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HALTON BOROUGH COUNCIL

Audit and Governance Board

Wednesday, 23 March 2022 at 6.30 p.m.
Council Chamber - Town Hall, Runcorn

David W R

Chief Executive

BOARD MEMBERSHIP

Councillor Rob Polhill (Chair)	Labour
Councillor Alan Lowe (Vice-Chair)	Labour
Councillor John Bradshaw	Conservative
Councillor Ellen Cargill	Labour
Councillor Eddie Jones	Labour
Councillor Tony McDermott	Labour
Councillor Ged Philbin	Labour
Councillor John Stockton	Labour
Councillor Andrea Wall	Labour
Councillor Pamela Wallace	Labour
Councillor Louise Whitley	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, 6 July 2022

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

Part I

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

AUDIT AND GOVERNANCE BOARD

At a meeting of the Audit and Governance Board held on Wednesday, 24 November 2021 at the Council Chamber - Town Hall, Runcorn.

Present: Councillors Polhill (Chair), A. Lowe (Vice-Chair), E. Cargill, Jones, McDermott, Philbin, Wall and Wallace

Apologies for Absence: Councillors J. Bradshaw and Whitley

Absence declared on Council business: None

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

Also in attendance: S. Nixon – Grant Thornton

ITEMS DEALT WITH UNDER DUTIES EXERCISABLE BY THE BOARD

Action

BEB16 MINUTES

The Minutes of the meeting held on 20 September 2021 were taken as read and signed as a correct record.

BEB17 CORPORATE RISK REGISTER BIANNUAL UPDATE 2021/22

The Board considered a report of the Strategic Director, Enterprise, Community and Resources, on the bi-annual update of the Corporate Risk Register for 2021/22.

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 at 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.

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 PROCUREMENT OF EXTERNAL AUDIT SERVICES

The Board was advised that the contract for the provision of the Council's external audit services would expire on 31 March 2023. In 2016 the Council joined a sector-led procurement of external auditors to be undertaken by Public Sector Audit Appointments (PSAA). Over 98% of councils nationally joined the PSAA arrangement. Following the procurement exercise Grant Thornton UK LLP were appointed as the Council's external auditors for five years until 31 March 2023.

It was noted that the procurement of external audit services was a lengthy process and it was therefore necessary to begin the procurement process to secure these services from 1 April 2023 onwards.

The report outlined the following options which were available to the Council as follows:

i. To opt-in to the national procurement arrangements to be led by PSAA;
ii. To undertake the procurement of external audit services alone; and
iii. To undertake the procurement of external audit services with other councils on a regional or other basis.

The Board was advised that options (ii) and (iii) would require considerable resources on the part of the Council, to undertake the procurement process, evaluate the tender bids and subsequently manage and monitor the contract over the five year period. It would also be necessary to establish an Auditor Panel with an independent Chair, to oversee the procurement process. It was also considered unlikely that options (ii) and (iii) would deliver a more cost effective outcome for the Council, as providers would benefit from significant economies of scale under the national arrangement.

For these reasons it was proposed that the Council once again opt-in to the national procurement arrangements to be operated by PSAA. The decision to opt-in must be approved by Council with the final deadline for opting-in 11 March 2022.

RESOLVED: That Council be recommended to approve opting-in to the sector-led procurement by Public Sector Audit Appointments, for the provision of external audit services for the five years commencing 1 April 2023.

BEB19 EXTERNAL AUDIT UPDATE

The Board considered a report of the Strategic Director, Enterprise, Community and Resources, which provided an update from the external auditors regarding:

- Progress made in delivering their responsibilities as the Council's external auditors; and
- A summary of emerging national issues and developments that could be relevant to the Council and a number of challenge questions in respect of these emerging issues.

Steven Nixon, from external auditors Grant Thornton, attended the meeting to present the report and then dealt with Members' questions.

RESOLVED: That the report be noted.

BEB20 INFORMING THE EXTERNAL AUDIT RISK ASSESSMENT

The Board considered a report of the Strategic Director, Enterprise, Community and Resources, which presented the draft response to the annual letter from Grant Thornton, the Council's external auditors, regarding their year-end audit of accounts work. The appendix to the report presented draft responses to a number of questions from Grant Thornton, which would assist with the year-end audit of accounts.

RESOLVED: That the draft responses shown in the Appendix be provided to the Council's external auditors.

BEB21 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 items of business in accordance with Sub-Section 4 of Section 100A 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 the public interest 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 Sub-Section 4 of Section 100A 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.

N.B. Councillor A. Lowe declared a Disclosable Other Interest in the following item of business as he is a governor of Hallwood Park Primary School.

BEB22 INTERNAL AUDIT PROGRESS REPORT

The Board received a report from the Divisional Manager – Audit, Procurement and Operational Finance, updating them on the internal audit activity since the last progress report to the Board on 29 September 2021. It also highlighted any matters that were relevant to the Board's responsibilities as the Council's Audit Committee.

Members were referred to appendix one, which listed all the planned work for the year and the anticipated dates that each audit would be reported to the Board. It was noted that the planning and completion of work was subject to change, but this represented the best estimates at the current time.

Appended to the report were copies of the finalised 16 audit reports since the last progress report to the Board in September. The report summarised the opinions from the audits covered in this progress report.

In January 2022, work would start to develop the proposed Audit Plan for the 2022/23 financial year. The content would be informed by a review of emerging risk areas and through discussions with senior management. Any work deferred from 2021/22 that was still considered relevant would also be included in the Plan.

RESOLVED: That the Internal Audit Progress Report and comments made be noted.

Meeting ended at 7.25 p.m.

Agenda Item 3

REPORT TO:	Audit & Governance Board
DATE:	23 March 2022
REPORTING OFFICER:	Operational Director, Legal and Democratic Services/Monitoring Officer
PORTFOLIO:	Leader
SUBJECT:	Standards Update
WARDS:	Borough-Wide

1.0 PURPOSE OF THE REPORT

1.1 To inform Members of Standards issues which have arisen recently.

2.0 RECOMMENDATION: That the report be noted.

3.0 SUPPORTING INFORMATION

3.1 Members will recall that on 7 July 2021, this Board considered a report on revisions to committee structures and recommended to Council, among other things, that the work of the former Standards Committee be undertaken by this Board. Council subsequently approved that.

3.2 In discussions with the Chair, it was agreed that reports on Standards issues would be brought as & when necessary, but that it would be helpful to bring an update to the last meeting of each municipal year in any event, with the intention of giving Members information on any national & local developments of interest, and providing the Monitoring Officer with the opportunity of informing Members verbally of any complaints received in Halton.

3.3 It will be noted that a separate report proposing very minor amendments to the Code of Conduct appears elsewhere on this agenda.

3.4 At the Standards Committee each year, a report would be brought to draw to Members' attention a number of press articles concerning Standards issues in other parts of the UK.

3.5 The intention was to give Members a flavour of matters dealt with by other authorities, and how sanctions have been imposed. It was hoped that this would prompt discussion at the meeting. However, it has proven difficult to obtain articles this year, though efforts continue, and any which are found will be circulated to Members.

3.6 It is proposed that the Monitoring Officer will provide a verbal update on Halton cases in the usual way.

3.7 Should Members consider it helpful, they could resolve that this report be forwarded to Council for information along with the minutes in place of the previous Standards Committee annual report.

3.8 Standards Committee had a co-opted member, Mr. Tony Luxton, and the Chair has agreed that he be invited to this meeting along with the two Independent Persons appointed by the Council to assist with Code of Conduct complaints.

4.0 POLICY IMPLICATIONS

4.1 It is vital that the highest standards of conduct are maintained.

5.0 OTHER IMPLICATIONS

5.1 None.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children and Young People in Halton

None.

6.2 Employment Learning and Skills in Halton

None

6.3 A Healthy Halton

None.

6.4 A Safer Halton

None.

6.5 Halton's Urban Renewal

None.

7.0 RISK ANALYSIS

7.1 No risks have been identified which require control measures.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 The report itself does not contain any specific equality and diversity issues.

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

9.1 None under the meaning of the Act.

REPORT TO:	Audit & Governance Board
DATE:	23 March 2022
REPORTING OFFICER:	Monitoring Officer
PORTFOLIO:	Leader
SUBJECT:	Revised Code of Conduct For Members
WARDS:	Borough Wide

1.0 PURPOSE OF THE REPORT

1.1 The Local Government Association (LGA) published a model Code of Conduct for Members (Model Code), with corrections on 19th January 2021. The nine authorities across the City Region had previously had different codes of conduct, creating the potential for confusion and differing interpretation when acting in a shared capacity. The Model Code, adapted to suit local needs, was adopted by Council in July 2021.
The LGA have made some minor changes to their model and therefore a revised version of the Code to take account of them is presented for consideration and adoption.

2.0 RECOMMENDATION: That the Board recommends Council to adopt the revised Code of Conduct for Members attached to this report as Appendix 1.

3.0 SUPPORTING INFORMATION

3.1 Members will recall that this Board considered the Model Code at its meeting in July 2021 and recommended its adoption to Council, which was done later that month.

3.2 The LGA has since published a revised version of the code to correct typographical errors. However, a significant change has been made to the prejudicial interest test, which in the Merseyside Model Code and original LGA Model Code is applied to “your interests". The revised drafting properly expands the scope of the test to include other interests and those of family and associates in accordance with the Principles of Public Life.

3.3 The Merseyside Model Code was based on the December 2020 version of the LGA Model Code. The 17 May 2021 version has only recently been made available to Liverpool City Region Monitoring Officers and the 19 January 2021 version was not provided. As such, additional amendments may subsequently be required to incorporate into the Merseyside Code of Conduct any further relevant changes and/or to provide for other local arrangements.

3.4 Monitoring Officers across the Liverpool City Region will continue to work together in an attempt to align amendments to the Merseyside Model Code across their respective authorities.

3.5 The revised version of the Code attached as Appendix 1 to this report is presently considered to represent best practice and the Board is asked to recommend it to Council for approval. It has already been approved in this form by the Liverpool City Region Combined Authority.

4.0 POLICY IMPLICATIONS

4.1 It is extremely important that the Council has a Code of Conduct for Members which is up to date and fit for purpose.

5.0 OTHER IMPLICATIONS

None

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 **Children and Young People in Halton**

None

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

None

6.3 **A Healthy Halton**

None

6.4 **A Safer Halton**

None

6.5 **Halton's Urban Renewal**

None

7.0 RISK ANALYSIS

7.1 There are no risks requiring control measures. For the protection of Members, public and stakeholders alike, it is important that the Code of Conduct is fit for purpose.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 Extensive consultation was carried out by the LGA in developing the Model Code

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

9.1 The LGA Model Code

APPENDIX 1

Introduction

This Authority and others across the Liverpool City Region have adopted this Code of Conduct to promote and maintain high standards of conduct and underpin public confidence in the authority and its members and co-opted members. It is adapted from the Local Government Association (LGA) Model Councillor Code of Conduct 2020 published 19th January 2021.

The LGA Model Code was introduced by a Joint Statement from the political groups that:

> *"The role of councillor across all tiers of local government is a vital part of our country's system of democracy. It is important that as councillors we can be held accountable and all adopt the behaviours and responsibilities associated with the role. Our conduct as an individual councillor affects the reputation of all councillors. We want the role of councillor to be one that people aspire to. We also want individuals from a range of backgrounds and circumstances to be putting themselves forward to become councillors.*
>
> *As councillors, we represent local residents, work to develop better services and deliver local change. The public have high expectations of us and entrust us to represent our local area; taking decisions fairly, openly, and transparently. We have both an individual and collective responsibility to meet these expectations by maintaining high standards and demonstrating good conduct, and by challenging behaviour which falls below expectations.*
>
> *Importantly, we should be able to undertake our role as a councillor without being intimidated, abused, bullied or threatened by anyone, including the general public.*
>
> *This Code has been designed to protect our democratic role, encourage good conduct and safeguard the public's trust in local government."*

The Code sets out general obligations about the standards of conduct expected of Members and co-opted members of the authority, together with provisions about registering and declaring interests. It has been adopted under section 27 of the Localism Act 2011 by the Authority on [ ].

The LGA Model Code is to be reviewed annually and is supported by Guidance [to be] issued April 2021.

Definitions

For the purposes of this Code of Conduct, a "Member" means a member or co-opted member of a local authority [or a directly elected mayor]. A "co-opted member" is defined in the Localism Act 2011 Section 27(4) as "a person who is not a member of the authority but who:

a) is a member of any committee or sub-committee of the authority, or;
b) is a member of, and represents the authority on, any joint committee or joint sub- committee of the authority;

For the purposes of this Code of Conduct, "local authority" includes the upper tier councils, town or parish councils and the combined authorities across the Liverpool City Region.

Purpose of the Code of Conduct

The purpose of this Code of Conduct is to assist you, as a Member, in modelling the behaviour that is expected of you, to provide a personal check and balance, and to set out the type of conduct that could lead to action being taken against you. It is also to protect you, the public, fellow Members, local authority officers and the reputation of local government. It sets out general principles of conduct expected of all Members and your specific obligations in relation to standards of conduct. The LGA encourages the use of support, training and mediation prior to action being taken using the Code. The fundamental aim of the Code is to create and maintain public confidence in the role of Member and local government.

General principles of Member Conduct

Everyone in public office at all levels; all who serve the public or deliver public services, including ministers, civil servants, Members and local authority officers; should uphold the Seven Principles of Public Life, also known as the Nolan Principles.

Building on these principles, the following general principles have been developed specifically for the role of Member.

In accordance with the public trust placed in me, on all occasions:

- I act with integrity and honesty
- I act lawfully
- I treat all persons fairly and with respect; and
- I lead by example and act in a way that secures public confidence in the role of Member.

In undertaking my role:

- I impartially exercise my responsibilities in the interests of the local community
- I do not improperly seek to confer an advantage, or disadvantage, on any person
- I avoid conflicts of interest
- I exercise reasonable care and diligence; and
- I ensure that public resources are used prudently in accordance with my local authority's requirements and in the public interest.

Application of the Code of Conduct

This Code of Conduct applies to you as soon as you sign your declaration of acceptance of the office of Member or attend your first meeting as a co-opted member and continues to apply to you until you cease to be a Member.

This Code of Conduct applies to you when you are acting in your capacity as a Member which may include when:

- you misuse your position as a Member; or
- your actions would give the impression to a reasonable member of the public with knowledge of all the facts that you are acting as a Member.

The Code applies to all forms of communication and interaction, including:

- at face-to-face meetings
- at online or telephone meetings
- in written communication
- in verbal communication
- in non-verbal communication
- in electronic and social media communication, posts, statements and comments.

You are also expected to uphold high standards of conduct and show leadership at all times when acting as a Member.

Your Monitoring Officer has statutory responsibility for the implementation of the Code of Conduct, and you are encouraged to seek advice from your Monitoring Officer on any matters that may relate to the Code of Conduct. Town and parish Members are encouraged to seek advice from their Clerk, who may refer matters to the Monitoring Officer.

Standards of Member conduct

This section sets out your obligations, which are the minimum standards of conduct required of you as a Member. Should your conduct fall short of these standards, a complaint may be made against you, which may result in action being taken.

Guidance is included to help explain the reasons for the obligations and how they should be followed.

General Conduct

1. Respect

As a Member:

1.1 **I treat other Members and members of the public with respect.**

1.2 **I treat local authority employees, employees and representatives of partner organisations and those volunteering for the local authority with respect and respect the role they play.**

Respect means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a Member, you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a robust but civil manner. You should not, however, subject individuals, groups of people or organisations to personal attack.

In your contact with the public, you should treat them politely and courteously. Rude and offensive behaviour lowers the public's expectations and confidence in Members.

In return, you have a right to expect respectful behaviour from the public. If members of the public are being abusive, intimidatory or threatening you are entitled to stop any conversation or interaction in person or online and report them to the local authority, the relevant social media provider or the police. This also applies to fellow Members, where action could then be taken under the Member Code of Conduct, and local authority employees, where concerns should be raised in line with the local authority's Member- officer protocol.

2. Bullying, harassment and discrimination

As a Member:

2.1 **I do not bully any person.**

2.2 **I do not harass any person.**

2.3 **I promote equalities and do not discriminate unlawfully against any person.**

The Advisory, Conciliation and Arbitration Service (ACAS) characterises bullying as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and may not always be obvious or noticed by others.

The Protection from Harassment Act 1997 defines harassment as conduct that causes alarm or distress or puts people in fear of violence and must involve such conduct on at least two occasions. It can include repeated attempts to impose unwanted communications and contact upon a person in a manner that could be expected to cause distress or fear in any reasonable person.

Unlawful discrimination is where someone is treated unfairly because of a protected characteristic. Protected characteristics are specific aspects of a person's identity defined by the Equality Act 2010. They are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The Equality Act 2010 places specific duties on local authorities. Members have a central role to play in ensuring that equality issues are integral to the local authority's performance and strategic aims, and that there is a strong vision and public commitment to equality across public services.

3. Impartiality of officers of the local authority

As a Member:

3.1 **I do not compromise, or attempt to compromise, the impartiality of anyone who works for, or on behalf of, the local authority.**

Officers work for the local authority as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. You can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written. However, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

4. Confidentiality and access to information

As a Member:

4.1 **I do not disclose information:**

- a. **given to me in confidence by anyone**
- b. **acquired by me which I believe, or ought reasonably to be aware, is of a confidential nature, unless**
  - i. **I have received the consent of a person authorised to give it;**
  - ii. **I am required by law to do so;**
  - iii. **the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or**
  - iv. **the disclosure is:**
    1. **reasonable and in the public interest; and**
    2. **made in good faith and in compliance with the reasonable requirements of the local authority; and**
    3. **I have consulted the Monitoring Officer prior to its release.**

4.2 **I do not improperly use knowledge gained solely as a result of my role as a Member for the advancement of myself, my friends, my family members, my employer or my business interests.**

4.3 **I do not prevent anyone from getting information that they are entitled to by law.**

Local authorities must work openly and transparently, and their proceedings and printed materials are open to the public, except in certain legally defined circumstances. You should work on this basis, but there will be times when it is required by law that discussions, documents and other information relating to or held by the local authority must be treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

5. Disrepute

As a Member:

5.1 **I do not bring my role or local authority into disrepute.**

As a Member, you are trusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on you, other Members and/or your local authority and may lower the public’s confidence in your or your local authority’s ability to discharge your/it’s functions. For example, behaviour that is considered dishonest and/or deceitful can bring your local authority into disrepute.

You are able to hold the local authority and fellow Members to account and are able to constructively challenge and express concern about decisions and processes undertaken by the local authority whilst continuing to adhere to other aspects of this Code of Conduct.

6. Use of position

As a Member:

6.1 **I do not use, or attempt to use, my position improperly to the advantage or disadvantage of myself or anyone else.**

Your position as a member of the local authority provides you with certain opportunities, responsibilities, and privileges, and you make choices all the time that will impact others. However, you should not take advantage of these opportunities to further your own or others' private interests or to disadvantage anyone unfairly.

7. Use of local authority resources and facilities

As a Member:

7.1 **I do not misuse local authority resources.**

7.2 **I will, when using the resources of the local or authorising their use by others:**

a. act in accordance with the local authority's requirements; and

b. ensure that such resources are not used for political purposes unless that use could reasonably be regarded as likely to facilitate, or be conducive to, the discharge of the functions of the local authority or of the office to which I have been elected or appointed.

You may be provided with resources and facilities by the local authority to assist you in carrying out your duties as a Member.

Examples include:

- office support
- stationery
- equipment such as phones, and computers
- transport
- access and use of local authority buildings and rooms.

These are given to you to help you carry out your role as a Member more effectively and are not to be used for business or personal gain. They should be used in accordance with the purpose for which they have been provided and the local authority's own policies regarding their use.

8. Complying with the Code of Conduct

As a Member:

8.1 **I undertake Code of Conduct training provided by my local authority.**

8.2 **I cooperate with any Code of Conduct investigation and/or determination.**

8.3 **I do not intimidate or attempt to intimidate any person who is likely to be involved with the administration of any investigation or proceedings.**

8.4 **I comply with any sanction imposed on me following a finding that I have breached the Code of Conduct.**

It is extremely important for you as a Member to demonstrate high standards, for you to have your actions open to scrutiny and for you not to undermine public trust in the local authority or its governance. If you do not understand or are concerned about the local authority's processes in handling a complaint you should raise this with your Monitoring Officer.

Protecting your reputation and the reputation of the local authority

9. Interests

As a Member:

9.1 **I register and disclose my interests.**

Section 29 of the Localism Act 2011 requires the Monitoring Officer to establish and maintain a register of interests of Members of the local authority.

You need to register your interests so that the public, local authority employees and fellow Members know which of your interests might give rise to a conflict of interest. The register is a public document that can be consulted when (or before) an issue arises. The register also protects you by allowing you to demonstrate openness and a willingness to be held accountable. You are personally responsible for deciding whether or not you should disclose an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise. It is also important that the public know about any interest that might have to be disclosed by you or other Members when making or taking part in decisions, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained.

You should note that failure to register or disclose a disclosable pecuniary interest as set out in **Table 1**, is a criminal offence under the Localism Act 2011.

Appendix B sets out the detailed provisions on registering and disclosing interests. If in doubt, you should always seek advice from your Monitoring Officer.

10. Pre-Determination or Bias

As a Member I:

10.1 **Never place myself under any financial or other obligation to outside individuals or organisations who might seek to influence me in the performance of my official duties.**

10.2 **Consider all matters with an open mind and make decisions based upon weighing the best evidence before me, fairly and on merit.**

Where you have been involved in campaigning in your political role on an issue which does not impact on your personal and/or professional life, you should not be prohibited from participating in a decision in your role as Member. However, you must ensure that your integrity is no compromised.

