding for work with the Council	• Contracts are routinely divided into separate lots where appropriate to do so. • Standard practice for opportunities over £1,000 to be published on The Chest. There have however been an increased number of direct awards in 2020/21 due to the impact of Covid. • Procurement documentation is subject to regular review and updating to ensure that is as clear and understandable as possible. • Council's webpages in relation to procurement to be reviewed and updated during 2021.	

Theme 4: Ensuring Governance

Objectives:

- Responding to changes in the external environment
- Being accountable
- Maintaining capacity

Area of Focus	Planned Actions	Position statement – February 2021:	RAG Rating
Keeping abreast of changes in the external environment and responding appropriately to changes in legislation and other external influences	• Updating procurement processes and documentation updated in line with relevant legislative changes • Ongoing review of the online procurement system to ensure that it reflects up to date procurement practice	Throughout the pandemic, the Procurement team has supported officers through emergency routes to market to ensure the continuation of key services by making use of Public Contract Regulations - Reg. 32 and ensured that the Council's procurement practice has been in accordance with the Public Procurement Notices issued by Government. Contract documents are routinely updated to reflect changes in legislation, e.g. recent inclusion of a provision relating to VAT domestic reverse charges for construction contracts. The Council has submitted feedback on the Government Green Paper relating to proposed changes to the public procurement regime. The Council's internal online procurement system has been developed further to strengthen procurement practice within the Council.	

Area of Focus	Planned Actions	Position statement – February 2021:	RAG Rating
Reviewing and maintaining Procurement Standing Orders, recommending updates to the Council's Constitution as required	• Reviewing and updating Procurement Standing Orders at least annually, including wider consideration of the Council's financial regulations and budgetary control mechanisms	Procurement Standing Orders reviewed and updated on an annual basis. The latest update to reflect any changes necessary as a result of the end of the Brexit transition period.	
Updating key stakeholders on developments and issues relating to procurement activity	• Sharing intelligence to demonstrate progress on procurement activity • Providing regular updates to the Business Efficiency Board to share regarding progress against the Procurement Strategy	Procurement share intelligence, such as spend data, with client departments on a regular basis. Regular communication with client departments regarding any changes to procurement policies and processes. Regular updates provided to the Business Efficiency Board regarding progress against the Procurement Strategy	
Ensuring that the Procurement team maintains the necessary skills, capacity and capability to provide robust advice on procurement and commercial decisions	• Providing opportunities to staff to maintain continuous professional development (CPD) • Developing commercial acumen for the team • Reviewing and maintaining the expertise and capacity required to deliver effective procurement activity	There is a continued commitment to CPD and all members of the team are provided with opportunities to maintain and develop their knowledge and awareness of developments relating to procurement. Over the past year this has mainly been through attendance on webinars. There has been a temporary reduction in the capacity of the team due to staff turnover and long term sickness absence. However, this has provided an opportunity to review the structure and roles within the team. Job descriptions are being updated and a mini-restructure of the team is planned.	

 Agenda Item 6

REPORT TO:	Business Efficiency Board
DATE:	24 March 2021
REPORTING OFFICER:	Divisional Manager – Audit, Procurement & Operational Finance
SUBJECT:	Internal Audit Plan – 2021/22
WARDS:	Borough-wide

1.0 PURPOSE OF THE REPORT

This report seeks the Board's approval for the planned programme of internal audit work for 2021/22.

2.0 RECOMMENDATION:

That the Board considers and approves the proposed programme of internal audit work for 2021/22.

3.0 SUPPORTING INFORMATION

3.1 A risk-based Audit Plan has been prepared in accordance with relevant professional guidance, i.e. the Public Sector Internal Audit Standards (PSIAS). The plan sets out the proposed internal audit activity for 2020/21.

3.2 The plan is designed to enable internal audit to deliver an overall opinion on the Council's risk management, control and governance arrangements.

3.3 The Annual Internal Audit Plan must ultimately be agreed with the Operational Director - Finance as the s151 Officer to the Council, who needs to be assured that the planned audit coverage is sufficient to discharge the s151 officer's statutory role. However, it is also important that the Business Efficiency Board, as the Council's Audit Committee, is consulted and provided with the opportunity to comment on the proposed coverage.

