



# STATEMENT OF ACCOUNTS 2017/2018

**As approved by the Audit and  
Governance Committee on  
25 July 2018**

# Contents

<u>Section</u>		<u>Page</u>
1.	Narrative Report	1
2.	Statement of Responsibilities for the Statement of Accounts	21
3.	Comprehensive Income and Expenditure Statement	23
4.	Movement in Reserves Statement	25
5.	Balance Sheet	27
6.	Cash Flow Statement	29
7.	Notes to the Financial Statements - Expenditure and Funding Analysis	31
8.	Other Notes to the Financial Statements	33
9.	Collection Fund	111
10.	Group Accounts	115
11.	Annual Governance Statement	131
12.	Independent Auditors' Report to the Members of Sefton Council	149
13.	Glossary	153
14.	Abbreviations	161
15.	Useful Addresses	163

# 1 **NARRATIVE REPORT**

## **Introduction**

The Council has just completed its eighth year of reducing resources across the Authority. This has placed significant challenges for all services, not only to devise and implement change, but also to manage the continuing increase in demand for services to vulnerable adults and children. As an Authority, this year's overall financial plan has been delivered with only minor variations to the original plan approved in March 2017. This could only be achieved with the hard work and dedication of the staff and partners of Sefton Council, and I thank them for their ongoing support in achieving a tough financial plan. This has enabled general balances to be broadly maintained at the same level, which will assist the Authority to transform its services over the next three years of further significant reductions in resources available to Sefton.

The time available for preparing / publishing the Statement of Accounts has reduced in 2017/18 in line with Part 3 of the Accounts and Audit Regulations 2015. This requires local authorities such as Sefton to bring forward the preparation and certification of their draft accounts to 31 May (previously 30 June) and for them to be audited by 31 July (previously 30 September). Whilst this has in itself brought challenges for Finance and related staff (and to the auditors) to actually achieve these deadlines, it will in future provide additional time to support service departments on the development of new methods of service provision, in order to balance the budget over the coming years.

The Government's drive to restructure the economy is continuing, with additional challenges for local government, particularly for metropolitan authorities such as Sefton. As a result of national funding cuts, the Council faces further significant budget reductions estimated at £64m between 2017/2018 and 2019/2020. This is on top of the £169m of reductions already imposed on Sefton. It is anticipated that the impact of this change will fall on all areas of Council services and on many services that will be visible to the general public. This will be a significant challenge.

The Council has taken proactive steps towards addressing the Government funding reductions in 2017/18 by entering into the Liverpool City Region 100% Business Rates Retention Pilot Scheme Agreement which offers the opportunity to retain a larger share of business rates growth in the council's area. The Council has also purchased the Strand Shopping Centre in Bootle which is anticipated to generate a net return on the Council's investment as well as offering the opportunity to help develop the local economy.

## **An overview of Sefton Council**

### **Key information on Sefton**

Sefton is a Metropolitan Borough Council, providing the full range of local authority services to the residents of Sefton. Located on the west coast of England between Liverpool in the south and Lancashire in the north / northwest, with The Council covers the area from Bootle in the South, through Seaforth, Waterloo, Crosby, Thornton, Altcar, Ince Blundell, Lunt, Freshfield and Formby, up to and including Birkdale, Ainsdale, Southport and Crossens in the North. It also includes the areas of Maghull, Lydiate and parts of Melling and Aintree. It is responsible for providing services to approximately 274,000 residents, local businesses and industry.

As a local authority, Sefton is accountable to Central Government and the electorate. It is responsible for continuously looking to improve its services to ensure that it meets the needs of the local community. Each service has to ensure that the local taxpayers are receiving "value for money" by delivering high quality outcomes.

Sefton, like other metropolitan districts, has been particularly adversely affected by Government grant cuts since 2010. As a result, the level of budget reductions the Council has been required to implement has had a major impact of service levels / support. The Council has prioritised key care service (elderly and children) in resource allocations made to date. Further reductions in resources in the coming years will challenge this principle.

## Sefton Councillors in 2017/2018

The Council is composed of 66 councillors (three for each of the Borough's 22 wards), with one-third elected three years in every four. The political analysis of the councillors as at May 2018 is identified below: -

Labour	43
Liberal Democrats	12
Conservative	8
Independent	3

Councillors are democratically accountable to residents of their ward. The overriding duty of councillors is to the whole community, but they have a special duty to their constituents, including those who did not vote for them.

Councillors have to agree to follow a Code of Conduct to ensure high standards in the way they undertake their duties. The Audit and Governance Committee trains and advises them on the Code of Conduct which is set out in Chapter 2 of the Council's Constitution.

## Sefton 2030 Vision and Council Core Purpose

In November 2016 the Council approved the Sefton 2030 Vision and the Council Core purpose. This was developed following an extensive consultation with residents, businesses and many visitors to the borough. In their thousands these groups told the Council they want to be involved in planning the future, what matters to them and how all stakeholders need to work together to make the vision happen. The Vision will enable the Council and partners to demonstrate the connected thinking and action. It will also enable the Council to bring about meaningful and measurable plans with targets, timescales and a performance management framework.

In supporting the delivery of the Vision the Council approved the following refined Core Purpose to articulate its role in delivering the 2030 vision.

- **Protect the most vulnerable:** i.e. those people who have complex care needs with no capacity to care for themselves and no other networks to support them. For those who are the most vulnerable we will have a helping role to play, we will challenge others to ensure we all protect the most vulnerable and where we need to we will intervene to help improve lives.
- **Facilitate confident and resilient communities:** the Council will be less about doing things to and for residents and communities and more about creating the capacity and motivation for people to get involved, do it for themselves and help one another. We will create an environment in which residents are less reliant on public sector support and which have well developed and effective social support.
- **Commission, broker and provide core services:** the Council will directly deliver fewer services but will act as a broker and commissioner of services which meet the defined needs of communities, are person-centred and localised where possible. We will deliver services which can't be duplicated elsewhere or where we add value.
- **Place-leadership and influencer:** making sure what we and what others do are in the best interests of Sefton and its residents and has a contributing role to the 2030 vision of the borough. This includes strong leadership and influencing partner organisations to work towards common goals and building pride in the borough.
- **Drivers of change and reform:** the Council will play a key role in leading change and reform to improve outcomes for Sefton residents and continuously improve the borough.
- **Facilitate sustainable economic prosperity:** that is, people having the level of money they need to take care of themselves and their family; creating the conditions where relatively low unemployment and high income prevail, leading to high purchasing power; and having enough money to invest in infrastructure.
- **Generate income for social reinvestment:** the Council will develop a commercial nature and look to what it can do either by itself or with others to generate income and profit that can be reinvested into delivering social purpose.

- **Cleaner and Greener:** the Council will work with others to maintain Sefton’s natural beauty and ensure that its many assets provide a contribution to Sefton’s economy, peoples wellbeing and the achievement of the 2030 Vision.

## Management Structure

### Councillors

Along with many other authorities, a Leader and Cabinet management structure has been implemented. The Council appoints the Leader of the Council, approves those matters which are part of the Council's policy framework and provides an opportunity through questioning and debate for the Cabinet to be held to account.

The Cabinet has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide.

Individual Members of the Cabinet make decisions on service issues within their area of responsibility (portfolio) under delegated powers set out in Chapter 5 of the Constitution.

There are four Overview and Scrutiny Committees which support the work of the Cabinet and the Council as a whole. They allow citizens to have a greater say in Council matters by holding public inquiries into matters of local concern:

- Overview and Scrutiny Committee (Adult Social Care and Health)
- Overview and Scrutiny Committee (Children’s Services and Safeguarding)
- Overview and Scrutiny Committee (Regeneration and Skills)
- Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services)

These lead to reports and recommendations which advise the Cabinet and the Council as a whole on its policies, budget and service delivery. The Committees also monitor the decisions of the Cabinet.

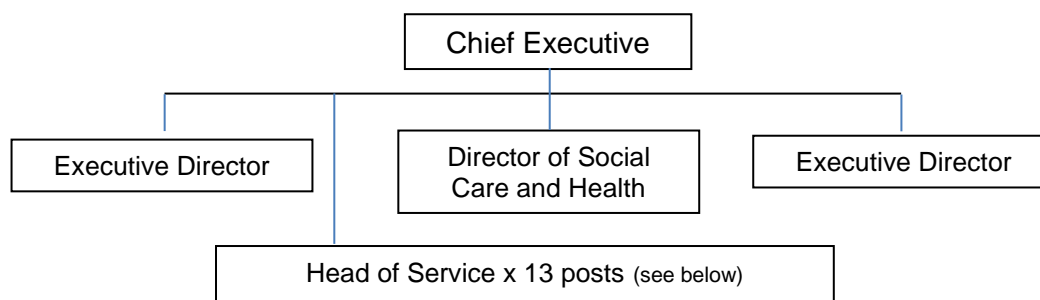
There is also the opportunity for the public to ask questions or submit petitions directly to the Council.

The Leader of the Labour Group, Ian Maher, is the Leader of the Council.

### Strategic Management Board

The structure aims to reflect the need for departments to collaboratively work together as ‘One Council’ and thereby maximise capacity and avoid duplication. In support of the politicians, the senior management structure is identified below. As review management responsibilities was undertaken during 2015/16 and a new structure was implemented. The structure remains unchanged in 2017/18.

The managers below form the Strategic Leadership Board.



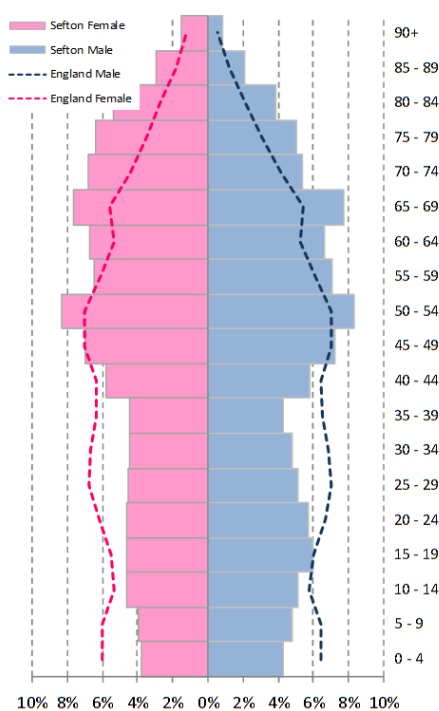
Locality Services–Commissioned, Locality Services–Provision, Adult Social Care, Children’s Social Care, Public Health, Corporate Resources, Strategic Support, Communities, Regulation and Compliance, Commissioning Support & Business Intelligence, Schools & Families, Inward Investment & Employment, Regeneration & Housing.

Other Employees

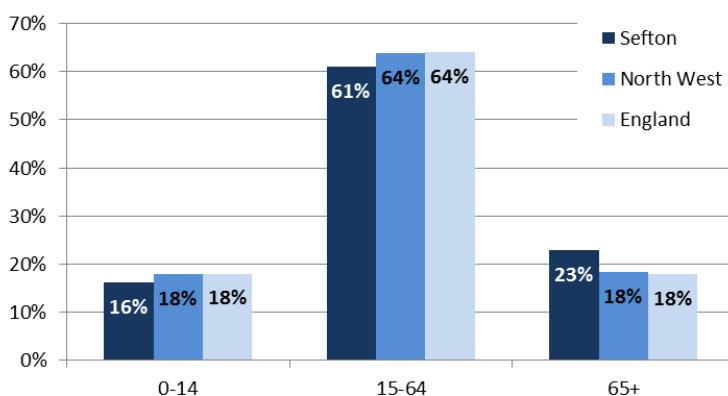
At the end of 2017/2018 the Council employed 2,534 people (full time equivalents, excluding school-based employees). As part of the process to reduce costs to ensure a balanced budget, roles and responsibilities have changed and the number of employees has reduced considerably over recent years. Since 2010, when the austerity measures were imposed, the Council has reduced the number of full-time equivalent staff by 24%.

**Age Profile of Sefton Residents**

The age profile of residents is important to local authorities as it influences where / what services are provided. The latest Office for National Statistics Mid-Year Estimates for 2016 indicated that Sefton's total population was 274,261. The figures also showed that 23% of Sefton's residents are aged 65 and over; this is above the national average of 18% (Sefton is ranked 18th out of 326 local authorities for the number of residents aged 65 or over). The high proportion of older residents has an impact on the level of resources that the Authority requires for elderly care provision. Sefton has one of the highest proportions of elderly residents across the country (further information in the Social paragraph).



**Comparison of Sefton's Age Profile to NW & England (2016)**



## **Performance information 2017/2018**

### **Political**

**Business Rate Retention:** In October 2015, the Government announced that local authorities would be able to retain 100% of their business rates income by 2020. This move has since been modified as a result of the withdrawal of the Local Government Finance Bill in 2017 and it is now the Government's intention to allow local authorities to retain 75% of their business rates income by 2020/21. This will increase local rates retention by 25% meaning that more local services are funded from income collected locally. However, the move is intended to be revenue neutral and will not provide any additional funding without the transfer of new responsibilities. Revenue Support Grant is expected to be phased out as part of the associated funding changes along with other grants such as the public health grant as these will form part of the new business rates baseline funding level. The MHCLG have undertaken a number of consultations in order to help determine how the revised system of business rates retention will work. The proposed changes also include a fair funding review in order to reset the needs based funding position of each local authority. Sefton and the other five Liverpool City Region authorities have entered into an agreement with the MHCLG to pilot 100% business rates retention from 2017/18 until the new funding scheme is introduced. The pilot scheme operates on a 'no detriment' basis so that authorities taking part are guaranteed to receive at least the same level of funding as they would if they had not agreed to be part of the pilot. It is intended that the pilots will help influence the final scheme regulations as well as allowing the pilot authorities to retain a larger share of any growth in business rates income achieved.

**Adult Social Care Levy:** From 2016/17 local authorities with Responsibility for Adult Social Care were given a new power to levy up to 2% Council Tax Precept, specifically to finance adult social care expenditure. An additional flexibility was introduced in 2017/18 allowing the adult social care levy to be increased to 3% in 2017/18 and 2018/19 provided that the amount raised by the levy did not exceed 6% over the three year period from 2017/18 to 2019/20. Sefton Council took advantage of this flexibility in 2017/18.

**Devolution Deal:** The Liverpool City Region agreed a devolution deal with the Government in November 2015. The impact of this deal came into effect from 2017/2018 onwards and is likely to have a significant influence on Merseyside's and Sefton's ability to drive forward the local economy in the future. As part of the devolution deal a new City Region Mayor was elected in May 2017. The new Metro Mayor has powers covering local transport budgets and franchised bus services and responsibility for employment support and skills provision. This deal also includes control over investment worth £30 million a year for the next 30 years. A total of £900m will help unlock the huge economic potential of the River Mersey and the new Liverpool2 "Superport" as well as maximising the opportunities from the HS2 rail-link.

**Future Funding:** In October 2016, the Council accepted the Government's four-year funding offer that guaranteed the level of Revenue Support Grant until 2019/20. Since then the Chancellor has announced in the Spring Statement that he would use the Budget in the autumn 2018 to set out the total public spending envelope for years beyond 2020. Then a full departmental Spending Review in 2019 will set out the departmental allocations across government. The Government also intend to replace the current local government funding model from 2020/21 with a new needs formula as well as increasing the level of business rates retained locally from 50% to 75%. This means that there is a significant level of uncertainty around future funding in 2020/21 and beyond.

### **Economy**

The Borough has a mixed economy ranging from industry, commerce and tourism. The east bank of the Port of Liverpool is actually in Sefton, not Liverpool. The opening of "Liverpool 2", the new deep water container terminal is expected to provide many opportunities to improve the economy further.

Sefton is part of the Liverpool City Region and the embryonic "Northern Power House" which is expected to provide further impetus to the local economy in the future.

#### **Latest available key data on the Sefton economy**

- The unemployment rate in Sefton in 2017 was 4.8%, the tenth highest rate across the North West and slightly higher than the national average (4.4%). Compared to the previous year the number of unemployed people in Sefton has risen slightly but it still remains significantly lower



than at its peak at over 11% in 2011. Within Sefton, levels of unemployment vary, with south Sefton (Bootle Constituency) having a rate of 7.0%, considerably higher than elsewhere in Sefton;

- The economic activity rate in Sefton is 73.8%, 4.6% lower than the UK.
- There are currently 117,100 Sefton residents in employment (70.2% employment rate).
- The average full time earnings for Sefton residents is £524 per week, or £27,248 per annum, 5.5% lower than the Great British average.
- 52.4% of residents are educated to NVQ Level 3 or above.
- Sefton's Rank of Average Score in the Indices of Multiple Deprivation (IMD) 2015 was 76th out of 326 local authorities (326 being the least deprived). Sefton's position has deteriorated by 16 places since the IMD 2010.
- There are 38 Sefton LSOA's (Lower Super Output Area – used in census collection) in the most deprived 10% of LSOAs across England.
- There are five Sefton LSOA's in the most deprived 1% of LSOAs, four are in Linacre Ward; the other is in Derby Ward.
- 61 LSOAs have a deprivation score less than in 2010 – meaning they are less deprived. With 124 (two-thirds) of LSOAs having an increased deprivation score, indicating they have become more deprived (please note, due to a change in LSOA numbers after the 2011 Census, LSOA's across England changed with Sefton having four new LSOA's created, due to this change 2010 and 2015 data cannot be compared in these areas).

Source: Annual Population Survey Jan-Dec 2017, ASHE data 2017, IMD 2010/15

## Social Care

At 22.8%, Sefton has the 7th highest proportion of over 65's across the 39 North West local authorities, and is the second highest amongst its comparator authorities (The Chartered Institute of Public Finance & Accountancy's assessment of those authorities with social characteristics most closely aligned to Sefton) of which there are 16. The proportion is higher than those seen across both the North West and England as a whole where over 65's account for 18% of the population in both areas.

Sefton also has the 5th highest proportion aged 85 and over residents across the North West, at 3.2% of the overall population, again higher than the regional and national proportions of 2%. Sefton has the highest proportion of 85 and overs when compared to its comparator authorities. The number of residents over 65 is projected to increase steadily between 2012 and 2037 for males the increase is projected to be 54% (25,000 to 39,000) and an increase for females of 39% (34,000 to 48,000). This means an overall 65+ population increase of 46% rising from 59,000 in 2012 to 86,000 by 2037.

Greatest increases are amongst those aged 85 and above with the male over 85 population rising by almost 192% (3,000 to 7,000) between 2012 and 2037. For female the increase is projected to be 103% (5,000 to 11,000).

The rate of increase in the over 65 population of 46% compared to overall population increases of just 2% means that by 2037 one in three Sefton residents will be age 65 or over.

Projected reductions in working age population of 11% compared to increases in the over 65 population will mean the proportion of the adult population of the borough that is of pensionable age will be 39% by 2037, compared to 28% in 2012.

Sefton's Adult Social Care services supported some 1,900 residents aged over 65 in long term residential or nursing care during 16/17. This equates to some 3% of the overall over 65 population. By 2030 it is projected that this figure will increase by 47% to more than 2,800 residents over the age of 65 living in care homes.

Predominantly older residents living in care homes are over 85, currently accounting for more than half (1,030 of 1,900) of over 65 in residential care. By 2030 it is estimated that almost two thirds of residents of care homes over the age of 65 will be more than 85 years of age.



## Communities

There is an increase in demand for certain services including Adult Social Care and the greater requirement for personalisation of services by placing the individual at the centre of their care decisions.

The rising cost of living set against the economic challenges being faced means that the number of people in debt or in danger of falling into debt is rising.

The National Living Wage increased to £7.83 per hour in April 2018 for over-25s only. It is uncertain how its introduction will affect local small businesses and low-paid local sectors such as childcare and retail.

Sefton's under 18 conceptions rate is one of the lowest in the North West, Sefton are ranked 63rd out of 152 authorities according to the Office of National Statistics. A total of 21 girls aged 12 to 17 became pregnant in 2016/17, a rate of 80 per 100,000 girls in the age bracket. Between 2010/11 and 2016/17, there was over a 51% decrease in the number of under 18 conceptions in Sefton and that the Council's Public Health team works closely with partners to make sure that our young people have access to reliable information and education about sexual health.

## Legal

Mental Capacity Act 2005 – developments in the law relating to people without capacity and the deprivation of liberty safeguarding procedures are putting real pressures on the Council to ensure we comply with the law in this area. A judicial review of the government's funding of this area of work by a number of local authorities this year failed and local authorities are expected to fund this area of responsibility from existing resources.

The Government has published the draft Public Sector Exit Payment Regulations 2016 which will impose a cap of £95,000 on the pre-tax value of exit payments made to most public sector workers. The power to make regulations capping public sector exit payments was brought into force on 1 February 2017. However, the draft Public Sector Exit Payment Regulations, setting out the detail of the cap, have not yet been brought into force. No clear date has been given for implementation.

On 23 November 2016, in the Autumn Statement, it was announced that from 6 April 2017, all payments made by public sector engagers to workers supplied by personal service companies will be treated as payments of employment income on which either the engager or third-party intermediary will be required to account for tax. This is an amendment to the so called IR35 rules.

The Trade Union Act 2016 (Commencement No. 3 and Transitional) Regulations 2017 (SI 2017/139) brought the main provisions of the Trade Union Act 2016 into force on 1 March 2017. This introduces amendments to increase ballot thresholds, introduce new information and timing requirements in relation to industrial action and impose legal requirements on unions for the supervision of picketing. In relation to the public sector, the Act introduces regulation-making powers in relation to the abolition of check-off.