You may be pre-disposed to a number of outcomes to a decision, based upon your, philosophy, beliefs or political allegiance (including any application of a Group whip), but this must not predetermine your actions or the outcome of a decision you are to make. You must always remain open to the potential for further evidence or argument to alter any previously expressed or held viewpoint at the time of making your decision. For this reason, particularly in relation to contractual matters or those affecting individuals' civil rights, it is often best to be cautious about how or if your views are expressed before coming to make a decision.

11. Gifts and hospitality

As a Member:

11.1 **I do not accept gifts or hospitality, irrespective of estimated value, which could give rise to real or**

substantive personal gain or a reasonable suspicion of influence on my part to show favour from persons seeking to acquire, develop or do business with the local authority or from persons who may apply to the local authority for any permission, licence or other significant advantage.

11.2 **I register with the Monitoring Officer any gift or hospitality with an estimated value of at least £50 within 28 days of its receipt.**

11.3 **I register with the Monitoring Officer any significant gift or hospitality that I have been offered but have refused to accept.**

In order to protect your position and the reputation of the local authority, you should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you because you are a Member. The presumption should always be not to accept significant gifts or hospitality. However, there may be times when such a refusal may be difficult if it is seen as rudeness in which case you could accept it but must ensure it is publicly registered. However, you do not need to register gifts and hospitality which are not related to your role as a Member, such as Christmas gifts from your friends and family. It is also important to note that it is appropriate to accept normal expenses and hospitality associated with your duties as a Member. If you are unsure, do contact your Monitoring Officer for guidance.

Appendices

Appendix A – The Seven Principles of Public Life

The principles are:

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must disclose and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Annex B Registering interests

Within 28 days of becoming a member or your re-election or re-appointment to office you must register with the Monitoring Officer the interests which fall within the categories set out in **Table 1** (**Disclosable Pecuniary Interests**) which are as described in “The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012”. You should also register details of your other personal interests which fall within the categories set out in **Table 2** (**Other Registerable Interests**).

“**Disclosable Pecuniary Interest”** means an interest of yourself, or of your partner if you are aware of your partner's interest, within the descriptions set out in Table 1 below.

"Partner" means a spouse or civil partner, or a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners.

“Standard Dispensation” means a dispensation that has been granted by the Authority relieving the member or co-opted member from the restrictions or obligations under this Code as detailed in **Table 3** below.

1. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest, or of any change to a registered interest, notify the Monitoring Officer.

2. A ‘sensitive interest’ is as an interest which, if disclosed, could lead to the Member, or a person connected with the Member, being subject to violence or intimidation.

3. Where you have a ‘sensitive interest’ you must notify the Monitoring Officer with the reasons why you believe it is a sensitive interest. If the Monitoring Officer agrees they will withhold the interest from the public register.

Disclosure and Non-participation in case of disclosable pecuniary interest

4. Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in **Table 1**, you must disclose the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation or a Standard Dispensation applies. If it is a ‘sensitive interest’, you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.

5. Where you have a disclosable pecuniary interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it.

Disclosure of Other Registerable Interests and Non-Registerable Interests (Personal and Prejudicial Interests)

Personal Interests

6. Where a matter arises at a meeting which **affects**:
   a. your own financial interest or well being;
   b. a financial interest or well-being of a relative, close associate; or
   c. a body included in those you need to disclose under Other Registrable Interests as set out in **Table 2**

   you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing the interest the following test should be applied

Prejudicial Interests

7. In the following instances, you must disclose the interest and you may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise, you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

   If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

   a. Where a matter arises at a meeting which ***directly relates*** to one of your Other Registerable Interests (as set out in **Table 2**).

   b. Where a matter arises at a meeting which ***directly relates*** to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in Table 1) or a financial interest or well-being of a relative or close associate.

   c. Where a matter ***affects*** your financial interest or well-being:

   1. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
   2. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

8. Where you have a personal interest in any business of your authority and you have made an executive decision in relation to that business, you must make sure that any written statement of that decision records the existence and nature of your interest.

Overview and Scrutiny Committees

9. You also have a prejudicial interest in any business before an overview and scrutiny committee of your authority (or of a sub-committee of such a committee) where:

   (a) that business relates to a decision made (whether implemented or not) or action taken by your authority's Cabinet, board or another of your authority's committees, sub-committees, joint committees or joint subcommittees; and

   (b) at the time the decision was made or action was taken, you were a member of the Cabinet, board, committee, sub-committee, joint committee or joint sub-committee mentioned in sub-paragraph (a) and you were present when that decision was made or action was taken.

10. Paragraph 9 does not prevent you attending and participating in a meeting if you are required to attend a meeting of an overview or scrutiny committee, by such committee exercising its statutory powers.

Table 1: Disclosable Pecuniary Interests

This table sets out the explanation of Disclosable Pecuniary Interests as set out in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012.

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain. [Any unpaid directorship.]

Sponsorship	Any payment or provision of any other financial benefit (other than from the local authority) made to the Member during the previous 12month period for expenses incurred by him/her in carrying out his/her duties as a Member, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract made between the Member or his/her spouse or civil partner or the person with whom the Member is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council — (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land and Property	Any beneficial interest in land which is within the area of the council. 'Land' excludes an easement, servitude, interest or right in or over land which does not give the Member or his/her spouse or civil partner or the person with whom the Member is living as if they were spouses/ civil partners (alone or jointly with another) a right to occupy or to receive income.
Licenses	Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer

Corporate tenancies	Any tenancy where (to the Member's knowledge)— (a) the landlord is the council; and (b) the tenant is a body that the Member, or his/her spouse or civil partner or the person with whom the Member is living as if they were spouses/ civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.
Securities	Any beneficial interest in securities* of a body where— (a) that body (to the Member's knowledge) has a place of business or land in the area of the council; and (b) either— (i)) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the Member, or his/ her spouse or civil partner or the person with whom the Member is living as if they were spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

* 'director' includes a member of the committee of management of an industrial and provident society.

* 'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Table 2: Other Registrable Interests

You have a personal interest in any business of your authority where it relates to or is likely to affect:

a) any body of which you are in general control or management and to which you are nominated or appointed by your authority

b) any body
   (i) exercising functions of a public nature
   (ii) any body directed to charitable purposes or
   (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)

Table 3: Standard Dispensations

1. You will not be regarded as having a prejudicial interest in any business of your authority in respect of any Other Registerable Interest:

   (a) where that business relates to:

      (i) another local authority of which you are also a member;

      (ii) another public authority or body exercising functions of a public nature in which you hold a position of general control or management;

      (iii) a body to which you have been elected, appointed or nominated by your authority, but only in the circumstance where the sole purpose of participating is to make representations, answer questions or give evidence relating to the business at the request of the [elected mayor, cabinet, cabinet member or] Committee meeting

      (iv) your role as a school governor, unless it relates particularly to the school of which you are a governor; or

      (v) your role as a member of a National Health Service board or governing body;

   (b) except that no dispensation described in sub-paragraph (a) above will apply where the business to be transacted at the meeting is the determination of any regulatory approval, consent, licence, permission or registration *(for example, determination of an application for planning permission or consent or licence under the Licensing Act 2003).*

2. You will not be regarded as having a prejudicial interest in any business where that business relates to:

   (a) the housing functions of your authority where you hold a tenancy or lease with your authority, provided that you do not have arrears of rent with your authority of more than two months, and provided that those functions do not relate particularly to your tenancy or lease;

   (b) the functions of your authority in respect of school meals, transport and travelling expenses, where you are a guardian, parent, grandparent or have parental responsibility (as defined in section 3 of the Children Act 1989) of a child in full time education, unless it relates particularly to the school which that child attends;

   (c) the functions of your authority in respect of statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where you are in receipt of, or are entitled to the receipt of such pay from your authority;

   (d) the functions of your authority in respect of an allowance or payment made under sections 22(5), 24(4) and 173 to 176 of the Local Government Act 1972, an allowance or pension under section 18 of the Local Government and Housing Act 1989 or an allowance or payment under section 100 of the Local Government Act 2000;

   (e) any ceremonial honour given to one or more Members; or

   (f) the setting of the authority's council tax requirement, council tax, levy or a precept under the Local Government Finance Act 1992 (except that this dispensation does not apply if you are two months or more in arrears with their Council Tax you must declare this to the meeting and must not vote on budget recommendations, as to do otherwise can be a criminal offence).

Agenda Item 5

REPORT TO:	Audit and Governance Board
DATE:	23 March 2022
REPORTING OFFICER:	Strategic Director – Enterprise, Community & Resources
SUBJECT:	Annual Governance Statement - 2020/21
PORTFOLIO:	Resources
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

This report presents the final 2020/21 Annual Governance Statement (AGS) to accompany the 2020/21 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 RECOMMENDATION:

The Board is asked to consider and approve the 2020/21 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 2020/21 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 2020/21 and up to the date the financial statements are signed off by the Council's external auditor.

3.3 The 2020/21 AGS was originally presented to the Board on 7 July 2021. 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 July. A few minor corrections have however been made following review of the document by the external auditor. Some additional detail has also been included in regard to the examples of how the Council demonstrated the principles of good governance during 2020/21.

3.5 The Council's Constitution delegates the responsibility to review and approve the AGS to the Audit and Governance 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 Audit and Governance 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)		

2020/21

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.

The system of internal control is a significant part of the Council's governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The Council's system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks occurring and the impact should they happen, and to manage them efficiently, effectively and economically.

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 and explains how the Council has reviewed the effectiveness of its systems of internal control.

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 2021 and up to the date of approval of the statement of accounts.

During 2020/21 the Council was required to initiate an emergency response to the COVID-19 pandemic. By necessity this involved significant changes and disruption to the manner in which Council services are normally delivered. It also required some temporary changes to the Council's governance arrangements, which were implemented as part of the COVID-19 response. These changes included implementing robust measures to support proper decision making and continued transparency and accountability. This document therefore explains how the Council's governance arrangements have operated during the year, including any changes made to adapt to the impact of the pandemic.

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;
- Taken account of various sources of assurance over the operation of the Council's governance framework;
- 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 Audit & Governance Board (formerly the Business Efficiency Board) 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.

KEY PRINCIPLE:

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

SUPPORTING PRINCIPLES:

- Behaving with integrity
- Demonstrating strong commitment to ethical values
- Respecting the rule of law

EXAMPLES OF HOW WE DID THIS IN 2020/21:

- 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 2020.

- The Council had a Standards Committee with co-opted independent members during the year. 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. The powers & duties of the Standards Committee were transferred to the Audit & Governance Board (formerly the Business Efficiency Board) in May 2021.

- 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. Due to the postponement of the elections in May 2020 there were no new elected members during 2020/21.

- Officer behaviour is governed by the Employees' Code of Conduct. All new employees attending the corporate induction process were made aware of the Code. Due to the COVID-19 pandemic the corporate induction was adapted to be delivered via an e-learning module rather than face to face.

- Roles and responsibilities relating to the Council's executive and non-executive functions are defined in the Council's Constitution. During 2020/21 the COVID-19 pandemic gave 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 during the early part of the year. Arrangements were however 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 2015, a formal notification record of officer decisions was maintained to record decisions taken and ensure transparency. The traditional meeting structure of the Council and related decision making processes resumed in July 2020 with meetings taking place remotely as provided for in emergency legislation.

EXAMPLES OF HOW WE DID THIS IN 2020/21:

- 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 23 September 2020 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. An annual report summarising the complaints received, trends and outcomes is presented each year to the Corporate Policy and Performance Board. The report relating to 2020/21 was presented at its meeting on 2 November 2021.

- 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.

KEY PRINCIPLE:

Ensuring openness and comprehensive stakeholder engagement

SUPPORTING PRINCIPLES:

- Openness
- Engaging comprehensively with institutional stakeholders
- Engaging with individual citizens and service users effectively

EXAMPLES OF HOW WE DID THIS IN 2020/21:

- 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, the Halton Children's Trust and the Halton Learning Alliance. An executive director from the Halton Clinical Commissioning Group (CCG) is also a member of the Council's Management Team.

- The Council is part of the Cheshire and Merseyside Health and Care Partnership (C&MHCP), which is working towards formal designation as an Integrated Care System (ICS). An ICS is a partnership that brings together providers and commissioners of NHS services across a geographical area with local authorities and other local partners to collectively plan health and care services to meet the needs of their population. On 25 February 2021, the Council agreed a Memorandum of Understanding, which was developed to capture the required commitment across Cheshire & Merseyside to work together and play an active role in shaping the journey to becoming an ICS.

- 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. The Board met remotely on three occasions throughout the year (7 October 2020, 20 January 2021 and 24 March 2021) with the scheduled 8 July 2020 meeting being cancelled due to the pandemic.

- During 2020/21 the Council and Halton CCG updated the Joint Working Agreement to cover the period 1 April 2020 to 31 March 2023. The document provides the basis for collaboration and sets out a shared ambition, governance arrangements and funding arrangements in regard to the activities covered by the pooled budget.

EXAMPLES OF HOW WE DID THIS IN 2020/21:
• Engagement with citizens and service users is carried out using a variety of methods, including a range of survey techniques and sampling techniques. During 2020/21 the Council consulted on a range of issues, which included: - School Travel consultation – engaging with parents about school travel during COVID - Runcorn Town Deal consultation – consulting the public on the proposed funding opportunities within Runcorn - Supported Housing consultation – consultation with residents/carers about the service they receive - Special Educational Needs and Disabilities (SEND) strategy consultation – seeking views on the SEND Strategy 2021–2025 • 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.

KEY PRINCIPLE:

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

SUPPORTING PRINCIPLES:

- Defining outcomes
- Sustainable economic, social and environmental benefits

EXAMPLES OF HOW WE DID THIS IN 2020/21:

- 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. As the Council's priority was responding to the pandemic the normal pattern of quarterly monitoring did not take place but reporting did resume later in the year. These reports recorded 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. The Policy and Performance Boards met virtually during the year other than the first meeting of the year for each Board being cancelled due to the pandemic.

- Directorate Business Plans for 2020/21 were rolled forward from the previous year in the light of the Council responding to the pandemic. These 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 19 November 2020. 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. During the pandemic the main focus of communications with the public was about ensuring that appropriate guidance and clear messages were available to members of the public regarding Covid.

KEY PRINCIPLE:

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

SUPPORTING PRINCIPLES:

- Determining interventions
- Planning interventions
- Optimising achievement of intended outcomes economic, social and environmental benefits

EXAMPLES OF HOW WE DID THIS IN 2020/21:

- 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. During the year they held the Executive to account, scrutinised performance and developed policy proposals for consideration by the Executive.

- 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 and within clearly defined rules set out in Procurement Standing Orders. Where emergency procurement activity took place in response to COVID-19 a detailed record of decisions and actions was 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 were reported retrospectively to the Executive Board and published on the Council's website.

EXAMPLES OF HOW WE DID THIS IN 2020/21:
• The Council's internal audit team carried out a comprehensive programme of audits during the year reviewing both front line and support services. Changes to the planned programme of work were however made in order to respond to the changed risk landscape resulting from the COVID-19 pandemic. The implementation of recommendations arising from this work assisted the Council in identifying and managing risks that may impact on the achievement of intended outcomes.

KEY PRINCIPLE:

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

SUPPORTING PRINCIPLES:

- Developing capacity
- Developing leadership
- Developing the capability of individuals

EXAMPLES OF HOW WE DID THIS IN 2020/21:

- The Council retained the NW Charter for Elected Member Development Exemplar Level status. 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.

- 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 was updated during the year to cover the period 2020–2023. It focuses on seven key development categories and associated behavioural statements linked to each category. The behavioural statements demonstrate the attitudes and approaches to be taken whilst at work. They state how we do things, how we treat each other, what we say and how we say it and how we expect to be treated. The behaviour statements will support the Council to celebrate our achievements, communicate our achievements, talk about our aspirations and express how we would like to develop.

- 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 2020/21, however the numbers were reduced due to the pandemic. ILM Level 5 Leadership & Management was delivered virtually and a number of virtual modular sessions have been delivered that included:

  - Behavioural Science and How it Can Support Remote Working
  - Ensuring High Performance Remotely
  - Conflict Resolution in a Remote Working Environment
  - Remote Change Management during COVID 19 Pandemic
  - Stress Management Whilst Working Remotely During COVID 19 Pandemic

EXAMPLES OF HOW WE DID THIS IN 2020/21:
• The Council has developed a Leadership and Management Framework to ensure continuous development of the senior leadership team and wider management. Implementation of the framework was delayed as a result of the pandemic but it was launched across the Council in May 2021 with 30 managers starting and an additional 39 due to start in September 2021. • The Council continued to 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 2020/21, the Council supported 12 employees to gain a variety of academic qualifications, such as Masters Degrees, BA Degrees and Diplomas. • The Council is maximising the Apprenticeship Levy by supporting 10 MBA Degrees and 10 MSc Degrees in Leadership & Management to employees that will support leadership succession planning as identified in the Organisational Development Strategy.

KEY PRINCIPLE:

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

SUPPORTING PRINCIPLES:

- Managing risk
- Managing performance
- Robust Internal Control
- Managing data
- Strong Public Financial Management

EXAMPLES OF HOW WE DID THIS IN 2020/21:

- 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 2020/21. 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 21 July 2020. 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 has been externally assessed as conforming to the Public Sector Internal Audit Standards. Internal audit plays a key role in reviewing and improving the effectiveness of the Council's risk management, governance and control arrangements. The pandemic impacted the nature of internal audit work undertaken during the year and changes were made to planned work in order to respond to new risks resulting from COVID-19.

EXAMPLES OF HOW WE DID THIS IN 2020/21:
• The Head of Internal Audit provides an annual opinion on the Council's risk management, control and governance processes. The annual opinion is based upon the internal audit work completed during the year. The opinion covering 2020/21 was presented to the Audit & Governance Board on 7 July 2021 and concluded that the Council's risk management, control and governance processes that were in place during 2020/21 were considered to be adequate and to have operated effectively during the year. • The Council's spending during 2020/21 was dominated by the additional pressures resulting from the COVID-19 pandemic. Additional costs and income losses relating to COVID-19 totalled approximately £25m, which was funded by a combination of general and specific Government grants. Processes were put in place to ensure this funding was properly managed, utilised for the correct purposes, separately accounted for and correctly reported upon. 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 control spending as far as possible and mitigate overspends. As a result, total outturn spending for 2020/21 was below the Council's revenue budget for the first time in a number of years. However, this is a one-off situation due to the Council's focus being upon dealing with the COVID-19 pandemic. Many of the previous cost pressures were exacerbated by the pandemic and have therefore been funded by COVID-19 grants, which has taken pressure off the core revenue budget. Across all services spending has been tightly managed; there have been cost reductions where services have been unable to operate or have operated differently, and savings have been achieved from some of the different working arrangements introduced in response to the pandemic. Despite significant funding reductions and increasing demand for services the Council managed to set a balanced budget for 2021/22 via a robust process led by the Members' Budget Working Group.

KEY PRINCIPLE:

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

SUPPORTING PRINCIPLES:

- Implementing good practice in transparency
- Implementing good practice in reporting
- Assurance and effective accountability

EXAMPLES OF HOW WE DID THIS IN 2020/21:

- 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. Due to the pandemic, meetings were held remotely during 2020/21 with arrangements being made so that members of the public could attend virtually.

- On 24 March 2021, the Council received an unqualified external audit opinion on the 2019/20 financial statements.

- The Council's external auditor provides an annual assessment on how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people. In the Audit Opinion report, the Council's external auditor concluded that they were satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

- 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.

EXAMPLES OF HOW WE DID THIS IN 2020/21:
• The Council operates a whistleblowing procedure and has well-publicised arrangements for employees and the wider community to raise any concerns relating to fraud, misconduct or other issues. One whistleblowing complaint was received during the year and 87 referrals were received from members of the public. All whistleblowing complaints and referrals received are assessed and investigations undertaken where sufficient information is provided.

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
Audit and Governance Board	- Designated as the Council's Audit Committee (formerly the Business Efficiency Board) - 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

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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 the 2019/20 Annual Governance Statement?

The 2019/20 annual governance statement contained six key governance issues. Details of these issues and how they were addressed are provided below:

Issue:

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.

What we did:

Spending during 2020/21 was closely monitored and reported upon, especially in respect of that related to the COVID-19 pandemic. The Council's robust governance arrangements were essential in this respect and contributed to the outturn underspend against the revenue budget.

The Member's Budget Working Group met regularly during 2020/21 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 budget savings, the Council was able to set a balanced budget for 2021/22.

It has become increasingly difficult to find efficiency or cost savings and as a result a number of one-off savings were required to set a balanced budget. These will increase the forecast budget gap for 2022/23 to over £15m.

Issue:

What we did:

Issue:

Decision making

The COVID-19 pandemic gave 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 2015, a formal notification record of officer decisions has been maintained to record decisions taken and ensure transparency.

What we did:

In the early stages of the pandemic the Council's traditional meeting structure and decision-making processes were affected by elected member meetings being suspended. In particular, the absence of meetings of Executive Board during the initial COVID-19 crisis resulted in a number of urgent decisions being necessary.

The Council's Constitution gave authority to the Chief Executive to take any urgent decisions required, in consultation with the Leader of the Council and the Operational Director Finance and/or the Operational Director Legal and Democratic Services, where necessary.

A list of these decisions was reported to the Executive Board when elected member meetings resumed and full details were published on the Council's website.