3.4 In developing the plan consultation has taken place with a wide range of stakeholders including:

- Operational Director – Finance
- Senior management
- Key managers from across the Council

3.5 Account has also been taken of the following:

- The Council's existing assurance framework
- Cumulative audit knowledge and experience
- The impact of COVID-19
- Known budgetary pressures
- New developments and projects

- Issues reported in key documents such as:
  - The Corporate Risk Register
  - The Annual Governance Statement
  - Medium Term Financial Strategy

3.6 The draft Audit Plan for 2021/22 is attached as an appendix to this report. It should be noted that the plan has incorporated a number of reviews originally included in the 2020/21 Audit Plan. These audits could not be completed during the year due to significant amounts of unplanned work being necessary to support the Council's response to the pandemic.

3.7 A total of 1,060 days of audit work is planned for 2020/21. This level of resource is based on a forecast staffing establishment of approximately 6.0 FTE staff. Overall capacity is unchanged from 2020/21 due to the team remaining fully staffed.

3.8 It should be recognised that the key risks facing the Council will continue to evolve over time. In this regard it is important that the Audit Plan remains flexible, so as to be responsive to the changing risk landscape, such as possible further spikes in the virus. It is therefore likely that the Plan presented in this report will need to evolve as the year progresses.

3.9 COVID-19 has had a significant impact on the work of Internal Audit and is likely to continue to do so, at least in the short term. As such, a general provision has been made in the Audit Plan for continuing work in relation to the pandemic.

3.10 Performance against the Audit Plan will be kept under review throughout the year and regular progress reports will be provided to the Business Efficiency Board.

3.11 Internal Audit will continue to work closely with the Council's external auditor, Grant Thornton, to minimise duplication and to ensure efficient and effective deployment of the overall audit resource.

4.0 POLICY IMPLICATIONS

Delivery of the Audit Plan will provide assurance that the policies and procedures established by the Council are implemented and remain appropriate.

5.0 OTHER IMPLICATIONS

5.1 The Council is required to comply with the requirements of the Accounts and Audit Regulations 2015, regarding its "arrangements to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control".

5.2 Internal audit work supports the Operational Director – Finance in discharging his statutory responsibilities as Section 151 Officer in terms of ensuring the proper administration of the Council's financial affairs.

5.3 Internal audit work provides one of the key sources of assurance to the Chief Executive and Leader of the Council who are jointly required to sign the Annual Governance Statement (AGS). The purpose of the AGS is to declare the extent to which the Council complies with the principles of good governance.

5.4 There are no additional resource implications arising from this report.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Internal audit work supports the delivery of all the Council's priorities by promoting probity, integrity, accountability, efficiency and effective management of public funds.

6.2 The Audit Plan has been designed to provide assurance over the adequacy of the arrangements established to mitigate risks that may threaten the delivery of the Council's priorities.

7.0 RISK ANALYSIS

7.1 The work of Internal Audit forms a key element of the Council's overall system of internal control. An effective internal audit service also helps to promote and implement best practice and process improvements in the management of risks.

7.2 The Public Sector Internal Audit Standards require the Head of Internal Audit to review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems and controls.

7.3 Changes to planned work may therefore become necessary during the year. Minor changes will be agreed with the Operational Director – Finance. Any significant matters that jeopardise completion of the plan or require substantial changes to it will be reported to the Board.

8.0 EQUALITY AND DIVERSITY ISSUES

None identified

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

Public Sector Internal Audit Standards

HALTON
BOROUGH COUNCIL

Internal Audit Plan

2021/22

Presented to the Business Efficiency Board – 24 March 2021

Section One
INTRODUCTION

1.1 This document summarises the results of Internal Audit's planning work. It sets out details of the:

- Responsibilities and scope of internal audit
- Resourcing and delivery of the Council's internal audit service
- Arrangements for reporting internal audit work
- Proposed programme of work for 2021/22 (the Audit Plan)

1.2 The Audit Plan for 2021/22 has been prepared in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS). The PSIAS represent mandatory best practice for all internal audit service providers in the public sector.

1.3 The Council has adopted the PSIAS definition of internal auditing:

'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

1.4 In accordance with PSIAS, the mission of internal audit is to 'enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'.

1.5 The work of internal audit is a key element in delivering the Council's strategic priority of corporate effectiveness and business efficiency, but also supports the Council in achieving all the aims and objectives set out in the Corporate Plan. The plan has therefore been designed to reflect the changing risk landscape of the Council, including those risks arising from the COVID-19 pandemic.