The apprenticeship levy came into effect in April 2017. Registration for the scheme opened in February 2017. The apprenticeship levy will require all UK employers in both the private and public sectors which have annual wage bills of more than £3 million to pay 0.5% of their annual wage bill towards the cost of apprenticeship training. This replaces the current system, enabling employers to choose and pay for the apprenticeship training they want.

The General Data Protection Regulation (GDPR) came into force on 24 May 2016 will apply in all Member States from 25 May 2018. The GDPR contains, amongst other measures, the introduction of a potential sanction of up to 4% of global turnover for breaches of data protection law. The Information Commissioner's Office (ICO) has published a statement confirming that following the UK's decision to leave the EU, the General Data Protection Regulation (GDPR) will not directly apply to the UK but if the UK wants to trade with the Single Market on equal terms, it would have to prove "adequacy" by May 2018.

## Tourism

Sefton has over 22 miles of coastline boasting a number of beautiful beaches and stunning natural beauty. Attractions range from Gormley's "Iron Men" on the beach in Crosby, to the Pinewoods (and red squirrels) in Formby, to the iconic attraction of Southport, with its elegant shopping in classic Victorian surroundings.

Southport has hotels, attractions, restaurants and pubs, with the oldest cast iron pier in the UK stretching across Southport beach. It is rumoured that Napoleon re-modelled certain parts of Paris based on his knowledge of Southport during his stay in the town back in the mid-19th century. Southport also hosts a superb events programme including the annual Air Show, Fireworks Championship and Flower Show.

There are many world class golf courses within Sefton with the Open Championship held last in 2017 at Birkdale. The areas reputation for golf is known nationwide and is known as "England's Golfing Capital" due to the number and variety of top quality courses. This attracts visitors from the across the UK and many from the United States, Europe and Japan.

## Technology / Systems

The Council is implementing an ambitious ICT Transformation Programme, which will see the deployment of new and upgraded end user devices to officers; the introduction of collaboration software such as Office 365, SharePoint and Skype for Business, and; the migration of systems and data to cloud hosting. This programme will also enable the Council's plans for agile working and accommodation rationalisation.

The Council is also looking to rationalise its use of systems to leverage use of existing investments, deploy better integration between systems and reduce the overall spend in this area.

The Council continues to improve and develop its digital offering to customers. Two-way communication & interaction via Twitter is growing in popularity, with the Sefton Council Twitter account now having 12,000 followers. Work continues to increase the number of online transactional services, to enable self-service on a variety of services 24 hours a day.

Councillors use Samsung Android tablet devices, in order to enable them to be able to carry out their duties, and interact with customers in a more efficient and responsive way. This has resulted in a reduction in the use of paper and printing for Council meeting documentation.

## Financial Overview

### Revenue Budget Process / Council Tax

The ongoing Government austerity programme means that further significant budget reductions (£64.408m) are required through 2017/2018 into 2019/2020. The Council agreed that identifying budget reductions all three years (rather than just considering 2017/2018 in isolation), would be the most effective way of planning / implementing the required savings. Specific options to contribute to the budget shortfall in 2017/2018 were identified, including a 4.99% increase in Council Tax (including 3% for the Adult Social Care Precept). Councillors were reminded that the use of one off resources should only occur in setting a robust financial plan when there is a clear short term requirement and that these are not used to avoid making budget savings.

Not all the approved savings to 2017/2018 were achieved by March 2018. However, the Council did identify underspending in other areas, as well as achieving some savings agreed for 2018/2019 earlier than originally planned. This has enabled enabled the outturn position to be an underspend of £1.923m.

## Financial risks up to 2019/2020

The budget reductions identified in the budget plan to 2019/2020 highlight the growing level of financial risks the Council will be facing over the coming years and the level of risk which it is possible to mitigate. The financial forecasts themselves are only estimates of future political, economic, environmental and demographic forecasts which contain many variables and degrees of uncertainty.

The budget proposals made to date contain some risks, given the extent and the impact of the £169m savings Sefton will have faced to March 2017. The Council has been made aware of the consultations conducted since 2011 in determining the equality impact and risks of the reductions and reconfigurations of services. All options require close monitoring of implementation and delivery and any non-achievement reported and corrected in a timely way.

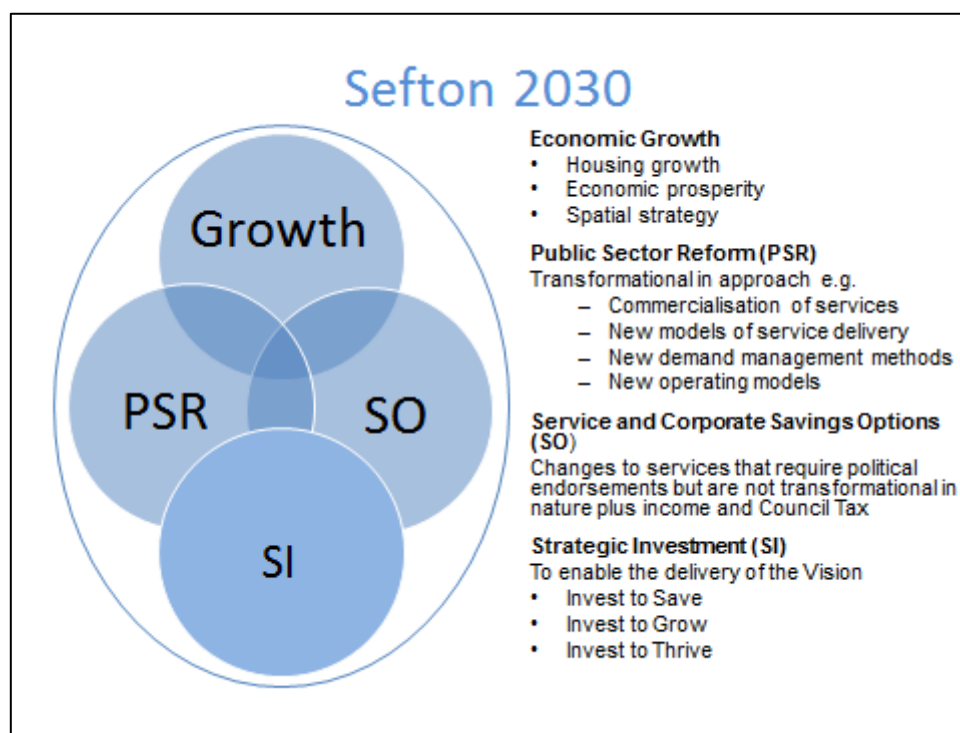
The 2017/2018 to 2019/2020 period represent the eighth to tenth successive years of budget reductions for Sefton Council and has required more challenging solutions to achieve a balanced budget for 2017/2018 and a two year financial plan.

Delivering a further £64m savings on top of the £169m achieved to March 2017 will have a significant impact on the delivery of Council services. In developing the approach to delivering these savings it was important to balance the delivery of savings with the protection of those services which contribute the most to the delivery of the Vision and Core Purpose.

Achieving the ambitions of Sefton 2030 also requires the Council to be financially sustainable, to ensure services align with the core purpose and that the Council works with partners to achieve better outcomes.

In order to meet this challenge the Council has developed a 'Framework for Change' which is comprised of the following 4 pillars which will help the Council deliver against its stated objectives including financial sustainability. These are:

- Economic Growth;
- Public Sector Reform;
- Service delivery options; and
- Strategic Investment



Each of these themes will contribute towards delivering the Sefton 2030 Vision and a financially sustainable Council.

## Revenue Financial Performance of the Council 2017/2018

### Non-School General Fund Net Expenditure

The General Fund encompasses expenditure relating to the day-to-day running of the Council. Transactions relating to Schools' delegated budgets are included within the General Fund but because Schools are entitled to retain any year-end balances for future use, the General Fund balances are analysed according to whether or not they belong to Schools.

On 2 March 2017, the Council approved a revenue budget for 2017/2018 of £204.105m, which included £0.921m relating to the expenditure of Parish Councils. At that time it was anticipated that balances for non-school budgets would total £7.209m at 31 March 2017. As a result of an underspend of £0.894m in 2016/2017 the anticipated year-end balances position was revised to £8.103m. The 2017/2018 Budget assumed no use of general balances. However, Cabinet on 27 July 2017 approved supplementary estimates of £0.894m in light of the underspend from 2016/2017. Therefore anticipated balances as at 31<sup>st</sup> March 2018 were forecast to be £7.209m.

Overall, actual expenditure for 2017/2018 on General Fund services (excluding Schools' delegated expenditure) was £1.923m lower than the Base Estimates. This has increased General Fund Balances by £1.029m rather than the £0.894m reduction estimated.

The Authority's reported Non-School General Fund balances at 31 March 2018 are therefore £9.132m as shown in the following table:

<b>Non-School General Fund Balances</b>	<b>£m</b>	<b>£m</b>
Actual Non-School General Fund Balances at 31 March 2017		-8.103
Less underspend in comparison to the 2017/2018 Base Estimate:		
- Budgeted Use of Balances 2017/2018	0.894	
- Underspend in 2017/2018	-1.923	
Actual Contribution to Balances in 2017/2018		-1.029
Actual Non-School General Fund Balances at 31 March 2018		-9.132

A comparison of actual expenditure to budgeted expenditure is shown below:

	<b>Budget</b>	<b>Net Expenditure Chargeable to General Fund Balances (per EFA)</b>	<b>Adjustments for Depreciation</b>	<b>Adjustments for Internal Recharges / Earmarked Reserves</b>	<b>Actual Expenditure Chargeable against Budget</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Net Revenue Expenditure</b>						
<b>Services</b>						
Strategic Management	3.110	0.857	-	2.277	3.134	0.024
Strategic Support Unit	3.758	3.905	-	-0.279	3.626	-0.132
Adult Social Care	85.656	79.863	0.476	5.311	85.650	-0.006
Children's Social Care	27.225	27.864	0.036	0.874	28.774	1.549
Communities	10.248	7.950	0.761	1.161	9.872	-0.376
Corporate Support	5.365	23.513	0.606	-19.187	4.932	-0.433
Health and Wellbeing	23.257	19.324	1.634	2.035	22.993	-0.264
Inward Investment & Employment	2.562	2.652	0.502	-0.589	2.565	0.003
Locality Services - Commissioned	18.336	11.976	4.049	2.207	18.232	-0.104
Locality Services - Provision	9.640	8.952	1.350	1.308	11.610	1.970
Regeneration and Housing	4.465	3.322	0.018	0.877	4.217	-0.248
Regulation and Compliance	3.655	2.646	0.044	0.790	3.480	-0.175
Schools and Families	25.096	18.982	3.900	2.605	25.487	0.391
Schools – DSG Funded	0.000	-0.772	-	0.772	0.000	0.000
Other Services	3.250	2.483		0.746	3.229	-0.021
<b>Total Service Net Expenditure</b>	<b>225.623</b>	<b>213.517</b>	<b>13.376</b>	<b>0.908</b>	<b>227.801</b>	<b>2.178</b>
Reversal of Capital Charges	-13.376	-	-13.376	-	-13.376	-
Corporate Items	-4.792	28.116	-	-33.422	-5.306	-0.514
Levies	31.555	31.555	-	-	31.555	-
Parish Precepts	0.921	0.921	-	-	0.921	-
<b>Total Net Expenditure</b>	<b>239.931</b>	<b>274.109</b>	<b>0.000</b>	<b>-32.514</b>	<b>241.595</b>	<b>1.664</b>
<b>Financed by:</b>						
Council Tax Payers	-120.770	-120.770	-	-	-120.770	-
Business Rates Top-Up	-21.575	-22.504	-	-	-22.504	-0.929
Retained Business Rates	-61.760	-61.760	-	-	-61.760	-
General Government Grants	-34.932	-37.590	-	-	-37.590	-2.658
<b>Total Financing</b>	<b>-239.037</b>	<b>-242.624</b>	<b>0.000</b>	<b>0.000</b>	<b>-242.624</b>	<b>-3.587</b>
<b>Amount Funded from / contributed to (-) General Balances</b>	<b>0.894</b>	<b>31.485</b>	<b>0.000</b>	<b>-32.514</b>	<b>-1.029</b>	<b>-1.923</b>

For clarity, brief definitions some services are noted below to help the reader understand what some of the functions that are provided: -

- Strategic Support Unit – responsible for effective strategic and operational business decisions and undertaking effective evidence based commissioning
- Communities – Services include amenities and support for local neighbourhoods, youths, parks and libraries and arts.
- Locality Services – Commissioned – Commissioning services for the management & maintenance of the Council's road, coast and countryside infrastructure and for specialist transport for vulnerable adults and children.
- Locality Services – Provision – The delivery of key services including refuse collection / recycling, street cleansing, burials and cremation, school meals and crossing patrols.
- Regulation and Compliance – The provision of environmental health, trading standards, legal and electoral services.

The main variances relate to three key areas:

Children's Social Care: The overspend of £1.549m primarily relates to increased demand for Children's social care services. The number of looked after children has increased significantly throughout the year resulting in higher costs. A number of care providers have increased their rates during 2017/18 adding further costs. Also the level of income received from the Clinical Commissioning Group (CCG) was lower than originally budgeted.

Locality Services – Provision: The overspend of £1.970m relates to a number of service areas. Cemeteries and Crematoria income was reduced as a result of the opening of a new crematoria in a neighbouring borough and the impact of closures due to refurbishment works. Cleansing income was affected by the colder winter weather and additional costs were incurred providing alley cleaning, bins & cleansing for new routes as result of new housing developments. Vehicle maintenance income was lower than forecast. Also savings expected in building cleaning and security services were delayed.

Business Rates Top-Up / General Government Grants: A variance of -£3.587m mainly due to additional Business Rates grants being received from the Government.

## **Schools**

In accordance with the Fair Funding Scheme for Financing Schools, individual schools are able to carry forward any underspend on their budgets. Conversely, an overspend against budgets become the first call on future available resources. Net expenditure on schools, whether incurred directly from delegated budgets or spent against centrally retained budgets by the LEA in support of schools, is funded from the ring-fenced Dedicated Schools Grant (DSG).

The DSG was underspent by £1.577m in 2017/2018. This comprised an underspend of £1.534m across Individual Schools' delegated budgets, and an increase in the level of DSG school funds held by the Local Authority during 2017/2018 in respect of the Supply Teachers scheme (£0.043m). Movements in Schools' balances during 2017/2018 can be summarised as follows:

<b>Schools' Balances</b>	<b>£m</b>
Schools' balances as at 1 April 2017	-13.834
Underspend on Schools' Delegated Budgets	-1.577
Schools' balances at 31 March 2018	-15.411

In addition, there was an overspend on the non-delegated element of the DSG funding. The overspend on the non-delegated part of DSG (£1.695m) impacts on specific Earmarked Reserves relating to schools. These reserves amounted to £2.210m as at 31 March 2017 and have therefore reduced to £0.515m at the end of 2017/2018.

## Capital Strategy / Programme 2017/2018

The Capital Programme Capital Allocation 2017/2018 report was approved by Council on 2 March 2017. The council operates a single capital pot into which all non-ring fenced capital funds are placed. Within this pot it has been acknowledged that the 2 key grant sources re schools and local and integrated transport are allocated to the Council on the basis that allocations will be spent in these service areas. This principal has been adopted by the Council, however it is accepted that this can be revised if other priorities emerge. As a result, capital requirements from the council that reflect the councils Framework for Change programme are considered by the Strategic Capital Investment Group (SCIG). SCIG consists of Cabinet members and its purpose is to review and assess bids received for capital funding from the single capital pot. Recommendations are made to Cabinet and Council for a Capital Investment Plan.

Capital expenditure is principally funded from four areas:

Capital Grants and Contributions – grants from Central Government and other grant funding bodies such as European grants, lottery funding and contributions from private developers.

Capital Receipts – proceeds from the sale of the Council's capital assets.

Revenue – financing capital expenditure from the Council's revenue resources.

Prudential Borrowing – this is external borrowing undertaken by the Council that has to be repaid. The Council will only borrow where plans are sustainable, affordable, prudent and offer value for money.

The Capital Programme 2017/2018 report highlighted Government grant funding of £2.044m for schools and £4.208m for transport, giving a total fund of £6.252m. Of the £2.044m for schools, £0.411m was ring-fenced Devolved Formula Capital Grant and £1.633 Capital Maintenance Grant. £0.866 of the balance of schools grant was required for previously approved schemes and the remaining balance of £0.767m was pre allocated to new school schemes. Of the £4.208m for transport, £1.170m was received via the Local Integrated Transport Block Grant, £2.814 from the Highway Maintenance Block Grant and £0.224 was via the Pothole Grant. £1.047m of the balance of resources was required for previous approvals and the remaining balance of £3.161m was pre allocated to agreed transport schemes. No further funding was available to be allocated to schemes via the single capital pot bidding process. Prudential borrowing was also required for regeneration schemes.

### Capital Expenditure in 2017/2018

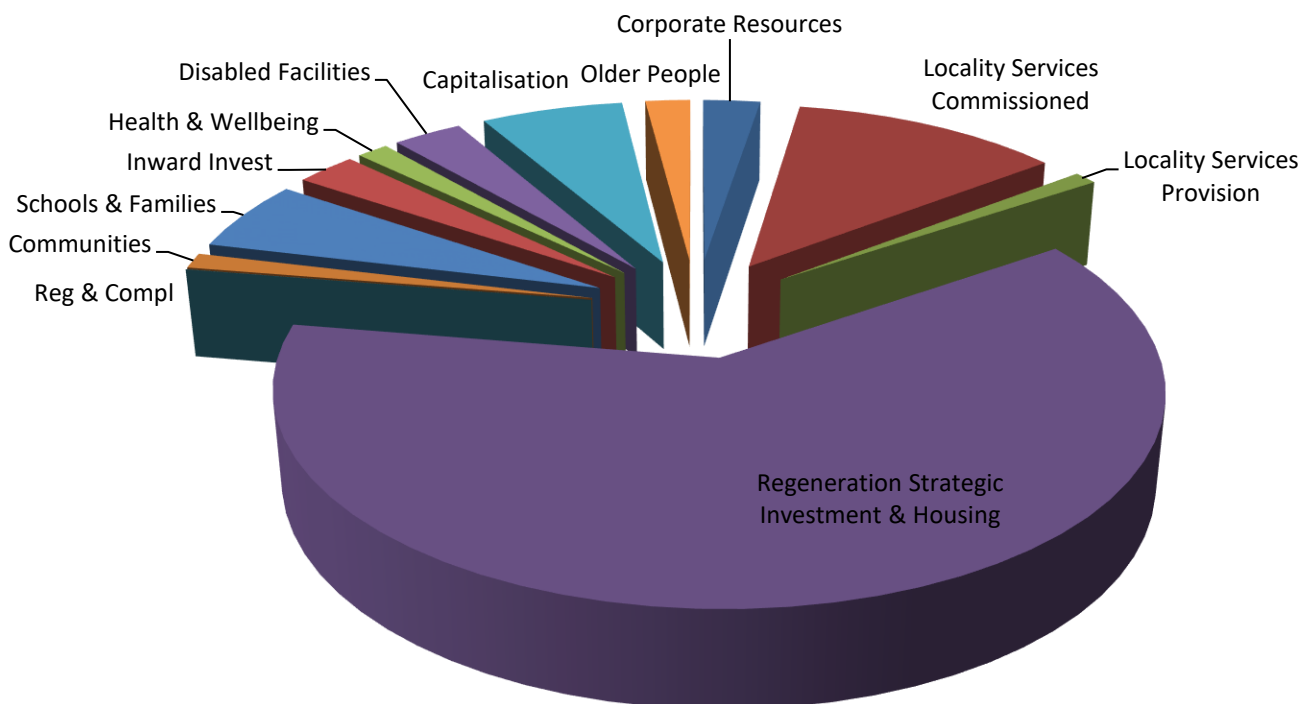
In 2017/2018 the Authority spent £54.368m on capital projects. Examples of some of the major areas of spend include expenditure on, Regeneration, Strategic Investment & Housing (£33.469m), Disabled Facilities Grant (£1.663m), Liverpool City Region M58 and A565 projects (£1.635m), Norwood Primary School Remodelling (£1.604m) and Southport Pier Refurbishment (£1.462m).

The analysis of capital spending (by departmental categories) and its financing is summarised below-

### **Sefton's Capital Expenditure for 2017/2018**

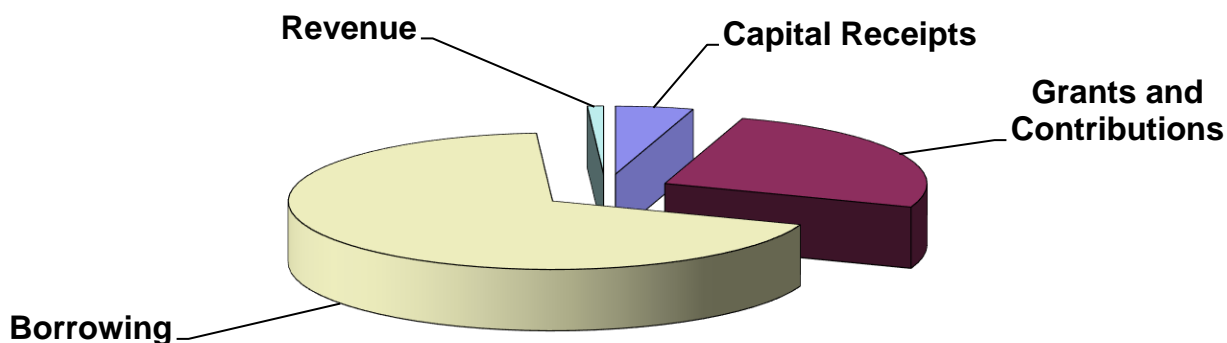
<b><u>Service</u></b>	<b><u>£m</u></b>	<b><u>%</u></b>
Locality Services - Commissioned	6.487	12
Regeneration, Strategic Investment & Housing	33.469	61
Schools & Families	3.068	6
Health & Wellbeing	1.114	2
Communities	0.658	1
Regulation & Compliance	0.006	0
Locality Services – Provision	0.558	1
Corporate Resources	1.378	3
Older People	1.082	2
Inward Investment & Employment	1.462	3
Disabled Facilities Grant	1.663	3
Capitalisation	3.423	6
	<b>54.368</b>	<b>100</b>





**Financing of Sefton's 2017/2018 Capital Expenditure**

<u>Source of Finance</u>	<u>£m</u>	<u>%</u>
Capital Receipts	2.506	5
Grants and Contributions	13.739	25
Revenue	0.937	2
Prudential Borrowing	37.186	68
	<u>54.368</u>	<u>100</u>



Total capital expenditure consists of additions to fixed assets of £52.249m (Property, Plant and Equipment - £51.976m, Investment Properties - £0.019m, Intangible Assets - £0.254m) and revenue expenditure funded from capital under statute of £2.119m.