Issue:	What we did:
Elected Member meetings The Coronavirus Act 2020 enabled 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 therefore made arrangements for all its Boards and Committees to meet on a virtual basis.	Meetings of the Council's Boards and Committees resumed in July 2020. In order for the meetings to take place safely, arrangements were made for the meetings to be held on a virtual basis. Provision was also made for members of the public to attend in a virtual capacity. The Council's normal cycle of meetings resumed in September 2020 with meetings continuing to be held successfully on a virtual basis for the remainder of the year. This allowed the effective operation of the Council's normal governance arrangements.

Issue:

<u>COVID-19 Response</u>

Whilst the coronavirus pandemic is not a specific governance issue the operational and financial impact of the crisis caused the Council to experience significant organisational disruption during 2020/21. All Council services were affected and business continuity arrangements saw much of the workforce working from home and resources being redeployed to support essential frontline services.

The response to the pandemic was the Council's overriding priority in 2020/21 with the main emphasis being on protecting the most vulnerable and maintaining essential services.

What we did:

Throughout the response period the Council gave priority to maintaining effective governance arrangements. Major incident response practices, developed for such situations, were implemented and helped the Council to adapt, at pace, to new challenges and new responsibilities.

Through the Council's partnerships across Cheshire and the Liverpool City Region, and as part of the Cheshire Resilience Forum, the Council worked to deliver a co-ordinated regional response. Working with local health partners, emergency services and the military, the Council put in place robust local testing arrangements and established arrangements to prevent and manage local outbreaks.

The Council prioritised supporting the most vulnerable in the community. Critical services continued to be delivered successfully. Through the 'shielded hub' the Council provided food, medicine and support. Accommodation was secured for homeless individuals and families. The Council also worked with social care providers to look after people living in residential and nursing homes or in receipt of domiciliary care. Waste collection services continued to run to normal timetables throughout the year.

The Council was, and continues to be, the conduit to deliver various Government support schemes and to provide advice to local businesses to help them survive and protect local jobs.

The Council's robust response to the pandemic has provided additional assurance in regard to the effectiveness of the Council's business continuity arrangements, communication strategy and overall governance arrangements.

Issue:

<u>2018-19 Audit of Accounts</u>

There was a significant delay in the finalisation and external audit of the Council's 2018/19 statement of accounts. A number of issues arose during the audit process which, in the main, centred on the valuation and accounting treatment for the Mersey Gateway bridge project, which is highly complex and unique in nature.

The external auditor made a number of recommendations in the 2018/19 Audit Findings report which the Council agreed to implement. The Council also undertook to work closely with the External Auditors to improve processes, communications and arrangements for preparing the financial statements for 2019/20 and beyond, to ensure they were prepared in accordance with the Code of Practice on Local Authority Accounting.

What we did:

The issues which arose during the audit of the 2018/19 statement of accounts were all resolved as part of preparing the 2019/20 statement of accounts. All of the external auditors' recommendations were implemented and Council officers have worked closely with the external auditors to improve processes and especially communications. As a result, the 2019/20 Audit Findings report was complimentary regarding the improvements delivered and provided the Council with a very positive outcome regarding the 2019/20 statement of accounts and value for money assessment.

Issue:	What we did:
Brexit The Council is closely monitoring the potential impact of Brexit on its activities. It has a separate risk register which is monitored by an internal group chaired by the Strategic Director – Enterprise, Community & Resources. The minutes of the meetings of that group are submitted to the Council's Management Team and the appropriate Portfolio Holder is kept briefed. The Council takes an active role in the Cheshire Local Resilience Forum, which in turn responds to Government requirements and requests for update reports on potential impacts.	The Council closely monitored the potential impact of the UK exiting from the European Union. It did this both internally and with its partners on the Cheshire Local Resilience Forum. This monitoring was stepped up, particularly, during January and February 2021. The Council was particularly concerned about availability of supplies, increasing costs and the impact on local businesses. As it transpired the Council saw no significant increase in costs nor did it experience any supply shortages that impacted on the delivery of services. The monitoring arrangements ceased at the end of March 2021. The Council also worked alongside the Halton Chamber of Commerce and the Liverpool City Region Combined Authority to ensure that information and support was available to local businesses.

What are the governance issues for 2021/22?

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 2021/22.

Issue	Lead Officer	Timescale
<u>Funding</u> 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 temporarily changed the Council's focus and the related grant funding has assisted with containing 2020/21 spending within budget. Looking forward there remains huge uncertainty regarding the Government's plans for the future funding of local government. A number of proposed changes to the funding regime have been deferred, including the Fair Funding Review and the national roll-out of business rates retention. It is unclear whether or not Government will return to these proposals. This makes financial planning extremely difficult at the current time. The Medium Term Financial Strategy forecasts that the Council may need to identify £12m of budget savings in order to set a balanced budget for 2022/23. 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 2022/23 and beyond.	Ed Dawson – Operational Director, Finance	Ongoing

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Issue	Lead Officer	Timescale
<u>CIPFA Financial Management Code</u> The CIPFA Financial Management Code (The Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The Code therefore sets the standards of financial management for local authorities. The Code is based on a series of principles supported by specific standards and statements of practice which are considered necessary to provide the strong foundation to manage: • the short, medium and long-term finances of a local authority • financial resilience to meet foreseen demands on services • unexpected shocks in their financial circumstances Each local authority is required to demonstrate that the requirements of the Code are being satisfied. Demonstrating this compliance with the Code is a collective responsibility of elected members, the Chief Finance Officer and their professional colleagues in the leadership team. The Code applies a principle-based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead, the Code requires that a local authority demonstrate that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances. Good financial management is proportionate to the risks to the authority's financial sustainability posed by the twin pressures of scarce resources and the rising demands on services. Work will be undertaken during 2021/22 to ensure that the Council complies with the CIPFA Financial Management Code. This will take the form of a self-assessment against the key questions included in the Financial Management Code. An action plan will be produced to address any areas requiring further development.	Ed Dawson – Operational Director, Finance	April 2022

Issue	Lead Officer	Timescale
<u>Integrated Care System Implementation</u> The Integrated Care White Paper sets out the approach to create Integrated Care System bodies within the NHS at a regional level by April 2022. The aim is to bring about greater integration of Health and Social Care, based upon “place”. There will be a regional body for Cheshire and Merseyside, below which each of the nine council areas will each have an Integrated Care System Partnership. In Halton, the current roles and funding of Halton CCG will be passed to the regional body, who will decide which roles and funding to devolve to the Halton Integrated Care System Partnership. Work is underway with Halton CCG colleagues, to put in place the governance arrangements required to manage this new arrangement, along with identifying the services involved and related funding.	Strategic Director – Enterprise, Community & Resources	July 2022

Certification

We have been advised on the implications of the review of the effectiveness of the governance framework by the Audit & Governance 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	**Mike Wharton - Leader of the Council**
Date -	**Date -**

 Agenda Item 6

REPORT TO:	**Audit and Governance Board**
DATE:	**23 March 2022**
REPORTING OFFICER:	**Operational Director, Finance**
PORTFOLIO:	**Resources**
SUBJECT:	**2020/21 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 2020/21 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 2020/21 Audit Findings Report in Appendix 2 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 2020/21 Statement of Accounts in Appendix 3 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.

3.3 The Statement of Accounts for 2020/21 has been prepared in full compliance with International Financial Reporting Standards (IFRS).

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

3.5 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.

3.6 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 2020/21 Statement of Accounts is presented in Appendix 3. The Narrative Report by the Operational Director, Finance summarises the Council's financial performance for 2020/21, including revenue and capital spending.

4.2 The Comprehensive Income and Expenditure Statement (CIES) presents gross expenditure, gross income and net expenditure for 2020/21 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 2021, along with a comparison to the position as at 31 March 2020. 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 On 01 April 2020 the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money (VFM)

5.2 The Code requires External Audit to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Improving Economy, Efficiency and Effectiveness
- Financial Sustainability
- Governance

5.3 Work on VFM arrangements is ongoing but the External Auditor has not identified any significant weakness during planning work to date.

6.0 **PRIOR YEAR RECOMMENDATIONS**

6.1 The 2019/20 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 Audit and Governance Board on 24 March 2021. Three of the recommendations remain outstanding although considerable work has been completed towards fully achieving the recommendations. Appendix A and B of the Audit Findings Report provides further detail.

7.0 **NEXT STEPS**

7.1 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.

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

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

8.2 **Employment, Learning and Skills in Halton**
See 8.1

8.3 **A Healthy Halton**
See 8.1

8.4 **A Safer Halton**
See 8.1

8.5 **Halton's Urban Renewal**
See 8.1

9.0 RISK ANALYSIS
The Accounts and Audit Regulations require that the Statement of Accounts is certified by the External Auditor and published by 30 September 2021. As a result of the delay the council had published a Public Notice giving reasons for the delay.

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

11.0 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 2020/21	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 2021

This representation letter is provided in connection with the audit of the financial statements of Halton Borough Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the Council 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 2020/21 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 2020/21 ("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. 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. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable 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.

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 Council's 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 they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

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. There are no prior period errors to bring to your attention.

xv. 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:

a. the nature of the Council means that, notwithstanding any intention to liquidate the Council or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

Information Provided

xvi. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council's 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.

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

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

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

xx. We have disclosed to you all 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.

xxi. 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.

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

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

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

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Audit and Governance Board at its meeting on 23 March 2022.

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Name……………………………

Position………………………….

Date…………………………….

********To add in schedule of unadjusted errors *******

The Audit Findings for Halton Borough Council

Year ended 31 March 2021

23 March 2022

Contents

Your key Grant Thornton team members are:

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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This Audit Findings 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. Its contents will be discussed with management and the Audit and Governance Board.

Michael Green

Name : Michael Green
For Grant Thornton UK LLP
Date :

1. 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 2021 for those charged with governance.

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 Governance Statement (AGS), and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed remotely between November 2021 to February 2022. Our findings are summarised on pages 5 to 20. Management provided a good set of draft financial statements for audit on 30 July 2021 by the statutory deadline. Our audit has not identified any material errors or adjustments to the draft outturn. Non-material unadjusted errors are reported at Appendix C. Audit adjustments are detailed in Appendix C and are primarily to amend for misclassification and disclosure matters. We have 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 (Appendix E) or material changes to the financial statements, subject to the following outstanding matters;

- completion of additional procedures relating to infrastructure assets following a sector wide issue relating to component accounting in this area;
- receipt of management representation letter (Appendix F); and
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will therefore be unqualified.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: - Improving economy, efficiency and effectiveness; - Financial sustainability; and - Governance	We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. We expect to issue our draft Auditor's Annual Report setting out the results of our VFM work by the end of April 2022. This is in line with the National Audit Office's deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements. Our Auditor's Annal Report will be finalised within the deadline set by the NAO. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness in the Council's arrangements but explained in the Audit Plan that we will be reviewing the collection rate of the Mersey Gateway bridge toll and the associated level of debt impairment, together with the contract management arrangements as an area of focus. In addition, we have also carried out a piece of work looking at governance arrangements related to waste management services across Merseyside Authorities, including Halton. Our VFM work is underway and an update is set out in the value for money arrangements section of this report (Section 3). To date, we have not identified any risks of significant weakness and there are no matters of which we are aware that would impact our opinion on the financial statements.
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 expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements and NAO whole of government accounts (WGA) audit responsibilities. The timing of the WGA audit work remains uncertain due to the timetable and requirements of this work not yet being confirmed by the National Audit Office.
Significant Matters	We did not encounter any significant difficulties or identify any significant matters during our audit. The audit opinion is to be later than the deadline set of 30 November 2021 due to the audit starting later than would normally be the case. This is brought about by audit resource pressures and a late conclusion to the 2019/20 audit.

2. Financial Statements

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 and will be presented to the Audit and Governance Board on 23 March 2022.

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 control environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the Council's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. We concurred with the Council's view that the group components were not material and therefore not requiring the preparation of group accounts; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our Audit Plan, previously communicated to the Audit and Governance Board.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Governance Board meeting on 23 March 2022, as detailed in Appendix E. These outstanding items include:

- completion of additional procedures relating to infrastructure assets following a sector wide issue relating to component accounting in this area;
- receipt of management representation letter (Appendix F); and
- review of the final set of financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff at the Council in responding to audit queries.

2. Financial Statements

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 on 7 September 2021.

We detail in the table below our determination of materiality for Halton Borough Council

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	£7.42 m	The threshold above which could reasonably be expected to influence the economic decisions of the reader of the financial statements.
Performance materiality	£5.19 m	The amount set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality.
Trivial matters	£0.37 m	Based upon 5% of materiality for the financial statements.
Materiality for senior officer remuneration	£32,000	Considered to be of heightened public interest

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override 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. This was one of the most significant assessed risks of material misstatement.	We have: - evaluated the design effectiveness of management controls over journals - analysed the journals listing and determined the criteria for selecting high risk unusual journals - identified and tested unusual journals made during the year and the accounts production stage 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 - evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Audit work to address the risk is now complete. A sample of 43 journals was selected using the risk scoring method against 25 risk routines for testing. We have not identified any journals for focused testing as part of the review. Our testing has not identified any evidence of inappropriate management override of controls. Further assurance was gained from direct enquiry to a sample of staff in the finance team who post journals. Our review of accounting policies, management estimations and critical judgements in preparing the financial statements did not identify and evidence of inappropriate override of controls. Presentational matters were raised and agreed with management. Accounting policy note 30 (a) major sources of estimation uncertainty regarding Property, Plant and Equipment valuation was updated to remove the reference to material valuation uncertainty as management determined this was not applicable under current RICS guidance.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
ISA240 revenue and expenditure recognition risk **Revenue** ISA (UK) 240 includes a rebuttable presumed risk that revenue recognition 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 ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted because: • there is little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Halton Council, means that all forms of fraud are seen as unacceptable Although the risk of fraud is rebutted, we recognise the risk of error in revenue recognition and this is addressed through the responses to risk detailed across. **Expenditure** In the public sector, whilst it is not a presumed significant risk, in line with the requirements of Practice Note (PN) 10: Audit of financial statements of public sector bodies in the United Kingdom - we also consider the risk of whether expenditure may be misstated due to the improper recognition of expenditure. This risk is rebuttable if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition. Based on our assessment we consider that we are able to rebut the significant risk in relation to expenditure, but will nevertheless, and in line with PN10, recognise the heighted inherent risk of 'other service expenditure' in our audit scoping and testing assessment.	The revenue and expenditure recognition risks have been rebutted. Despite revenue and expenditure recognition not being a significant risk we still undertook the following procedures to ensure that revenue and expenditure included within the accounts is materially correct. To gain this assurance we: • evaluated the Council's accounting policies for income and expenditure recognition for appropriateness and compliance with the Code • updated our understanding of the Council's system for accounting for income and expenditure and evaluated the design of relevant controls • undertook detailed substantive testing on the income and expenditure streams in 2020/21 • documented our understanding of the full nature of additional Covid-19 related income and expenditure • reviewed the accounting treatment of all new income and expenditure streams to confirm that they have been accounted for appropriately in line with the Code and accounting standards Our substantive income and expenditure testing has not identified any errors that would suggest improper revenue or expenditure recognition due to fraud. Income completeness testing identified s106 income of £570k relating to a 2020/21 scheme which was received in April 2021 but not recorded as a Debtor at year-end. Management have declined to update the draft accounts for this error as it is not material. We carried out further review of s106 income and gained assurance that there is no risk of material misstatement related to this area as the amounts involved are trivial in nature. See Appendix C for unadjusted errors and specific representation in the Letter of Representation.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings Revaluation of land and buildings should be performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Additionally, valuations are significant estimates made by management in the accounts. Our 2019/20 opinion included an emphasis of matter paragraph drawing attention to disclosures included in the financial statements of a material uncertainty attached to property valuations as at 31 March 2020 due to the ongoing nature of the Covid-19 pandemic. This paragraph did not represent a modification of our audit opinion. We have identified the valuation of land and buildings as a significant risk.	In response to this risk we have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of management's internal and external valuation expert • written to the internal and external valuer to confirm the basis on which the valuations were carried out • challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding • tested a sample of valuations at 31 October 2020, together with the movements to 31 March 2021 to understand the information and assumptions used in arriving at any revised valuations • tested revaluations made during the year to see if they had been input correctly into the Council's asset register • reviewed whether the Council's expert valuer has reported any material uncertainty in relation to property valuations as at 31 March 2021 and, if so, assess the impact on disclosures in the financial statements and on our audit opinion. Our audit work has not identified any material issues in respect of valuation of land and buildings and we are satisfied that the valuation is fairly stated. Management undertake a rolling programme of revaluations to ensure that all assets are revalued at least every five years on an agreed schedule. The revaluation by the professional valuer is dated 31 October 2020. Given the valuation date was in advance of the year end, we have considered the impact of potential movements to 31 March 2021. In doing this, we gained assurance that the valuation movement was not significant and that Council land and building assets at 31 March 21 are not materially misstated. We did identify that there is scope for management to improve their own assessment of the movement from valuation date to the year-end and to evidence this clearly for audit review. We have made a recommendation at Appendix A that the Council provide a clear assessment of their consideration of the valuation movements in future years. Our testing identified that the valuation in the Balance Sheet for Beechwood CP School was overstated by £616k due to an input error. Audit testing confirmed this to be an isolated input error and there were no further such errors in the schools valuation schedule. Management declined to amend the financial statements for this error as it is not material. See schedule of unadjusted errors at Appendix C. Accounting Policy – Note 30(a) Property Plant and Equipment: The draft accounts included a material valuation uncertainty disclosure regarding investment property valuations. Following audit review and challenge, management concluded that there was no longer a material uncertainty in this area given that investment property valuations in total being valued at £806k and therefore unlikely to be materially misstated. In addition, RICS guidance no longer mandates such an uncertainty.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund net liability The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. Our 2019/20 opinion included an emphasis of matter paragraph drawing attention to disclosures included in the financial statements which reported that, due to the impact of Covid-19 on the global financial markets, the valuation of the Pension Funds' property portfolio was reported on the basis of material valuation uncertainty. This paragraph did not represent a modification of our audit opinion. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.	In response to this risk we have: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report • obtained assurances from the auditor of Cheshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. We have not identified any material issues in respect of valuation of the pension fund liability. We noted that the auditor of Cheshire Pension Fund reported that testing of level 3 investments indicated that the balance was understated by £31.55m in the Pension Fund Accounts and this was unadjusted due to not being material to the Pension Fund. Halton's share of the investment asset (and consequently of the error) is 10.64%, therefore there is a potential understatement in the Council's plan assets and overstatement in the net pension liability of £3.36m. Management have declined to amend the financial statements as the value is not material, and the matter is included on the schedule of unadjusted errors at Appendix C. It should also be noted that under local authority accounting, movements in the pension liability are reversed via the movement in reserves statement so this error does not impact the General Fund. Our detailed review of the estimation processes used in arriving at the net pension liability are included at page 13 and did not highlight any concerns.

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
Assets held for sale - £11,910k Audit review of this balance sheet line identified that assets included here were not carried on the valuation basis specified by the Code.	The CIPFA Code required that assets held for sale are measured at the lower of carrying amount or fair value less costs to sell. The principle of this is in line with IFRS 5 that potential gains on asset sales are not recognised until realised. Our audit work identified that assets in this category as at 31 March 2021 had been revalued during the year with an increase in value of £5.85m being recognised. On the basis of the Code guidance relating to valuation of assets in this category, we challenged the carrying value with management.	Management confirmed that the relevant asset was transferred to surplus assets during the year when a previous anticipated sale fell through. On reclassification to assets held for sale, an updated valuation was obtained showing an increase in fair value £5.85m above the previous carrying value. Based on the Code and IFRS 5 guidance the asset would be expected to be transferred to assets held for sale at the lower value. Management have agreed with this treatment and have amended the financial statements to reflect this as can be seen in Appendix C. There is no impact on useable reserves.
Investments - £81,871k Review of balances making up this amount identified a £2m balance relating to a loan to a third party.	The audit team challenged management on the classification of the £2m loan as an investment rather than being included as a debtor.	Following the challenge on treatment, management have amended the financial statements to show the £2m loan within debtors on the balance sheet. We concur with this treatment and the adjustment is set out in the summary of adjustments in Appendix C.
Long term debtors - £16,179k Incorrect inclusion of a £4.5m debtor.	Review of balances making up this amount identified a £4.5m amount relating to grant that had been paid to a company within the Sci-Tech Daresbury Enterprise Zone. The amount is to be recouped from future business rate growth.	The grant expenditure was made for capital development purposes and as such meets the criteria to be recognised as revenue expenditure funded by capital under statute. As the amount involved is to be recouped through future business rate income, there is no identifiable counterparty to recognise a debtor. Following discussion, management have agreed to amend the accounts to reflect the expenditure being REFCUS and to remove the debtor. See Appendix C.