1.6 The PSIAS require that the internal audit service is delivered and developed in accordance with the internal audit charter. The Council has formally agreed that the provisions relating to internal audit set out in section 6.2 of Finance Standing Orders constitute the Council's internal audit charter.

INERNAL AUDIT – RESPONSIBILITIES AND SCOPE

2.1 Responsibilities of internal audit

The internal audit function is responsible for:

- Reviewing and developing the Council's governance processes. Specifically, this includes:
  - Promoting appropriate ethics and values within the Council
  - Supporting effective organisational performance management and accountability
  - Communicating risk and control information to appropriate areas of the organisation
  - Coordinating the activities of, and communicating information among, the Business Efficiency Board, external audit, internal audit and management
- Evaluating the effectiveness of the Council's risk management processes and contributing to their improvement
- Assisting in the maintenance and development of an effective control environment by providing robust independent assurance over its operation.

2.2 Responsibilities of management

The establishment and maintenance of adequate control systems is the responsibility of management. Recommendations made by internal audit can reduce risk and improve systems of control. However, the implementation of audit recommendations cannot eliminate risk entirely.

2.3 Responsibilities of the Business Efficiency Board

In regard to internal audit, the Business Efficiency Board is responsible for:

- Approving, but not directing, internal audit's strategy and plan
- Monitoring the performance of internal audit
- Reviewing summary internal audit reports and the main issues arising, and seeking assurance that action has been taken where necessary
- Receiving and considering the Head of Internal Audit's annual report.

2.4 Responsibilities for fraud prevention and detection

The primary responsibility for the prevention and detection of fraud rests with management. Management's responsibilities include creating an environment where fraud is not tolerated, identifying fraud risks, and taking appropriate actions to ensure that controls are in place to prevent and detect fraud.

It is not the role or responsibility of internal audit to detect fraud. However, internal audit will evaluate the potential for the occurrence of fraud in each assignment and review how the Council manages the risk of fraud.

The Council operates a dedicated Investigations Team that works alongside internal audit. The team is responsible for all fraud-related work and HR investigatory work. As such, this work does not form part of the Internal Audit Plan and the results of this work are reported separately to the Business Efficiency Board.

2.5 Scope of internal audit activities

The scope of internal audit work includes:

- The entire control environment of the Council, comprising financial and non-financial systems.
- Reviewing controls that protect the interests of the Council in its dealings with partnerships in which the Council has an involvement.

Internal audit may also provide assurance services to parties outside the Council with the prior agreement of the Business Efficiency Board.

INTERNAL AUDIT – RESOURCING

3.1 Resource requirements

The level of resource required to deliver an effective internal audit service to the Council has been assessed based on the need to provide adequate audit coverage of the Council's:

- Key financial systems
- Risk management and governance arrangements
- Front line services
- Support services
- Procurement and contract management activity
- Information management arrangements
- Schools

Account has also been taken of the need to be able to resource:

- Unplanned work which may arise during the year
- Follow up work to provide assurance that previously agreed recommendations are implemented
- Provision of advice and consultancy to internal customers

3.2 Delivery of the internal audit service

The 2021/22 Internal Audit Plan will be delivered predominantly by an experienced and suitably qualified in-house team of approximately 6.0 FTE auditors. It is based on the same level of available resource as the 2020/21 Audit Plan and is considered sufficient to deliver a robust annual internal audit opinion to the Board.

As in recent years, external support to assist the audit of information management systems will be provided by Salford City Council. Additional external support may also be sought to assist with the completion of planned audit work if required.

Where opportunity arises, the internal audit team will also collaborate with internal audit colleagues from other local authorities in regard to the approach and delivery of particular audit assignments.

3.3 Mitigation of any potential impairment to independence and objectivity

The internal audit team is managed by the Divisional Manager – Audit, Procurement & Operational Finance, who also has management responsibility for the following functions:

- Purchase to Pay
- Procurement
- Income control (collection and reconciliation of income)
- Insurance
- Corporate appointeeships and deputyships
- Direct Payments
- Income & Assessment
- Debtors

The arrangements to mitigate any potential impairment to independence and objectivity regarding the audit of these areas that were previously approved by the Business Efficiency Board remain in place.

3.4 Approach to placing reliance on other sources of assurance

When planning specific audit assignments, other sources of assurance may be taken into consideration in order to ensure the best use of the audit resource. Any work that is necessary in order to place reliance on other sources of assurance will be determined as required for each assignment and reference made to it in the resulting audit report.