## **An explanation of the Financial Statements**

The Statement of Accounts is intended to give clear information about the Authority's finances. It is intended to answer:

- What did the Authority's services cost in the year of account?
- Where did the money come from to pay for these services?
- What were the Authority's assets and liabilities at the year-end?

Wherever possible the contents have been written in plain English and technical terms have been used sparingly. Where the use of technical terms has been unavoidable, a simple explanation has been included in the Glossary (see pages 153 to 160).

The Authority is required by law to follow proper accounting practices and this Statement of Accounts attempts to present fairly the financial position and transactions of the Authority.

The Statement was certified by the Head of Corporate Resources on 20 July 2018.

In accordance with recommended practice, the Authority's Accounts present:

### (a) Comprehensive Income and Expenditure Statement (page 23)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

### (b) Movement in Reserves Statement (page 25)

This statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

### (c) Balance Sheet (pages 27 - 28)

The Balance Sheet shows the value as at 31 March 2018 of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves, and any statutory limitations on their use. The second category of reserves are those that the Authority is not able to use to provide services.

### (d) Cash Flow Statement (page 29)

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

### (e) Notes to the Financial Statements - Expenditure and Funding Analysis (page 31 - 32)

This analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

(f) Other Notes to the Financial Statements (pages 33 - 110)

The notes to the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement. It also includes the accounting policies employed by Sefton to comply with the CIPFA Code of Practice of Local Authority Accounting subject to any exceptions detailed in the note.

(g) Collection Fund (pages 111 - 114)

This statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund in accordance with section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992).

The Collection Fund shows the transactions of the Billing Authority in relation to the collection of Council Tax and Non-Domestic rates and provides details of how this income has been distributed to Sefton MBC (including Parish Precepts), the Merseyside Police and Crime Commissioner, the Merseyside Fire and Rescue Authority, and Central Government.

(h) Group Accounts (pages 115 – 130)

This section incorporates the accounts of both Sefton and its wholly owned subsidiary, Sefton New Directions Limited, to provide details of the Council's financial activities as a Group.

(i) Annual Governance Statement (pages 131 - 148)

The Annual Governance Statement is the formal statement that recognises, records and publishes an authority's governance arrangements as defined in the CIPFA / SOLACE Governance Framework. It is required to be published with the accounting statements but does not form part of the accounting statement and is therefore not covered by the Auditors' opinion.

(j) Independent Auditors' Report to the Members of Sefton Metropolitan Borough Council (pages 149 - 152)

(k) Glossary (pages 153 - 160)

(l) Abbreviations (pages 161 – 162)

(m) Useful Addresses (page 163)

### **Changes to Accounting Policy during the Year**

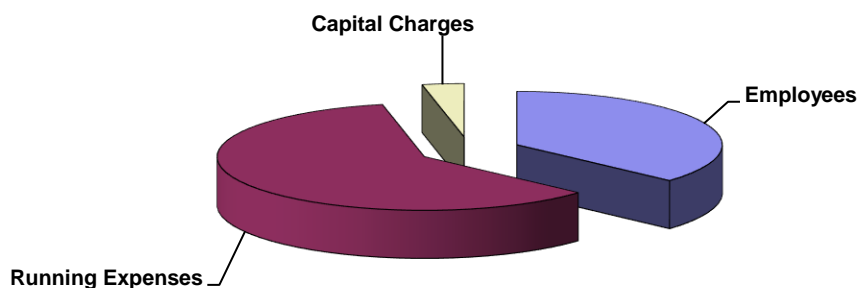
This Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018 (the Code). There have been no material changes in accounting policy in 2017/18 as a result of changes to the accounting code.

## Analysis of the Income and Expenditure Account

The tables and charts below summarise the Authority's **gross** revenue expenditure within the General Fund for 2017/2018 and highlights the main sources of General Fund Financing for 2017/2018.

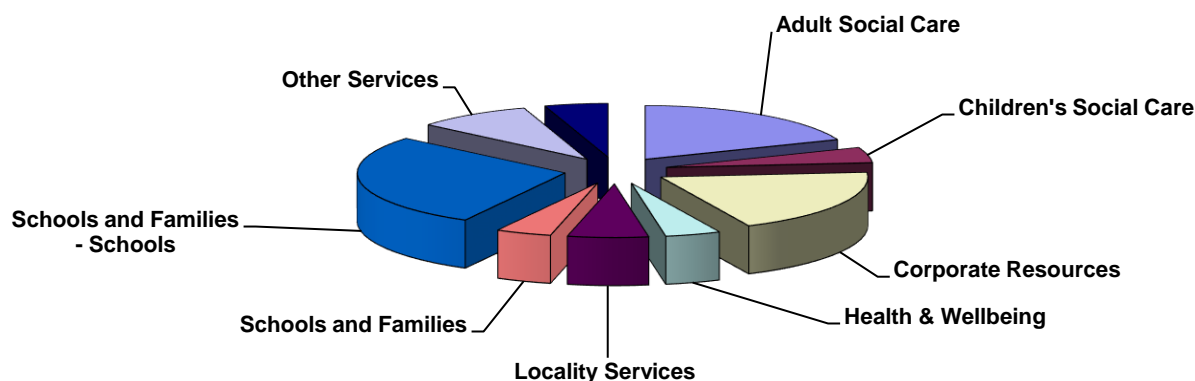
### Gross Expenditure on Services (including Levies) (by Expenditure Type)

<u>Expenditure Type</u>	<u>£m</u>	<u>%</u>
Employees	235.617	37
Running Expenses	385.367	60
Capital Charges	20.892	3
	<u>641.876</u>	<u>100</u>



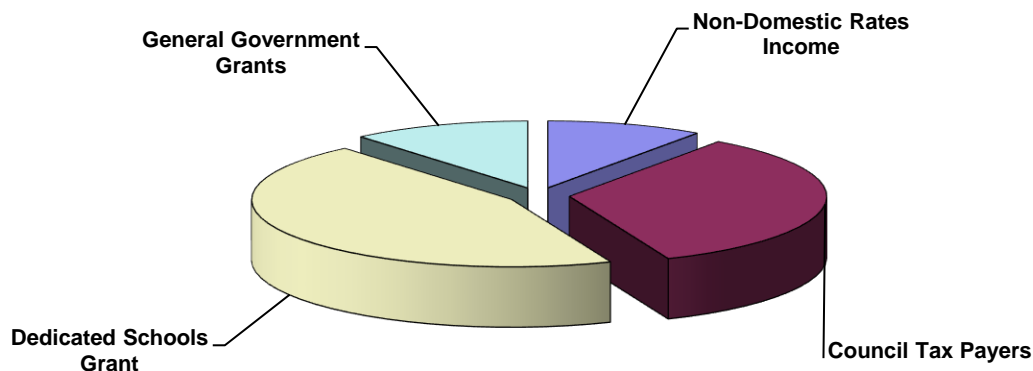
### Gross General Fund Expenditure on Services (including Levies)

<u>Service</u>	<u>£m</u>	<u>%</u>
Adult Social Care	121.948	19
Children's Social Care	29.624	5
Corporate Resources	124.778	20
Health & Wellbeing	27.638	4
Locality Services – Commissioned / Provision	40.223	6
Schools and Families - Non-School	27.752	4
- Schools	180.811	28
Other Services	57,534	9
Levies	31.568	5
	<u>641.876</u>	<u>100</u>



## **Main Sources of General Fund Financing for 2017/2018**

<b><u>Source of Income</u></b>	<b><u>£m</u></b>	<b><u>%</u></b>
General Government Grants	38.155	10
Non-Domestic Rates Income	69.691	18
Council Tax Payers	119.648	32
Dedicated Schools Grant	151.790	40
	<b>379.284</b>	<b>100</b>



The Gross expenditure (identified on page 17) is financed by the major grants shown above, other smaller revenue grants and contributions received by the Council (Note 20 on page 53) and fees and charges.

### **Other Financial Commitments**

The Council's most significant other financial commitments are the long-term contracts it has entered into with Arvato, Formby Pool Trust, Ambassador Theatre Group, Sefton New Directions Limited and Waterfront Leisure. Details of these contracts can be found in Note 14 of the Notes to the Financial Statements.

### **Borrowing / Investments**

The Council's arrangements for long-term borrowing and investments correspond to the Council's Treasury Management Policy and Strategy documents. These were drawn up to comply with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Local Authorities.

Under Section 3(1) of the Local Government Act 2003, the Council must approve an overall borrowing limit before the beginning of each financial year. For 2017/2018 this limit was set at £198.500m; the Council stayed within this figure during the year.

As at 31 March 2018, the Council had outstanding borrowing of £157.048m (£100.945m as at 31 March 2017). This includes local authority bonds, stocks, mortgages and loans from the Public Works Loans Board (PWLB). As at 31 March 2018, accrued interest of £2.340m, was due to be repaid within 12 months.

During 2017/2018, £57.5m of new long term borrowing from the PWLB was required to fund capital expenditure. Principal of £2.990m was repaid during the year of which £2.500m related to EIP loans and £0.490m related to Annuity loans.

Interest on long term borrowing from the PWLB totalled £5.362m during the year (£4.944m in 2017/18).

In line with its Treasury Management Policy and Strategy the Council makes daily investment decisions. As at 31 March 2018, the Council had short-term investments of £10.420m (£4.078m as at 31 March 2017). The Council had no short-term deposits with banks and building societies (£19.019m as at 31 March 2017). The Council had long term investments with the Church and Charities Local Authority (CCLA) Property Fund (£5.529m) and the Funding Circle (£0.001m).

## Pension Liability

As at 31 March 2018 the Balance Sheet shows a net deficit on the Local Government Pension Scheme Fund attributable to Sefton of £368.909m (£416.861m as at 31 March 2017). The deficit is reviewed periodically (normally every three years) by the Fund's actuary and steps are taken to address the deficit via increased contributions over the remaining working life of employees. However, it should be noted that the notional figure included in the Statement of Accounts is calculated using a different set of assumptions (in line with accounting practice) than those used to calculate the deficit repayments required.

The latest valuation was completed during 2016/2017 and set the contribution rates for 2017/2018 to 2019/2020 and the deficit payments required over the three years as part of a 19 year deficit recovery period. The actual deficit at this time was £160m. The Council has again made a one-off payment in April 2017 of £30.462m to cover the deficit recovery contributions for 2017/2018 to 2019/2020 (annual payments would have been £10.8m in each of the three years so the Council received a discount by making a one-off payment). Contributions in 2018/2019 and 2019/2020 will be significantly less as no deficit recovery contribution will be required in either year. The Council has temporarily utilised Earmarked Reserves in 2017/2018 to fund part of the payment. Earmarked Reserves will then be increased in 2018/2019 and 2019/2020 when no deficit recovery payment will be required.

Since the latest valuation there has been an improvement in the Council's funding position resulting in a significant reduction in the Council's overall deficit. However, it should be noted that the value of the deficit is highly dependent on market conditions at the time of the valuation and can vary significantly between valuations.

As at 31 March 2018 there was a net deficit relating to unfunded Teachers' Pensions attributable to Sefton of £9.157m (£10.116m as at 31 March 2017). The Council has budgeted to make these payments until there is no longer a liability.

## Provisions, Contingencies, Write-Offs and Material Charges or Credits

The 2017/2018 accounts include a provision for the cost of NNDR appeals. This provision is required as a result of the introduction of business rates retention from 1 April 2013. The accounts also recognise a contingent liability resulting from appeals that have not yet been lodged with the Valuation Office Agency. The total value of the Provision as at 31 March 2018 is £15.106m (£20.106m as at 31 March 2017). Sefton's share of the Provision as at 31 March 2017 is £14.954m (£9.852m as at 31 March 2017).

The only material write-offs in 2017/2018 relate to revaluation losses on the Authority's assets. These total £1.7m (£45.4m in 2016/2017).

In April 2017 the Council purchased the Strand Shopping Centre in Bootle. The purchase was made solely for regeneration purposes and was fully funded through a loan. The income generated by the centre will meet the loan repayment costs and the centre's running costs. Sufficient funding will be left over to contribute to much needed local services and new regeneration projects. The purchase of the Strand will provide the town with the boost it needs to progress regeneration plans for Bootle and make a significant contribution to the outcomes of the Sefton 2030 Vision. The 2017/2018 accounts reflect the accounting transactions relating to the purchase of the Centre and the revenue costs and income.

## General Balances and Reserves

The Financial Overview on pages 8 to 11 show the General Balances of the Council split between Delegated Schools' and Non-Delegated Services. The Council's 2017/2018 Revenue Budget assumed the use of £0.894m of Non-Delegated Services' General Balances which would therefore reduce to £7.209m. There was an actual contribution to reserves of £1.029m, resulting in a year-end balance of £9.132m. This level of Balances is considered necessary given the level of savings being implemented by the Council and the risks inherent in this.

The Council has £15.008m of capital resources available as at 31 March 2018 (£15.271m as at 31 March 2017). These are amounts already received that will be used to fund the Council's Capital Investment Plan in 2018/2019 (see pages 13 to 14).

The Council also has £25.687m of Earmarked Reserves as at 31 March 2018 (£59.778m as at 31 March 2017). These are described in Note 39 (it should be noted that this includes the temporary use of £20.308m of Earmarked Reserves to part fund the Pension Deficit payment made in 2017/2018 and described above in the Pension Liability section. Without this, Earmarked Reserves would stand at £45.995m). This includes previously received revenue grants and contributions that have yet to be applied and reserves that relate to schools. Earmarked Reserves are held by the Council to fund anticipated future expenditure of a non-recurring nature. If these resources were not available then the expenditure would need to be funded from the Council's in-year Revenue Budget which would require additional savings to be made in order to make funding available.

The Council also has negative £20.772m of Unusable Reserves as at 31 March 2018 (negative £70.715m as at 31 March 2017). These are accounts required under accounting regulations and are not available to support, or a call against, Council expenditure. Unusable Reserves are negative mainly due to the notional deficit on the Pension Reserve of £378m (£369m relating to the Local Government Pension Scheme). As explained in the Pension Liability section on page 19, this is a notional figure and is calculated using a different set of assumptions (in line with accounting practice) than those used to calculate the deficit repayments required. At the latest valuation completed during 2016/2017 the actual deficit was £160m and changes since the valuation have resulted in a significant reduction in this figure. However, it should be noted that the value of the deficit is highly dependent on market conditions at the time of the valuation and can vary significantly between valuations.

### Material Events after the Reporting Date

There have been no material events after the reporting date up to the date the accounts have been authorised for issue.

### **Conclusion**

During the 2017/2018 financial year, the Council has continued to experience significant additional spending pressures, but has been able to contain such costs within budget. The overall outturn position is an underspend which has been used to increase General Balances from the level budgeted for.

Decisions taken for the 2018/2019 and 2019/2020 budget plan will not reduce General Fund balances from the 31 March 2018 position. However, the further financial challenges from the Government's austerity drive and the current economic climate will mean that budgets will need to be closely monitored during 2018/2019 to ensure the Council maintains its financial standing position.

Once again, the Accounts have been closed within the statutory deadline, which for 2017/2018 has been brought forward to 31 May. My thanks go to all staff that have invested considerable efforts to achieve this deadline.

The Statement of Accounts is a complex document and is prepared within the guidelines set by the Chartered Institute of Public Finance and Accountancy. However, I would be interested to receive any suggestions as to how the Accounts, or the Executive Summary, could be improved. Please contact me at the address on page 163.

Stephan Van Arendsen  
**Head of Corporate Resources**



## **2 STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Authority's Responsibilities**

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 Sefton that officer is the Head of Corporate Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### **The Head of Corporate Resources Responsibilities**

The Head of Corporate Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Head of Corporate Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Head of Corporate Resources has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **Head of Corporate Resources Statement**

I certify that this Statement of Accounts gives a true and fair view of the financial position of Sefton Metropolitan Borough Council at 31 March 2018, and its income and expenditure for the financial year ended 31 March 2018.



Stephan Van Arendsen  
Head of Corporate Resources  
Date: 25 July 2018

**Statement by the Chair of the Audit and Governance Committee**

I confirm on behalf of the Council that these accounts were approved by the Audit and Governance Committee at its meeting held on 25 July 2018.

A handwritten signature in black ink, appearing to read 'R J Brennan', with a horizontal line drawn underneath the text.

Councillor Robert Brennan  
**Chair, Audit and Governance Committee**  
Date: 25 July 2018

### 3 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 to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2016/2017 (Restated)			Note	2017/2018		
Gross Expenditure	Gross Income	Net Expenditure / Income (-)		Gross Expenditure	Gross Income	Net Expenditure / Income (-)
£000s	£000s	£000s		£000s	£000s	£000s
863	0	863	Continuing Operations			
			Strategic Management	907	0	907
3,757	-92	3,665	Strategic Support Unit	4,266	-97	4,169
116,300	-32,126	84,174	Adult Social Care	121,948	-40,113	81,835
29,355	-1,020	28,335	Children's Social Care	29,624	-1,051	28,573
14,175	-2,881	11,294	Communities	12,293	-2,977	9,316
129,915	-104,919	24,996	Corporate Resources	124,778	-98,661	26,117
29,342	-29,558	-216	Health and Wellbeing	27,638	-29,244	-1,606
9,179	-3,562	5,617	Inward Investment & Employment	7,354	-3,730	3,624
21,336	-2,969	18,367	Locality Services - Commissioned	21,174	-3,316	17,858
16,483	-7,873	8,610	Locality Services - Provision	19,049	-8,107	10,942
9,771	-5,698	4,073	Regeneration and Housing	8,311	-4,639	3,672
10,695	-7,217	3,478	Regulation and Compliance	11,707	-7,861	3,846
63,332	-4,775	58,557	Schools and Families	27,752	-4,705	23,047
185,204	-179,969	5,235	Schools and Families - Schools	180,811	-180,171	640
3,006	-669	2,337	Corporate Unallocated Costs	12,696	-9,039	3,657
<b>642,713</b>	<b>-383,328</b>	<b>259,385</b>	<b>Net Cost of Services</b>	<b>610,308</b>	<b>-393,711</b>	<b>216,597</b>
			<u>Other Operating Income and Expenditure</u>			
		925	Precepts paid to Parish Councils			921
		33,782	Levies			31,568
		0	Contribution to Housing Pooled Capital Receipts			12
		216	Loss on the disposal of non-current assets			10,180
		611	Gain (-) / Loss on Disposal of Assets Held for Sale			-7
		-885	8 Other Operating Income			-1,045
		0	Transfer of School Balances to Academies			0
		34,649				41,629
			<u>Financing and Investment Income &amp; Expenditure</u>			
		6,024	9 Interest payable and similar charges			6,662
		11,788	57 Net Interest on the Net Pension Defined Benefit Liability			9,697
		-643	Interest Receivable			-433
		-1,890	23 Income and Expenditure on Investment Properties			-2,060
		-14,538	23 Changes in the Fair Value of Investment Properties			-2,154
		118	Loss on the disposal of Investment Properties			673
		0	Receipt of Dividend in Specie relating to Regeneration Asset			-32,500
		0	Impairment of Equity relating to Regeneration Asset			32,500
		859				12,385
			<u>Taxation and Non-specific Grant Income</u>			
		-113,123	Income from Council Tax			-119,648
		-32,380	Non-Domestic Rates Income			-69,691
		-75,476	20 Non-Ringfenced Government Grants			-38,155
		-11,818	20 Capital Grants and Contributions			-12,806
		-232,797				-240,300
		<b>62,096</b>	<b>5 Deficit on Provision of Services</b>			<b>30,311</b>
		19,313	42 Surplus (-) / Deficit on Revaluation of non-current assets			-718
		84	45 Surplus (-) / Deficit on Revaluation of Available for Sale Financial Assets			-251
		62,084	47 Re-measurement of the Net Defined Benefit Liability			-47,537
		<b>81,481</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>-48,506</b>
		<b>143,577</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>-18,195</b>