2. Financial Statements – new issues and risks (continued)

Issue	Commentary	Auditor view
Short term debtors - £33,248, Short term creditors - £53,054 Inclusion of £2.9m debit balance within creditors.	Review of year-end creditor balances identified that the reported balance was netted down through the inclusion of £2.9m of debtor balances. The audit team challenged management on the netting down of the balance.	Year end debtor and creditor amounts should be presented on a gross basis. Management have agreed to amend for this matter which has no overall impact on the reported financial position of the Council. The adjustment is included in Appendix C.
IFRS 16 implementation Although the implementation of IFRS 16 has been delayed to 1 April 2022, audited bodies still need to include disclosure in their 2020/21 statements to comply with the requirement of IAS 8 para 31. As a minimum, we expected audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases	Management include a high level reference to IFRS16 in the Statement of Accounting Policies Note 28 Accounting Standards that have been issue but not yet adopted.	The minimum requirement of IAS8 have been met. Management and the audit team will liaise during 2021/22 to ensure the requirement of the new standard are met and adequately reported in the 2021/22 financial statements. There is consultation taking place centrally to delay the implementation of IRFRS16 to 1 April 2023 although a final decision has yet to be reached.
Recognition and Presentation of Grant Income The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income	Management prepared a covid grants working paper and agency grant reconciliation which support the grant income disclosure in the notes to the financial statement.	Audit testing of grant income has not identified any non compliance with the requirements for grant accounting in the Code of Practice. To improve the reader's understanding, management agreed to include an additional disclosure note to report COVID related grant income where the Council acts as Agent. This also shows the year end debtor / creditor balance on the Balance Sheet for each individual grant.

2. Financial Statements – new issues and risks (continued)

Issue	Commentary	Auditor view
Debtor and creditor working papers We have noted a year on year improvement in management's working papers to support the draft financial statements. In the strive for continuous improvement the debtor and creditor year end population working papers could be improved.	The year end schedules of debtors and creditors extracted from the general ledger used to select sample items for testing should be cleansed to remove contra items. During audit sampling we identify large debtor and creditor balances for testing which subsequently turn out to have matching contra items which reduce their value. This results in unnecessary audit and finance team time spent in investigating low value items followed by additional items being selected. This adds extra time to the audit process.	We have made a recommendation at Appendix A to improve the quality of year end working papers by preparing a cleansed schedule of debtor and creditor populations (which does not include matching debit and credits to offset). Note that the matter has been noted in the last two years of audit.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £199.8m (PY £206.4m)	Other land and buildings comprises £181.6m 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 (£18.2m) 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 LLP to complete the valuation of the majority of property as at 31 March 2021 with the remaining property within the valuation cycle valued by the Council's Internal valuer. 41% of total Land and Buildings were revalued during 2020/21. Statement of Accounting Policies 30(a) Property, Plant and Equipment made reference to a material valuation uncertainty regarding investment property valuation. Management agreed to remove reference to the material valuation uncertainty regarding property valuation as explained at page 10. Management undertake a rolling programme of revaluations to ensure that all assets are revalued at least every five years on an agreed schedule. The revaluation by the professional valuer is dated 31 October 2020. Management considered the year end value of non-valued properties, and the potential valuation change in the assets revalued during 2020/21 (at 31 October valuation date) 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 however we consider this could be better documented by management (see across). The total year end valuation of land and buildings was £199.8m, a net decrease of £6.6m from 2019/20 (£206.4m).	• We have assessed the Council's external valuer, Sanderson Wetherall LLP 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 • Valuation methods remain consistent with the prior year • In relation to assets not revalued in the year, we have compared the Council's carrying values to movements reported by Gerald Eve indices (valuation specialists), and concluded there were no material valuation differences. We also challenged the Council's valuation specialists on valuation differences identified through our sensitivity analysis work using other indices. There are no significant matters to report • Management should document their annual assessment to confirm whether: 1. the assets not revalued as part of the five-year cycle are not materially misstated, 2. the movement between 1 November and 31 March 2021 on revalued assets is not materially misstated. This raised as a recommendation at Appendix A • Overall we are satisfied the Council's land and buildings are not materially misstated. The accounting policy is adequately disclosed and estimation techniques are properly supported.	Light Purple

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £169.1m (PY £65.4m)	The Council's net pension liability at 31 March 2021 is £169.1m (PY £65.4m) comprising the Cheshire Pension Fund Local Government Scheme. The Council uses Hymans Robertson LLP to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 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 £97.6m net actuarial gain/loss during 2020/21.	• We have assessed the Council's actuary, Hymans Robertson, to be competent, capable and objective • We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2020/21 roll forward calculation carried out by the actuary and have no issues to raise. • We have used PwC as our auditor expert to assess the actuary and assumptions made by actuary – see table below for our comparison of assumptions:	Light Purple

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.00%	1.95% - 2.00%	●
Pension increase rate	2.85%	2.80% - 2.85%	●
Salary growth	3.55%	2.90% - 3.90%	●
Life expectancy – Males currently aged 45 / 65	21.4 yrs	20.4 - 22.7 years	●
Life expectancy – Females currently aged 45 / 65	24.0 years	23.2 – 24.9 years	●

- We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate
- We have confirmed there were no significant changes in 2020/21 to the valuation method
- We have raised an unadjusted pension investment understatement of £3.36m at page 10 of this report (and as an unadjusted error at Appendix C). Otherwise we are satisfied with the reasonableness of estimate of the net pension liability

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for NNDR appeals - £8.4m (PY £6.7m)	The Council are 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 £8.4m (£6.7m in 2019/20)	We examined the estimate, considering the: • appropriateness of the underlying information used to determine the estimate • impact of any changes to valuation method • consistency of estimate against peers/industry practice • reasonableness of increase in estimate • adequacy of disclosure of estimate in the financial statements. We were satisfied with the methodology for the calculation of the provision.	Light Purple
Minimum Revenue Provision - £9.221m (PY £8.670m)	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The year end MRP charge was £9.2m, a net increase of £0.551m from 2019/20.	We have reviewed the Council's calculation of MRP and concluded that: • the Council's MRP has been calculated in line with the statutory guidance • the Council's policy on MRP complies with statutory guidance.	Light Purple
Mersey Gateway toll income and penalty charge notice (PCN) and associated 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 2021 the PCN and Toll debt was £17.6m (PY £25.6m) against which the Council has provided £12.6m or 72% (PY £22.8m 89%). Indications show that the level of PCN debt is falling which may in part be due to reduced crossings caused by national lockdown.	We have performed the following work in response to the identified risk: • reviewed the level of PCN and Toll debt at 31 March 2021 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 The largest item is PCN debt at £16.2m at 31 March 2021 of which £11.7m is provided. On enquiry with the Mersey Gateway Crossings Board Ltd who issue the PCNs we have received assurance that the majority of toll income (97%) is paid without recourse to PCN, and MGCB has a reasoned approach to unpaid PCNs based upon ability to pay. We are satisfied that management has prudently calculated the expected recovery of PCN and toll debt in the 2020/21 financial statements.	Light Purple

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation - £225.0m (PY £209.5m) Due to the Covid-19 pandemic there has been a significant increase in the level of Covid related grant funding with associated complexity and management judgement required. This has comprised a mix of discretionary and non discretionary schemes. The majority has been grants to business including £19.3m Small Business Grant Fund including Retail, Hospitality and Leisure.	Management take into account three main considerations in accounting for grants: • whether the authority is acting as the principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient. Management's assessment needs to consider all relevant factors such as who bears credit risk and responsibility for any overpayments, who determines the amount, who sets the criteria for entitlement, who designs the scheme and whether there are discretionary elements. • whether there are conditions outstanding (as distinct from restrictions) that would require the grant to be recognised as receipt in advance, otherwise grant should be recognised as income • whether the grant is a specific or non-specific grant. General un-ringfenced grants are disclosed on the face of the CIES, whereas ringfenced grants are required to be credited to service revenue accounts. There may be significant judgements over the accounting treatment. Different conclusions may be reached by authorities depending on how they have applied any discretion in administering the schemes.	We completed sample testing on grant income, considering; • whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all • the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income • the impact for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES. • the adequacy of disclosure of judgement in the financial statements. The Council assessed the major business support grant programmes administered during the financial year to determine whether the Council was acting as principal (where the Council had discretion over the amount of funding to award or the criteria for who could be awarded funding) or agent (passing money to businesses on behalf of government). In acting as principal, the Council carried forward any unspent balances on these grants to 2021-2022 as receipts in advance. Where the Council acts as an agent, any unspent balances are carried forward as a creditor. We are satisfied that the Council's judgement is reasonable based on the terms of the grant and how they have applied it.	Light Purple

Assessment

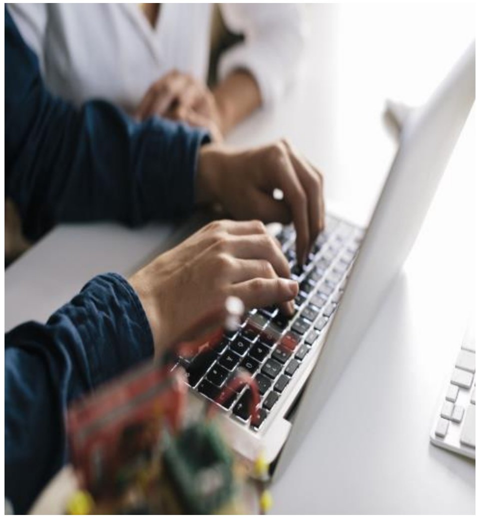
- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider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

2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	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 which is shown at Appendix F.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested permission from management to send confirmation requests to the Council's banks and investment counterparties. This permission was granted and the requests were sent and responded to with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements. We consider that the presentation of the financial statements would be improved for the reader if the 2019/20 Comprehensive Income and Expenditure Statement (CIES) comparator values were included in tabular format on the same page as the current year CIES. Similarly the prior year comparator notes would be better placed chronologically after the current year note. See Appendix A for recommendation.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided. As set on page 13 of this report, we have raised a recommendation at Appendix A that management prepare their 2021/22 working papers to remove contra items from year end debtor and creditor balances. This will give a more meaningful population from which to extract sample items for the 2021/22 audit and consequently reduce time spent on audit.

2. Financial Statements - other communication requirements

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).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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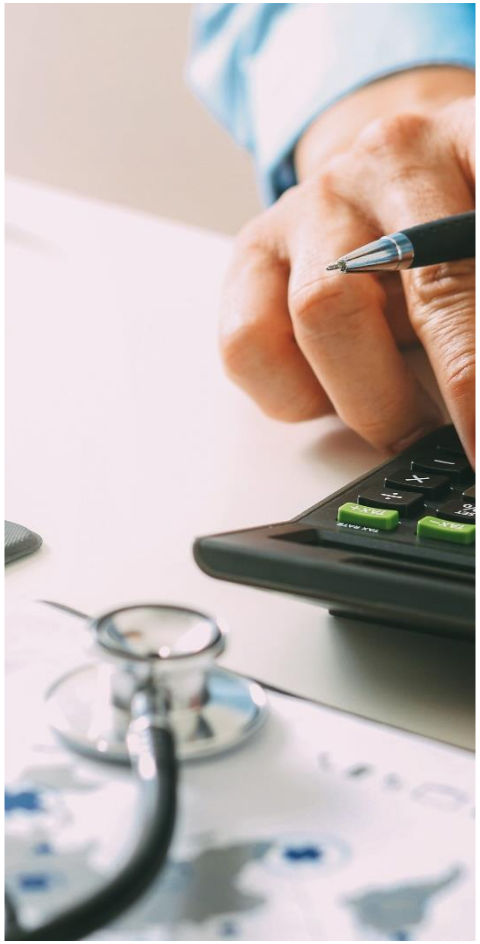
2. Financial Statements - other responsibilities under the Code

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, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Minor presentational improvements have been identified and have been adequately responded to by management. We plan to issue an unmodified opinion in this respect (Appendix E).
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness 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. There is a delay with the NAO issuing WGA data collection instructions meaning that our specified procedures will not be completed until after the audit opinion is issued, resulting in a delay in the issue of the audit closure certificate as set out below. We are satisfied that the delayed WGA procedures should not result in a material matter for our opinion on the accounts or VFM duties.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2020/21 audit of **Halton Borough Council** in the audit report, as detailed in Appendix E, in order to complete our WGA procedures set out above and Value for Money work.



3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not yet in a position to issue our Auditor's Annual Report. We expect to issue our final Auditor's Annual Report soon after the accounts audit opinion. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness during our VFM planning and none have been identified to date. There are no matters of which we are aware that would impact our opinion on the financial statements.

NAO key criteria	Work performed to date
Improving Economy, Efficiency and Effectiveness	In response to the identified area of focus in our audit plan, we have held meetings with key officers at Halton Borough Council and Mersey Gateway Crossings Board to discuss the Mersey Gateway Bridge in particular the penalty charge notice (PCN), toll collection rates, the key partners and the tolling system. We have also undertaken work to review relevant documentation and committee minutes. Our work in this area is ongoing but we have not identified any significant areas of weakness to date and have no recommendations to make at this stage.
Financial Sustainability	We have held initial meetings with key officers to assess the financial pressures facing the Council. We have undertaken an initial review of the 2020/21 and 2021/22 budget and Medium Term Financial Strategy, Capital Programme and Treasury Management Strategy. We have noted performance reported at quarter 3 of 2021/22 which in overall terms forecasts a net spend above the approved budget of £2.998m. We have also undertaken an initial review of the same budget papers produced for the 2022/23 financial year as presented to Executive Board in February 2022. Our work in this area is ongoing but we have not identified any significant areas of weakness to date and have no recommendations to make at this stage.
Governance	We have obtained an assessment from management against the key governance themes covered by the NAO guidance. Our work in this area is ongoing but we have not identified any significant areas of weakness to date and have no recommendations to make at this stage. We have completed a waste governance review as a piece of cross cutting work for Merseyside authorities including Halton. This work has been completed by colleagues from our advisory term and has not identified any significant areas of weakness for the council.

4. Independence and ethics

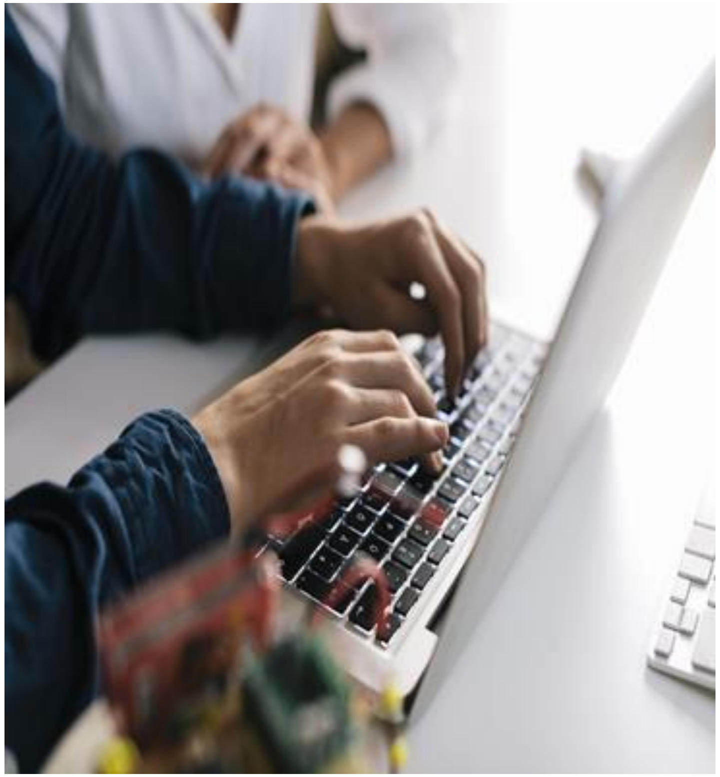
We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent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

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

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)



4. 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.

Service	Fees £	Threats identified	Safeguards
Audit related			
Housing Benefits Subsidy Certification	16,000	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 £16,000 in comparison to the total fee for the audit of £128,076 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.
Teachers' Pension Agency Certification	5,300	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 £5,300 in comparison to the total fee for the audit of £128,076 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.

4. 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 were identified which were charged from the beginning of the financial year to March 2022 as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Non-Audit related			
CFO Insight License Fee Subscription (1 April to 24 May 2020)*	1,683	Self-Interest (because this is a recurring fee)	This is an on-line software service that enable users to rapidly analyse data sets. CFO Insights is a Grant Thornton and CIPFA collaboration giving instant access to financial performance, service outcomes and socio-economic indicators for local authorities. It is the responsibility of management to interpret the information. The scope of our service does not include making decisions on behalf of management or recommending or suggesting a particular course of action. 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 £1,683 in comparison to the total fee for the audit of £128,076 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 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 Audit and Governance Committee. None of the services provided are subject to contingent fees.

* Note this was incorrectly stated as expiring 25 May 2021 in the Audit Plan.

Appendices

A. Action plan – Audit of Financial Statements

We have identified seven recommendations for the Council as a result of matters identified during the audit. We have agreed our recommendations with management and will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those matters that we have identified and concluded are of sufficient importance to report to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	1. Management undertake a rolling programme of revaluations to ensure that all assets are revalued at least every five years on an agreed schedule. The revaluation by the professional valuer is dated 31 October 2020. This presents the risk that assets not revalued and/or revalued assets at 31 October contain material movements at the year end.	Management should undertake an annual assessment to quantify and clearly evidence whether: 1. the assets not revalued as part of the five-year cycle are not materially misstated, 2. the movement between the valuation date and 31 March 2021 on revalued assets is not materially misstated. **Management response** As indicated in the management response to the 2019/20 Audit Findings Report, 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. The valuation date will move to 31 January to give further assurance.
Medium	2. The Council's bank reconciliations contain a high volume of historic reconciling items. This presents the risk that the Council's bank account may be incorrectly recorded in the general ledger.	Review the reconciling items on bank reconciliations with a view to writing off any items that will not be cleared with particular reference to historic items. **Management response** Included within the bank reconciliation are 69 historic items totalling £93k. The Council will review this balance with a view to clearing.
Medium	3. Certain organisations were disclosed as related parties in the 2020/21 disclosure note but did not meet the definition of related parties in accordance with section 3.9 of the Code.	Ensure that related party disclosures are consistent with the guidance set out in the Code. **Management response** There have been significant improvements to the related party transaction note between the 2019/20 and 2020/21 statement of accounts. Work is already underway to ensure the note is improved further and consistent with guidance.

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Assessment

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements (continued)

Assessment	Issue and risk	Recommendations
Medium	4. We note that there is a year on year improvement in supporting working papers. They could be improved further if debtor and creditor populations are cleansed to remove contra items, which will make audit sample selection more focused on true year end balances and thus increase efficiency during the audit.	Improve the quality of year end working papers by preparing a cleansed schedule of debtor and creditor populations (which does not include matching debit and credits to offset) **Management response** The Council will work with the External Auditor to agree a format of these working papers for future years.
Medium	5. We note that there is a year on year improvement in supporting working papers. They could be improved further if a year on year analytical review was prepared to explain significant variances. This will also assist management in assuring that values are in accordance with expectations	Preparing a year-on-year analytical review of significant movements at 31 March 2022 and thereafter. **Management response** Analytical review will be built into the closedown timetable.
Low	6. The presentation of the financial statements would be improved for the reader if the 2019/20 Comprehensive Income and Expenditure Statement (CIES) comparator values were included in tabular format on the same page as the current year CIES. Similarly the prior year comparator notes would be better placed chronologically after the current year notes.	Change the presentation of prior year comparators in the 2021/22 financial statements. **Management response** The presentation of comparator information has not been raised as an issue by any reader of the accounts. Regardless if there is available resource time the Council will review this.
Low	7. Finance Team do not undertake any routine checking of the existence of assets held on the fixed asset register, and rely on notification by the staff responsible for the asset regarding any potential disposals or obsolescence.	Control recommendation that the Finance Team undertake regular testing of assets held on the asset register for existence and making subsequent amendments where necessary. **Management response** The Council's Internal Audit team carry out checks as part of their programme of work on control of assets.

B. Follow up of prior year recommendations

We identified the following issues in the audit of Halton Borough Council's 2019/20 financial statements, which resulted in five recommendations being reported in our 2019/20 Audit Findings report. We have followed up on the implementation of our recommendations and note that three are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**Related party disclosures** The related party 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 matter has not been fully addressed in the 2020/21 Related Parties note and amendments were required to the 2020/21 disclosure note (See Appendix C). Management to revisit as part of 2021/22 closedown.
X	**Compilation of the cashflow statement** On checking the cashflow statement we identified a number of material amendments.	This matter has not been fully addressed in the 2020/21 Cashflow Statement as a recategorization was required between net cash flows from investing activities and from financing activities, although not material. Management to revisit as part of 2021/22 closedown.
✓	**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.	Matter addressed for the 2020/21 financial statements.
✓	**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.	Matter addressed for the 2020/21 financial statements.
X	**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.	2020/21 working papers continue the improvement trend, although there remains some scope to cleanse working papers of year end debtors and creditors to remove contra items and make audit sampling more appropriate.

Assessment

✓ Action completed

X Not yet addressed

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C. 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 2021. These impacted the balance sheet only with no overall impact on the draft outturn.

Detail	CIES £'000	Balance Sheet £'000	Impact on total net expenditure £'000
Note 21 Assets held for sale			
An asset held for sale was carried in the balance sheet at its fair value rather than its carrying value			0
Dr Revaluation Reserve		5,850	
Cr Assets held for sale		(5,850)	
Dr Surplus on revaluation of non-current assets	5,850		
With the exception of cash flow this has an impact upon all core statements plus where appropriate supporting notes. Note that there is no overall impact to the General Fund as the item is written out to the unusable reserves.			
Note 22 Investments			
Incorrect classification of Langtree loan as an investment. Transferred to debtor balance. (Balance Sheet)		2,000	0
Dr Long Term Debtors		(2,000)	
Cr Long Term Investments			
This error has a corresponding impact upon the cashflow statement (year on year debtor movements) and the financial assets within Note 33 Financial Instruments.			
Note 23 Long Term Debtors			
The Council recognised a debtor arising from a grant paid to Daresbury SIC for £4.5m within the Sci-Tech Daresbury Enterprise Zone to be funded by future business rates growth. Management agreed that the grant was not a debtor but instead should have been treated as REFCUS (Revenue Expenditure Funded as Revenue Under Statute)	4,529		
Dr Revenue Expenditure financed as capital under statute (REFCUS) - CI&E		(4,529)	0
Cr Long and short term debtors		4,529	
Dr Capital Adjustment Account	(4,529)		
Cr Revenue Expenditure financed as capital under statute (REFCUS) - MIRS			
This has an impact upon all core statements plus where appropriate supporting notes. Note that there is no overall impact to the General Fund as the item is written out to the unusable reserves under statute.			