3.5 Assurance services to other organisations

The only planned assurance service to be provided to an external party is an annual audit provided to Manchester Port Health Authority (MPHA), which is the governing body for the Manchester Ship Canal and River Weaver. Halton Borough Council is one of the funding authorities of MPHA. 2021/22 is the final year of the current three year SLA. This work has only a minimal impact on the audit work undertaken for the Council.

4.1 Distribution of internal audit reports

At the conclusion of each audit assignment, a draft report is issued to the manager responsible for the area which has been audited. A final report containing management responses to any issues identified is subsequently distributed to:

- The Chief Executive
- The Strategic Director – Enterprise, Community & Resources
- The Operational Director – Finance (s151 officer)
- The Strategic Director, Operational Director and Divisional Manager responsible for the area reviewed
- The Council's external auditor

4.2 Overall assurance opinion

In each audit report, an overall assurance level is provided on the area audited. This is based on the information obtained in the course of the audit and represents an assessment of the effectiveness of the risk management, control and governance processes in the area audited.

The range of assurance levels in internal audit reports is set out in the following table:

Assurance Level	Explanation
● Limited	Improvements in procedures and controls are required to strengthen the management of risk(s) fundamental or material to the activities reviewed.
● Adequate	In the main there are appropriate procedures and controls in place to mitigate the key risks to the activities reviewed. However, some opportunities were identified to improve the management of some risks.
● Substantial	Effective procedures and controls in place to mitigate the key risks to the activities reviewed.

4.3 Grading of Recommendations

Recommendations made in individual internal audit assignments are categorised according to the following priorities:

Priority	Definition
High	Deficiencies in control where the potential risk impact is fundamental or material to the activity audited
Medium	Deficiencies in control where the potential risk impact is of lesser significance and not material to the activity audited.
Low	Opportunities to improve practice, efficiency or further reduce exposure to risk.

4.4 Reporting to elected members

Throughout the year regular internal audit progress reports are presented to the Business Efficiency Board summarising the outcomes of internal audit work and any significant matters identified. Such matters may include risk exposures, governance weaknesses, performance improvement opportunities and value for money issues.

4.5 Annual Audit Opinion

An annual report is presented to the Business Efficiency Board which includes the Head of Internal Audit's overall opinion on the Council's risk management, control and governance processes. This opinion forms one of the sources of assurance in support of the Council's Annual Governance Statement. The opinion is based upon the collective findings from the internal audit work completed during the year.

INTERNAL AUDIT – PLANNING METHODOLOGY

5.1 Requirements of the Public Sector Internal Audit Standards

The PSIAS state that the 'chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals'.

5.2 Development of the Audit Plan

In developing the Audit Plan, account has been taken of:

- Planned work deferred from the 2020/21 Audit Plan due to the impact of COVID-19 and is still considered important
- Senior management's views on risk in their areas of responsibility
- The results of previous internal audit work
- The Council's assurance framework, including the work of external audit
- New or emerging risks affecting the Council or local government as a whole
- Known changes to the Council's business, operations, programs, systems, and controls
- Issues identified in the Corporate Risk Register, Annual Governance Statement and Medium Term Financial Strategy
- The requirement to ensure sufficient and wide ranging coverage in order to provide a robust annual audit opinion

5.3 Links to the Council's Corporate Priorities

The Internal Audit Plan supports the delivery of all the Council's priorities by promoting probity, integrity, accountability, efficiency and effective management of public funds. The achievement of corporate priorities is dependent on the Council making efficient and effective use of its resources and in operating robust and transparent governance arrangements.

The Audit Plan sets out a series of risk-based assignments that will provide assurance over the adequacy of the arrangements established to mitigate risks that may threaten the delivery of the Council's priorities.

5.4 Budgeted time allocations

A budgeted time allocation has been set for each assignment included in the Audit Plan. It is recognised that the exact resource requirement for each assignment cannot be forecast with certainty, as the time required will be influenced by the scope of the audit agreed with management.

The plan therefore represents the best estimate of the way in which the Council's internal audit resources will be deployed. It may therefore be necessary to adjust the budgeted allocations for specific assignments during the year.