#### 4 MOVEMENT IN RESERVES STATEMENT

This statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

<b><u>Movements in Reserves in 2017/2018</u></b>	General Fund Balance	Earmarked Reserves Account	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Notes 42 to 49)	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2017</b>	-21,937	-59,778	-7,124	-8,147	-96,986	70,715	-26,271
<b><u>Movements in Year</u></b>							
<b>Total Comprehensive Income and Expenditure</b>	30,311	0	0	0	30,311	-48,506	-18,195
Adjustments between accounting basis and funding basis under regulations (Note 7)	1,174	0	1,449	-1,186	1,437	-1,437	0
<b>Net Increase before Transfers to Earmarked Reserves</b>	31,485	0	1,449	-1,186	31,748	-49,943	-18,195
Transfers to / from Earmarked Reserves (Note 39)	-34,091	34,091	0	0	0	0	0
<b>Decrease / Increase (-) in Year</b>	-2,606	34,091	1,449	-1,186	31,748	-49,943	-18,195
<b>Balance at 31 March 2018</b>	-24,543	-25,687	-5,675	-9,333	-65,238	20,772	-44,466

<b><u>Movements in Reserves in 2016/2017</u></b>	General Fund Balance	Earmarked Reserves Account	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Notes 42 to 49)	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2016</b>	-24,927	-59,155	-5,402	-8,388	-97,872	-71,976	-169,848
<b><u>Movements in Year</u></b>							
<b>Total Comprehensive Income and Expenditure</b>	62,096	0	0	0	62,096	81,481	143,577
Adjustments between accounting basis and funding basis under regulations (Note 7)	-59,729	0	-1,722	241	-61,210	61,210	0
<b>Net Increase before Transfers to Earmarked Reserves</b>	2,367	0	-1,722	241	886	142,691	143,577
Transfers to / from Earmarked Reserves (Note 39)	623	-623	0	0	0	0	0
<b>Decrease / Increase (-) in Year</b>	2,990	-623	-1,722	241	886	142,691	143,577
<b>Balance at 31 March 2017</b>	-21,937	-59,778	-7,124	-8,147	-96,986	70,715	-26,271



## 5 BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

<u>31 March</u> <u>2017</u> £000s		<u>Note</u>	<u>31 March</u> <u>2018</u> £000s
493,881	Property, Plant and Equipment	21	515,371
11,057	Heritage Assets	22	11,225
58,377	Investment Property	23	60,514
843	Intangible Assets	24	704
5,280	Long Term Investments	26	5,531
4,604	Long Term Receivables	27	4,326
<b>574,042</b>	<b>Long-Term Assets</b>		<b>597,671</b>
4,078	Short Term Investments	28	60
212	Assets Held for Sale	29	212
660	Inventories	30	614
32,341	Short Term Receivables	31	38,054
3,770	Prepayments		5,231
16,303	Cash and Cash Equivalents	32	16,543
<b>57,364</b>	<b>Current Assets</b>		<b>60,714</b>
-748	Short Term Borrowing	60	-8,336
-36,689	Short Term Payables	33	-34,395
-10,695	Receipts in Advance	34	-10,391
0	Provisions	35	0
-2,052	Deferred Liabilities	36	-3,499
<b>-50,184</b>	<b>Current Liabilities</b>		<b>-56,621</b>
-14,119	Provisions	35	-20,361
-100,197	Long Term Borrowing	60	-148,712
-13,658	Deferred Liabilities	36	-10,159
-426,977	Pensions Liability	57	-378,066
<b>-554,951</b>	<b>Long Term Liabilities</b>		<b>-557,298</b>
<b>26,271</b>	<b>Net Assets</b>		<b>44,466</b>



31 March 2017 £000s	Balance Sheet (Continued)	Note	31 March 2018 £000s
	<b>Reserves</b>		
	<u>Usable Reserves</u>		
-13,834	General Fund - Delegated Schools	38	-15,411
-8,103	General Fund - Non Delegated Services	38	-9,132
-59,778	Earmarked Reserves	39	-25,687
-7,124	Capital Receipts Reserve	40	-5,675
-8,147	Capital Grants and Contributions Unapplied	41	-9,333
-96,986			-65,238
	<u>Unusable Reserves</u>		
-72,241	Revaluation Reserve	42	-70,419
-288,543	Capital Adjustment Account	43	-283,120
547	Financial Instruments Adjustment Account	44	488
-278	Available for Sale Financial Instruments Reserve	45	-529
-146	Deferred Capital Receipts Reserve	46	-94
426,977	Pensions Reserve	47	378,066
-84	Collection Fund Adjustment Account	48	-6,893
4,483	Accumulated Absences Account	49	3,273
70,715			20,772
<b>-26,271</b>	<b>Total Reserves</b>		<b>-44,466</b>

The Notes on pages 31 to 110 form part of the financial statements.

## 6 CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting year. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

<u>2016/2017</u> £000s		Note	<u>2017/2018</u> £000s
	<b><u>Operating Activities</u></b>		
62,096	Net deficit on the provision of services		30,311
-75,006	Adjustments to net surplus or deficit on the provision of services for non-cash movements		-22,137
11,673	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		1,277
-1,237	Net cash flows from Operating Activities	52	9,451
	<b><u>Investing Activities</u></b>		
21,759	Purchase of property, plant and equipment, investment property and intangible assets		51,752
84	Purchase of short-term and long-term investments		0
0	Other payments for investing activities		0
-4,068	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		-1,068
-13,093	Proceeds from short-term and long-term investments		-4,000
-12,218	Other receipts from investing activities		-13,167
-7,536	Net cash flows from Investing Activities		33,517
	<b><u>Financing Activities</u></b>		
0	Cash receipts of short- and long-term borrowing		-57,500
-126	Other receipts from financing activities		0
1,793	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		1,614
10,437	Repayments of short- and long-term borrowing		3,427
450	Other payments for financing activities		9,251
12,554	Net cash flows from Financing Activities		-43,208
<b>3,781</b>	<b>Net decrease / (increase) in cash and cash equivalents</b>		<b>-240</b>
-20,084	Cash and cash equivalents at the beginning of the reporting period		-16,303
<b>-16,303</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	32	<b>-16,543</b>



## **7 NOTES TO THE FINANCIAL STATEMENTS - EXPENDITURE AND FUNDING ANALYSIS**

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

<b>2017/2018</b>	<b>Net Expenditure Chargeable to General Fund Balances</b>	<b>Adjustments between the Funding and Accounting Basis (Note 6)</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>
	£000s	£000s	£000s
Strategic Management	857	50	907
Strategic Support Unit	3,905	264	4,169
Adult Social Care	79,863	1,972	81,835
Children's Social Care	27,864	709	28,573
Communities	7,950	1,366	9,316
Corporate Resources	23,513	2,604	26,117
Health and Wellbeing	19,324	-20,930	-1,606
Inward Investment & Employment	2,652	972	3,624
Locality Services - Commissioned	11,976	5,882	17,858
Locality Services - Provision	8,952	1,990	10,942
Regeneration and Housing	3,322	350	3,672
Regulation and Compliance	2,646	1,200	3,846
Schools and Families	18,982	4,065	23,047
Schools and Families - Schools	-772	1,412	640
Corporate Unallocated Costs	22,655	-18,998	3,657
<b>Net Cost of Services</b>	<b>233,689</b>	<b>-17,092</b>	<b>216,597</b>
Other Operating Income and Expenditure	32,475	9,154	41,629
Financing and Investment Income & Expenditure	7,945	4,440	12,385
Taxation and Non-specific Grant Income	-242,624	2,324	-240,300
<b>Other Income and Expenditure</b>	<b>-202,204</b>	<b>15,918</b>	<b>-186,286</b>
<b>Deficit/(Surplus) on Provision of Services</b>	<b>31,485</b>	<b>-1,174</b>	<b>30,311</b>

<b>Opening General Fund Balance</b>	<b>-81,715</b>
Plus Deficit in the Year	31,485
<b>Closing General Fund Balance</b>	<b>-50,230</b>
Analysis of Closing General Fund Balance:	
General Fund - Delegated Schools	-15,411
General Fund - Non Delegated Services	-9,132
Earmarked Reserves	-25,687
<b>Closing General Fund Balance</b>	<b>-50,230</b>

The following table shows the comparative information for 2016/2017:

<b>2016/2017 (Restated)</b>	<b>Net Expenditure Chargeable to General Fund Balances</b>	<b>Adjustments between the Funding and Accounting Basis (Note 6)</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>
	£000s	£000s	£000s
Strategic Management	869	-6	863
Strategic Support Unit	3,689	-24	3,665
Adult Social Care	82,881	1,293	84,174
Children's Social Care	28,365	-30	28,335
Communities	8,069	3,225	11,294
Corporate Resources	22,356	2,640	24,996
Health and Wellbeing	18,809	-19,025	-216
Inward Investment & Employment	2,120	3,497	5,617
Locality Services - Commissioned	13,769	4,598	18,367
Locality Services - Provision	8,342	268	8,610
Regeneration and Housing	4,081	-8	4,073
Regulation and Compliance	2,874	604	3,478
Schools and Families	16,951	41,606	58,557
Schools and Families - Schools	5,053	182	5,235
Corporate Unallocated Costs	-6,384	8,721	2,337
<b>Net Cost of Services</b>	<b>211,844</b>	<b>47,541</b>	<b>259,385</b>
Other Operating Income and Expenditure	34,693	-44	34,649
Financing and Investment Income & Expenditure	4,288	-3,429	859
Taxation and Non-specific Grant Income	-248,458	15,661	-232,797
<b>Other Income and Expenditure</b>	<b>-209,477</b>	<b>12,188</b>	<b>-197,289</b>
<b>Deficit on Provision of Services</b>	<b>2,367</b>	<b>59,729</b>	<b>62,096</b>

<b>Opening General Fund Balance</b>	<b>-84,082</b>
Plus Deficit in the Year	2,367
<b>Closing General Fund Balance</b>	<b>-81,715</b>
Analysis of Closing General Fund Balance:	
General Fund - Delegated Schools	-13,834
General Fund - Non Delegated Services	-8,103
Earmarked Reserves	-59,778
<b>Closing General Fund Balance</b>	<b>-81,715</b>

## 8 OTHER NOTES TO THE FINANCIAL STATEMENTS

### 1 PRIOR PERIOD ADJUSTMENTS

During 2017/2018 three service elements that were managed by Adult Social Care in 2016/2017 have transferred to different Services. To ensure comparability between the two years the figures included in the 2016/2017 Statement of Accounts have been restated to reflect the changes. The impact of these changes is shown below:

<b><u>Comprehensive Income and Expenditure Statement</u></b>	Per 2016/2017 Statement of Accounts	Adjustments	Restated
	£000	£000	£000
<b><u>Gross Expenditure:</u></b>			
Strategic Support Unit	3,316	441	3,757
Adult Social Care	117,225	-925	116,300
Health and Wellbeing	28,858	484	29,342
<b><u>Net Expenditure:</u></b>			
Strategic Support Unit	3,224	441	3,665
Adult Social Care	85,099	-925	84,174
Health and Wellbeing	-700	484	-216

<b><u>Expenditure and Funding Analysis</u></b>	Per 2016/2017 Statement of Accounts	Adjustments	Restated
	£000	£000	£000
<b><u>Net Expenditure Chargeable to General Fund Balances:</u></b>			
Strategic Support Unit	3,245	444	3,689
Adult Social Care	83,809	-928	82,881
Health and Wellbeing	18,325	484	18,809
<b><u>Adjustments between the Funding and Accounting Basis:</u></b>			
Strategic Support Unit	-21	-3	-24
Adult Social Care	1,290	3	1,293
Health and Wellbeing	-19,025	0	-19,025
<b><u>Net Expenditure in the Comprehensive Income &amp; Expenditure Account:</u></b>			
Strategic Support Unit	3,224	441	3,665
Adult Social Care	85,099	-925	84,174
Health and Wellbeing	-700	484	-216

<b><u>Note 6 – Note to the Expenditure and Funding Analysis - Adjustments between the Funding and Accounting Basis</u></b>	Per 2016/2017 Statement of Accounts	Adjustments	Restated
	£000	£000	£000
<b><u>Net change for the Pensions Adjustment:</u></b>			
Strategic Support Unit	-21	-3	-24
Adult Social Care	-72	3	-69
Health and Wellbeing	-35	0	-35
<b><u>Total Adjustments:</u></b>			
Strategic Support Unit	-21	-3	-24
Adult Social Care	1,290	3	1,293
Health and Wellbeing	-19,025	0	-19,025

## **2 ACCOUNTING STANDARDS ISSUED BUT HAVE NOT YET BEEN ADOPTED**

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- IFRS 9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets, and a new “expected credit loss” model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets. Assessment of the Council’s financial assets does not anticipate any impairment.
- IFRS 15 Revenue from Contracts with Customers presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams within the scope of the new standard.
- IAS 7 Statement of Cash Flows (Disclosure Initiative) will potentially require some additional analysis of Cash Flows from Financing Activities in future years.
- IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses) applies to deferred tax assets related to debt instruments measured at fair value. Neither of the Council’s subsidiary companies in the Group Accounts has such debt instruments.
- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases).

IFRS 9, IFRS 15, IAS 7 and IAS 12 have been incorporated into the 2018/19 Code of Practice which will apply from 1 April 2018. IFRS 16 is expected to be incorporated into the 2019/20 Code of Practice which will apply from 1 April 2019.

## **3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in Note 62, the Authority 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:

- There is a high degree of uncertainty about future levels of funding for local government (see Narrative Report). However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has a material interest in Sefton New Directions Limited, an entity which conducts some of the Council’s adult and social care activities. It has been deemed that Sefton New Directions Limited is a subsidiary of the Council and group accounts are required to be prepared.
- The Authority is deemed to control the services provided under the outsourcing agreement for financial transaction services with Arvato. Assets to the value of £2m were transferred to Arvato for a value of £1 at the start of the contract. At the end of the contract the assets revert back to the Council for nil cost. These assets will be in full working order as a refresher clause is within the contract. This contract has been treated as a service concession.
- The Council have agreed to share any proceeds of former council house sales if they are subsequently sold by One Vision Housing Limited. The agreement lasts until 31 March 2037 and the amount received will depend on the number of sales each year. These are treated as capital receipts in the year.

- The Council has joint working arrangements with NHS Sefton for the provision of intensive care packages for service users with a learning disability and the provision of an Integrated Community Equipment Service. In total £3.367m has been expended on both services, split 50/50. The Council does not consolidate both elements in to its financial statements but only accounts for its own expenditure (see Note 12).
- The Council has given a number of warranties for up to 17 years (One Vision Housing Limited) and 35 years (Prudential Trustee Company Limited) in respect of statements, title, encumbrances, planning matters, statutory obligations, adverse orders, tenancies, information and statistics supplied, sales off, disputes and litigation, rights of entry to maintain and repair, absence of adverse replies, electricity sub-stations and shop leases, leasehold property, way leaves, telecommunications and works undertaken. In addition warranties for 20 years have been given to both parties in respect of claims for asbestos and a warranty not exceeding £100,500,000 for up to 20 years in respect of environmental pollution has been given to One Vision Housing Limited. The Council has set aside resources in an earmarked reserve in case it is required to pay out under these warranties.
- As part of the voluntary stock transfer an agreement was reached with One Vision Housing Limited to share their VAT that they can claim from HM Revenue and Customs. This arrangement is unique to councils and registered social landlords upon transfer. This arrangement was due to end on 30 October 2016 but has now been extended until 2027. Sefton's share of reclaimable VAT is estimated to be in the region of £1.7m until the end of the arrangement. The Council accounts for the income only as it becomes due in the year.
- Investment properties have been estimated using the identifiable criteria under IFRS of being held for rental income or for capital appreciation. These properties have been assessed using these criteria, which is subject to interpretation.
- The Council has examined its leases, and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.
- The Council does not recognise Voluntary Aided, Academies or Free schools on its Balance Sheet. All other types of school are recognised on the Council's Balance Sheet.

#### 4 **ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of financial statements requires management to make judgements, estimates and assumptions that amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying of assets and liabilities within the next financial year are as follows (note that the percentages quoted are for illustrative purposes only and are not an indication of the potential impact):

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Property, Plant and Equipment</b>	<p>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 Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>The total value of PP&amp;E as at 31 March 2018 is £515.371m.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for assets would increase by £0.885m for every year that useful lives had to be reduced.</p>



<p><b>Provision for NNDR Appeals</b></p>	<p>A provision has been made in respect of appeals against the rateable value of business properties. The provision represents the best estimate of the amount that would be repaid to businesses in respect of business rates charged up to 31 March 2018. The total provision recorded on the Collection Fund is £15.106m (Sefton's share is £14.955m).</p> <p>This estimate has been calculated using the Valuation Office Agency (VOA) list of appeals outstanding on the 2005 and 2010 Rating Lists and a forecast of potential risk of checks, challenges, and appeals over the life of the 2017 Rating List.</p> <p>The actual number and value of successful appeals may be materially different from the experience of previous rating lists and settled appeals.</p>	<p>An increase of 1% in the reduction in Rateable Value on appeal assumed against all rating lists would require an increase of £1.339m in the total provision (Sefton's share would be £1.326m).</p>
<p><b>Pensions Liability</b></p>	<p>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. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p> <p>As at 31 March 2018 the value of assets was £854.297m and liabilities was £1,232.363m. The net liability is therefore £378.066m.</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured.</p> <p>The impact of changes in individual assumptions are shown in Note 57, as required by the Code of Practice.</p>
<p><b>Arrears</b></p>	<p>At 31 March 2018, Sefton had a net balance of sundry debtor accounts issued by the Authority but not yet paid of £9.875m. A review of significant balances suggested that an impairment of doubtful debts of approximately 23% (£2.295m) was appropriate for these accounts.</p> <p>At 31 March 2018, Sefton had a balance of Council Tax arrears (including Court Costs) of £16.009m. A review of significant balances suggested that an impairment of doubtful debts of approximately 47% (£7.572m) was appropriate for these accounts.</p> <p>At 31 March 2018, Sefton had a balance of NNDR arrears (including Court Costs) of £2.967m (Sefton's share only). A review of significant balances suggested that an impairment of doubtful debts of approximately 70% (£2.082m) was appropriate for these accounts.</p> <p>At 31 March 2018, Sefton had a balance of Housing Benefit arrears of £6.414m. A review of significant balances suggested that an impairment of doubtful debts of approximately 46% (£2.949m) was appropriate for these accounts.</p> <p>However, in the current economic climate it is possible that such allowances would not be sufficient.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £14.898m to be set aside as an allowance.</p>

## 5 EXPENDITURE AND INCOME ANALYSED BY NATURE

2016/2017 £000s		2017/2018 £000s
	<u>Expenditure</u>	
225,077	Employee benefit expenses	235,617
348,867	Other service expenses	352,047
54,727	Depreciation, amortisation and impairment	20,494
6,024	Interest Payments	6,662
34,707	Precepts and Levies	32,490
0	Payments to Housing Capital Pool	12
945	Loss on the disposal of assets	10,845
11,788	Net Interest on the Net Pension Defined Benefit Liability	9,697
682,135	<b>Total Expenditure</b>	667,864
	<u>Income</u>	
-58,534	Fees, charges and other service income	-68,481
-643	Interest and Investment Income	-434
-145,503	Income from council tax and non-domestic rate income	-189,338
-415,359	Government Grants and Contributions	-379,300
-620,039	<b>Total Income</b>	-637,553
<b>62,096</b>	<b>Deficit on the Provision of Services</b>	<b>30,311</b>

## 6 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis in 2017/2018

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement amounts.	Adjustments for Capital Purposes	Net change for the Pensions Adjustment	Other Differences	Total Adjustments
	£000	£000	£000	£000
Strategic Management	0	48	2	50
Strategic Support Unit	0	254	10	264
Adult Social Care	1,292	655	25	1,972
Children's Social Care	45	639	25	709
Communities	1,059	367	-60	1,366
Corporate Resources	1,956	625	23	2,604
Health and Wellbeing	990	327	-22,247	-20,930
Inward Investment & Employment	1,060	143	-231	972
Locality Services - Commissioned	5,465	471	-54	5,882
Locality Services - Provision	1,891	1,190	-1,091	1,990
Regeneration and Housing	21	318	11	350
Regulation and Compliance	840	360	0	1,200
Schools and Families	3,212	819	34	4,065
Schools and Families - Schools	15	2,888	-1,491	1,412
Corporate Unallocated Costs	1,961	-20,175	-784	-18,998
<b>Net Cost of Services</b>	<b>19,807</b>	<b>-11,071</b>	<b>-25,828</b>	<b>-17,092</b>
Other Income and Expenditure	-11,529	9,697	17,750	15,918
<b>Surplus (-) or Deficit</b>	<b>8,278</b>	<b>-1,374</b>	<b>-8,078</b>	<b>-1,174</b>

Adjustments between Funding and Accounting Basis in 2016/2017:

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement amounts (Restated).	Adjustments for Capital Purposes	Net Change for the Pensions Adjustment	Other Differences	Total Adjustments
	£000	£000	£000	£000
Strategic Management	0	-6	0	-6
Strategic Support Unit	0	-24	0	-24
Adult Social Care	1,362	-69	0	1,293
Children's Social Care	48	-78	0	-30
Communities	3,342	-42	-75	3,225
Corporate Resources	2,709	-69	0	2,640
Health and Wellbeing	3,825	-35	-22,815	-19,025
Inward Investment & Employment	3,751	-17	-237	3,497
Locality Services - Commissioned	4,646	-48	0	4,598
Locality Services - Provision	1,790	-127	-1,395	268
Regeneration and Housing	27	-35	0	-8
Regulation and Compliance	658	-40	-14	604
Schools and Families	41,704	-98	0	41,606
Schools and Families - Schools	589	-326	-81	182
Corporate Unallocated Costs	-6	8,692	35	8,721
<b>Net Cost of Services</b>	<b>64,445</b>	<b>7,678</b>	<b>-24,582</b>	<b>47,541</b>
Other Income and Expenditure	-29,074	11,788	29,474	12,188
<b>Deficit</b>	<b>35,371</b>	<b>19,466</b>	<b>4,892</b>	<b>59,729</b>

Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing** and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- 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 CIES.

Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR 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.

In addition, this includes differences between how expenditure and income is reported to management and how it needs to be shown in the Income and Expenditure Account, e.g. Public Health Grant and Prudential Borrowing costs charged to Services.

### **Segmental Analysis of Revenues from External Customers**

<u>2016/2017</u> £000s		<u>2017/2018</u> £000s
0	Strategic Management	0
-40	Strategic Support Unit	-84
-17,494	Adult Social Care	-17,738
-88	Children's Social Care	-146
-1,700	Communities	-1,429
-4,563	Corporate Resources	-4,551
-5,746	Health and Wellbeing	-5,857
-1,880	Inward Investment & Employment	-2,043
-2,558	Locality Services - Commissioned	-3,064
-7,870	Locality Services - Provision	-8,018
-2,381	Regeneration and Housing	-2,329
-6,426	Regulation and Compliance	-6,804
-2,250	Schools and Families	-1,923
-4,553	Schools and Families - Schools	-4,417
-149	Corporate Unallocated Costs	-9,034
<b>-57,698</b>	<b>Net Cost of Services</b>	<b>-67,437</b>
-836	Other Income and Expenditure	-1,044
<b>-58,534</b>	<b>Surplus on the Provision of Services</b>	<b>-68,481</b>

## **7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

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

Descriptions of the reserves that the adjustments are made against can be found in the relevant notes for each reserve.

<b>Adjustments in 2017/2018</b>	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation of non-current assets	-18,426			18,426
Revaluation losses on non-current assets	-1,709			1,709
Movements in the market value of Investment Properties	2,154			-2,154
Amortisation of intangible assets	-393			393
Capital grants and contributions applied	11,033			-11,033
Revenue expenditure funded from capital under statute - Gross	-2,119			2,119
Revenue expenditure funded from capital under statute – Related Capital Grants and Contributions	2,119			-2,119
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-10,936			10,936
Amortisation of Deferred Income re. Crosby PFI Scheme	107			-107
Receipt of Dividend in Specie relating to Regeneration Asset	32,500			-32,500
Impairment of Equity relating to Regeneration Asset	-32,500			32,500
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	6,177			-6,177
Capital expenditure charged against the General Fund	937			-937
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,861		-1,861	
Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	-88		88	
Application of grants to capital financing transferred to the Capital Adjustment Account			587	-587
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	90	-90		
Transfers to Usable Capital Receipts not relating to the disposal of assets	978	-978		
Use of the Capital Receipts Reserve to finance new capital expenditure		2,506		-2,506
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	-12	12		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		-1		1
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>				
Reduction of Capital Receipts Deferred re. Leased Out Buildings	-51			51

<b>Adjustments in 2017/2018 Continued</b>	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b> Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	59			-59
<b>Adjustments primarily involving the Pensions Reserve:</b> Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-46,356			46,356
Employer's pensions contributions and direct payments to pensioners payable in the year	47,730			-47,730
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b> Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rates income calculated for the year in accordance with statutory requirements	6,809			-6,809
<b>Adjustment primarily involving the Accumulated Absences Account:</b> Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,210			-1,210
<b>Total Adjustments</b>	<b>1,174</b>	<b>1,449</b>	<b>-1,186</b>	<b>-1,437</b>

The table below provides comparative figures for 2016/2017:

<b>Adjustments in 2016/2017</b>	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b> <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation of non-current assets	-18,264			18,264
Revaluation losses on non-current assets	-46,665			46,665
Movements in the market value of Investment Properties	14,538			-14,538
Amortisation of intangible assets	-330			330
Capital grants and contributions applied	11,337			-11,337
Revenue expenditure funded from capital under statute - Gross	-4,006			4,006
Revenue expenditure funded from capital under statute – Related Capital Grants and Contributions	3,995			-3,995
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-4,163			4,163
Amortisation of Deferred Income re. Crosby PFI Scheme	107			-107

<b>Adjustments in 2016/2017 Continued</b>	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	2,900			-2,900
Capital expenditure charged against the General Fund	679			-679
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,289		-1,289	
Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	-808		808	
Application of grants to capital financing transferred to the Capital Adjustment Account			722	-722
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,218	-3,218		
Transfers to Usable Capital Receipts not relating to the disposal of assets	850	-850		
Use of the Capital Receipts Reserve to finance new capital expenditure		2,352		-2,352
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	0	0		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		-6		6
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>				
Reduction of Capital Receipts Deferred re. Leased Out Buildings	-48			48
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	59			-59
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-36,140			36,140
Employer's pensions contributions and direct payments to pensioners payable in the year	16,674			-16,674
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rates income calculated for the year in accordance with statutory requirements	-4,987			4,987
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	36			-36
<b>Total Adjustments</b>	<b>-59,729</b>	<b>-1,722</b>	<b>241</b>	<b>61,210</b>

**8 OTHER OPERATING INCOME**

An analysis of amounts of Other Income not included in the Net Cost of Services but credited to the Comprehensive Income and Expenditure Statement is shown below:

<u>2016/2017</u> £000s	<u>Other Income</u>	<u>2017/2018</u> £000s
-800	Capital Receipts re. Former Council Dwellings	-789
-51	Other Capital Receipts not relating to the Disposal of Council Assets	-189
-34	Sefton's share of a VAT Shelter Agreement with One Vision Housing	-67
-885		-1,045

**9 INTEREST PAYABLE AND SIMILAR CHARGES**

Charges to the Comprehensive Income and Expenditure Account during the year were as follows:

<u>2016/2017</u> £000s		<u>2017/2018</u> £000s
5,156	External Interest Charges	5,846
425	Finance Charge re. Leasing Agreements	412
443	Finance Charge re. PFI Schemes	404
6,024	<b>Total</b>	6,662

**10 TRADING OPERATIONS**

The Council operates a number of services as trading organisations. These trade with the private sector / general public or provide services to other parts of the Council. These are shown within "Net Cost of Services" in the Comprehensive Income and Expenditure Statement; details of these are shown in the table below.

**Trading services which are included within the Total Cost of Services**

<u>2016/2017</u>			<u>Activity</u>	<u>2017/2018</u>		
<u>Income</u> £000s	<u>Expenditure</u> £000s	<u>Deficit / Surplus (-)</u> £000s		<u>Income</u> £000s	<u>Expenditure</u> £000s	<u>Deficit / Surplus (-)</u> £000s
-1,440	2,087	647	Other Commercial Land and Buildings	-1,425	1,014	-411
-360	575	215	Southport and Other Markets	-360	580	220
-932	870	-62	Commercial Cleansing Services	-1,118	402	-716
-879	3,889	3,010	Arts Operations / Development	-624	3,458	2,834
-303	595	292	Netherton Activity Centre	-313	626	313
-6,698	11,252	4,554	Sports Facilities	-6,727	10,666	3,939
-7,430	6,985	-445	School Meals & Welfare Catering	-7,356	7,475	119
-2,955	1,515	-1,440	Cemeteries and Crematoria Services	-2,990	1,620	-1,370
-545	2,279	1,734	Tourism Related Facilities in Southport	-630	506	-124
-2,602	2,672	70	Building Cleaning	-2,544	2,921	377
-5,052	3,738	-1,314	Vehicle Maintenance	-5,175	4,153	-1,022
-29,196	36,457	7,261	<b>Total Trading Deficit for Year</b>	-29,262	33,421	4,159



Descriptions of the services and significant changes in the surplus or deficit on trading services can be explained as follows:

<b><u>Trading Service</u></b>	<b><u>Reason for change</u></b>
<b><u>Other Commercial Land and Buildings:</u></b> The leasing and rental, at market rates, of commercial land and buildings owned by the Council.	Gross expenditure has reduced by £1.073m mainly due to revaluation losses reducing from £1.310m in 2016/2017 to £0.212m in 2017/2018.
<b><u>Southport Market:</u></b> The operation of Southport Indoor Market and any Farmers' Markets that occur in the Borough.	No significant change.
<b><u>Commercial Cleansing Services:</u></b> The operation of various cleansing services on a commercial basis including Trade Waste, Clinical Waste and Skip Hire.	Gross expenditure has reduced by £0.468m mainly due to salary costs for traded cleansing services not being included in 2017/2018 as they are no longer separately identified against these services.  Gross income has increased by £0.186m due to additional external income being received across all service areas.
<b><u>Arts Operations / Development:</u></b> Provision of all arts activities within the Borough including the operation of The Atkinson cultural centre.	Gross expenditure has reduced by £0.431m mainly due to there being no revaluation losses in 2017/2018 compared to losses in 2016/2017 of £0.255m.  Gross income has reduced by £0.255m due to a reduction in grant income (£0.107m) and the closure of the bakery at the Atkinson during 2017/2018.
<b><u>Netherton Activity Centre:</u></b> The operation of the Centre which includes leisure and library facilities as well as a youth club, beauticians, crèche and Jake's Sensory World.	No significant change.
<b><u>Sports Facilities:</u></b> The provision of sports facilities within Sefton including the direct operation of Bootle Leisure Centre, Crosby Lakeside Adventure Centre, Dunes Splashworld, Litherland Sports Park and Meadows Leisure Centre. It also includes the third party operation of Crosby Leisure Centre and Formby Pool.	No significant change.
<b><u>School Meals and Welfare Catering:</u></b> The provision of a catering service to certain schools within the Borough.	No significant change.
<b><u>Cemeteries and Crematoria Services:</u></b> The operation of two Crematoria in Southport and Thornton and Cemeteries in Birkdale, Bootle, Southport and Thornton.	No significant change.
<b><u>Tourism Related Facilities:</u></b> The operation of Southport Pier and various other facilities at the seafront in Southport.	Gross expenditure has reduced by £1.773m mainly due to revaluation losses in 2017/2018 of £0.033m compared to losses in 2016/2017 of £1.761m.

<u>Trading Service</u>	<u>Reason for change</u>
<u>Building Cleaning:</u> The provision of building cleaning services to schools and other Council owned buildings.	No significant change.
<u>Vehicle Maintenance:</u> The provision, management and maintenance of Council owned vehicles and small plant.	Gross expenditure has increased by £0.415m due to increases in direct transport costs including repairs and maintenance, fuel and hired transport.

## 11 SIGNIFICANT AGENCY INCOME AND EXPENDITURE

The Authority carried out work to the value of £0.004m on behalf of the Highways Agency and received fees of £0.004m according to agreed charging in 2017/2018 (£0.045m value of work and £0.045m fees in 2016/2017).

## 12 POOLED BUDGETS

Under section 75 of the National Health Service Act 2006, local authority and NHS bodies are able to enter into joint working arrangements with the NHS. Pooled funds, with resources provided by local and health authorities, offer the opportunity for the provision of seamless health and social services. Partners remain accountable for their services that are part of the pooled budget. A key feature of the pool is that the use of resources will be dictated by the needs of clients, rather than respective contributions.

### Provision of intensive care packages for service users with a learning disability

Sefton Council has a joint working arrangement with CCG's in Sefton for the provision of intensive care packages for service users with a learning disability. Contributions of £1.113m from CCG's (£1.021m in 2016/2017) and £1.090m from Sefton Council (£1.147m in 2016/2017), £2.202m in total (£2.168m in 2016/2017), have been fully expended on purchasing of care packages to meet the health and social care needs of this client group. Sefton's contribution has been financed from within the Adult Social Care budget and is included in the Comprehensive Income and Expenditure Statement under this heading.

### Provision of an Integrated Community Equipment Service

Sefton has a joint working arrangement with North West Boroughs Health Care Foundation Trust (taking over from the Liverpool Community Health Trust LCHT on the 1 June 2017) for the provision of an Integrated Community Equipment Service, providing an appropriate range of equipment to meet assessed needs and to support intermediate care, hospital discharge, rehabilitation and independent living in the community. Contributions of £0.088m from LCHT and £0.466m from NW Boroughs HCFT totalling £0.554m (£0.552m in 2016/2017) and £0.611m from Sefton Council (£0.584m in 2016/2017), have been fully expended on the provision of this service. Sefton's contribution has been financed from within the Adult Social Care budget and is included in the Comprehensive Income and Expenditure Statement under this heading.

### Better Care Fund

The Council operates a pooled fund in partnership with South Sefton Clinical Commissioning Group (CCG) and Southport and Formby CCG. The fund is hosted by the Council.

The Better Care Fund creates a local single pooled budget to incentivise the integration of health and social care and encourage the NHS and Local Government to work more closely together around people, placing their well-being as the focus of health and care services. The five themes underpinning the agreement in 2017/18 are:

- Integrated Community Care - building on the existing Virtual Ward and Care Closer to Home initiatives to have a comprehensive, fully integrated model of care built around the communities in localities.
- Long Term Adult Social Care –supporting packages of care and personal budgets and providing additional capacity in social work
- Intermediate Care and Reablement – seeking to reduce hospital admissions and re-admissions, reduce the need for ongoing care and support by assisting with regaining of independence and to reduce the number of long term residential and nursing care placements
- Early Years.
- Early Intervention and Prevention.

Additional funding from the Improved Better Care Fund (iBCF) has been agreed for 3 years 2017/18 to 2019/20. The 2017/18 allocation of £7.965m has been used to manage the Risk of Market Failure & Protect Social Care Fees; short term Transformation Programme; Supporting New Admissions in Community Care budget and Transformational Investment at LCR Level.

Financial performance in the year was as follows:

<u>2016/2017</u> £'000		<u>2017/18</u> £'000
	<b>Contributions</b>	
13,814	South Sefton CCG	14,060
9,033	Southport & Formby CCG	9,196
4,129	Sefton Council	12,568
<b>26,976</b>	<b>Total Contributions</b>	<b>35,824</b>
<b>26,357</b>	<b>Total Expenditure</b>	<b>33,692</b>
<b>619</b>	<b>Variance</b>	<b>2,132</b>

The variance of £2.132m relates to capital expenditure in the pooled fund arrangement. The 2017/18 Disabled Facilities grant allocation of £3.984 together with the £0.619m brought forward from 2016/17 was utilised to fund expenditure of £2.471m in 2017/18 and the balance will be carried forward into the 2018/19 pool for consideration with the 2018/19 Disabled Facilities grant allocation.

### 13 **EXTERNAL AUDIT COSTS**

The following fees relating to external audit and inspection were charged to the Comprehensive Income and Expenditure Account.

<u>2016/2017</u> £000		<u>2017/2018</u> £000
146	Fees for external audit services carried out by the appointed auditors	127
18	Fees payable for the certification of grant returns	11
0	Fees payable in respect of any other services	20
<b>164</b>	<b>Total</b>	<b>158</b>

**14 LONG-TERM CONTRACTS**

**Arvato:** During 2008/2009 the Authority entered into a ten year contract agreement with Arvato Public Sector Services Limited to manage the following services: Information Technology, Transactional Human Resources and Payroll, Benefits, Revenues and Customer Contact. The contract commenced on 1 October 2008. Payments of £15.374m were made under this contract in 2017/2018 (£15.220m in 2016/2017). The contract is uplifted by pay and price inflation on 1 April each year. There are a number of variable elements within the contract but given the nature of the variable elements they are not expected to have a significant impact on the accounts. There was a saving of £1.050m made against the contract value in 2017/2018 (£1.050m in 2016/2017). In addition, the Council can procure additional works outside of the core contract the value of which was £1.843m in 2017/2018 (£1.758m in 2016/2017).

**Formby Pool Trust:** The Authority has a long-term contract agreement with Formby Pool Trust to operate the Formby Pool and Leisure Centre. The initial contract agreement was for 10 years starting on 1 January 2007. The Authority has subsequently extended the agreement for a further 10 years under a new financial arrangement. Payments to the contractor are increased each year in line with the Retail Price Index. Contract payments of £0.169m were made in 2017/2018 (£0.231m in 2016/2017). The new financial arrangement started on 27th January 2017. The revised annual fee has been agreed and will be increased each year in line with the Retail Price Index

**Ambassador Theatre Group:** The Authority operates a long-term contract agreement with Ambassador Theatre Group (ATG) to manage the Floral Hall and Southport Theatre complex. ATG have given formal notice to exit the contract on 31 May 2018. Alternative provision for the management of the venue is now being sought. Contract payments of £0.362m were made to ATG in 2017/2018 (£0.352m in 2016/2017).

**Sefton New Directions Limited:** On 1 April 2007 the Council established Sefton New Directions Limited as a wholly owned subsidiary company for the provision of Social Care. The Council entered into a services agreement with Sefton New Directions Limited which will continue until March 2017. In consideration of the care services provided, the Council pays a charge. The charge in 2017/2018 was £8.012m (£8.012m in 2016/2017). Cabinet on the 6 April 2017 re-affirmed the Council's commitment to contract with Sefton New Directions for a further 24 month period to 31 March 2019 and agreed that a review of the contractual arrangements and governance of the company be reported back to Cabinet in due course.

**Waterfront Leisure:** On 18 September 2001, the Council entered into an agreement under a Private Finance Initiative with Waterfront Leisure (Crosby) Limited for the provision and operation of a leisure centre in Crosby. Under the terms of the agreement Waterfront Leisure constructed the centre and will operate it for a period of 25 years in accordance with the Council's specification. Payments of £1.277m were made under this contract in 2017/2018 (£1.249m in 2016/2017) with government grants of £0.561m received in the year (£0.561m in 2016/2017). The contract is uplifted by price inflation on 1 April each year.

**15 MEMBERS' ALLOWANCES**

The Council has a Cabinet style management structure with a scheme for Members' Allowances. The Council is made up of 66 Members. There were 77 Members who were paid allowances (some for only part of the year) as shown below:

<u>2016/2017</u> £000s		<u>2017/2018</u> £000s
585	Basic Allowances	610
196	Special Responsibility Allowances	209
1	Expenses	6
782	<b>Total</b>	825

No Members were paid a salary in either year.

**16 EMPLOYEES' EMOLUMENTS IN EXCESS OF £50,000**

The Accounts and Audit (England) Regulations require the Authority to disclose the number of employees (including teaching staff) whose remuneration in the year was £50,000 or more in bands of £5,000. The definition of remuneration excludes employer pension contributions but includes:

- (i) all taxable amounts paid to, or receivable by, employees, including sums due by way of expenses allowances;
- (ii) the estimated money value of all other benefits received by employees, otherwise than in cash; and,
- (iii) redundancy payments paid to employees who have left the employment of the Authority during the year.

Readers should note that the tables below include Senior Officers' remuneration, which is also disclosed separately in Note 17.

<b>Teaching Staff (including Voluntary Aided Schools)</b>				
<u>2016/2017</u>		<u>Remuneration Band</u>	<u>2017/2018</u>	
<u>Employed on 31/03/17</u>	<u>Left during the year</u>		<u>Employed on 31/03/18</u>	<u>Left during the year</u>
45	12	£50,000 - £54,999	46	4
34	3	£55,000 - £59,999	37	0
23	5	£60,000 - £64,999	28	0
24	4	£65,000 - £69,999	22	1
8	1	£70,000 - £74,999	13	0
3	1	£75,000 - £79,999	4	0
3	0	£80,000 - £84,999	2	0
1	0	£85,000 - £89,999	2	0
0	0	£90,000 - £94,999	0	0
0	2	£95,000 - £99,999	2	0
0	0	£100,000 - £104,999	0	0
0	1	£105,000 - £109,999	1	0

<b>Non-Teaching Staff (including schools)</b>				
<u>2016/2017</u>		<u>Remuneration Band</u>	<u>2017/2018</u>	
<u>Employed on 31/03/17</u>	<u>Left during the year</u>		<u>Employed on 31/03/18</u>	<u>Left during the year</u>
26	4	£50,000 - £54,999	27	9
2	0	£55,000 - £59,999	1	4
10	2	£60,000 - £64,999	10	0
2	0	£65,000 - £69,999	1	0
7	0	£70,000 - £74,999	6	0
5	0	£75,000 - £79,999	0	0
3	0	£80,000 - £84,999	7	0
0	0	£85,000 - £89,999	0	0
0	0	£90,000 - £94,999	0	0
0	0	£95,000 - £99,999	0	0
0	0	£100,000 - £104,999	0	0
2	0	£105,000 - £109,999	0	0
0	0	£110,000 - £114,999	1	0
1	0	£115,000 - £119,999	0	0
0	0	£120,000 - £124,999	1	0
0	0	£125,000 - £129,999	0	0
0	0	£130,000 - £134,999	0	0
1	0	£135,000 - £139,999	1	0

**17 SENIOR OFFICERS' REMUNERATION**

The following tables provide details of the remuneration paid to senior officers as defined in the Accounts and Audit Regulations. The pension contribution shown in the tables is the employer's contribution to the local government pension scheme.