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C. Audit Adjustments

Impact of adjusted misstatements (continued)

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 2021. These impacted the balance sheet only with no overall impact on the draft outturn.

Detail	CIES £'000	Balance Sheet £'000	Impact on total net expenditure £'000
Note 25 Creditors			
Incorrect classification of a debtor as a debit to creditors (Balance Sheet)			
Dr Creditors		2,931	
Cr Debtors		(2,931)	
This error has a corresponding impact upon the cashflow statement (year on year debtor movements) and the financial assets within Note 33 Financial Instruments.			
Note 37 Unusable Reserves			
Correction of mis-postings over a number of years in relation to excess depreciation			
Dr Revaluation Reserve		2,960	
Cr Capital Adjustment Account		(2,960)	
Overall impact	£5,850	£0	£0

C. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Audit and Governance Board is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Note 17 Property Plant and Equipment				
School valuation overstated by £615,700		616		Not material
Dr Revaluation Reserve		(616)		
Cr Buildings valuation				
Note 29 Other Long Term Liabilities (Pension Liability)				Not material and based upon an estimated value at a point in time
The auditor of the Pension Fund reported an unadjusted investment understatement of £31.55m. Halton's share of the fund's investment asset is 10.64%, equating to a potential understatement in the Council's plan assets and overstatement in the net pension liability of £3.36m.				
Dr Pension Fund investment asset		3,357		
Cr Remeasurement of net defined benefit liability	(3,357)			
Note that pension fund gains and losses are reversed through the Movement in Reserves Statement so do not impact the general fund.				
Other Income				
Income completeness testing identified s106 income of £570k received in April 2021 that was not accrued as a Debtor at year-end.				Not material
Dr Debtors		570		
Cr Income	(570)		(570)	
Overall impact	**£(3,927)**	**£3,927**	**£(570)**	

C. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure errors identified during the audit and whether they have been adjusted in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Note 7 Grant Income. Management agreed to add in a further disclosure note setting out Covid related grant income where authority acting as agent and to include the year end debtor / creditor balance to improve the reader's understanding.	Note 7 to be updated	TBC
Note 13 Related Party Transactions Certain organisations were disclosed as related parties in the note but did not meet the definition of related parties in accordance with section 3.9 of the Code.	Note 13 to be updated. The council agreed that the following organisations should be removed from the note: Halton and St Helens CVS, Halton Citizens Advice Bureau, Halton Community Transport, Mersey Gateway Environmental Trust, Nightstop Communities Northwest CIC, Norton Priory Museums Trust, HTP Grange Ltd, HTP LEP Ltd and Halton Chamber Of Commerce.	Y
Note 14 External Audit Fees The figures disclosed in the draft note were not consistent with the agreed audit fees payable to Grant Thornton.	Note 14 to be updated	Y
Note 30 Leases - Operating Leases - Authority as a Lessor There was an error in the computation of the minimum lease payments which resulted in an understatement in the total minimum lease payments by £848k.	Note 30 to be updated	Y
Note 30 Leases - Operating Leases - Authority as a Lessee Based on our operating leases testing, we have noted an error in the prior year lease schedule for a certain lease. This results to an understatement in the 19/20 minimum lease payments by £637k.	Note 30 to be updated. Management declined to amend as it relates to the prior year comparator and is not material.	N
Note 32 Pension Schemes Trivial variances due to inconsistencies in the amounts disclosed for Current service cost, Actuarial gains / losses arising from changes in demographic assumptions and Actuarial gains / losses arising from changes in financial assumptions within the note.	Note 32 to be updated	Y

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C. Audit Adjustments

Misclassification and disclosure changes (continued)

Disclosure omission	Auditor recommendations	Adjusted?
Note 33 Financial Instruments 1) Maximum exposure to credit risk in relation to investments held in banks and building societies reported as £94.445m. This should be £39.445m as amount disclosed includes local authorities in error. 2) Maximum deposits per institution does not agree with TM Strategy 2020/21. UK Gov't should be amended from £30m to £40m and Local Authorities from £20m to £40m.	Note 33 to be updated	Y
Note 33 Financial Instruments The note should include non-financial instrument items to enable reconciliation back to the values on the balance sheet (eg for debtors and creditors)	Note 33 to be updated Management have declined to adjust the note as consider it provides sufficient detail.	N
Note 34b Adjustments between accounting basis and funding basis under regulations and Movement in Reserves Statement Note 34b and the Movement in Reserves Statement did not disclose the £990k relating to the Dedicated Schools Grant reserves transfer. The other movements of £990k shown in MIRS relates to dedicated schools grant. This should have been included in the Adjustments between Accounting Basis and Funding Basis under Regulation row and shown separately in Note 34(b).	Note 34b and MIRS to be updated	Y
Accounting Policy – Note 30(a) Property Plant and Equipment The draft accounts included a material valuation uncertainty disclosure regarding investment property valuations. Upon audit enquiry management agreed to remove the disclosure due to the investment properties in total being valued at £806k and therefore unlikely to be materially misstated.	Note 30(a) to be amended	Y
Other information – Annual Governance Statement and Narrative Report. Some presentational amendments were agreed to improve the reader's understanding of the other information.	Other information – Annual Governance Statement and Narrative Report to be updated.	Y

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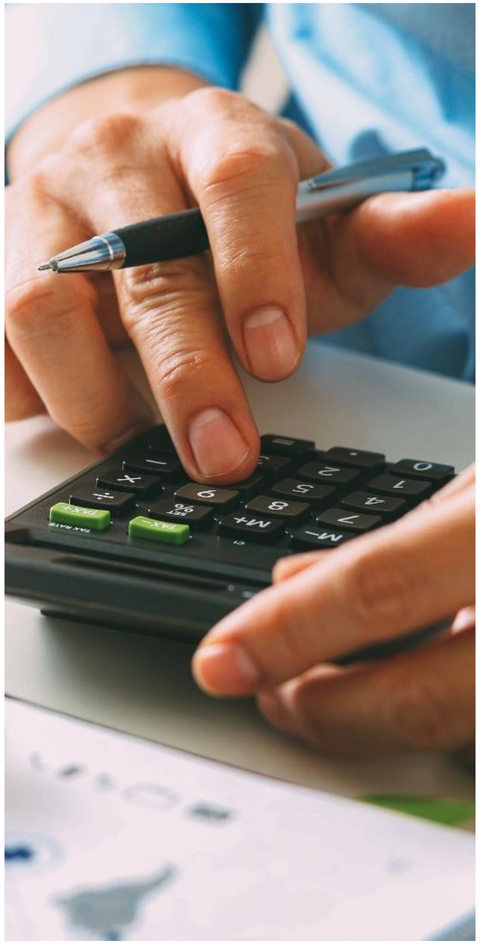
C. Audit Adjustments



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 2019/20 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 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 for 2020/21
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	0		0	Not material and no impact on total Comprehensive Income and Expenditure for 2020/21
Dr Revaluation reserve		307		
Cr Surplus assets		(307)		
Overall impact	£0	£0	£0	

D. Fees

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

Audit fees	Proposed fee	Final fee
Council Audit	£128,076	£TBC
Total audit fees (excluding VAT)	£128,076	£TBC*

Audit and non-audit fees for other services	Proposed fee	Final fee
Audit Related Services (see page 23)	£21,300	£21,300
Non-Audit Related Services (see page 24)	1,683	1,683
Total non-audit fees (excluding VAT)	**£22,983**	**£22,983**

* Given the ongoing work to finalise the value for money assessment, we are currently not in a position to propose the final fee for the year.

The audit fees in note 14 to the financial statements reconcile to the schedule above.

E. Audit opinion

Our audit opinion is included below. We anticipate we will provide the Council with an unmodified audit report

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

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Halton Borough Council (the 'Authority') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 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 2020/21; 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, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Operational Director Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

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 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

E. Audit opinion (continued)

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Operational Director – Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Operational Director – Finance with respect to going concern are described in the 'Responsibilities of the Authority, Operational Director – Finance's and Those Charged with Governance for the financial statements' section of this report.

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 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 the 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 in April 2020 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 '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 matters 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, the other information published together with the financial statements in the Statement of Accounts 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.

E. Audit opinion (continued)

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

As explained in the Statement of Responsibilities for the Statement of Accounts [set out on page 108], 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 2020/21, 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 Audit and Governance 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992), the Local Government Finance Act 2012 and the Local Government Act 2003).
- We enquired of senior officers and the Audit and Governance Board, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of senior officers, internal audit and the Audit and Governance Board, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

E. Audit opinion (continued)

- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of This included the evaluation of the risk of management override of controls identified for the audit. We determined that the principal risks were in relation to:
  - Material year end journals posted by senior and other central finance staff to potentially manipulate the surplus/deficit position; and
  - Potential management bias in accounting estimates

Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Operational Director – Finance has in place to prevent and detect fraud;
- journal entry testing, with a focus on material entries posted by senior and other central finance staff around and after the year end;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land & buildings and defined benefit pension scheme liability valuations**;**
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land & buildings and defined benefit pensions liability valuations.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA/LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework .

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

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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E. Audit opinion (continued)

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

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 for Halton Borough Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

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

Date:

F. Management Letter of Representation

Grant Thornton UK LLP (FAO Michael Green)

11th Floor Landmark Building

St Peter's Square

1 Oxford St

Manchester

M1 4PB

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Sirs

Halton Borough Council
Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Halton Borough Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the Council 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 2020/21 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 2020/21 ("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. 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. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable 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.

F. Management Letter of Representation

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.

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 Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xii. 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 they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

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. There are no prior period errors to bring to your attention.

xv. 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:

a. the nature of the Council means that, notwithstanding any intention to liquidate the Council or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

Information Provided

xvi. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council's 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.

F. Management Letter of Representation

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

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

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

xx. We have disclosed to you all 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.

xxi. 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.

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

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

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

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Audit and Governance Board at its meeting on 23 March 2022.

Yours faithfully

Name................................

Position..............................

Date.................................

Name................................

Position..............................

Date.................................

Signed on behalf of the Council

See unadjusted errors on page overleaf.

F. Management Letter of Representation

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Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Audit and Governance Board is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Note 17 Property Plant and Equipment				
School valuation overstated by £615,700		616		Not material
Dr Revaluation Reserve		(616)		
Cr Buildings valuation				
Note 29 Other Long Term Liabilities (Pension Liability)				Not material and based upon an estimated value at a point in time
The auditor of the Pension Fund reported an unadjusted investment understatement of £31.55m. Halton's share of the fund's investment asset is 10.64%, equating to a potential understatement in the Council's plan assets and overstatement in the net pension liability of £3.36m.				
Dr Pension Fund investment asset		3,357		
Cr Remeasurement of net defined benefit liability	(3,357)			
Note that pension fund gains and losses are reversed through the Movement in Reserves Statement so do not impact the outturn.				
Other Income				
Income completeness testing identified S106 income of £570k received in April 2021 that was not accrued as a Debtor at year-end.				Not material
Dr Debtors		570		
Cr Income	(570)		(570)	
Overall impact	£(3,927)	£3,927	£(570)	

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HALTON BOROUGH COUNCIL

STATEMENT OF ACCOUNTS

2020/21

Contents

Supplementary Financial Statements

Other

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 31st March 2021. Included are core financial statements supported by supplementary statements, which will help provide an analysis of the financial performance of the Council over the financial year 2020/21.

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

The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting 2020/21 (known as The Code), which in turn is underpinned by International Financial Reporting Standards.

The Core Statements are:

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

- **Balance Sheet** – The Balance Sheet shows the value as at the 31st March 2021 of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

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

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

- **Notes to the above Statements** – extensive notes to support the core statements are set out in accordance with the requirements of the Code. The notes shall:
    1. Present information about the basis of preparation of the financial statements and the specific accounting policies used.
    2. Disclose the information required by the Code that is not presented elsewhere in the core financial statements.

The Supplementary Financial Statements are:

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

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

Organisational Overview

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

Operationally the Council's structure comprises two directorates. The People Directorate includes primarily Adult Social Care, Children's Services, Schools, Education Services and

Public Health. All other Council services operate within the Enterprise, Community & Resources Directorate.

There have been no significant changes to the Council's governance arrangements during 2020/21. However, further details regarding the effectiveness of those arrangements can be found in the Annual Governance Statement which is reviewed and reported upon annually alongside the Statement of Accounts.

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

The Council is a member of the Liverpool City Region (LCR) Combined Authority and works closely with the other five member councils in respect of a number of key service areas, including economic regeneration, highways and transport services. In addition, the Council is part of the LCR Business Rates Retention pilot scheme, designed to incentivise councils to develop their local economy by permitting them to retain any resulting growth in business rates. The pilot scheme will continue to operate through 2021/22, however participation in the scheme beyond 2021/22 is uncertain.

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

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

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

Financial Performance 2020/21

The Council incurs both revenue and capital expenditure. Revenue expenditure is generally on items which are used in the year and net expenditure is generally financed by council tax, retained business rates and top-up funding. Capital expenditure generally has a life beyond one year and increases the value of an asset. The financing of capital expenditure is charged to revenue over a number of years in accordance with statutory requirements.

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

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

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

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

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

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

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

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

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

The Council holds earmarked reserves which have been set aside to cover known future one-off costs. The value of earmarked reserves as at 31st March 2021 total £128.6m an increase of £23.1m from £105.6m at the same point in 2020.

Included within the Earmarked Reserves is grant provided by Department for Transport to assist in the running costs of Mersey Gateway, this reserve at 31st March 2021 totalled £64.2m, an increase of £5.9m from 31st March 2020. Note that this grant income is ring-fenced for spend on Mersey Gateway only, and cannot be utilised by the Council for any other purpose. Other increases in earmarked reserves include £11.0m in grant income held for a specific purpose but with no repayment conditions attached and £2.6m in balances held by schools under the scheme of delegation.

Details of the earmarked reserves are shown in Note 36.

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

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

Financial Performance 2020/21 – Operational Spending

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

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

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

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

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

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

Severance costs incurred during the year totalled £0.4m (2019/20 - £0.5m). These were met from the Transformation Fund Reserve which the Council established to meet the costs associated with structural changes. Posts vacated from staff electing to take up voluntary redundancy terms have been deleted from the Council's staffing structure to provide on-going savings. Further details on exit packages can be found in supporting Note 11 to the financial statements.

Financial Performance 2020/21 – Covid-19 Impact

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

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

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

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

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

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

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

The Council have supported the Government in responding to the pandemic by providing a process to passport on funding to businesses and individuals within the borough. This included providing funding of £24.4m in grants to support businesses that have had to stop trading at intervals during 2020/21. In addition a further £1.6m of grants were provided on a discretionary basis.

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

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

Schools

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

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

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

Comprehensive Income & Expenditure Statement

Whilst the General Fund shows a net surplus for the year of £2.3m, the accounting position presented in the Comprehensive Income & Expenditure Statement (CIES) shows a deficit for the year of £108.6m. The CIES takes a wider view of financial performance than that shown in the General Fund and shows the true accounting position for the year. This deficit represents the total amount by which the Council's equity has decreased over the year as shown in the Balance Sheet.

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

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

	2020/21 £000
General Fund Underspend	**(2,340)**
Transfer from Earmarked Reserves	**-**
Accounting Adjustments Provision of Services:	
Adjustment for Capital Purposes	
- Depreciation, Impairment and Revaluation Losses of Non-Current Assets	30,768
- Capital Grant Income	(18,779)
- Revenue Expenditure Funded from Capital	9,815
- Loss on De-Recognition of Non-Current Assets	3,129
- Minimum Revenue Provision	(8,632)
- Other Capital Adjustments	(832)
Pension Adjustments	6,107
Movement in Reserves	(23,050)
Other Differences	21,814
Deficit on the Provision of Services	**18,000**
Accounting Adjustments Other:	
Surplus on Revaluation of PP&E	(5,992)
Gain on Pension Asset	(88,104)
Loss on Pension Assumptions (Demographic, Financial and Other)	185,670
Revaluation of Financial Assets Measured at Fair Value Through Other Comprehensive Income	(1,015)
Total Comprehensive Income & Expenditure	**108,559**

- **Adjustment for Capital Purposes**
  - Depreciation and Revaluation Loss of Non-Current Assets – Reflects the annual cost of assets consumed during the year
  - Capital Grant Income – Used to help fund the capital programme, recognised in the CIES in line with proper accounting practice.
  - Revenue Expenditure Funded from Capital – Capital funded expenditure charged to the CIES under statute.
  - Loss on De-Recognition of Non-Current Assets and Financial Instruments – Transfer of Non-Current Assets, largely relating to Simms Cross Primary School transferring to academy status from during the year.
  - Minimum Revenue Position – Amount set aside in the General Fund to recognise the repayment of debt. In line with proper accounting practice this is not required to be included in the CIES.
- **Pension Adjustments** - Denotes the difference between the accounting cost of pensions (included in the CIES) and the actual employer contributions to the pension fund. More information on pensions is included elsewhere within the narrative report.
- **Movement in Reserves** - As per proper accounting practice, changes to reserves are not required to be included in the CIES.
- **Other Differences** – Includes the Collection Fund adjustment, difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to council tax and business rates.
- **Surplus on Revaluation of PP&E** - Increase in the value of those non-current assets that have been revalued during the year.
- **Gain on Pension Assets / Loss on Pension Adjustments** – Information on these adjustments is included within the Pension Liability heading as part of the narrative report.
- **Revaluation of Financial Assets Measured at Fair Value Through Other Comprehensive Income.** – Increase in the value of financial instruments held. This has no impact on the General Fund.

Capital Planning

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

At 31st March 2021 unused capital receipts were £2.1m, and the balance on the capital reserve was £2.0m. A significant percentage of the capital receipts are earmarked for future capital projects. The forecast level of receipts as at 31st March 2023 is £7.1m.

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

On 3rd March 2021, Council approved the 2021/22 Capital Strategy. This helps provide a high level, long term overview of how capital expenditure, capital financing and treasury management will contribute to the provision of services. It also provides an overview of how associated risks are managed and implications for future financial sustainability. The Council's Asset Management Working Group meet on a quarterly basis to plan and develop the Council's Asset Management Plan.

Capital Expenditure

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

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

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

Analysis of capital expenditure is included as part of the notes to the financial statements in Note 16.

Pension Liability

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

As at 31st March 2021 the Council has defined pension net liabilities of £169.1m. This is an increase of £103.7m to the net liabilities of £65.4m from 31st March 2020. Scheme obligations have increased by £205.3m over the course of the past year, notably as a result of remeasurement of financial assumptions. There has been an increase of £101.6m to the scheme assets attributable to the return on plan assets.

Funding levels of the pension fund are monitored on an annual basis. Following the triennial review in 2019, Council approved the payment of the past service deficit cost as a lump sum for the period 2020-2023, rather than paying these on a monthly basis as had been the historical preferred method. This resulted in a cash saving over the period given the forecast low level of investment returns and strong cash flow position of the Council.

Treasury Management

The Council operates within a Treasury Management framework, which requires that each year a strategy is prepared including setting prudential indicators to form a framework for the Council's borrowing and lending activities. The Council has adopted the CIPFA Code of Practice on Treasury Management. Performance is regularly monitored throughout the year with reports presented to the Council's Executive Board at the halfway point of the year and a report on the final outturn position.

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

Over the past year the Council has benefited from investments with local authority counterparties where the rate of return on offer has been greater than that of more traditional investments whilst maintaining the same level of security.

The Council's Treasury Management Strategy for 2021/22 was approved by Council on 3rd March 2021. The aim of the treasury management operation is to ensure that cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments, with security being prioritised over yield.

As at 31st March 2021 long term borrowing totalled £172m, well within the authorised borrowing limit. Borrowing comprises loans from the Public Works Loan Board of £162m and a Lenders Option Borrowers Option (LOBO) loan with Commerzbank for £10m. There was no new borrowing (long or short term) undertaken over the course of the year.

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

The Council's cash flow position continues to be well managed. Cash held (and deposits payable within 3 months) totals £21.5m (£22.9m in 2019/20), and short term deposits (up to 1 year) total £70.1m (£65.4m in 2019/20). Deposits over 12 months total £7m (£17.0m in 2019/20).

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

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

Collection Fund

The transactions on this fund record the collection of council tax and non-domestic rates.

The Business Rate Retention Scheme was implemented on 1st April 2013 with the Liverpool City Region pilot scheme introduced on 1st April 2017. As part of the pilot scheme the Council collects non-domestic rates on behalf of Cheshire Fire & Rescue Service, and itself.

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

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

As at 31st March 2021 the Business Rates position showed the Council had a gross deficit position of £19.7m. This excludes grant of £13.7m received from Government to apply an expanded 100% rate relief to small businesses, the retail, leisure and hospitality sector and nurseries during 2020/21. The resulting deficit balance of £6.0m can be spread over the next 3 years. Further to this, Government are committed to compensating the Council for 75% of irrecoverable losses on the Collection Fund resulting from the pandemic, which is currently estimated at £2.8m.