5.5 Timing and prioritisation of audit work

The intention is to complete all planned work within the year. However, the timing and respective prioritisation of work will take account of:

- The need to finalise any work from 2020/21 that remains incomplete at year-end
- The need to prioritise the reviews deferred from the 2020/21 Audit Plan
- The views of management of the service areas in regard to the timing of work
- Any other factors that may be relevant to the timing of a particular piece of work
- Any urgent unplanned work arising
- Changes in the level of audit resources available

5.6 Significant interim changes to planned work

The Audit Plan will be kept under review during the year and it may be necessary to make revisions to planned work in order to respond to changes in priorities or changes in the level of internal audit resources. As in previous years, minor changes will be agreed with the Operational Director – Finance. Any significant interim changes will be reported to the Business Efficiency Board.

Section Six

SUMMARY INTERNAL AUDIT PLAN – 2021/22

Planned coverage	Days
Enterprise, Community & Resources Directorate	385
People Directorate	360
Corporate Support	35
Follow Up Audits	30
COVID-19 related work	150
General contingency	50
Provision for completion of work in progress forward from 2020/21	45
External work	5
Total Planned Days	**1,060**

Internal Audit Plan – Enterprise, Community & Resources Directorate

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Grant claims	50	A general provision is included for a range of grant claims for which the Head of Audit is required to sign a declaration confirming that the amounts claimed are eligible and in accordance with the conditions of grant.	Grant claims audits	Audit report for each claim
Housing Benefit and Council Tax Reduction	20	Housing Benefit and Council Tax Reduction are a material area of expenditure. Changes have been introduced to the system following the introduction of an online application process in 2019/20.	Full system review	Audit report
Reconciliation of bank accounts	20	Regular reconciliation of the Council's main banks accounts is a key control that helps in the identification of errors in the accounting records and assists cash flow forecasting.	The audit will review and test the procedures relating to the reconciliation of the Council's main bank accounts.	Audit report
Emergency payments to members of the public	25	The Council makes emergency payments to members of the public through the Discretionary Support Scheme. Emergency financial support is however also provided in other areas of the Council. The purpose of the audit would be to provide assurance that a consistent and effective approach is in operation.	The audit will involve reviewing all areas of the Council that provide emergency financial support to individuals and families and review the efficiency, effectiveness and consistency of the arrangements in place.	Audit report
Concessionary Travel	20	Concessionary travel costs the Council in excess of £2m a year and has not previously been audited.	The audit will examine the processes and financial management arrangements relating to concessionary travel.	Audit Report

Internal Audit Plan – Enterprise, Community & Resources Directorate

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Development Control	25	Development Control is responsible for the determination and monitoring of planning applications, and other associated applications submitted to the Council under the Planning Acts.	In 2020 Transparency International published a good practice guide for local authorities in regard to how risks in planning decision are managed. This will be used to inform the audit and to assess the Council's policies and procedures against the good practice standards.	Audit report
Agency workers	25	The employment of agency staff is a significant cost for the Council and there has been a recent increase in usage in some areas of the Council.	The audit will review usage of agency staff and seek to provide assurance that placements are made through the Council's approved arrangements and that effective procedures are in place in regard to control costs.	Audit report
Home working	20	As a result of the COVID-19 pandemic, the vast majority of the Council's workforce has worked from home since 23 March 2020. Home working on this scale is obviously new for the Council and presents various challenges from a technology perspective and also in terms of service delivery and employee wellbeing.	The audit will be wide ranging and will examine the various challenges presented by home working in terms of IT infrastructure, information governance, employee wellbeing, health and safety, performance management and communications.	Audit report
Solar Farm	20	The Council awarded a contract to build a 1.25 MW solar farm in 2019. The electricity from the farm will be used at Council facilities, including the proposed new Leisure Centre in Moor Lane.	The audit will review the procurement and subsequent management arrangements relating to the operations of the solar farm and examine its financial performance.	Audit report