Senior Officers remuneration in 2017/2018:

Post holder Information	Notes	Salary (Including fees and allowances)	Expense Allowances	Compensation for loss of office	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including pension contributions
		£	£	£	£	£	£
Chief Executive		137,772	0	0	137,772	35,568	173,340
Executive Director	(a)	37,403	0	0	37,403	9,500	46,903
Executive Director		110,487	0	0	110,487	28,480	138,967
Director of Social Care and Health		120,534	0	0	120,534	31,058	151,592
Head of Strategic Support		71,070	0	0	71,070	18,319	89,389
Head of Commissioning Support & Business Intelligence		71,070	0	0	71,070	18,293	89,363
Director of Public Health	(b)	n/a	n/a	n/a	n/a	n/a	n/a
Head of Communities		71,070	0	0	71,070	18,288	89,358
Head of Schools and Families		71,070	0	0	71,070	18,325	89,395
Head of Regulation and Compliance		80,685	0	0	80,685	20,762	101,447
Head of Regeneration and Housing	(c)	50,249	0	0	50,249	12,763	63,012
Head of Inward Investment and Employment	(d)	13,871	0	40,429	54,300	16,836	71,136
Head of Children's Social Care		80,685	0	0	80,685	20,776	101,461
Head of Adult Social Care	(e)	41,632	0	0	41,632	10,574	52,206
Head of Locality Services - Provision		80,685	0	0	80,685	20,797	101,482
Head of Locality Services - Commissioned		80,685	0	0	80,685	20,805	101,490
Head of Corporate Resources (formerly Head of Corporate Support)		80,685	0	0	80,685	20,731	101,416

- a) One of the Executive Directors left on 31<sup>st</sup> July 2017. The post remained vacant until the end of the year.
- b) The Director of Public Health post is currently filled via a shared arrangement with Knowsley Borough Council. The substantive post has a full time equivalent salary of between £90,000 and £95,000.
- c) The Head of Regeneration and Housing left on 29<sup>th</sup> October 2017. The post remained vacant until the end of the year.
- d) The Head of Inward Investment and Employment left on 31<sup>st</sup> May 2017. The post remained vacant until the end of the year.
- e) The Head of Adult Social Care left on 31<sup>st</sup> July 2017. The post was filled on 29<sup>th</sup> January 2018.

Senior Officers remuneration in 2016/2017:

Post holder Information	Notes	Salary (Including fees and allowances) £	Expense Allowances £	Compensation for loss of office £	Total Remuneration excluding pension contributions £	Pension Contributions £	Total Remuneration including pension contributions £
Chief Executive		136,409	0	0	136,409	35,201	171,610
Executive Director		109,395	0	0	109,395	28,187	137,582
Executive Director		109,395	0	0	109,395	28,107	137,502
Director of Social Care and Health		119,340	0	0	119,340	30,740	150,080
Head of Strategic Support		70,364	0	0	70,364	18,130	88,494
Head of Commissioning Support & Business Intelligence		71,250	0	0	71,250	18,106	89,356
Director of Public Health	(a)	n/a	n/a	n/a	n/a	n/a	n/a
Head of Communities		70,364	0	0	70,364	18,100	88,464
Head of Schools and Families		73,990	0	0	73,990	18,137	92,127
Head of Regulation and Compliance		79,887	0	0	79,887	20,551	100,438
Head of Regeneration and Housing	(b)	69,262	0	0	69,262	17,796	87,058
Head of Inward Investment and Employment		70,364	0	0	70,364	18,181	88,545
Head of Children's Social Care		79,887	0	0	79,887	20,564	100,451
Head of Adult Social Care		81,629	0	0	81,629	20,616	102,245
Head of Locality Services - Provision		79,887	0	0	79,887	20,585	100,472
Head of Locality Services - Commissioned		84,351	0	0	84,351	20,592	104,943
Head of Corporate Resources		79,887	0	0	79,887	20,520	100,407
Chief Finance Officer	(c)	22,313	0	0	22,313	5,667	27,980

- a) The Director of Public Health post is currently filled via a shared arrangement with Knowsley Borough Council. The substantive post has a full time equivalent salary of between £90,000 and £95,000.
- b) The Head of Regeneration and Housing was appointed on 6 July 2016.
- c) The Chief Finance Officer left on 30th June 2016.



**18 EXIT PACKAGES / TERMINATION BENEFITS**

The number of exit packages with total cost per band and the total cost of the compulsory and other redundancies are set out in the tables below:

Exit Packages in 2017/2018

<u>Exit Package Cost Band</u>	<u>Number of Compulsory Redundancies</u>	<u>Number of Other Departures Agreed</u>	<u>Total Number of Exit Packages by Cost Band</u>	<u>Total Cost of Exit Packages in each Band</u>
£0 - £20,000	50	73	123	£0.759m
£20,001 - £40,000	6	22	28	£0.769m
£40,001 - £60,000	3	8	11	£0.570m
£60,001 - £80,000	1	6	7	£0.480m
£80,001 - £100,000	0	5	5	£0.462m
£100,001 - £150,000	0	6	6	£0.816m
<b>Total</b>	<b>60</b>	<b>120</b>	<b>180</b>	<b>£3.856m</b>

Exit Packages in 2016/2017

<u>Exit Package Cost Band</u>	<u>Number of Compulsory Redundancies</u>	<u>Number of Other Departures Agreed</u>	<u>Total Number of Exit Packages by Cost Band</u>	<u>Total Cost of Exit Packages in each Band</u>
£0 - £20,000	44	67	111	£0.769m
£20,001 - £40,000	11	15	26	£0.706m
£40,001 - £60,000	2	4	6	£0.302m
£60,001 - £80,000	0	1	1	£0.067m
£80,001 - £100,000	0	0	0	£0.000m
£100,001 - £150,000	1	0	1	£0.131m
<b>Total</b>	<b>58</b>	<b>87</b>	<b>145</b>	<b>£1.975m</b>

**19 DEDICATED SCHOOLS' GRANT**

The council's expenditure on schools is funded primarily by grant monies provided by the Education 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 2015. 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 2017/2018 are as follows:

	Central Expenditure (Note a) £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2017/2018			-197,196
Academy figure recouped for 2017/18			45,447
Total DSG after Academy Recoupment			-151,749
Brought forward from 2016/2017			-2,210
Carry forward to 2018/2019 agreed in advance			2,210
Agreed initial budgeted distribution in 2017/2018	-42,931	-108,859	-151,790
In year adjustments	41	0	41
Final budgeted distribution in 2017/2018	-42,890	-108,859	-151,749
Actual central expenditure	44,585		44,585
Actual ISB deployed to schools		108,859	108,859
Local authority contributions in 2017/2018	0	0	0
Total Carry forward to 2018/2019 (Note b)	1,695	0	-515

**Notes:**

- (a) All High Needs, Early Years and Central expenditure has been included under the Central Expenditure heading in 2017/18. This is a departure from the way that this expenditure was reported in 2016/17 when High Needs and Early Years expenditure was included under the schools budgets heading.
- (b) The net overspend and call on reserves recorded under Central Expenditure (£1.695m) includes an overspend on High Needs of £1.829m due to extra top up payments to schools; plus an overspend on Early Years of £0.090m and an underspend on Central items of -£0.224m.

## 20 GRANT INCOME

### Grants and contributions credited to the Comprehensive Income and Expenditure Statement

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

2016/2017 £000s	Credited to Taxation and Non-specific Grant Income	2017/2018 £000s
	<u>Non-Ringfenced Government Grants</u>	
-38,577	Revenue Support Grant	0
-24,464	Non-Domestic Rates Top-Up Grant	-22,504
-3,999	New Homes Bonus	-2,438
-3,049	Education Services Grant	-872
-2,438	Business Rates Relief - S31 Grant	-7,153
-2,334	Independent Living Fund - Transition Funding	-2,243
0	Adult Social Care Support Grant	-1,532
-615	Other Non-Ringfenced Government Grants	-1,413
-75,476		-38,155

<u>2016/2017</u> £000s	<u>Credited to Taxation and Non-specific Grant Income</u>	<u>2017/2018</u> £000s
	<u>Capital Grants and Contributions</u>	
-3,966	Local Transport Plan Grant	-3,804
-1,037	Better Care Fund	-2,321
-3,035	Department for Education Capital Grants	-1,957
0	MHCLG – Southport Pier	-1,486
0	Merseytravel – M58 Junction 1 Improvements	-883
-828	Environment Agency - CERMS Grant	-464
-760	Merseytravel - A565 Route Management	0
-605	Heritage Lottery Fund – Kings Gardens	0
-2,396	Other Capital Grants and Contributions	-1,979
809	Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	88
-11,818		-12,806

<u>2016/2017</u> £000s	<u>Grants Credited to Services</u>	<u>2017/2018</u> £000s
	<u>Revenue Grants</u>	
-149,694	Dedicated Schools Grant	-151,749
-98,193	Housing Benefit Subsidy	-92,313
-22,492	Public Health Grant	-21,938
-9,144	Pupil Premium	-9,422
-7,117	Education Funding Agency	-5,680
0	Improved Better Care Funding Programme	-6,946
-2,682	Universal Infant Free School Meals	-2,785
-977	Troubled Families Programme	-1,201
-712	PE and Sport Funding	-1,130
-1,206	Housing Benefit Administration	-1,073
-746	Skills Funding Agency	-787
-679	Discretionary Housing Payments	-720
-641	Arts Council	-664
-561	PFI Grant	-561
-415	Local Council Tax Support Administration	-460
-262	Transformation Challenge Award Fund	-412
-403	Youth Justice Board	-395
-128	Syrian Refugees (Home Office)	-329
-329	NNDR Administration Grant	-321
-282	Police and Crime Commissioner	-246
-118	Unaccompanied Asylum Seeking Children	-174
-89	Heritage Lottery Grant	-126
147	Department of Energy and Climate Change	0
-3,909	Other Revenue Grants	-3,713
-300,632		-303,145
	<u>Capital Grants</u>	
-3,995	Capital Grants utilised to fund Revenue Expenditure Funded from Capital Under Statute	-2,119
	<u>Contributions</u>	
-15,484	Health Contributions	-15,514
-5,262	School Contributions and Donations	-4,505
-912	Other Local Authorities	-976
-98	Southport Tourist Business Network	-89
-18	Merseyside Sports Partnership	0
-1,664	Other Contributions	-1,991
-23,438		-23,075

**21 PROPERTY PLANT AND EQUIPMENT****Movement on Balances**

Movements in 2017/2018:

	<u>Other Land and Buildings</u>	<u>Vehicles Plant and Equipment</u>	<u>Infrastructure Assets</u>	<u>Community Assets</u>	<u>Surplus Assets</u>	<u>Assets Under Construction</u>	<u>Total</u>
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b><u>Cost or Valuation</u></b>							
At 1 April 2017	312,183	25,615	208,460	21,861	10,956	0	579,075
Additions	39,256	2,279	8,916	605	920	0	51,976
Revaluations - recognised in the Revaluation Reserve	525	0	0	0	25	0	550
Revaluations – recognised in the Surplus/Deficit on the Provision of Services	-2,433	0	0	0	-673	0	-3,106
Derecognition - Disposals	-8,385	0	0	0	-2,276	0	-10,661
Reclassifications	-2,241	0	0	0	1,603	0	-638
At 31 March 2018	338,905	27,894	217,376	22,466	10,555	0	617,196
<b><u>Accumulated Depreciation and Impairment</u></b>							
At 1 April 2017	-16,579	-16,513	-52,102	0	0	0	-85,194
Depreciation Charge	-9,235	-3,604	-5,587	0	0	0	-18,426
Revaluations - recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Accumulated Depreciation written out upon impairment	1,397	0	0	0	0	0	1,397
Derecognition - Disposals	212	0	0	0	186	0	398
Reclassifications	186	0	0	0	-186	0	0
At 31 March 2018	-24,019	-20,117	-57,689	0	0	0	-101,825
<b><u>Net Book Value</u></b>							
At 1 April 2017	295,604	9,102	156,358	21,861	10,956	0	493,881
At 31 March 2018	314,886	7,777	159,687	22,466	10,555	0	515,371

## Movements in 2016/2017:

	<u>Other Land and Buildings</u>	<u>Vehicles Plant and Equipment</u>	<u>Infrastructure Assets</u>	<u>Community Assets</u>	<u>Surplus Assets</u>	<u>Assets Under Construction</u>	<u>Total</u>
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b><u>Cost or Valuation</u></b>							
At 1 April 2016	379,464	23,650	199,830	20,254	11,186	429	634,813
Additions	5,626	1,965	8,520	1,607	500	0	18,218
Revaluations - recognised in the Revaluation Reserve	-28,976	0	0	0	609	0	-28,367
Revaluations – recognised in the Surplus/Deficit on the Provision of Services	-44,651	0	0	0	7	0	-44,644
Derecognition - Disposals	-64	0	0	0	-364	0	-428
Reclassifications	784	0	110	0	-982	-429	-517
At 31 March 2017	312,183	25,615	208,460	21,861	10,956	0	579,075
<b><u>Accumulated Depreciation and Impairment</u></b>							
At 1 April 2016	-14,795	-13,126	-47,338	0	0	0	-75,259
Depreciation Charge	-10,113	-3,387	-4,764	0	0	0	-18,264
Revaluations - recognised in the Revaluation Reserve	9,054	0	0	0	0	0	9,054
Accumulated Depreciation written out upon impairment	-727	0	0	0	0	0	-727
Derecognition - Disposals	2	0	0	0	0	0	2
Reclassifications	0	0	0	0	0	0	0
At 31 March 2017	-16,579	-16,513	-52,102	0	0	0	-85,194
<b><u>Net Book Value</u></b>							
At 1 April 2016	364,669	10,524	152,492	20,254	11,186	429	559,554
At 31 March 2017	295,604	9,102	156,358	21,861	10,956	0	493,881

**Depreciation**

Depreciation is provided for on the straight-line basis over an asset's estimated useful life as detailed below:

Asset Type	Basis	Estimated Life
Other Land and Buildings	Straight-line	10 to 75 Years
Vehicles, Plant and Equipment (excluding Computers)	Straight-line	5 to 10 Years
Vehicles, Plant and Equipment (Computers)	Straight-line	5 Years
Infrastructure Assets	Straight-line	40 Years
Capitalised Highways Maintenance	Straight-line	10 Years
Community Assets	Not Depreciated	-
Surplus Assets	Not Depreciated	-
Assets Under Construction	Not Depreciated	-

The usual estimated useful life of different categories of Other Land and Buildings assets are detailed below. For individual assets the valuer may determine that a lower estimated useful life is more appropriate for that asset:

Asset Type	Estimated Life
Southport Cultural Centre (The Atkinson)	75 Years
Schools and Educational Establishments	50 Years
Civic Buildings	50 Years
Social Care Establishments	40 to 50 Years
Libraries	40 Years
Leisure Facilities	30 Years
Garages / Depots	10 Years

**Capital Commitments**

At 31 March 2018, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/2019 and future years which are budgeted to cost £12.049m. Similar commitments at 31 March 2017 were £14.092m. The major commitments are:

Scheme	Expenditure approved and contracted at 31 March 2018 £000s
M58 Junction 1 Improvements	5,401
Southport Pier	1,018
A565 Northern Key Corridor	838

**Revaluations**

Valuations are carried out as part of a rolling programme over a five-year cycle.

All freehold and leasehold land and properties which comprise the Authority's property portfolio have been valued by Mr. A. Bond (MRICS). Mr Bond is part of the Council's own qualified in-house valuers. The only exception is for the Strand Shopping Centre which was valued by Andrew Watson (MRICS) who works for an external valuation company, GVA.

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 Institution of Chartered Surveyors.

The Council's own in-house valuers have considered valuation uncertainty and market instability insofar as those properties valued this year are concerned and reflected any changes in the valuations supplied.

The table below shows the dates and amounts of valuations for each class of Property, Plant and equipment included in the balance sheet:

	<u>Other Land and Buildings</u>	<u>Vehicles Plant and Equipment</u>	<u>Infrastructure Assets</u>	<u>Community Assets</u>	<u>Surplus Assets</u>	<u>Assets Under Construction</u>	<u>Total</u>
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b><u>Cost or Valuation</u></b>							
Carried at Historical Cost	98,550	27,894	217,376	22,466	4,714	0	371,000
Leased in Buildings	11,703	0	0	0	0	0	11,703
<u>Valued at Current Value in:</u>							
2017/2018	32,127	0	0	0	2,128	0	34,255
2016/2017	149,879	0	0	0	2,547	0	152,426
2015/2016	29,230	0	0	0	373	0	29,603
2014/2015	16,625	0	0	0	403	0	17,028
2013/2014	791	0	0	0	390	0	1,181
At 31 March 2018	338,905	27,894	217,376	22,466	10,555	0	617,196

Note: Leased in Buildings are valued at 'point of lease inception' only.

## 22 HERITAGE ASSETS

A heritage asset is an asset that is held due to its historical, artistic, scientific, technological, or environmental qualities, and is maintained principally for its contribution to knowledge and culture.

Movements in Heritage Assets during the year were as follows:

<u>2016/2017</u>				<u>2017/2018</u>		
<u>Art Collection</u>	<u>Other</u>	<u>Total</u>		<u>Art Collection</u>	<u>Other</u>	<u>Total</u>
£000s	£000s	£000s		£000s	£000s	£000s
9,397	1,660	11,057	Balance at the start of the year	9,397	1,660	11,057
0	0	0	Additions (Expenditure)	0	0	0
0	0	0	Disposals	0	0	0
0	0	0	Revaluations	0	168	168
0	0	0	Depreciation	0	0	0
<b>9,397</b>	<b>1,660</b>	<b>11,057</b>	<b>Balance at the end of the year</b>	<b>9,397</b>	<b>1,828</b>	<b>11,225</b>

The Art Collection consists principally of a ceramic collection, a silver collection, works of art and an Egyptology collection and is described in more detail below. Other Heritage Assets consists of several war memorials and the art installation "Another Place".

#### CERAMICS

The Authority owns a large collection of ceramics and china. The collection consists of 186 pieces of Crown Derby "Imari", and 757 pieces of Tuscan Ware, and is mainly held at Bootle Town Hall with further collections at the Atkinson. Due to the age of the collection no accurate records are maintained of how the collection was acquired. An inventory of the collection is made at both Bootle and Town Hall and the Atkinson.

A Collection Development Policy is in place which defines the scope of future collecting activity. When assets are bequeathed to the Authority appropriate documentation is completed to transfer the right of ownership to the Authority. It is not the Authority's policy to dispose of these assets although appropriate procedures and documentation are available for completion should an asset be disposed of. Loans of heritage assets are made to other registered museums and galleries.

Certain items are on public display within Bootle and Southport Town Halls and the Atkinson. Requests to view those items not on public display would require written request to be submitted.

The Authority has a conservation management policy and plan for heritage assets.

#### SILVER

The Authority owns 251 pieces of silverware, consisting of an eclectic mix of cups, salvers, and civic regalia. The collection was principally acquired by donation. An inventory of the collection is held at both Bootle and Southport Town Halls.

The policy for acquisition, disposal, management, and public access of the silver collection is the same as for the ceramic collection. However, those assets in use, such as maces, are regularly reviewed for wear and tear that requires repair.

#### ARTWORKS

The Authority holds approximately 3,500 artworks at the Atkinson with a further 30,000 items of social and natural history. The gallery collection consists of paintings, prints, and sculpture. The museum collection consists of paintings, photographs, postcards, furniture, costume, natural history, archaeology, and Egyptology. The majority of assets were donated to the Authority, although some items were purchased, whilst others were transferred from other museums.

Some records of assets are held on various systems, but an on going project is in place to document all items on the Authority's collection management database. This process is documented within the Authority's Documentation Procedural Manual, a copy of which is available from the Authority.

The policy for acquisitions and disposals are contained within the Collection Development Policy for the Atkinson, copies of which are available from the Authority.

The Authority does loan such items to other galleries and museums.

The Authority has a conservation management policy and plan for heritage assets. An Emergency Plan is in place in case of an incident of fire or flood.

The Art Collection is reported in the Balance Sheet at insurance valuation which is based on market values. The insurance valuation for the collection of oil paintings was last updated in 2005. The Authority considers that obtaining updated valuations for the collection would involve disproportionate cost. This is because of the diverse nature of the assets and the lack of comparable market values makes valuation expensive. As the valuations are for insurance purposes only, there is an inherent limitation on the precise valuation of Heritage Assets.

**23 INVESTMENT PROPERTY**

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

<u>2016/2017</u> £000s		<u>2017/2018</u> £000s
-1,919	Rental Income from Investment Property	-2,065
29	Direct operating expenses arising from Investment Property	5
-1,890	Net gain	-2,060

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal.

At 31 March 2018, the Authority had no contractual obligations for the construction or enhancement of investment property in 2018/2019 and future years. There were also no similar commitments at 31 March 2017.

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

<u>2016/2017</u> £000s		<u>2017/2018</u> £000s
43,552	Balance at the start of the year	58,377
100	Additions – Subsequent expenditure	19
-118	Disposals	-673
14,538	Net gains / losses (-) from fair value adjustments	2,153
305	<u>Transfers to (-) / from:</u> - Property, Plant & Equipment	638
<b>58,377</b>	<b>Balance at the end of the year</b>	<b>60,514</b>

Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 1 on the fair value hierarchy for valuation purposes (see Note 62 Statement of Accounting Policies (i) for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 1 Fair Values for Investment Property

The fair value of investment property has been measured using a market approach, which takes into account quoted prices for 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 Investment Asset portfolio. Market conditions are such that an active market is in place and observable inputs are available leading to the properties being categorised as level 1 on the fair value hierarchy.

In estimating the fair value of the Council's properties, the highest and best use has been considered as part of the valuation process.

**24 INTANGIBLE ASSETS**

Intangible assets held by the Authority relate entirely to purchased software licences. Expenditure on purchased software licences is amortised to the relevant service revenue accounts on a straight-line basis over an estimated economic life of three years.



The amortisation of £0.393m charged to revenue in 2017/2018 (£0.330m in 2016/2017) was charged to the ICT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

At 31 March 2018, the Authority had no contractual obligations for the construction or enhancement of intangible assets in 2018/2019 and future years. There were also no similar commitments at 31 March 2017.