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

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

Performance Measures 2020/21

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

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

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

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

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

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

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

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

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

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

Financial Planning

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

The public spending austerity programme has had, and will continue to have, a significant impact upon the Council's finances over the medium term and this has been reflected in the MTFS. At the time of writing the report, the medium term financial impact of the Covid-19 pandemic and the Government response is being considered by the Council, in terms of 2022/23 and subsequent years.

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

The most recent MTFS was reported to the Council's Executive Board in November 2020 and subsequently updated as part of the budget report in March 2021. The latest report identified potential shortfalls in funding for the Council over the following three years of approximately £15.7m (2022/23), £2.0m (2023/24) and £2.1m (2024/25).

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

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

Conclusion

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

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

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

Ed Dawson

Operational Director – Finance

Core Financial Statements

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)**

Comprehensive Income & Expenditure Statement as at 31st March 2021

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

Balance Sheet as at 31st March 2021

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

Signed by:
Ed Dawson – Operational Director Finance   Date: 30 July 2021

Movement in Reserves Statement

	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	**TOTAL USABLE RESERVES (Note 35)**	**TOTAL UNUSABLE RESERVES (Note 37)**	**TOTAL COUNCIL RESOURCES**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
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 34a**)	(28,837)	2,101	482	**(26,254)**	26,254	**-**
Other Adjustments	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)**
Balance as at 31st March 2020	**(109,574)**	**(5,640)**	**(12,481)**	**(127,695)**	**(210,234)**	**(337,929)**
Movement in Reserves during 2020/21						
Total Comprehensive Income and Expenditure	18,000	-	-	**18,000**	90,559	**108,559**
Adjustments between Accounting Basis and Funding Basis under Regulations (**note 34b**)	(43,396)	3,558	(4,514)	**(44,352)**	44,352	**-**
Other Movements	6		(8)	**(2)**	2	**-**
(Increase)/Decrease in the year	**(25,390)**	**3,558**	**(4,522)**	**(26,354)**	**134,913**	**108,559**
Balance at 31 March 2021 carried forward	**(134,964)**	**(2,082)**	**(17,003)**	**(154,049)**	**(75,321)**	**(229,370)**

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 2021

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

Notes to the Core Financial Statements

Please note the Accounting Policies are shown on page 109.

1. Expenditure and Funding Analysis

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

Expenditure and Funding Analysis 2019/20

	Outturn reported to Management Restated 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**

Expenditure and Funding Analysis 2020/21

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

Note to Expenditure and Funding Analysis 2020/21

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	(2,628)	5,912	2,028	(84)	**5,228**
People	(19)	(12)	1,983	(2,576)	**(624)**
Schools	-	119	818	3,567	**4,504**
Corporate and Democracy	4,990	18,995	(278)	27,258	**50,965**
Mersey Gateway	(38,486)	(166)	-	1	**(38,651)**
Net Cost of Services	**(36,143)**	**24,848**	**4,551**	**28,166**	**21,422**
Other Income and Expenditure from the Expenditure and Funding Analysis	36,143	(9,379)	1,556	(6,352)	**21,968**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**-**	**15,469**	**6,107**	**21,814**	**43,390**

Other Income and Expenditure

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

- Interest Payable and Receivable
- Levy Payments

Adjustments for Capital Purposes

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

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

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

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

Net Charge for Pension Adjustments

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

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

Other adjustments

This column includes

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

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

Segmental Income and Expenditure

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

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**	**-**

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

2. Expenditure and Income Analysed by Nature

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

3. Other Operating Expenditure

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

4. Financing and Investment Income and Expenditure

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

5. Taxation and Non-Specific Grant Income

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

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

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

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

	2019/20 £000	2020/21 £000
Revenue Grants Credited to Services		
Department for Housing, Communities & Local Government	(3,907)	(7,195)
Dedicated Schools Grant	(75,660)	(78,923)
Department for Business, Energy & Industrial Strategy	-	(1,611)
Department for Education	(16,620)	(16,418)
Department for Environment, Food & Rural Affairs	(37)	(223)
Department for Transport	(25,951)	(25,031)
Department for Works & Pensions	(1,122)	(1,862)
Department of Health	(9,998)	(13,558)
Home Office	(472)	(433)
Rent Allowance Subsidy	(31,350)	(30,600)
Other Grants	(632)	(3,570)
Total	**(165,749)**	**(179,424)**

8. Disclosure of Deployment of Dedicated Schools Grant

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

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

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

9. Pooled Budgets

Better Care Fund

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

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

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

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

In addition to the BCF and ABCF allocations, the Council and Clinical Commissioning Group each contributed additional funds equal to 58% and 42% respectively (excluding the BCF allocation) for 2020/21.

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

		2019/20 £000		2020/21 £000
Balance Brought Forward		**46**		**117**
Funding provided to the pooled budget:				
- Halton Borough Council		(3,476)		(3,535)
- Halton Clinical Commissioning Group		(3,497)		(3,467)
- Better Care Fund		(10,377)		(10,891)
- Winter Pressures		(639)		(639)
		(17,989)		**(18,532)**
Income raised through the pooled budget:				
- Halton Borough Council		(625)		(609)
		(625)		**(609)**
Expenditure met from the pooled budget:				
- Halton Borough Council		4,139		4,053
- Halton Clinical Commissioning Group		3,530		3,401
- Better Care Fund		10,377		10,891
- Winter Pressures		639		639
		18,685		**18,984**
Net (surplus)/deficit arising on the pooled budget during the year		**71**		**(157)**
Share of the (surplus)/deficit for the year:				
- Halton Borough Council	54%	38	58%	(91)
- Halton Clinical Commissioning Group	46%	33	42%	(66)
		71		**(157)**
Balance Carried Forward		**117**		**(40)**

10. Officers Remuneration

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

Remuneration Band		2019/20 Number of Employees		2020/21 Number of Employees	
		Teaching	Non-Teaching	Teaching	Non - Teaching
£50,000	£54,999	15	12	14	10
£55,000	£59,999	7	14	14	10
£60,000	£64,999	10	10	7	9
£65,000	£69,999	7	3	9	11
£70,000	£74,999	6	3	8	4
£75,000	£79,999	1	4	-	4
£80,000	£84,999	-	3	1	1
£85,000	£89,999	1	6	1	2
£90,000	£94,999	1	1	-	5
£95,000	£99,999	-	4	1	2
£100,000	£104,999	-	-	-	3
£105,000	£109,999	-	-	-	-
£110,000	£114,999	-	-	-	-
£115,000	£119,999	-	-	-	-
£120,000	£124,999	-	-	-	-
£125,000	£129,999	-	2	-	2
£130,000	£134,999	-	-	-	-
£135,000	£139,999	-	-	-	-
£140,000	£144,999	-	-	-	-
£145,000	£149,999	-	-	-	-
£150,000	£154,999	-	-	-	-
£155,000	£159,999	-	-	-	-
£160,000	£164,999	-	-	-	-
£165,000	£169,999	-	-	-	-
£170,000	£174,999	-	-	-	-
£175,000	£179,999	-	1		
£180,000	£184,999	-	-	-	1
		48	**63**	**55**	**64**

The figures in the above table for 2019/20 have been restated to exclude salaries for staff at Voluntary Aided Schools who are employed directly by the school's governing body. 45 staff with a total salary value of £2,752,207 have been removed from the 2019/20 figures. In 2020/21, 51 staff members of Voluntary Aided Schools with a total salary value of £3,147,868 have been excluded from Note 10.

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

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

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

This note refers to the detailed table below:

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

Post Title		Salary (including fees & Allowances)		Compensation for loss of employment		Benefits in Kind		Total Remuneration excluding pension contributions		Employers Pension contributions		Total Remuneration including pension contributions	
		2019/20	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**
		£	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Chief Executive - David Parr		179,000	182,500	-	-	-	-	179,000	182,500	-	-	179,000	182,500
Strategic Director - People		125,500	128,600	-	-	-	-	125,500	128,600	22,100	24,200	147,600	152,800
Strategic Director - Enterprise, Communities & Resources		125,500	128,600	-	-	-	-	125,500	128,600	23,100	8,200	148,600	136,800
Operational Director - Planning & Transportation		79,500	83,600	-		-	-	79,500	83,600	14,700	16,500	94,200	100,100
Operational Director - Legal & Democratic Services		88,300	90,600	-	-	-	-	88,300	90,600	16,200	17,700	104,500	108,300
Statutory Operational Director - Adult Social Care		99,400	102,000	-	-	-	-	99,400	102,000	18,300	20,000	117,700	122,000
Statutory Operational Director - Children & Families Services		99,400	102,000	-	-	-	-	99,400	102,000	18,300	20,000	117,700	122,000
Statutory Operational Director - Education, Inclusion & Provision		99,500	102,100	-	-	-	-	99,500	102,100	18,300	20,000	117,800	122,100
Operational Director - Finance		88,300	90,600	-	-	-	-	88,300	90,600	16,200	17,700	104,500	108,300
Operational Director - ICT & Support Services		97,200	98,400	-	-	-	-	97,200	98,400	17,900	19,300	115,100	117,700
Operational Director - Economy, Enterprise & Property		88,700	90,600	-	-	-	-	88,700	90,600	16,400	17,900	105,100	108,500
Operational Director - Community & Environment		88,300	90,600	-	-	-	-	88,300	90,600	16,200	17,700	104,500	108,300
Operational Director - Public Health	1	94,600	96,900	-	-	-	-	94,600	96,900	13,500	13,900	108,100	110,800
Operational Director - Policy, People, Performance & Efficiency		80,000	86,000	-	-	-	-	80,000	86,000	14,700	16,800	94,700	102,800
		1,433,200	**1,473,100**	-	-	-	-	**1,433,200**	**1,473,100**	**225,900**	**229,900**	**1,659,100**	**1,703,000**

11. Exit Packages and Termination Benefits

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

Exit package cost band	Number of compulsory redundancies		Number of voluntary redundancies		Number of early retirements		Total of number of exit packages by cost band		Total cost of exit packages in each band	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20 £000	2020/21 £000
£0 - £20,000	5	4	14	21	-	-	19	25	99	186
£20,001 - £40,000	1	-	4	3	-	-	5	3	117	78
£40,001 - £60,000	-	-	1	2	-	-	1	2	44	93
£60,001 - £80,000	-	-	1	-	-	-	1	-	78	-
£80,001 - £100,000	-	-	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	1	-	-	-	1	-	116	-
£150,001 - £200,000	-	-	-	-	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	-	-	-	-	-	-	-
£250,001 - £300,000	-	-	-	-	-	-	-	-	-	-
Total	**6**	**4**	**21**	**26**	**-**	**-**	**27**	**30**	**454**	**357**

The total cost of exit packages in 2020/21 is £0.357m (2019/20 - £0.454m) charged to the authority's Comprehensive Income and Expenditure Statement (CIES). Costs associated with redundancies include officers aged 55 or over being able to access their pensions immediately. There were no early retirements taken in 2020/21 (2019/20 - £0.000m).

Termination Benefits

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

12. Members Allowances

During the year £833,827.59 (2019/20 - £815,214.84) was paid to Members, including Mayoral and Deputy Mayoral allowances.

13. Related Party Transactions

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

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

Materiality

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

Central Government

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

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

Members and Officers

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

The total of members allowances paid in 2020/21 is shown in Note 12. The total of senior officers remuneration paid in 2020/21 is shown in Note 10.

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

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

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

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

Other Public Bodies

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

The Council had one pooled budget arrangement with Halton Clinical Commissioning Group during 2020/21 under s75 of the Health Act 2006. Transactions and balances are highlighted in Note 9. In addition to the pooled budget arrangement there were further payments of £0.038m made to Halton Clinical Commissioning Group in relation to children's therapy equipment, and income received of £0.379m relating to joint-funded children's care packages, and £0.071m of contributions towards two Health Engagement Officer posts within Children's Services.

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

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

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

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

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

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

Entities Controlled or Significantly Influenced by the Council

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

14. External Audit Fees

The Council paid the following amounts to Grant Thornton in 2020/21 for fees relating to external audit, inspection and additional services.

	2019/20	2020/21
	£000	£000
Fees payable for		
- Audit	97	128
- Additional fees for prior year audit	54	33
- Grants and returns	27	21
- Benchmarking Service	13	-
	191	**182**

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 30th July 2021 and reflect all known events for the financial year. Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing at 31st March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

16. Capital Expenditure and Financing

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

	2019/20 £000	2020/21 £000
Opening Capital Financing Requirement	**608,870**	**613,236**
Capital Investment:		
Property, Plant & Equipment	39,200	21,350
Investment Properties	-	-
Intangible Assets	465	126
Revenue Expenditure Funded from Capital under Statute	3,676	9,815
Adding Halton Borough Transport share costs back to CFR	430	-
Source of Finance:		
Capital Receipts	(3,571)	(4,957)
Government Grants & Other Contributions	(26,953)	(14,266)
Direct Revenue Contributions	(211)	(729)
Minimum Revenue Provision	(8,670)	(9,356)
Closing Capital Financing Requirement	**613,236**	**615,219**
Explanation of movement in year:		
Increase in underlying need to borrow	13,524	11,841
Minimum Revenue Provision statutory set aside	(8,670)	(9,356)
Use of Capital Reserves to reduce MRP liability	(488)	(502)
Increase/(Decrease) in Capital Financing Requirement	**4,366**	**1,983**

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

Disposal of Assets/Capital Receipts

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

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

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

Movements during 2019/20

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

Movements during 2020/21

	Land and Buildings £000	Community Assets £000	Infrastructure Assets £000	Vehicles, Plant and Equipment £000	Surplus Assets £000	Under Construction / Development £000	Total 2020/21 £000	Service Concession Assets included in PPE £000
Cost or Valuation								
As at 31st March 2020	**209,307**	**3,468**	**800,810**	**22,968**	**5,413**	**3,513**	**1,045,479**	**472,081**
Additions and Enhancements	2,368	105	15,282	2,257	-	1,327	**21,339**	-
Revaluations Recognised in the Revaluations Reserve	239	-	-	-	1,707		**1,946**	-
Revaluations Recognised in the Provision Services	(3,990)	-	-	-	(29)		**(4,019)**	-
Derecognition – Disposals	(3,593)	-	-	(24)	(344)		**(3,961)**	-
Derecognition – Others	-	-	-	-	-		**-**	-
Assets Reclassified (to)/from held for sale	-	-	-	-	(60)		**(60)**	-
Other Movements	733	1,296	-	800	-	(2,829)	**-**	-
As at 31st March 2021	**205,064**	**4,869**	**816,092**	**26,001**	**6,687**	**2,011**	**1,060,724**	**472,081**
Depreciation								
As at 31st March 2020	**(2,854)**	**(2,141)**	**(158,019)**	**(17,804)**	**(39)**	**-**	**(180,857)**	**(17,863)**
Depreciation for the year	(7,328)	(215)	(17,424)	(1,862)	(61)	-	**(26,890)**	(7,232)
Depreciation written out to revaluation reserve	4,024	-	-	-	21	-	**4,045**	
Depreciation written out to Surplus/Deficit on the Provision of Services	891	-	-	-	9	-	**900**	
Derecognition – Disposals	-	-	-	-	-	-	**-**	
Derecognition – Other	-	-	-	-	-	-	**-**	
Other movements in depreciation	-	-	-	21	-	-	**21**	
As at 31st March 2021	**(5,267)**	**(2,356)**	**(175,443)**	**(19,645)**	**(70)**	**-**	**(202,781)**	**(25,095)**
Balance Sheet Amount as at 31st March 21	**199,797**	**2,513**	**640,649**	**6,356**	**6,617**	**2,011**	**857,943**	**446,986**
Balance Sheet Amount as at 1st April 20	**206,453**	**1,327**	**642,791**	**5,164**	**5,374**	**3,513**	**864,622**	**454,218**

Depreciation

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

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

Capital Commitments

At 31 March 2021, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment.

The major commitments are:

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

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

Revaluations

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every 5 years using the rota below, with 2020/21 being year 5 in the cycle. Valuations were carried out by Sanderson Weatherall LLP and by the Council's in-house valuer Louise Risk MRICS. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

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

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

Assets which were subject to a revaluation in 2020/21 are dated the 1st October 2020. The valuation report which is used in the preparation of the Council's Statement of Accounts takes account of all known events throughout 2020/21 which could subsequently affect the assets value and is therefore dated the 31st March 2021.

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

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

	Other Land & Buildings	Community Assets	Infrastructure Assets	Vehicles, Plant & Equipment	Surplus	Under Construction / Development	Total
	£000	£000	£000	£000	£000	£000	£000
Valued at current value as at:							
31 March 2021	84,924	-	-	-	4,129	-	**89,053**
31 March 2020	93,176	-	-	-	1,462	-	**94,638**
31 March 2019	16,021	-	-	-	162	-	**16,183**
31 March 2018	2,887	-	-	-	59	-	**2,946**
31 March 2017	2,789	-	-	-	805	-	**3,594**
Valued at Historic Cost	-	2,513	640,649	6,356	-	2,011	**651,529**
Total	**199,797**	**2,513**	**640,649**	**6,356**	**6,617**	**2,011**	**857,943**

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 2021, the Council had 79 assets that fell below its de-minimis level of £35,000 which totalled £0.900m. These assets are not recorded on the Balance Sheet.

18. Heritage Assets

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

	2019/20			2020/21		
	Civic Regalia £000	Outdoor Sculpture £000	Total £000	Civic Regalia £000	Outdoor Sculpture £000	Total £000
Cost or Valuation						
1st April	**858**	**375**	**1,233**	**858**	**421**	**1,279**
Additions	-	46	**46**		12	**12**
Disposals	-	-	-			
Revaluations	-	-	-			
Impairment Losses/(reversals) Recognised in the Revaluation Reserve	-	-	-			
Impairment Losses/(reversals) Recognised in the Surplus or Deficit on the Provision of Services	-	-	-			
31st March	**858**	**421**	**1,279**	**858**	**433**	**1,291**

Other Heritage Assets

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

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

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

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

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

19. Investment Properties

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

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

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

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

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

	2019/20 £000	2020/21 £000
Balance at the start of the year	**743**	**800**
Additions:		
- Purchases	-	-
- Construction	-	-
- Subsequent expenditure	-	-
Disposals	-	(87)
Net gain/(losses) from fair value adjustments	57	93
Transfers:		
- (To)/from Inventories	-	-
- (To)/from Property, Plant and Equipment	-	-
Other changes	-	-
	800	**806**

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

20. Intangible Assets

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

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

The carrying amounts of intangible assets are amortised on a straight-line basis. The amortisation of £0.749m charged to revenue in 2020/21 was charged to various cost centres and then absorbed as an overhead across all service headings in the Net Expenditure of Continuing Operations.

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

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

21. Assets Held for Sale

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

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

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

22. Investments

Investments in Associates and Joint Ventures are shown below:

	31/03/2020	31/03/2021
	£000	£000
Associates and Joint Ventures		
Daresbury SIC LLP (25% equity shares)	1,898	2,913
	1,898	**2,913**

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:

	31/03/2020	31/03/2021
Subsidiaries	**£000**	**£000**
Mersey Gateway Share Capital - de minimis	-	-
	-	**-**
Other Long Term Investments		
Municipal Bonds Agency	10	10
CCLA Property Fund	4,745	4,712
Halton Development Partnership Limited – de minimis	-	-
Widnes Regeneration Limited – de minimis	-	-
Long Term Deposits	17,000	5,000
	21,755	**9,722**
Total Long Term Investments	**21,755**	**9,722**

Short term investments consist of:

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

23. Debtors

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

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

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

24. Cash and Cash Equivalents

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

25. Creditors

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

26. Borrowings

Short term borrowings consist of:

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

Long term borrowings consist of:

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

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

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

28. Contingent Liabilities

At 31st March 2021, the Council had 1 category of material Contingent Liabilities:

Mersey Gateway

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

Under Part 1 of the Land Compensation Act 1973 the Council has received 677 claims from a number of residential properties in the proximity of the Mersey Gateway and relevant project roads. The obligation cannot be measured with sufficient reliability although the Council are estimating a potential cost of between £3.5m and £7.4m for dealing with such claims.