Internal Audit Plan – Enterprise, Community & Resources Directorate

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Property Valuations	20	Keeping an accurate and up-to-date schedule of properties protects the Council from underinsurance in the event of a claim. Under-estimates of property reinstatement values could therefore potentially result in the Council having to self-fund some of the reinstatement costs in the event of a claim. CIPFA has also recently issued updated guidance around the requirements of International Financial Reporting Standard (IFRS) 13 for property asset valuations.	The audit will examine the adequacy of the Council's arrangements for revaluing its property portfolio by reference to the updated CIPFA guidance on property asset valuation.	Audit report
Borough of Culture	20	The LCR Borough of Culture is a celebration of arts and culture being hosted by Halton in 2021. It will involve a varied programme of events, exhibitions, festivals, concerts and activities throughout 2021.	The review will examine the funding, financial management, budgetary control and procurement arrangements relating to the Borough of Culture. It will also examine the planning, delivery and business continuity arrangements relating to the programme of events.	Audit report
Strategic Asset Management	25	Like many authorities, the Council owns a wide range of land and buildings. Some assets are used for operational purposes and other assets may be held for strategic purposes or to generate rental income. The value of the Council's assets is significant and it is therefore important that they are managed effectively, particularly following the pandemic which may have significant implications in terms of the Council's future property requirements.	The audit will review the strategic management of the Council's land and property portfolio and seek to provide assurance that it meets the organisational objectives of the Council.	Audit report

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
School Meals Service	30	The provision of the School Meals Service is a significant undertaking which involves material sums of income and expenditure.	The audit will cover the arrangements relating to procurement, staffing, school meal grants and recovery of income.	Audit report
Cemeteries & Crematoria	20	The provision of the Council's cemeteries and crematorium is an important public service and involves the management of a number of potential risks. Specifically there are risks relating to the maintenance and operation of equipment, maintenance of the grounds and management of potential risks from failed headstones and memorials.	The audit will focus on the financial management systems in place and the ways in which the service manages potential risks to employees and the public relating to the operation of equipment and management and maintenance of the grounds.	Audit report
ICT – Remote Access	10	The Council operates an agile working policy. This increasingly results in employees working from a range of locations using Virtual Desktop Infrastructure (VDI) technology. Key challenges presented by VDI include network capacity, server capacity and adequate storage.	Review of the arrangements in place to manage the risks presented by increased remote access and the increased use of VDI technology.	Audit report
ICT – Office 365: Move to Cloud	10	The Council is planning to transfer to Microsoft Office 365, which is a cloud based application. It is therefore necessary for the Council to plan the migration effectively to ensure the same level of security and performance provided with the current on-premises hosting of Office.	The audit will review the project implementation plans and the adequacy of the proposed arrangements to ensure effective security, performance and administration arrangements.	Audit report

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
BACS Processing	20	The Council uses BACS for creditor payments, housing benefit payments and payroll, in addition to providing a bureau processing service for external organisations. Processing involves significant sums of money.	The aim of the review is to provide assurance over security controls and risk management procedures that ensure the integrity and ongoing availability of the BACS service.	Audit report
Eclipse Project Board	5	A project board has been established to oversee the development and implementation of The Eclipse social care system. Internal Audit has permanent representation on the project board.	Contributing to the work of the Eclipse Project Board	Contributing to the ongoing development of the Eclipse social care system
Total	**385**			

Internal Audit Plan – People Directorate

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Education, Health and Care Plans	30	All Halton children and young people who have significant special educational needs and meet specific criteria may undergo an Education Health and Care (EHC) Assessment, which could lead to an EHC Plan and an offer of a personal budget. The Council must comply with statutory timescales for the completion of EHC assessments.	The audit will review the processes relating to the completion of EHC assessments and compliance with statutory timescales. It will also review processes and data quality within the Synergy management information system.	Audit report
Home to School transport	30	This is a significant area of spend with demand for the service increasing creating budgetary pressures.	The audit will examine eligibility, the commissioning and contract management arrangements.	Audit report
Payments to Early Years Providers	20	In Halton, all 3 and 4 year olds, and eligible 2 year olds, have access to 15 hours per week of Free Early Years Childcare Entitlement through a range of early years providers, which include pre-schools, SEN, nursery schools/classes, day nurseries and eligible childminders.	The audit will seek to provide assurance that payments made to early years providers are processed correctly and in accordance with eligibility conditions.	Audit report
Children in Care – External Placements	30	The Council continues to face significant budget pressures resulting from the number and cost of external placements relating to children in care.	The audit will examine the approval, commissioning, procurement and monitoring arrangements for children in residential placements in order to provide assurance that the arrangements balance suitable provision with cost.	Audit report
Children's Centres	25	The Council operates eight Children's Centres across the borough. It is important that provision is sustainable and meets the needs of the community served.	The audit will examine the operational efficiency, financial performance and utilisation rates across the various Centres.	Audit report