Movements in purchased software licences during the year were as follows:

<u>2016/2017</u> £000s	<b>Purchased Software Licences</b>	<u>2017/2018</u> £000s
2,943	Gross Carrying Amount	3,117
-1,944	Accumulated Amortisation	-2,274
<b>999</b>	<b>Net carrying amount at start of the year</b>	<b>843</b>
174	Purchases in the year	254
-330	Amortisation in the year	-393
0	Revaluations	0
<b>843</b>	<b>Net carrying amount at the year end</b>	<b>704</b>
	<u>Comprising:</u>	
3,117	Gross Carrying Amount	3,372
-2,274	Accumulated Amortisation	-2,668
<b>843</b>		<b>704</b>

## 25 **CAPITAL EXPENDITURE AND CAPITAL 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The movements in CFR is analysed in the second part of this note.

<u>2016/2017</u> £000s	<b>Capital Financing Requirement</b>	<u>2017/2018</u> £000s
203,178	Opening Capital Financing Requirement	203,585
	<u>Capital Expenditure</u>	
18,219	Property, Plant and Equipment	51,976
100	Investment Properties	19
174	Intangible Assets	254
4,006	Revenue expenditure funded from capital under statute	2,119
	<u>Sources of Finance</u>	
-2,352	Capital Receipts	-2,506
-16,054	Grants and Contributions	-13,739
-679	Direct Revenue Contributions	-937
	<u>Provision for Repayment of Debt</u>	
-2,900	Statutory Provision for financing capital investment	-6,177
-107	Amortisation of Deferred Income re. Crosby PFI	-107
<b>203,585</b>	<b>Closing Capital Financing Requirement</b>	<b>234,487</b>

<u>2016/2017</u> £000s	<b>Explanation of movements in the year</b>	<u>2017/2018</u> £000s
	<u>Decrease (-) / Increase in underlying need to borrow:</u>	
3,414	Increase in underlying need to borrow	37,186
-3,007	Provision for Repayment of Debt	-6,284
<b>407</b>	<b>Increase in Capital Financing Requirement</b>	<b>30,902</b>

**26 LONG TERM INVESTMENTS**

<u>31 March</u> <u>2017</u> £000s		<u>31 March</u> <u>2018</u> £000s
1	The Funding Circle	1
5,278	Churches & Charities Local Authority LAMIT Property Fund	5,529
5,279		5,530
1	Sefton New Directions (see Note 53 for more details)	1
<b>5,280</b>	<b>Total</b>	<b>5,531</b>

**27 LONG TERM RECEIVABLES**

<u>31 March</u> <u>2017</u> £000s		<u>31 March</u> <u>2018</u> £000s
	<u>Transferred Services</u>	
115	Merseyside Residuary Body	108
151	Merseyside Probation Committee	0
266		108
	<u>Other</u>	
4,071	Long Term Sundry Debtor Accounts	4,021
144	Finance Lease Agreements	94
3	Mortgages	1
28	Car Loans to Officers	15
92	Loan to Plaza Community Cinema	87
4,338		4,218
<b>4,604</b>	<b>Total</b>	<b>4,326</b>

Merseyside Probation Committee

Sefton Council was the lead authority for the Merseyside Probation Committee and was responsible for undertaking Capital borrowing on its behalf until 31 March 2001. Following the transfer of the Probation Committee from local authority control to the National Probation Service, on 1 April 2001, the five Merseyside district councils became responsible for repaying the debt still outstanding at that date. Each authority was given a supplementary credit approval to match its share of the supported debt undertaken. Sefton's share of the debt was transferred to the Capital Adjustment Account in 2015/16. The remaining balance of £0.151m at 31 March 2017 was payable by the other Merseyside district councils (excluding Liverpool who had repaid their share of the outstanding balance in full in 2016/2017). Knowsley, St Helens and Wirral all repaid their share in full in 2017/18 so no balance remains to be paid at 31 March 2018.

**28 SHORT TERM INVESTMENTS**

Short Term Investments were held with the following banks at the balance sheet date:

<u>31 March</u> <u>2017</u> £000s		<u>31 March</u> <u>2018</u> £000s
2,000	Bank of Scotland	0
2,000	Santander	0
4,000		0
78	Accrued Interest Receipts	60
<b>4,078</b>	<b>Total</b>	<b>60</b>

**29 ASSETS HELD FOR SALE**

<u>2016/2017</u> £000s	<b>Movements in the year</b>	<u>2017/2018</u> £000s
4,912	Balance Outstanding at start of the year	212
212	<u>Assets newly classified as held for sale:</u> - Property, Plant and Equipment	0
0	<u>Revaluations</u> Revaluation Gains	0
-1,293	Revaluation Losses	0
-3,619	Assets Sold	0
<b>212</b>	<b>Balance Outstanding at the year-end</b>	<b>212</b>

Fair Value Hierarchy

All the Council's Assets Held for Sale have been value assessed as Level 1 on the fair value hierarchy for valuation purposes (see Note 62 Statement of Accounting Policies (i) for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 1 Fair Values for Assets Held for Sale

The fair value of Assets Held for Sale have been measured using a market approach, which takes into account quoted prices for 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 Investment Asset portfolio. Market conditions are such that an active market is in place and observable inputs are available leading to the properties being categorised as level 1 on the fair value hierarchy.

In estimating the fair value of the Council's properties, the highest and best use has been considered as part of the valuation process.

**30 INVENTORIES**

<b>Movements 2017/2018</b>	<u>Stores</u> £000s	<u>Work in Progress</u> £000s	<u>Total</u> £000s
Balance Outstanding at the start of the year	656	4	660
Purchases	1,993	0	1,993
Recognised as an expense in the year	-2,039	0	-2,039
Write-offs	0	0	0
<b>Balance Outstanding at the year-end</b>	<b>610</b>	<b>4</b>	<b>614</b>

<b>Movements 2016/2017</b>	<u>Stores</u> £000s	<u>Work in Progress</u> £000s	<u>Total</u> £000s
Balance Outstanding at the start of the year	620	4	624
Purchases	1,869	0	1,869
Recognised as an expense in the year	-1,833	0	-1,833
Write-offs	0	0	0
<b>Balance Outstanding at the year-end</b>	<b>656</b>	<b>4</b>	<b>660</b>

**31 SHORT TERM RECEIVABLES**

<u>31 March 2017</u> £000s		<u>31 March 2018</u> £000s
	<b><u>Amounts Falling Due Within One Year</u></b>	
5,968	Central Government Bodies	7,466
2,905	HM Revenue and Customs	6,308
399	Academies	734
1,731	Other Local Authorities	2,270
2,600	NHS Bodies	2,706
14,526	Council Tax Payers	16,009
1,320	NNDR Payers	2,967
14,897	Other Entities and Individuals	14,475
25	Car Loans to Employees	18
44,371		52,953
	<b><u>Less Impairment</u></b>	
-5,993	Council Tax Payers	-7,573
-708	NNDR Payers	-2,082
-5,329	Other Entities and Individuals	-5,244
-12,030		-14,899
<b>32,341</b>	<b>Net Receivables</b>	<b>38,054</b>

**32 CASH AND CASH EQUIVALENTS**

The balance of Cash and Cash Equivalents is made up of the following elements:

<u>31 March 2017</u> £000s		<u>31 March 2018</u> £000s
55	Cash in hand of officers	54
-2,771	Bank current accounts	6,060
19,019	Short-term deposits with banks and building societies	10,429
<b>16,303</b>	<b>Total Cash and Cash Equivalents</b>	<b>16,543</b>

**33 SHORT TERM PAYABLES**

<u>31 March 2017</u> £000s		<u>31 March 2018</u> £000s
-3,802	HM Revenue and Customs	-4,735
-10,065	Government Departments	-1,994
-2,538	Other Local Authorities	-2,336
-363	NHS Bodies	-973
-15,438	Other entities and individuals	-21,084
-4,483	Accumulated Absences	-3,273
<b>-36,689</b>	<b>Total</b>	<b>-34,395</b>

**34 RECEIPTS IN ADVANCE**

31 March 2017 £000s		31 March 2018 £000s
-5,176	Planning Section 106 Agreements	-4,398
-2,081	Rechargeable Works	-1,766
-639	Council Tax Payers	-664
-510	NDR Payers	-783
-2,289	Other entities and individuals	-2,780
<b>-10,695</b>	<b>Total</b>	<b>-10,391</b>

**35 PROVISIONS**

Movements in provisions during 2017/2018 were as follows:

		1 April 2017 £000s	Additions in Year £000s	Applied In Year £000s	Released In Year £000s	31 March 2018 £000s
	<b>Long-term</b>					
(b)	Internal Insurance Cover	-4,267	-2,088	949	0	-5,406
(c)	Provision for NDR Appeals	-9,852	-8,421	3,318	0	-14,955
		<b>-14,119</b>	<b>-10,509</b>	<b>4,267</b>	<b>0</b>	<b>-20,361</b>

Movements in provisions during 2016/2017 were as follows:

		1 April 2016 £000s	Additions in Year £000s	Applied In Year £000s	Released In Year £000s	31 March 2017 £000s
	<b>Short-term</b>					
(a)	Claims against the Council	-200	0	56	144	0
		<b>-200</b>	<b>0</b>	<b>56</b>	<b>144</b>	<b>0</b>
	<b>Long-term</b>					
(b)	Internal Insurance Cover	-4,305	-1,277	1,315	0	-4,267
(c)	Provision for NDR Appeals	-7,805	-3,159	1,112	0	-9,852
		<b>-12,110</b>	<b>-4,436</b>	<b>2,427</b>	<b>0</b>	<b>-14,119</b>

(a) **Claims against the Council** – Sefton previously established a provision to cover potential payments relating to claims made against the Council and associated legal costs if the Council were not able to successfully defend the claims. This provision has been fully utilised in 2016/17.

(b) **Internal Insurance Cover** - The purpose of the insurance provision is to enable certain known uninsured losses to be met centrally, i.e., losses arising from the excesses that apply to the Authority's main insurance policies (Public Liability, Property, Employers Liability and Motor Insurance). The amount required to cover these uninsured losses is based on claims actually reported as outstanding. The timing of settlement of these claims is uncertain but is likely to be over a number of years. Based on an assessment by Sefton's insurance advisors (AON), the resources available in the Authority's Insurance Fund are in excess of known liabilities.

Included within this balance is an amount to cover potential liabilities following the announcement on the 13 November 2012 that the Municipal Mutual Insurance Limited (MMI) Scheme of Arrangement has now been triggered.

MMI was formed as a limited company by guarantee in 1903 and by 1974 some 90% of local authorities were insured by the company. Due to dramatic increases in claims, coincidental with a fall in the property market and poor investment environment, along with its inability to raise capital because of its mutual status, MMI's net assets fell below the minimum regulatory solvency requirement and the company went into run-off in September 1992.

The amount paid to the Council plus the amount outstanding under this arrangement is £3.743m, and under the Scheme or Arrangement a levy is chargeable on this amount. After the imposition of the levy, the Council is also liable to contribute to each and every subsequent claim paid by MMI on the Council's behalf, thereby creating an on-going financial obligation. The initial levy requested by the scheme administrator from the Council is a percentage of the total sum paid on behalf of the Council by MMI since 30 September 1992, less the first £50,000 of such payments. As a result and following assessment by a scheme actuary, a levy rate of 25% is being applied creating a liability to the Council of £0.901m (£0.541m of which was paid in January 2014 with £0.360m paid in May 2016). There is a possibility that the ultimate levy rate could eventually be higher than this and as such the Council has made a specific provision of an additional £0.478m million in the accounts to cover this potential liability, based on an assessment by Sefton's insurance advisors.

(c) **Provision for NDR Appeals** – Following the introduction of business rates retention on 1 April 2013, the Council assumed the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties. The timing of these refunds is uncertain but is expected to be made over several years. The provision covers the Council's locally retained share of the liability which has increased from 49% in 2016/17 to 99% in 2017/18 as a result of the Council's participation in the Liverpool City Region Business Rates Pilot Scheme from 1 April 2017. The Council's share of potential repayments been estimated at £14.955m based on the rateable value of properties subject to appeal on 31 March 2018 (£9.852m on 31 March 2017). The addition of £8.421m in 2017/18 includes the impact of Sefton's retained share increasing from 49% to 99% net of the change in the value of appeals during the year.

## 36 DEFERRED LIABILITIES

31 March 2017 £000s		31 March 2018 £000s
	<b>Short Term</b>	
-438	Merseyside Residuary Body	-438
0	Finance Lease Liability – Crosby Baths PFI	-153
-901	Finance Lease Liability – Arvato	-2,436
-606	Finance Lease Liability – Property, Plant and Equipment	-365
-107	PFI Deferred Income	-107
<b>-2,052</b>	<b>Total Short Term</b>	<b>-3,499</b>
	<b>Long Term</b>	
-3,501	Merseyside Residuary Body	-3,063
-2,621	Finance Lease Liability – Crosby Baths PFI	-2,468
-2,436	Finance Lease Liability – Arvato	0
-4,026	Finance Lease Liability – Property, Plant and Equipment	-3,661
-1,074	PFI Deferred Income	-967
<b>-13,658</b>	<b>Total Long Term</b>	<b>-10,159</b>

Wirral MBC manages debt on behalf of the former Merseyside Residuary Body. Sefton MBC (along with the other Merseyside Districts, Precepting and Levying Bodies), as a successor body, inherited debt relating to services transferred to its control. As at 31 March 2018 the amount outstanding in respect of Sefton MBC was £3.501m (£3.939m at 31 March 2017).

**37 TRUST FUNDS**

The Council acts as Sole Trustee of a number of legacies and bequests. Details of the transactions and the Committees controlling the funds are shown below. In compliance with the Code, Trust Funds have been excluded from the Council's Balance Sheet.

<u>Portfolio and Name of Trust</u>	<u>Balance at 1 April 2017 £</u>	<u>Income £</u>	<u>Expenditure £</u>	<u>Balance at 31 March 2018 £</u>
<u>Children's Services</u>				
Bootle Holiday Camp - Children	22,742	251	0	22,993
Wignall Scholarship	12,195	135	0	12,330
<u>Corporate Services</u>				
Netherton Green Trust	14,046	0	0	14,046
<u>Other</u>				
Mayor of Sefton's Charity Fund	5,876	0	0	5,876
<b>Total</b>	<b>54,859</b>	<b>386</b>	<b>0</b>	<b>55,245</b>
<u>The balances are invested as follows:</u>				
Government Securities	300			300
Sefton Cash Balances	54,559			54,945
<b>Total</b>	<b>54,859</b>			<b>55,245</b>

Children's Services Trust Funds

The Educational Trust Funds aim to help in the advancement of education and training of young people within the Sefton area by providing financial assistance to those who have difficulty in paying fees and by the award of prizes as rewards to deserving students.

Netherton Green Trust

The Netherton Green Trust Fund was set up prior to 1974 as a bequest, converted into shares with the former Mersey Docks and Harbour Company. These were subsequently redeemed in 2005/2006. The original sum was applied towards the upkeep of an area within the Borough called Netherton Green.

Mayor of Sefton's Charity Fund

This fund has a year-end of 30 June. The opening balance included in the Trust Fund Statement above is therefore as at 1 July 2017. The movements in the year were not available at the time these accounts were approved in May 2018. The opening balance in this note has been adjusted to reflect the Charity Fund's final audited accounts for 2016/2017.

**38 GENERAL FUND BALANCE**

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Movements in the Authority's General Fund Balances are detailed on pages 9 to 12 of the Narrative Report. General Fund Balances arise due to planned contributions or underspends in previous years. Amounts held by schools are to fund expenditure in future years and as a prudent measure against future uncertainty. General Fund Balances attributable to the Council are held as a prudent measure against future uncertainty.



**39 EARMARKED RESERVES**

The movements in earmarked reserves during the last two years are shown below:

	<b>Movements in 2017/2018</b>	<b>1 April 2017 £000s</b>	<b>Transfers in £000s</b>	<b>Transfers Out £000s</b>	<b>31 March 2018 £000s</b>
(a)	Environmental Warranty	-13,000	0	2,000	-11,000
(b)	Insurance Fund	-1,396	0	1,307	-89
(c)	Transforming Sefton	-11,322	-62	4,274	-7,110
(d)	Redundancy Reserve	-4,491	-3,857	3,673	-4,675
(e)	Capital Priorities Fund	-157	0	81	-76
(f)	Community Transition Fund	-743	0	71	-672
(g)	Contamination Clearance	-1,500	0	0	-1,500
(h)	Rating Appeals / Reduction in NDR Income Reserve	-3,448	0	1,194	-2,254
(i)	Recycling and Waste Development Fund	-562	0	153	-409
(j)	MRP Adjustment Reserve	-6,507	0	3,328	-3,179
(k)	Regeneration Schemes Reserve	0	-1,000	0	-1,000
(l)	Revenue Grants and Contributions Unapplied	-6,132	-2,170	1,721	-6,581
(m)	Schools' Earmarked Reserves	-3,886	-224	3,194	-916
(n)	Other Earmarked Reserves	-6,634	-1,712	1,812	-6,534
	<b>Total</b>	<b>-59,778</b>	<b>-9,025</b>	<b>22,808</b>	<b>-45,995</b>
(o)	Temporary Use of Earmarked Reserves to Fund Pension Deficit Payment	<b>0</b>	<b>0</b>	<b>20,308</b>	<b>20,308</b>
		<b>-59,778</b>	<b>-9,025</b>	<b>43,116</b>	<b>-25,687</b>

	<b>Movements in 2016/2017</b>	<b>1 April 2016 £000s</b>	<b>Transfers in £000s</b>	<b>Transfers Out £000s</b>	<b>31 March 2017 £000s</b>
(a)	Environmental Warranty	-13,000	0	0	-13,000
(b)	Insurance Fund	-1,709	0	313	-1,396
(c)	Transforming Sefton	-11,215	-723	616	-11,322
(d)	Redundancy Reserve	-5,454	0	963	-4,491
(e)	Capital Priorities Fund	-252	0	95	-157
(f)	Community Transition Fund	-975	0	232	-743
(g)	Contamination Clearance	-1,500	0	0	-1,500
(h)	Rating Appeals / Reduction in NDR Income Reserve	-3,448	0	0	-3,448
(i)	Recycling and Waste Development Fund	-3,301	0	2,739	-562
(j)	MRP Adjustment Reserve	-6,507	0	0	-6,507
(l)	Revenue Grants and Contributions Unapplied	-8,471	-947	3,286	-6,132
(m)	Schools' Earmarked Reserves	-6,035	0	2,149	-3,886
(n)	Other Earmarked Reserves	-7,222	-913	1,501	-6,634
	<b>Total</b>	<b>-69,089</b>	<b>-2,583</b>	<b>11,894</b>	<b>-59,778</b>
(o)	Temporary Use of Earmarked Reserves to Fund Pension Deficit Payment	<b>9,934</b>	<b>-9,934</b>	<b>0</b>	<b>0</b>
		<b>-59,155</b>	<b>-12,517</b>	<b>11,894</b>	<b>-59,778</b>



(a) **Environmental Warranty** - The Council has provided a 35 year environmental warranty for the land / property that has been transferred to One Vision Housing Limited. This warranty requires the Council to remediate any environmental contamination found on these sites during the life of the warranty. Resources are being set-aside over the coming years as a prudent measure against a potential cost.

(b) **Insurance Fund** - The resources available in the Authority's Insurance Fund are in excess of known liabilities.

(c) **Transforming Sefton** – The Council is currently undertaking a Transformation Programme to deliver customer focussed services through a high performance culture whilst achieving significant ongoing savings. A reserve has been created to enable Sefton to progress the Programme over the next few years. In addition, it will be used to fund initiatives to support economic development in the Borough.

(d) **Redundancy Reserve** – The Council has to make significant savings over the next four years in order to meet the demands of reducing external resources and increased spending pressures which will result in redundancy costs associated with making these savings. In addition, the Council is required to pay contributions to Merseyside Pension Fund for the additional costs arising from employees taking early retirement. Resources have been set aside to fund these costs over the coming years.

(e) **Capital Priorities Fund** - Council on 28 February 2013 agreed to the establishment of a new one-off fund to invest in Council priorities including town centres, youth employment and the local economy.

(f) **Community Transition Fund** - Council on 28 February 2013 agreed to the establishment of a new one-off Community Transition Fund. The aim of this resource was to facilitate, where possible, the transfer of certain services to become community run and self-sustaining. Cabinet on 3 September 2015 agreed to increase the reserve by £1.000m as a result of the underspend achieved in 2015/2016.

(g) **Contamination Clearance Reserve** - During 2011/2012 it was identified there was a site in the Borough that was contaminated and there could be significant costs associated with clearing the contamination. It was therefore considered prudent to set resources aside to cover these potential costs.

(h) **Rating Appeals / Reduction in NDR Income Reserve** - Since 1 April 2013 the Council has been able to retain a share of Non-Domestic Rates (NDR) income collected in the Borough. The Council's budget and medium term financial plan assumes a certain level of receipts will be retained, but there is a risk that this income will not be achieved due to the potential impact of appeals against values on the rating lists and as a result changes in the local economy. It is considered prudent to set-aside resources to offset the potential loss of income not otherwise covered by the business rates appeals provision. During 2017/18, £1.194m of this reserve has been utilised to offset the Council's share of the deficit transferred from the Collection Fund in the year.