29. Other Long Term Liabilities

	31/03/2020	31/03/2021
	£000	£000
Defined Benefit Pension liability	(65,437)	(169,109)
Finance PFI Lease liability due more than 12 months	(18,205)	(17,725)
Mersey Gateway unitary charge due more than 12 months	(349,471)	(342,954)
Deferred liabilities	(19)	(29)
	(433,132)	**(529,817)**

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:

	31/03/2020	31/03/2021
	£000	£000
Not later than one year	217	248
Later than one year not later than five years	676	637
Later than five years	10,192	10,044
	11,085	**10,929**

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:

	31/03/2020	31/03/2021
	£000	£000
Not later than one year	1,885	1,861
Later than one year not later than five years	2,477	2,565
Later than five years	9,240	9,069
	13,602	**13,495**

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:

	31/03/2020	31/03/2021
	£000	£000
Finance lease debtor (net present value of minimum lease payments)		
- Current	500	513
- Non Current	11,897	11,384
Unearned Finance income	3,442	3,133
Gross investment in the lease	**15,839**	**15,030**

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**	
	31/03/2020	**31/03/2021**	**31/03/2020**	**31/03/2021**
	£000	**£000**	**£000**	**£000**
Not later than one year	810	810	810	810
Later than one year and not later than five years	3,238	3,238	3,238	3,238
Later than five years	11,791	10,982	11,791	10,982
	15,839	**15,030**	**15,839**	**15,030**

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 20th 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 31st March 2021 (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 2021/22	1,726	479	1,562	3,767
Payable within 2-5 years	6,763	2,525	5,780	15,068
Payable within 6-10 years	8,255	4,823	5,756	18,834
Payable within 11-15 years	8,781	6,659	3,394	18,834
Payable within 16-20 years	3,335	3,719	480	7,534
Total	**28,860**	**18,205**	**16,972**	**64,037**

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

	2019/20 £000	2020/21 £000
Balance outstanding at 1st April	**19,352**	**18,738**
Payments during the year	(614)	(533)
Capital expenditure incurred in the year	-	-
Balance outstanding at 31st March	**18,738**	**18,205**

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

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

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

Payments

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

Payments remaining to be made under the scheme at 31st March 2021 (excluding any deductions) are as follows:

	Payment for Services £000	Reimbursements of Capital Expenditure £000	Interest £000	Total £000
Payment in 2021/22	4,896	6,518	26,518	37,932
Payable within 2-5 years	18,927	32,053	100,744	151,724
Payable within 6-10 years	27,272	52,527	109,857	189,656
Payable within 11-15 years	31,355	71,120	87,181	189,656
Payable within 16-20 years	30,961	103,558	55,136	189,655
Payable within 21-25 years	18,646	83,696	11,452	113,794
Total	**132,057**	**349,472**	**390,888**	**872,417**

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:

	2019/20 £000	2020/21 £000
Balance outstanding at 1st April	**361,722**	**355,782**
Payments during the year	(5,940)	(6,310)
Capital expenditure incurred in the year	-	-
Balance outstanding at 31st March	**355,782**	**349,472**

32. Pension Schemes

Disclosure of Net Pensions Asset/Liability

Participation in pension schemes

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

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

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

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

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

The NHS Pension Scheme relates to 31 employees. The scheme operates on a similar basis to the Teacher's pension scheme.

Local Government Pension Scheme

Transactions Relating to Post-Employment Benefits

In 2020/21, the Council paid an employer's contribution to the Cheshire Pension Fund of £16.189 m (£11.743m in 2019/20).

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

	2019/20	2020/21
Comprehensive Income & Expenditure Statement		
Cost of Services	**£000**	**£000**
Current Service Costs	27,047	21,022
Past Service Costs/(Gain)	147	14
Losses/(Gains) from Settlements	(449)	-
Finance & Investment Income & Expenditure		
Net interest expense	4,065	1,556
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**30,810**	**22,592**
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)	10,266	(88,104)
Actuarial (gains) and losses arising on changes in demographic assumptions	(30,096)	12,333
Actuarial (gains) and losses arising on changes in financial assumptions	(57,527)	180,281
Other experience	(37,727)	(6,944)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	**(115,084)**	**97,566**
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	**(30,810)**	**(22,592)**
Actual amount charged against the General Fund Balance for pensions in the year:		
Contributions in respect of unfunded benefits	**445**	**436**
Employers' contributions payable to scheme	**11,743**	**16,050**

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:

	2019/20	2020/21
	£000	£000
Present value of funded liabilities	(654,714)	(859,589)
Present value of unfunded liabilities	(5,880)	(6,281)
Fair value of plan assets	595,157	696,761
Sub Total	**(65,437)**	**(169,109)**
Other movement in the liability / (asset)	-	-
Net liability arising from defined benefit obligation	**(65,437)**	**(169,109)**

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

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

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

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

Local Government Pension Scheme assets comprised

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

Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary are shown below:

	2019/20	2020/21
Mortality Assumptions		
Longevity at 65 for current pensioners:		
- Men	21.2 years	21.4 years
- Women	23.6 years	24.0 years
Longevity at 65 for future pensioners:		
- Men	21.9 years	22.4 years
- Women	25.0 years	25.7 years
Rate of inflation	1.9%	2.9%
Rate of increase in salaries	2.6%	3.6%
Rate of increase in pensions	1.9%	2.9%
Rate for discounting scheme liabilities	2.3%	2.0%
Take-up of option to convert annual pension into retirement lump sum		
- Service to April 2008	50%	50%
- Service from April 2008	75%	75%

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

Change in assumptions at 31 March 2021	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	10%	88,766
0.5% increase in the Salary Increase Rate	1%	9,545
0.5% increase in the Pension Increase Rate	9%	77,263

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contribution at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the 20 years following the last valuation. Funding levels are monitored on an annual basis and the next triennial valuation is due to be completed on 31st 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 31st March 2014 (or service after 31st March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

The authority is anticipated to pay contributions of £12.613m to the scheme in 2021/22.

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

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

Teachers' Pension Scheme

Defined Contribution Scheme

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

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

The Council is responsible for any additional benefits granted upon early retirement, outside the standard terms of the scheme. For the year 2020/21 the cost was £0.466m (£0.445m in 2019/20).

NHS Pension Scheme

Defined Contribution Scheme

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

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

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

33. Financial Instruments

Categories of Financial Instruments

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

Financial Assets

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

Financial Liabilities

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

Financial Instruments Designated at Fair Value through Profit or Loss

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

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

As the property fund has been designated at Fair Value through Profit or Loss the changes in the valuation will have a direct impact on the General Fund Balance. The value of the investment was £4.745m at 31st March 2020 giving a cost to the General Fund of £0.034m in 2020/21.

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

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

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

Income, Expense, Gains and Losses

	2019/20		2020/21	
	Surplus or Deficit on the Provision of Services £000	**Other Comprehensive Income and Expenditure £000**	**Surplus or Deficit on the Provision of Services £000**	**Other Comprehensive Income and Expenditure £000**
Net (gains)/losses on:				
financial assets measured at fair value through profit or loss	176	-	34	-
equity instruments measured at fair value through other comprehensive income - derecognition charged to surplus or deficit on the provision of services	430	-	-	-
financial assets measured at amortised cost	407	-	-	-
financial assets measured at fair value through other comprehensive income	-	(585)	-	(1,015)
Interest revenue				
financial assets measured at amortised cost	(1,733)	-	(1,424)	-
financial assets measured at fair value through profit or loss	(210)	-	(207)	-
Interest expense	35,502	-	34,886	-
Net Gain/(Loss)	**34,572**	**(585)**	**33,289**	**(1,015)**

Fair Values of Financial Assets

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

Recurring fair value measurements	Input level in fair value hierarchy £000	Valuation technique used to measure fair value £000	31/03/2020 £000	31/03/2021 £000
Fair Value through Profit or Loss: CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	4,746	4,711
Fair Value through Comprehensive Income & Expenditure				
Daresbury SIC LLP	Level 2	Net Asset Valuation	1,898	2,913
Municipal Bonds Agency	Level 3	At Cost	10	10

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

The Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value (but for which Fair Value disclosures are required)

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

- Estimated ranges of interest rates at 31st March 2021 for loans from PWLB and other loans receivable and payable based on new lending rates for equivalent loans at that date.
- No early repayment or impairment is recognised for loans or investments.
- Short Term Investments, Cash and Cash Equivalents are held at carrying value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount less a provision for impairment.
- Short term creditors are carried at cost.

The fair values are shown below:

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

The fair value of assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate investments where the interest receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at the 31st March 2021) attributable to the commitment to receive interest above current market rates.

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

The fair values of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31st March 2021) arising from a commitment to pay interest to lenders above current market rates.

Nature and Extent of Risks from Financial Instruments

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

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

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

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

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

Fair Value

The Code requires that each class of financial asset and liability should disclose the "fair value" in a way that permits it to be compared with its carrying amount, as well as the method used in determining such fair values. The Council has used Link Asset Services, its treasury management advisors, to calculate these values and they have based the calculation on the appropriate PWLB rate for new loans as at 31st March 2021.

Credit Risk

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

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

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

The Council's maximum exposure to credit risk in relation to its investments held in banks and building societies of £39.445m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all Council deposits, but there was no evidence at 31st March 2021 that this was likely to crystallise.

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

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

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

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

None of the Council's counterparties had any difficulty in repaying their liabilities during 2020/21. There has been no impairment of any financial assets during the course of the year. The Council does not anticipate any losses due to non-performance of its counterparties.

An analysis of the customer/client debt is shown below. As at 31st March 2021 £26.912m of this debt is overdue:

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

Liquidity Risk

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

The maturity analysis of financial liabilities is as follows.

	31/03/2020	31/03/2021
	£000	**£000**
Less than 1 year	58,546	46,645
Between 1 and 2 years	6,997	7,324
Between 2 and 5 years	24,404	27,255
More than 5 years	508,269	498,100
	598,216	**579,324**

Market Risk

Interest Rate Risk

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

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

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

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

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

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

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

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

	31/03/2021
	£000
Increase in interest payable on short term borrowings	2
Increase in interest receivable on short term investments	(1,145)
	(1,143)

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 2021. The price of the investment is subject to potential gains and losses based on market volatility. The investment is shown in the accounts at its value as at 31st March 2021 and any gains or losses relating to this investment are shown in the Comprehensive Income and Expenditure Statement.

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

Foreign Exchange Risk

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

34. Adjustments between Accounting Basis and Funding Basis under Regulation

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

(a) 2019/20

	General Fund Balance £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 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)	**-**	**-**

	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					
Use of Capital Receipts Reserve to Finance new Capital Expenditure	-	3,083	-	**3,083**	**(3,083)**
Use of Capital Receipts to reduce MRP liability	-	488	-	**488**	**(488)**
				-	
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)**
TOTAL ADJUSTMENTS	**(28,837)**	**2,101**	**482**	**(26,254)**	**26,254**

(b) 2020/21

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

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Movement in Usable Reserves £000**	**Movement in Unusable Reserves £000**
Capital Receipts Reserve					
Use of Capital Receipts Reserve to Finance new Capital Expenditure	-	4,455	-	**4,455**	**(4,455)**
Use of Capital Receipts to reduce MRP liability	-	502	-	**502**	**(502)**
Pensions Reserve					
Reversal of items relating to retirement benefits debited/credited to the CIES	(22,592)	-	-	**(22,592)**	**22,592**
Employers pension contributions and direct payments to pensioners	16,486	-	-	**16,486**	**(16,486)**
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	(19,934)	-	-	**(19,934)**	**19,934**
Accumulated Absences Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration with statutory requirements	(1,616)	-	-	**(1,616)**	**1,616**
Dedicated Schools Grant Adjustment Account					
Reversing impact of overspent Dedicated Schools Grant on General Fund	(996)	-	-	**(996)**	**996**
TOTAL ADJUSTMENTS	**(43,396)**	**3,558**	**(4,514)**	**(44,352)**	**44,352**

35. Usable Reserves

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

General Fund Balance

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

Earmarked Reserves

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

The movements in earmarked reserves are analysed in Note 36.

Capital Receipts Reserve

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

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

Capital Grants Unapplied

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

2019/20 £000		**2020/21 £000**
	General Fund	
(4,002)	- Excluding Earmarked Reserves	(6,342)
(105,572)	- Earmarked Reserves	(128,622)
	Capital Reserves	
(5,640)	- Capital Receipts Reserve	(2,082)
(12,481)	- Capital Grants Unapplied	(17,003)
(127,695)	**Total Usable Reserves**	**(154,049)**

36. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21.

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

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

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

37. Unusable Reserves

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

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.

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

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.

2019/20 £000		£000	2020/21 £000
(123,945)	**Balance at 1 April**		**(124,331)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
26,206	Charges for depreciation and impairment of non-current assets	26,890	
10,109	Revaluation losses on Property, Plant and Equipment	3,119	
737	Amortisation of intangible assets	749	
3,676	Revenue expenditure funded from capital under statute	9,815	
430	Derecognition of Financial Instruments measured at other comprehensive income and expenditure	-	
3,022	Carrying value of Academies transferred	3,593	
29	Carrying amount of non-current assets sold	433	
44,209			**44,599**
(5,134)	Adjusting amounts written out of the Revaluation Reserve		(11,118)
39,075	**Net written out amount of the cost of non-current assets consumed in the year**		**33,481**
	Capital financing applied in the year:		
(3,083)	Use of the Capital Receipts Reserve to finance new capital expenditure	(4,455)	
(24,792)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(10,568)	
(2,161)	Application of grants to capital financing from the Capital Grants Unapplied Account	(3,698)	
(8,670)	Statutory provision for the financing of capital investment charged against the General Fund	(9,356)	
(488)	Use of Capital Receipts to reduce MRP liability	(502)	
(211)	Capital expenditure charged against the General Fund	(729)	
(39,405)			**(29,308)**
(57)	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement		(93)
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
(124,332)	**Balance at 31st March**		**(120,251)**

Pension Reserve

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

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

2019/20 £000		£000	2020/21 £000
161,900	**Balance at 1st April**		**65,438**
	Re-measurement of the net defined benefit liability comprising:		
(30,097)	Changes in demographic assumptions	12,333	
(57,527)	Changes in financial assumptions	180,280	
(37,726)	Other experience	(6,943)	
10,266	Returns on assets excluding amounts included in net interest	(88,104)	
(115,084)			**97,566**
30,810	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement		22,592
(12,188)	Employers pensions contributions and direct payments to pensioners payable in the year		(16,486)
65,438	**Balance at 31st March**		**169,110**

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.

2019/20 £000		2020/21 £000
(232)	Castlefields Equity Advances	(232)
(6,910)	Scitech Daresbury Lease	(6,661)
(5,487)	Venture Fields lease	(5,235)
(12,629)		**(12,128)**

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.

2019/20 £000		2020/21 £000
(13,401)	**Balance at 1 April**	**(12,629)**
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
772	Transfer to the Capital Receipts Reserve upon receipt of cash	501
(12,629)	**Balance at 31 March**	**(12,128)**

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.

2019/20 £000		2020/21 £000
(4,551)	**Balance at 1 April**	**(1,960)**
1,391	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	(104)
1,200	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	20,038
(1,960)	**Balance at 31 March**	**17,974**

Financial Instruments Revaluation Reserve

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

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

2019/20 £000		2020/21 £000
(1,313)	**Balance at 1 April**	**(1,898)**
(585)	Upward revaluation of investments	(1,015)
-	Downward revaluation of investments	-
-	Change in impairment loss allowances	-
(1,898)		**(2,913)**
-	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	-
(1,898)	**Balance at 31 March**	**(2,913)**

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.

2019/20 £000		2020/21 £000
2,144	**Balance at 1 April**	**1,666**
(2,144)	Settlement or cancellation of accrual made at the end of the preceding year	(1,666)
1,666	Amount accrued at the end of the current year	3,282
(478)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**1,616**
1,666	**Balance at 31 March**	**3,282**

Dedicated Schools Grant Adjustment Account

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

2019/20 £000		2020/21 £000
-	**Balance at 1 April**	**-**
-	Amount by which Dedicated Schools Grant is in deficit at 31st March	996
-	**Balance at 31 March**	**996**

38. Cash Flow Statement – Operating Activities

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

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

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

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

The cash flows for operating activities include the following items:

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

39. Cash Flow Statement – Investing Activities

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

40. Cash Flow Statement – Financing Activities

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

Reconciliation of Liabilities Arising from Financing Activities

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

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 2021 the following was a subsidiary of the Council:-

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

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

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

Joint Ventures

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

As at 31st March 2021 the Council were party to the following joint venture:-

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

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

Associates

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

As at 31st March 2021 the Council had an associate relationship with the following:-

- Daresbury SIC LLP- The principal activity of the LLP is the management and development of the Sci-Tech Daresbury Campus in the North West. Designated members of the partnership are Langtree Daresbury Ltd and Daresbury SIC (Pubsec) LLP, in which the Council is an equal partner. An amount of £6.4m is held as a long term debtor on the Council's Balance Sheet. This relates to a long term lease agreement between the Council and the company for a property asset based at the Sci-Tech Daresbury Campus.

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

Note that although the Council does have an investment in Widnes Regeneration Ltd and Halton Development Partnership Limited (dissolved 26th April 2021 with no financial impact), it was determined that there is no group relationship as the Council does not have a significant influence over the organisations and holds only a minority shareholding in the entities.

Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities and the Government in relation to council tax and non-domestic rates.

Collection Fund Statement

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

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

Collection Fund Balance Sheet

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

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

Notes to the Collection Fund

1. Introduction of the Council Tax

The property based council tax was introduced on the 1st April 1993, replacing the personal liability Community Charge. The Council determined its Band D equivalent tax base for 2020/21 at 35,359 (2019/20 – 34,950)

2. The Council Tax Base Determination

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

The parishes' individual tax bases are shown below:

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

3. Precepting Authorities

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

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

4. Non-Domestic Rates

The non-domestic rate replaced locally fixed rates from 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:

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

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

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

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

To approve the Statement of Accounts.

The Operational Director – Finance Responsibilities

The Operational Director – Finance is responsible for the preparation of the Council's statement of accounts which, in terms of CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice"), is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year (ended 31st March 2021).

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

Selected suitable accounting policies and then applied them consistently;

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

Made judgements and estimates that were reasonable and prudent;

Complied with the Code of Practice.

The Operational Director – Finance has also:

Kept proper accounting records which were kept up to date;

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

I certify that this Statement of Accounts presents a true and fair view of the financial position and income and expenditure of Halton Borough Council for the year ended 31 March 2021.

Signed by:

Operational Director – Finance

Date: 30 July 2021

Statement of Accounting Policies

1. General

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

Halton Borough Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which is required to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice of Local Authority Accounting in the United Kingdom 2020/21 supported by International Financing Reporting Standards (IFRS).

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

2. Changes to the 2020/21 Accounting Policies

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

3. Accruals of Income and Expenditure

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

3(a) Revenue Recognition

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

3(b) Employee Costs

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

3(c) Termination Benefits

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

3(d) Interest

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

3(e) Supplies and Services

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

3(f) Cash and Cash Equivalents

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

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

3(g) Debtors and Creditors

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

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

4. Contingent Assets

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

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

5. Contingent Liabilities

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

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

6. The Collection Fund

The Council is required by statute to maintain a separate fund (i.e. The Collection Fund) for the collection and distribution of amounts due in respect of council tax and national non-domestic rates.

7(a) Council Tax Income

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

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

As part of the Business Rate Retention Pilot Scheme the Council acts as an agent and collects national non-domestic rates on behalf Cheshire Fire & Rescue Service and itself.

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

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

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

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

8. Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and adverse, that occur between the end of the reporting period and the date when the Statement of Accounts are authorised for issue. Two types of events can be identified:

Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

9. Financial Instruments

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

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

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

9(a) Financial Liabilities

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

9(b) Financial Assets

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

There are three main classes of financial assets measured at:

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

- fair value through other comprehensive income (FVOCI)

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

Expected Credit Loss Model

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

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

Financial Assets Measured at Fair Value through Profit or Loss

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

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

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

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

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

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

10. Fair Value

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

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

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

11. Government Grants, Other Contributions and Donated Assets

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund in the Movement in Reserves Statement. Where the grant is yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

12. Interest in Companies and Other Entities

The Council has an interest in subsidiaries, joint ventures and associated entities that would require it to prepare group accounts. As the transactions relating to group entities are not material, no group financial statements are being produced for the 2020/21 accounts.

The definition of materiality as per the Code of Practice on Local Authority Accounting is:

The relevance of information contained in the financial statements is affected by its nature and materiality. Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Therefore, materiality provides a threshold or cut-off point rather than a primary qualitative characteristic which information must have if it is to be useful. An authority need not comply with the Code, as to both disclosure and accounting principles, if the information is not material to the true and fair view of the financial statements and to the understanding of users.

In assessing the materiality of group entities an assessment has been undertaken of the following quantitative and qualitative factors:

Quantitative Factor

- The activities of group entities are not significant to the representation of the operational activities of the authority as a whole.
- Gross Value of the investments in gross entities are not significant in terms of the balance sheet of HBC.
- Gross Value of the borrowings or other liabilities of group entities are not significant to the balance sheet of HBC.
- An adjustment to usable reserves that would arise on consolidation would not be significant.

Qualitative Factor

- The authority does not depend significantly on group entities for continued provision of statutory services.
- There is no concern to which the Council has passed on control of its assets to other parties.
- There is no concern about the extent to which the Council is exposed to commercial risk.
- Not consolidating group entities does not mask significant trends.
- Grouping the accounts would not provide any more useful disclosures.

13. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are initially measured at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined with reference to an active market. In practice, no intangible asset held by the Council meets these criteria, and they are therefore carried at amortised cost. The depreciable amount of any intangible asset is amortised over its useful 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 lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

15(b) Operating Leases

Operating leases are all leases which are not categorised as finance leases. Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

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

16(a) Recognition

Non-current assets are assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Expenditure on the acquisition, creation or enhancement of a non-current asset is capitalised on an accruals basis. Expenditure is only capitalised when it adds to or extends, and not merely maintains the value of an existing asset.

16(b) Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). Where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried on the Balance Sheet using the following measurement bases:

- Infrastructure, assets under construction and community assets are measured on the basis of depreciated historic cost.
- Surplus asset, investment properties and assets held for sale are based on their fair value, estimated at highest and best use from a market participant's perspective.
- School buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- All other assets are measured at current value which is determined as the amount that would be paid for the asset in its existing use ("existing use value" – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. For non-property assets (e.g. vehicles, plant and equipment) that have short useful lives or low values (or both) depreciated historical cost basis is used as a proxy for current value.

Assets are subject to an annual impairment check. A proportion of the assets will be subject to revaluation each year to allow for the workload of revaluation to be more evenly spread and the balance sheet to be more accurate. Each asset will be re-valued on a 5 year cycle.

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

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Council operates a de-minimis level of £35,000 at acquisition, in respect of land and property, and a qualified valuer certifies the valuation. In respect of vehicles, plant & equipment 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 (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction), these are not depreciated.