Internal Audit Plan – People Directorate

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
<u>School audits:</u> Hallwood Park Primary Westfield Community Primary Our Lady Mother of the Saviour Catholic Primary St. John Fisher RC Primary School Halebank CE Primary School Moorfield Primary School Gorsewood Primary School St. Berteline's CE Primary School Beechwood Primary School	90	The frequency of school audit visits is determined by the audit assurance rating from the previous audit: • Substantial – 4 year cycle • Adequate – 3 year cycle • Limited – Annual cycle	A standard audit programme has been developed for school audits, which is tailored to each school as required.	Audit report for each school
St Luke's and St Patrick's Care Homes	30	During 2019/20 the Council acquired two further care homes as a result of the previous operators facing financial difficulties. As the care homes are relatively new entities, the financial management and risk management arrangements in operation in these two homes have not previously been audited.	The audit will focus on the financial management, accounting, client billing, staffing and risk management arrangements established at the two homes.	Audit report

Internal Audit Plan – People Directorate

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Domiciliary Care	30	The domiciliary care contract was retendered in 2017 and runs to 2025. It was let to a single provider, which represented a significant change from the previous multi-provider model. This is a key service area that enables individuals to live independently in their own homes. However, delivery of the service is operationally complex given the large client base and regular changes in needs of service users. Nationally care providers are facing significant financial pressures.	The audit will focus on the contract management and financial management arrangements relating to the contract.	Audit report
Transport of service users	30	Transport costs have been increasing across both Adults and Childrens Services. The arrangements relating to the transport of Adult service users has not previously been audited.	The audit will examine eligibility, commissioning, financial management and charging arrangements.	Audit report
Direct Payments	25	There has been significant growth in the number of Direct Payments users in recent years which has led to a corresponding increase in expenditure in this area. Direct Payments are inherently high risk as they involve paying funds to individuals in order to address their own care and support needs.	The audit will review the overall management of the scheme and explore the reasons for the increase in uptake and examine costs compared to commissioned services.	Audit report

Internal Audit Plan – People Directorate

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Adult Safeguarding	20	The Council has statutory responsibilities to work with other parts of the health and care system to work together to protect adults at risk of abuse or neglect. This is obviously an important responsibility and is an area which has not previously been audited.	The audit will examine the arrangements established by the Council to fulfil its statutory responsibilities and provide an effective service in regard to adult safeguarding.	Audit report
Total	**360**			

Internal Audit Plan – Corporate Support

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Council Constitution	5	Need to ensure that the Council Constitution reflects changes in the legislation, policies and procedures.	Internal Audit contributes to a working party that meets each year to review and propose changes to the Council's Constitution.	Updated Council Constitution
Annual Governance Statement	5	Statutory requirement for the Council to produce an Annual Governance Statement.	Internal Audit input to the Corporate Governance Group which develops the Annual Governance Statement.	Publication of Annual Governance Statement
Reporting to the Business Efficiency Board	15	The Council Constitution requires Internal Audit to report to the Business Efficiency Board.	Attendance at, and preparation of reports for, the Business Efficiency Board on internal audit and governance related matters.	Audit Plan Regular progress reports Internal Audit Annual Report Annual Fraud & Corruption report
General advice	10	Throughout the year the Internal Audit function receives regular requests from client departments for advice and support	Reactive advisory and consultancy work	Maintenance and development of the Council's risk management, control and governance framework
Total	**35**			

Internal Audit Plan – Other work

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Follow up of internal audit recommendations	30	To provide assurance that agreed internal audit recommendations are implemented.	Follow up of agreed internal audit recommendations to determine whether or not they have been implemented.	Follow up audit reports
COVID-19 related work	150	A general provision has been included for ongoing assurance work in respect of the various support schemes established by Government in respect of COVID-19.	Assurance work relating to various grant and financial support schemes	Grant claim certifications /Audit reports
General contingency	50	A general contingency is provided to allow Internal Audit to respond to requests for audit work that arise during the year	Not known at this stage	Not known at this stage
Provision for completion of work carried forward from 2020/21	45	Inevitably some 2020/21 audits will still be in progress at year-end. This provision is made to allow completion of those audits in 2021/22.	Completion of work in progress.	Audit reports
External work	5	Fee earning assurance work undertaken as part of an SLA for Manchester Port Health Authority	To be agreed with MPHA	Audit report to MPHA
Total	**280**			

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