16(f) Investment Property

Investment property is property (land or a building – or part of a building – or both) held solely to earn rentals or for capital appreciation or both, rather than for:

(a) Use in the production or supply of goods or services or for administrative purposes; or

(b) Sale in the ordinary course of operations.

Investment properties are initially measured at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain to the General Fund balance. Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are reversed out of the General Fund in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

16(g) Componentisation

The objective of component accounting is to follow proper accounting practice by ensuring that items of Property, Plant and Equipment are accurately and fairly included in the Balance Sheet and the Comprehensive Income and Expenditure Statement. Consumption of economic benefits should be properly reflected over the assets individual useful lives, through depreciation charges.

The overall value of an asset must be fairly apportioned over significant components, which need to be accounted for separately, with their useful lives and the method of depreciation being determined on a reasonable and consistent basis.

Having identified individual material assets or groups of similar assets with similar characteristics, each component part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the asset shall be depreciated separately.

Once individual material assets and asset groups have been identified, items of Property, Plant and Equipment will be categorised as follows based on their significance, useful life and depreciation method:

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 lightning protection, communication and security installations, builders work in connection and management and commissioning of services
Land	Land upon which the property is constructed

The basis upon which the calculation of the value of components will be made is replacement cost. The actual split will be determined following individual valuation of the property.

Land is a separate component in its own right, but is not considered for deprecation purposes. Generally, land is considered to have an infinite life.

When an asset is enhanced or replaced, the cost of the replacement component is compared with the cost of the total asset. If the cost of the enhancement or replacement is above 15% or £35,000 of the overall cost of the asset, a proportion of the relevant component’s carrying value is derecognised and replaced by the cost of the new replacement asset.

When an asset is acquired or re-valued, the cost of its component parts will be broken down into Superstructure and Substructure, Internal Finishes and Fittings and Services. Land will be identified as a separate component in its own right.

16(h) Charges to Revenue for Non-Current Assets

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The Council does not raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, the Council is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund balance from Capital Adjustment Account in the Movement in Reserves Statement known as the Minimum Revenue Provision (MRP).

16(i) Schools (Land & Buildings)

Section 20 of the Schools Standards and Framework Act 1998 established the following categories of maintained schools in England and Wales:

(a) Community Schools
(b) Foundation Schools
(c) Voluntary Schools comprising Voluntary Aided and Voluntary Controlled
(d) Community Special Schools, and
(e) Foundation Special Schools

In order to recognise a non-current school's asset on the Council's Balance Sheet, the Council has followed the recognition criteria of the Code and determined the extent to which the Council has control of the service potential associated with the schools assets.

The Council has concluded that a) Community Schools and d) Community Special Schools will form part of the Council's non-current Assets.

For all other schools the Council is merely using the non-current asset under licence. A licence passes no interest in the non-current asset to the Council and is always revocable, therefore these schools will not form part of the Council's non-current assets.

16(j) Accounting for Schools Transferring to Academy Status

The accounting standards on group accounts and consolidation mean all types of school are now considered to be entities controlled by the Council. When a school transfers to academy status this control is transferred to a third party. As a result the school as an entity needs to be derecognised in the Council's accounts by writing off the net assets of the school to the Comprehensive Income and Expenditure Statement.

17. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply and service. The total absorption costing principal is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

18. Pension Costs

General

The cost of providing pensions for employees is charged in accordance with the requirements of IAS19 Retirement Benefits subject to the interpretation set out in the Code governing the pension schemes. The Council pays an employer's contribution to the Cheshire Pension Fund; Teachers' Pension Agency and the National Health Service Pension Scheme.

Pensions Reserve

Where there is a difference between the amount charged to the Comprehensive Income and Expenditure Statement in the year and the amount payable to the pension funds, that sum is taken to the Pension Reserve. This additional debit or credit to the services is shown as a reconciling item in the Movement in Reserves Statement within the Adjustments between Accounting Basis and Funding Basis under regulations note.

Classification of Schemes

Defined Benefit Schemes

Accounting policies set out as below apply in respect of pension costs arising from the Local Government Pension Scheme and unfunded discretionary benefits paid:

(i) The liabilities of the Cheshire Pension Fund and unfunded liabilities of the Teachers' Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

(ii) Liabilities are discounted to their value at current prices, using the relevant discount rate.

(iii) The assets of Cheshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value
   a. Quoted securities – current bid price
   b. Unquoted securities – professional estimate
   c. Unitised securities – current bid price
   d. Property – market value

(iv) The change in the net pensions liabilities is analysed into the following components:
   a. Service cost comprising:
   i. Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement of the services for which the employees worked

ii. Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of services earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement

iii. Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of the contribution and benefit payments.

b. Re-measurements
comprising:

i. The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

ii. Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

c. Contribution paid to Pension Funds – cash paid as employer's contributions to the pension fund in settlement of liabilities: not accounted for as an expense.

(v) In relation to retirement benefits, statutory provision requires the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensions in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather that as benefits are earned by employees.

Defined Contribution Schemes

The arrangements for the Teachers' Pension Scheme and the NHS Pension Scheme means that liabilities for these benefits cannot ordinarily be specified by the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments or benefits is recognised on the Balance Sheet. The relevant service line in the Comprehensive Income and Expenditure Statement is charged with the Council's contributions payable to Teachers' Pensions and NHS Pension Scheme in the year.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

19. Pooled Budgets

Under Section 75 of the Health Act, the Council is able to establish joint working arrangements with NHS bodies and other Councils to pool funds from both organisations to create a single pot. Where pooled budgets are established, the Council's accounts reflect only the Council's share of the overall pot and exclude the share attributable to partner organisations.

20. Prior Period Adjustments

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimate are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policy are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of its transactions, other events and conditions on the financial position or performance. When a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

21. Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are created by a charge to a service and as such appear in the Comprehensive Income and Expenditure Statement in the Cost of Services in the year the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking account of risks and uncertainties. Where it becomes apparent that a lower settlement is anticipated than first thought, the provision is reversed and credited back to the relevant service.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

22. Repurchase of Borrowing

Gains or losses arising on the repurchase or early settlement are charged in the Comprehensive Income and Expenditure Statement in the period during which the repurchase is made. If the repurchase was coupled with refinancing or restructuring, gains or losses are charged over the life of the replacement loan.

23. Reserves

The Council sets aside specific amounts as reserves for future policy purposes to cover contingencies. Reserves are created by apportioning amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from the reserve is incurred, it is charged to the apportionment service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

The reserve is then appropriated back in the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

The Council maintains two kinds of reserve, Usable and Unusable Reserves.

Usable reserves comprise:

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

Unusable reserves comprise:

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

Usable reserves are available to fund expenditure, either revenue or capital incurred by the Council. Unusable reserves are not available to fund expenditure since they do not represent new resources available to the Council.

24. Revenue Expenditure Funded from Capital under Statute

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the creation on a non-current asset on the Balance Sheet. Such expenditure is charged to the appropriate service account within the Comprehensive Income and Expenditure Statement in accordance with the provisions of the Code.

Where the Council has determined to meet the cost of this expenditure from existing capital resources or borrowing, a transfer in the Movement in Reserves Statement from the General

Fund Balance to the Capital Adjustment Account then reverses the amounts charged so that there is no impact on the council tax.

25. Senior Officers

The Council is required to disclose senior officers who are paid a salary of more than £150,000 by name and job title. The requirement also extends to those officers whose salary is more than £50,000 and have a statutory role defined by legislation or is responsible for directing and controlling the day-to-day operations of the Council; disclosure is restricted to job title.

26. Service Concessions

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are re-valued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- Life cycle replacement costs – where material, a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

27. Heritage Assets

Where applicable, heritage assets are measured at insurance valuation on the Balance Sheet.

Unlike other non-current assets depreciation is not required on heritage assets which have infinite useful lives. Similarly, impairment reviews are only required in limited circumstances, for example if a heritage asset has suffered breakage or physical deterioration.

28. Accounting Standards that have been issued but not yet adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by new accounting standards which have been issued at the balance sheet date but which will not apply to local authorities' accounts until subsequent financial years.

The 2021/22 Code will incorporate some minor changes to accounting policies but it is not anticipated that these will have any impact on the figures recognised with the authority's accounts.

Changes to lease accounting standards under IFRS 16 will come into effect for local authorities from 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 13th 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 31st March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

30(a) Property, Plant and Equipment

The carrying amount in the Balance Sheet at the 31st March 2021 is £857.9m, of which £447.0m relates to the Unitary Charge element of the Mersey Gateway Crossing.

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

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

30(b) Pensions Liability

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

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Hymans Robertson LLP is engaged on behalf of the Council by Cheshire West and Chester Council to provide expert advice about the assumptions to be applied.

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

31 Going Concern

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

Glossary of Terms

For the purposes of the Code of Practice the following definitions have been adopted:

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Accounting Policies

Those principals, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

(a) Recognising;
(b) Selecting and measurement bases for; and
(c) Presenting.

Assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the Income and Expenditure account or Balance Sheet it is to be presented.

Acquired Operations

Operations comprise services and divisions of service as defined in SerCOP. Acquired operations are those operations of the Council that are acquired in the period.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

(a) Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or

(b) The actuarial assumptions have changed.

Capital Expenditure

Expenditure on the acquisition of a non-current asset or expenditure which adds to and not merely maintains the value of an existing non-current asset.

Class of Non-Current Assets

The classes of non-current assets required to be included in the accounting statements are:

Property, Plant and Equipment:

- Other land and buildings
- Vehicles, plant, furniture and equipment
- Infrastructure assets
- Community assets
- Assets under construction
- Surplus assets

Other classes of assets:

- Investment properties
- Assets held for sale
- Heritage assets

Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

Constructive Obligation

An obligation that derives from a Council's actions where:

(a) By an established pattern of past practice, published policies or a sufficiently specific current statement, the Council has indicated to other parties that it will accept certain responsibilities; and
(b) As a result, the Council has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Local Authority's control.

Contribution

A contribution may be received from a partner to help perform a particular function (i.e. PCT and third sector in health/education, S106 developers etc…)

Contingent Liability

A contingency liability is either:

(a) A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
(b) A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

The corporate and democratic core comprises all activities which Local Authorities engage in specifically because they are elected multi-purpose Authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no basis for apportioning these costs over or across services.

Current Service Cost (Pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailment

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

(a) Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and
(b) Termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Deferred Charges

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. Examples of deferred charges are expenditure on items such as improvement grants and the expenses of private acts.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme

A pension other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation

The measure of cost or revalued amount of the benefits of the non-current asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a non-current asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods or services produced by the asset.

Discontinued Operations

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all of the following conditions are met:

(a) The termination of the operation is completed either in the period before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
(b) The activities related to the operation have ceased permanently;
(c) The termination of the operation has a material effect on the nature and focus of the Local Authority's operations and represents a material reduction in its provision of services resulting either from its withdrawal from a particular activity (whether a service 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:	Audit and Governance Board
DATE:	23 March 2022
REPORTING OFFICER:	Divisional Manager – Audit, Procurement & Operational Finance
SUBJECT:	Internal Audit Plan – 2022/23
PORTFOLIO:	Resources
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 2022/23.

2.0 RECOMMENDATION:

That the Board considers and approves the proposed programme of internal audit work for 2022/23.

3.0 SUPPORTING INFORMATION

3.1 A risk-based internal 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 2022/23.

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 Board is consulted and provided with the opportunity to comment on the proposed coverage.

3.4 Development of the audit plan has taken account of:

- Planned audit work from 2021/22 that had not commenced at year-end but is still considered to be a priority;
- The results of consultation with senior management across the Council to identify areas of risk, new developments and other matters that should be considered for inclusion;
- Consideration of risks and issues affecting local government and the wider public sector identified through guidance and publications issued by bodies such as the Chartered Institute of Internal Auditors and CIPFA;

- The internal audit team's cumulative knowledge and experience of the Council and the results of previous audit work;
- The Council's organisational objectives and priorities;
- The need to provide assurance over the Council's critical business systems;
- Issues reported in key documents such as:
  - The Corporate Risk Register
  - The Annual Governance Statement
  - Medium Term Financial Strategy
  - External inspections

3.5 In developing the audit plan, and the scope for individual audit assignments, consideration is given to the Council's existing assurance framework. This helps to ensure that internal audit can direct its resources on areas of highest risk or where there are gaps or weaknesses in other assurance arrangements.

3.6 The draft audit plan for 2022/23 is attached as an appendix. It provides for planned audit work totalling 1,025 days, which is broadly comparable to 2021/22. This is based on a forecast staffing establishment of approximately 6.0 FTE staff.

3.7 Inevitably the risks that the Council faces 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. It is therefore probable that some changes to the plan will be needed as the year progresses.

3.8 For the past two years the pandemic has had a significant impact on the work of internal audit and is possible that it will 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.

3.9 Performance against the audit plan will be kept under review throughout the year and regular progress reports will be provided to the Audit and Governance Board. Any significant matters that jeopardise the delivery of the plan, or require changes to the plan will also be identified, addressed and reported to the Board.

3.10 Internal Audit will also continue to liaise 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 Internal audit work 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

Internal Audit Plan 2022/23

1 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 2022/23 (the audit plan)

1.2 The audit plan for 2022/23 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.

2 INTERNAL AUDIT – RESPONSIBILITIES & 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 Audit and Governance 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 Audit and Governance Board

In regard to internal audit, the Audit and Governance 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 audit plan and the results of this work are reported separately to the Audit and Governance 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 Audit and Governance Board.

3 INTERNAL AUDIT – RESOURCING & DELIVERY

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:

- Business critical 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

3.2 Delivery of the internal audit service

The 2022/23 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 2021/22 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 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.

4 INTERNAL AUDIT – REPORTING

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:

🔴	**Limited**	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
🟡	**Adequate**	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
🟢	**Substantial**	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

4.3 Grading of Recommendations

Recommendations made in individual internal audit assignments are categorised according to the following priorities:

High	The audit finding is essential to the management of risk within the area under review.
Medium	The audit finding is important to the management of risk within the area under review.
Low	The audit finding relates to an issue of good practice that the auditor considers would deliver better outcomes.

4.4 Reporting to elected members

Throughout the year regular internal audit progress reports are presented to the Audit and Governance 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 Audit and Governance 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.

5 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 2021/22 audit plan that 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 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.

In total, the 2022/23 Audit Plan comprises 1,025 days of audit work.

5 INTERNAL AUDIT – PLANNING METHODOLOGY (Continued)

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 2021/22 that remains incomplete at year-end
- The need to prioritise the reviews deferred from the 2021/22 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 Audit and Governance Board.

Area of Audit Work	Background information	Planned coverage	Days
Enterprise, Community & Resources Directorate			
Grant claims	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 to be audited in accordance with the specific grant instructions	80
Concessionary Travel	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.	20
Bankline	Bankline is the Council's online banking system. Robust control is required over system access permissions to minimise the opportunity for fraud or error to occur.	To review system configuration and access permissions of the Bankline system.	15
Agresso	Agresso is the Council's principal financial system and all the Council's financial transactions are posted through it. Access permissions within Agresso need to be granted based on the roles and responsibilities of users. If access is not adequately controlled there is an increased risk that unauthorised financial transactions could be posted.	Review of access permissions within the Agresso system.	15
Development Control	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.	25
Electric Vehicle Charging Points	The Council has installed a number of EV charging points across the borough and entered into a contract for their operation and maintenance.	The audit will review the procurement and subsequent management arrangements relating to the operation of the EV charging points and examine their financial performance.	15

Area of Audit Work	Background information	Planned coverage	Days
Highways Term Maintenance Contract	The Council is to undertake a joint tender with Warrington Borough Council for the new Highways Term Maintenance contract, which is estimated to be up to £80m in value over its duration.	The audit will be undertaken in two stages. There will be an interim audit at pre-qualification questionnaire stage followed by a final audit following the tender evaluation phase.	30
Agency workers	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.	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.	30
Recruitment	Effective recruitment is essential in ensuring that the Council recruits the right people with the right skills to deliver its corporate priorities. It is widely acknowledged that the current national labour market is making it increasingly difficult to find the right candidates to fill vacancies across all sectors.	The audit will review and test the operation and effectiveness of the Council's recruitment procedures.	30
Strategic Asset Management	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.	30

Area of Audit Work	Background information	Planned coverage	Days
Runcorn Town Investment Plan	In July 2021, it was announced that £23.6m had been allocated from the Town's Fund to deliver the Runcorn Town Investment Plan – Reconnecting Runcorn. Reconnecting Runcorn is a set of seven projects that are intended to improve the lives and livelihoods of local people and boost the local economy.	The audit will examine the arrangements that the Council has established to manage the overall programme focusing on the procurement, contract management and programme governance arrangements.	30
School Meals Service	An audit of the school meals service was undertaken in 2021/22. To keep the scope manageable it was agreed with management that the service's staffing arrangements would be subject to a separate audit.	The audit will focus solely on the staffing arrangements relating to the school meals service.	25
Cemeteries & Crematoria	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.	25
Leisure Centres	The Council's leisure facilities are budgeted to achieve approximately £1.9m in income in 2022/23.	Coverage to focus on income collection and reconciliation procedures across the Council's leisure facilities.	25

Area of Audit Work	Background information	Planned coverage	Days
ICT – Network Security	Cybersecurity is the practice of protecting critical systems and sensitive information from digital attacks. Cybersecurity measures are designed to combat threats against networked systems and applications, whether those threats originate from inside or outside of an organisation. Given the Council's dependence on information technology it is essential that the Council has robust cybersecurity arrangements in place to ensure effective and uninterrupted delivery of its services.	Assessment of the effectiveness of the Council's cyber defence framework.	25
People Directorate			
Children in Care – External Placements	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.	30
Education, Health and Care Plans	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.	30

Area of Audit Work	Background information	Planned coverage	Days
Schools St Clement's Catholic Primary Woodside Primary Weston Primary Saints Peter & Paul Catholic College St Basil's Catholic Primary Brookvale Primary Chesnut Lodge School & Specialist SEN College All Saints Upton Primary	The frequency of school audit visits is determined by the audit assurance rating from the previous audit: • Substantial – 5 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.	80
St Luke's and St Patrick's Care Homes	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.	30
Domiciliary care	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.	30

Area of Audit Work	Background information	Planned coverage	Days
Transport of service users	Transport costs are increasing for the Council. Home to school transport was audited in 2021/22 but 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.	25
Top Up Fees	If a person entering residential care chooses a setting that is more expensive than the amount identified for the provision of accommodation in their personal budget then an arrangement has to be made to meet the additional cost (known as a Top-Up). In such cases the local authority must arrange for the person to be placed there, provided a 'third party' (or in certain circumstances, the person in need of 'care and support') is willing and able to meet the additional cost. The Council's arrangements for administering Top Up fees have not previously been audited.	The audit will examine the application of the Council's policy relating to Top Up fees and the associated billing and collection arrangements.	25
Telecare service	The Council's telecare service is a chargeable service that provides support and assistance to vulnerable persons in their own homes by using information and communication technology. The service has not been reviewed since 2010/11.	The audit will focus on assessment, charging and billing for the service.	25
Adult Social care – Commissioned services	The Council commissions a range of adult social care services from external providers.	The audit will review the arrangements in place to monitor and performance manage the quality and delivery of a range of services commissioned from external providers.	30
Social supermarket	During 2021 the Adult Disability Team opened a social supermarket in Ditton offering affordable food and other essentials for local residents.	As this is a new initiative the audit will examine the processes relating to the operation of the social supermarket, e.g. procurement, stock control, income collection and accounting arrangements, staffing, security etc.	20

Area of Audit Work	Background information	Planned coverage	Days
Trading Standards	Trading Standards is a regulatory service enforcing a wide range of legislation relating to the quality, quantity, price, description and safety of goods and services. The service is important in protecting Halton's residents, visitors and businesses and helps to maintain a fair and safe local trading environment.	The audit will review the delivery arrangements for the Trading Standards service and assess compliance with legal/regulatory requirements.	25
Corporate Support			
Council Constitution	The Council Constitution is reviewed annually to ensure that it is updated to reflect changes to the Council's governance arrangements, legislative requirements, policies and procedures.	Internal Audit will contribute to a working party that meets each year to review and propose changes to the Council's Constitution.	5
Annual Governance Statement	There is a statutory requirement for the Council to produce an Annual Governance Statement.	Internal Audit will have input to the work of the Corporate Governance Group which develops the Annual Governance Statement.	5
Audit & Governance Board	The Council Constitution requires Internal Audit to report to the Audit & Governance Board.	Attendance at, and preparation of reports for, the Audit & Governance Board on internal audit and governance related matters.	15
Advice / Consultancy	Throughout the year the Internal Audit function receives regular requests from client departments for advice and support	Reactive advisory and consultancy work, and input to working groups as required	25
Follow up of internal audit recommendations	Follow up work is completed to provide assurance that previously agreed internal audit recommendations are implemented.	Follow up of previous audits that receive an 'adequate' or 'limited' assurance opinion.	25
COVID-19	Provision has been made for potential further 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	40

6 DETAILED INTERNAL AUDIT PLAN – 2022/23

Area of Audit Work	Background information	Planned coverage	Days
Contingency	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	70
Completion of 2021/22 work	Inevitably some 2021/22 audits will still be in progress at year-end. This provision is made to allow completion of those audits in 2022/23.	Completion of work in progress at year-end.	65
External Work			
Manchester Port Health Authority	The Council undertakes annual fee earning assurance work as part of an SLA with Manchester Port Health Authority.	To be agreed with Manchester Port Health Authority.	5

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