(i) **Recycling and Waste Development Fund** – In 2014/2015 the Merseyside Recycling and Waste Authority redistributed resources they had been holding in a Sinking Fund to the councils on Merseyside to help develop their recycling and waste collection services. Sefton received £5.937m of which £2.354m was spent in 2014/2015, £0.282m was spent in 2015/2016, £2.739m was spent in 2016/2017 with an additional £0.153m spent in 2017/2018. The remaining £0.409m has been reserved to fund costs in future years.

(j) **MRP Adjustment Reserve** – In line with many other local authorities the Council reviewed the way it calculates its statutory provision for the financing of capital investment. This resulted in a saving in 2015/16 which has been reserved to fund future budget pressures.

(k) **Regeneration Schemes Reserve** – In April 2017 the Council purchased the Strand Shopping Centre in Bootle. During 2017/2018 the income generated by the Centre met the loan repayment costs and the Centre's running costs with a surplus of £1.000m generated. This surplus has been reserved to contribute towards supporting the Council's revenue budget and also to help fund new regeneration projects.

(l) **Revenue Grants and Contributions Unapplied** – In line with proper accounting practice, the Council credits the Income and Expenditure Account with grants and contributions as and when conditions for claiming the grant or contribution have been met. However, these amounts are required to fund expenditure on specific schemes in future years. They are therefore reserved to offset this future expenditure.

(m) **Schools' Earmarked Reserves** – There are a number of earmarked reserves held by the Council that relate to schools. These are created when schools close and their balances are passed back to the Council and are reserved to fund future school related activity.

(n) **Other Earmarked Reserves** – There are a number of other earmarked reserves held by the Council. These include the Formby Pool Sinking Fund (£1.018m), the Investment Strategy Reserve (£0.578m) and the Southport Pier Sinking Fund (£0.575m).

(o) **Temporary Use of Earmarked Reserves to Fund Pension Deficit Payment** - The latest valuation of the Local Government Pension Scheme was completed during 2016/2017 and set the contribution rates for 2017/2018 to 2019/2020 and the deficit payments required over the three years as part of a 19 year deficit recovery period. The Council has made a one-off payment in April 2017 of £30.462m to cover the deficit recovery contributions for 2017/2018 to 2019/2020 (annual payments would have been £10.8m in each of the three years so the Council received a discount by making a one-off payment). Contributions in 2018/2019 and 2019/2020 will be significantly less as no deficit recovery contribution will be required in either year. The Council has temporarily utilised Earmarked Reserves of £20.308m in 2017/2018 to fund part of the payment. Earmarked Reserves will then be increased in 2018/2019 and 2019/2020 when no deficit recovery payment will be required. The Earmarked Reserves temporarily utilised will have therefore been fully refunded by the end of 2019/2020.

#### 40 **CAPITAL RECEIPTS RESERVE**

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

<u>2016/2017</u> £000s		<u>2017/2018</u> £000s
-5,402	Balance at 1 April	-7,124
	<u>Receipts in the Year</u>	
-3,218	Sale proceeds credited to the Comprehensive Income and Expenditure Account as part of the gain/loss on disposal of non-current assets	-90
-800	Capital Receipts from Former Council House Sales	-789
-50	Other Capital Receipts not relating to the Disposal of Council Assets	-189
-6	Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-2
	<u>Applied in the Year</u>	
2,352	Applied to finance new capital expenditure	2,507
0	Payments to Housing Receipts Pool	12
<b>-7,124</b>	<b>Balance at 31 March</b>	<b>-5,675</b>

#### 41 **CAPITAL GRANTS AND CONTRIBUTIONS UNAPPLIED**

The Capital Grants and Contributions Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.

2016/2017 £000s		2017/2018 £000s
-8,388	Balance at 1 April	-8,147
-1,289	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-1,861
808	Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	88
722	Transferred to the Capital Adjustment Account	587
<b>-8,147</b>	<b>Balance at 31 March</b>	<b>-9,333</b>

#### 42 REVALUATION RESERVE

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). 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, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 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.

2016/2017 £000s		2017/2018 £000s
-94,905	<b>Balance at 1 April</b>	-72,241
-22,647	Upward revaluation of assets	-1,041
41,960	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	323
19,313	Surplus (-) / Deficit on revaluation of non-current assets not posted to the Surplus / Deficit on the Provision of Services	-718
1,500	Difference between fair value depreciation and historical cost depreciation	922
1,851	Accumulated gains on assets sold or scrapped	1,618
3,351	Amount written off to the Capital Adjustment Account	2,540
<b>-72,241</b>	<b>Balance at 31 March</b>	<b>-70,419</b>

#### 43 CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of 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 Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve and Deferred Capital Receipts Reserve.

2016/2017 £000s		2017/2018 £000s
-321,990	<b>Balance at 1 April</b>	-288,543
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</u>	
18,264	Depreciation of non-current assets	18,426
46,665	Revaluation of non-current assets	1,709
330	Amortisation of intangible assets	393
11	Revenue expenditure funded from capital under statute	0
4,163	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	10,936
-107	Amortisation of Deferred Income re. Crosby PFI Scheme	-107
0	Receipt of Dividend in Specie relating to Regeneration Asset	-32,500
0	Impairment of Equity relating to Regeneration Asset	32,500
69,326		31,357
	<u>Amounts written out to the Revaluation Reserve</u>	
-1,500	Difference between fair value depreciation and historical cost depreciation	-922
-1,851	Accumulated gains on assets sold or scrapped	-1,618
-3,351		-2,540
	<u>Capital financing applied in the year</u>	
-2,352	Capital receipts applied to finance capital expenditure	-2,506
-11,337	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to finance capital expenditure	-11,033
-722	Transfer from the Capital Grants and Contributions Unapplied Account to finance capital expenditure	-587
-2,900	Statutory provision for the financing of capital investment	-6,177
-679	Capital expenditure charged to the General Fund	-937
-17,990		-21,240
	<u>Other Movements</u>	
-14,538	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-2,154
-14,538		-2,154
<b>-288,543</b>	<b>Balance at 31 March</b>	<b>-283,120</b>

**44 FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT**

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

<u>2016/2017</u> £000s		<u>2017/2018</u> £000s
606	<b>Balance at 1 April</b>	547
-59	Proportion of premiums incurred in previous financial years charged against the General Fund Balance in accordance with statutory requirements	-59
<b>547</b>	<b>Balance at 31 March</b>	<b>488</b>

**45 AVAILABLE FOR SALE FINANCIAL INSTRUMENTS RESERVE**

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. 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.

<u>2016/2017</u> £000s		<u>2017/2018</u> £000s
-362	<b>Balance at 1 April</b>	-278
84	Upward revaluation of investments	-251
<b>-278</b>	<b>Balance at 31 March</b>	<b>-529</b>

**46 DEFERRED CAPITAL RECEIPTS RESERVE**

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 Authority 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.

<u>2016/2017</u> £000s		<u>2017/2018</u> £000s
-200	<b>Balance at 1 April</b>	-146
48	Repayment of Long Term Debtor	50
0	Deferred capital receipts applied to finance leased out property	0
6	Transfer to the Capital Receipts Reserve upon receipt of cash	2
<b>-146</b>	<b>Balance at 31 March</b>	<b>-94</b>

**47 PENSIONS 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 Authority 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 Authority 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 Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

<u>2016/2017</u> £000s		<u>2017/2018</u> £000s
345,427	<b>Balance at 1 April</b>	426,977
62,084	Re-measurements (Liabilities and Assets)	-47,537
36,140	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	46,356
-16,674	Employer's pensions contributions and direct payments to pensioners payable in the year	-47,730
<b>426,977</b>	<b>Balance at 31 March</b>	<b>378,066</b>

**48 COLLECTION FUND ADJUSTMENT ACCOUNT**

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 and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

<u>2016/2017</u> £000s		<u>2017/2018</u> £000s
-5,071	<b>Balance at 1 April</b>	-84
4,987	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	-6,809
<b>-84</b>	<b>Balance at 31 March</b>	<b>-6,893</b>

**49 ACCUMULATED ABSENCES ACCOUNT**

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

2016/2017 £000s		2017/2018 £000s
4,519	<b>Balance at 1 April</b>	4,483
	<u>Transactions in Year</u>	
-4,519	Settlement or cancellation of accrual made at the end of the preceding year	-4,483
4,483	Amounts accrued at the end of the current year	3,273
-36	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	-1,210
<b>4,483</b>	<b>Balance at 31 March</b>	<b>3,273</b>

## 50 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Head of Corporate Resources on 20 July 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 51 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 an assessment of 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.

### Central Government

The Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Housing Benefits). Grants received from government departments are set out in the analysis in Note 20. In addition Sefton paid £15.019m to HM Revenue and Customs for Employers' National Insurance Contributions. Amounts owed from and to Central Government at 31 March 2018 are shown in Notes 31 and 33.

### Members' Interests

Members of the Council have direct control over the Council's financial and operating policies. During 2017/2018, works and services to the value of £0.029m were commissioned from companies in which one or more Members have declared an interest. These are shown in the table below. Contracts were entered into in full compliance with the Council's standing orders. In addition, grants and payments for goods and services totalling £0.040m were made to voluntary organisations in which one or more Members have declared an interest. The most significant of these are shown in the table below. The grants were awarded by the Corporate Services Cabinet Member and were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants.



<u>2017/2018</u>	Income £000s	Expenditure £000s	Receivables £000s	Payables £000s
Sovini	-2	29	0	0
St John Ambulance Council for Merseyside	-2	17	0	0

<u>2016/2017</u>	Income £000s	Expenditure £000s	Receivables £000s	Payables £000s
Pride of Sefton Narrowboat	-1	20	0	0
Imagine Independence Charity	0	30	0	0

#### Other Public Bodies

A number of Councillors are nominated to serve as representatives on other public bodies. These include, for example, Aintree University Hospital NHS Foundation Trust, British Destinations, Formby Pool Trust, Local Government Association, Merseyside Fire and Rescue Authority, Merseyside Integrated Transport Authority, Merseyside Pension Fund, Merseyside Police Authority, Merseyside Recycling and Waste Authority, One Vision Housing, Sefton Council for Voluntary Service and Sefton New Directions.

Significant transactions during the year and balances at year-end with related public bodies included:

<u>2017/2018</u>	Income £000s	Expenditure £000s	Receivables £000s	Payables £000s
Merseyside Police and Crime Commissioner	-330	13,987	0	0
Merseyside Fire and Rescue Authority	-31	6,821	6	0
Parish Councils	-71	921	12	0
Merseyside Integrated Transport Authority	0	18,677	60	-1
Merseyside Recycling and Waste Authority	-1,168	12,661	7	0
Merseyside Pensions Authority - Employers' Contributions	0	13,276	0	0
Merseycare NHS Foundation	-171	3,195	141	0
Southport and Ormskirk Hospital NHS Trust	0	2,373	0	0
Sefton New Directions Limited	-174	8,710	5	0
North West Borough Healthcare NHS Foundation Trust	-14	5,766	0	0
Sefton CVS	-35	1,061	1	0

<u>2016/2017</u>	Income £000s	Expenditure £000s	Receivables £000s	Payables £000s
Merseyside Police and Crime Commissioner	-106	13,821	10	0
Merseyside Fire and Rescue Authority	-19	6,897	0	0
Parish Councils	-53	928	17	-6
Merseyside Integrated Transport Authority	0	20,724	0	0
Merseyside Recycling and Waste Authority	-1,714	12,832	0	0
Merseyside Pensions Authority - Employers' Contributions	0	13,218	0	0
One Vision Housing Limited	-945	773	3	0
Formby Pool Trust	-28	363	1	0
Sefton New Directions Limited	-53	8,280	6	0
Sefton CVS	-6	964	0	-8

The amounts owed by the Merseyside Police Authority and Merseyside Fire and Rescue Authority are the net amounts of Council Tax outstanding (after allowing for the Provision for Bad and Doubtful Debts) that relates to these bodies. There is no Provision for Bad and Doubtful Debts for amounts due from other bodies as all amounts have been assessed as being fully collectable.



Officers' Interests

The Chief Executive is a Council appointed Director of Sefton New Directions. The Head of Locality Services – Provision is a Council appointed representative on the Formby Pool Trust Board. The Director of Public Health is a Director of Food Active and a Member of the Executive Board for Cheshire and Merseyside Public Health Collaborative Service. The financial transactions for all these organisations have been disclosed in the table above under Other Public Bodies.

There are no senior officer car loans outstanding at the end of 2017/2018.

Subsidiary and associated companies

Details of the Council's interest in companies is set out in Note 53.

Note: Some organisations ceased to be related parties at the end of 2016/2017 so are not shown in 2017/2018.

**52 CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

2016/2017 £000s		2017/2018 £000s
	<u>Net deficit on the provision of services</u>	
-663	Interest Received	-451
6,042	Interest Paid	5,070
56,717	Other Items not relating to interest	25,692
<b>62,096</b>		<b>30,311</b>
	<u>Adjustments to net surplus or deficit on the provision of services for non-cash movements</u>	
-18,264	Depreciation charged to CIES	-18,426
-46,665	Revaluation Losses charged to CIES	-1,709
14,538	Movements in the Market Value of Investment Properties	2,154
-330	Amortisation of Intangible Assets	-393
-36,140	Reversal of items relating to retirement benefits debited or credited to the CIES	-46,356
16,674	Employer's pensions contributions and direct payments to pensioners payable in the year	47,730
-142	Movement in Long-Term Debtors	-63
36	Movement in Inventories	-46
-3,777	Movement in Debtors	5,287
166	Movement in Prepayments	1,461
239	Movement in Creditors	-5,838
468	Movement in Receipts in Advance	304
200	Movement in Provisions (Short-Term)	0
-2,009	Movement in Provisions (Long-Term)	-6,242
<b>-75,006</b>		<b>-22,137</b>
	<u>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</u>	
-945	Loss (-) on Sale of Fixed Assets	-10,846
11,818	Capital Grants and Contributions credited to the CIES	12,806
850	Capital receipts not related to disposals	978
-48	Reduction of Capital Receipts Deferred re. Leased Out Buildings	-51
-2	Other Adjustments	-1,610
<b>11,673</b>		<b>1,277</b>
<b>-1,237</b>	<b>Net cash flows from Operating Activities</b>	<b>9,451</b>

**53 INTEREST IN COMPANIES****Sefton New Directions Limited**

Sefton New Directions Limited was incorporated on 15 January 2007 and began trading on 1 April 2007. It is a wholly owned subsidiary of the Council. Its principal activity is providing Social Care Services for Adults and those with Learning and / or Physical Disabilities.

On 31 March 2018, the Company had net assets of £0.809m (net liabilities of £0.132m on 31 March 2017). In 2017/2018 the Company reported a pre-tax profit of £0.296m (a £0.442m profit in 2016/2017) and a profit of £0.225m after tax (a £0.297m profit in 2016/2017).

The Council received a dividend of £0.700m from the Company during 2017/2018 (no dividend was received in 2016/2017).

Should the company be wound up, the Council has committed to meeting any accumulated deficit on the Merseyside Pension Fund plus any retirement costs in respect of the Company's employees. The accumulated deficit in the Company's accounts was £3.544m at 31 March 2018 (£4.528m at 31 March 2017).

The Company's accounts for 2017/2018 have been audited and copies can be obtained from The Company Secretary, Sefton New Directions Head Office, Third Floor, The Investment Centre, 375 Stanley Road, Bootle, Merseyside, United Kingdom, L20 3EF.

**54 OPERATING LEASES****Authority as a Lessee**

The Council employs operating leases to obtain the use of certain vehicles and equipment. During 2017/2018 operating lease payments totalled £0.084m (£0.167m in 2016/2017).

In addition, the Council leases a number of properties from third parties under operating lease agreements. During 2017/2018 lease rentals paid for properties under these lease agreements totalled £0.109m (£0.102m in 2016/2017).

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

<u>31 March</u> <u>2017</u> £000s		<u>31 March</u> <u>2018</u> £000s
102	Not later than one year	101
156	Later than one year and not later than five years	157
1,829	Later than five years	1,973
<b>2,087</b>		<b>2,231</b>

**Authority as a Lessor**

The Council leases a number of properties to third parties under operating lease agreements. The assets leased include shops, offices, land and other commercial properties. These property leases are for economic development purposes to provide suitable affordable accommodation for local businesses. During 2017/2018 lease rentals received from these operating lease agreements totalled £5.305m (£1.495m in 2016/2017).

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

<u>31 March</u> <u>2017</u> £000s		<u>31 March</u> <u>2018</u> £000s
2,027	Not later than one year	5,269
6,627	Later than one year and not later than five years	16,615
263,980	Later than five years	281,149
<b>272,634</b>		<b>303,033</b>

**55 FINANCE LEASES****Authority as Lessee**

The Council has acquired a number of administrative buildings under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

<u>31 March</u> <u>2017</u> £000s		<u>31 March</u> <u>2018</u> £000s
3,357	Other Land and Buildings	2,766
3,357		2,766

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

<u>31 March</u> <u>2017</u> £000s		<u>31 March</u> <u>2018</u> £000s
	Finance lease liabilities (net present value of minimum lease payments):	
605	• Current	366
4,026	• Non-current	3,660
3,185	Finance costs payable in future years	2,821
7,816	Minimum lease payments	6,847

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	<u>31 March</u> <u>2017</u> £000s	<u>31 March</u> <u>2018</u> £000s	<u>31 March</u> <u>2017</u> £000s	<u>31 March</u> <u>2018</u> £000s
Not later than one year	970	710	605	366
Later than one year and not later than five years	2,150	1,920	865	700
Later than five years	4,697	4,217	3,162	2,960
	7,817	6,847	4,632	4,026

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2017/2018 £0.015m contingent rents were payable by the Authority (£0.015m were paid in 2016/2017).

**Authority as Lessor**

The Authority has leased out two properties on finance leases with remaining terms of between 1 and 5 years.

The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property 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 whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

<u>31 March</u> <u>2017</u> £000s		<u>31 March</u> <u>2018</u> £000s
	Finance lease debtor (net present value of minimum lease payments):	
51	• Current	53
94	• Non-current	41
5	Unearned finance income	2
40	Unguaranteed residual value of property	20
190	Gross investment in the lease	116

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	
	<u>31 March</u> <u>2017</u> £000s	<u>31 March</u> <u>2018</u> £000s	<u>31 March</u> <u>2017</u> £000s	<u>31 March</u> <u>2018</u> £000s
Not later than one year	74	75	54	55
Later than one year and not later than five years	116	41	96	41
Later than five years	0	0	0	0
	190	116	150	96

There is a possibility that worsening financial circumstances might result in lease payments not being made. The Authority collects the lease payments due by issuing sundry debtor accounts. The Council has set aside an allowance for uncollectible sundry debtor accounts of £2.295m at 31 March 2018 (£2.050m at 31 March 2017) to which any unrecoverable lease payments would therefore be charged.

## 56 **PFI AGREEMENT / SERVICE CONCESSION**

### **Crosby Leisure Centre**

On 18 September 2001, the Council entered into an agreement under a Private Finance Initiative with Waterfront Leisure (Crosby) Limited for the provision and operation of a leisure centre in Crosby. Under the terms of the agreement Waterfront Leisure constructed the centre and will operate it for a period of 25 years in accordance with the Council's specification. The contractor has the obligation to maintain the building to a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the leisure centre. The building and any plant and equipment installed will be transferred to the Council at the end of the 25 year contract for nil consideration. The Council only has the right to terminate the contract if it pays within three months:

1. the senior cost;
2. any redundancy payments of the contractor that have been reasonably incurred;
3. all amounts shown in the base financial model as payable by the contractor from the termination date.

Payments

The Council will pay an annual unitary charge for the serviced facility. At the start of the contract it was estimated this would total £23.860m over the life of the concession period (25 years). The figure is subject to inflationary increases with potential reductions should the service provided fall below specified standards. The charge is also eligible for government grant. The centre was opened on 17 February 2003. Payments to the contractor in 2017/2018 were £1.277m (£1.249m in 2016/2017) with government grants of £0.561m received in the year (£0.561m in 2016/2017).

The outstanding commitments (Unitary Payments) due to be made to Waterfront Leisure (Crosby) Limited each year until the end of the contract in 2028 are required to be brought in to the Comprehensive Income and Expenditure Statement. In addition to this unitary payment, Waterfront Leisure generates income through the provision of goods and services, which has enabled a lower unitary payment charge.

The table below shows the outstanding commitment for the PFI contract and has been split between the key elements. It should be noted that the outstanding commitment has been inflated using the inflationary factors included within the original contract.

Commitments under PFI Contract	Reimbursement of Capital Expenditure £000s	Interest £000s	Service Charge £000s
Contract Payments in 2018/2019	153	400	704
Contract Payments between 2019/2020 and 2022/2023	797	1,375	3,065
Contract Payments between 2023/2024 and 2027/2028	1,671	1,100	4,284

Liabilities

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

<u>2016/2017</u> £000s		<u>2017/2018</u> £000s
-2,713	Balance outstanding at start of year	-2,621
92	Payments during the year	0
-2,621	Balance outstanding at the year-end	-2,621

Property Plant and Equipment

The assets used to provide services at Crosby Leisure Centre are recognised on the Council's Balance Sheet. The following table shows the value of assets held under Crosby Leisure Centre PFI scheme at each Balance Sheet date and an analysis of the movement in those values:

<u>2016/2017</u> £000s	<u>Other Land &amp; Buildings: PFI Assets</u>	<u>2017/2018</u> £000s
	<u>Cost or Valuation</u>	
7,110	Opening Balance at 1 April	9,260
109	Additions	354
2,041	Revaluations	0
9,260	Closing Balance at 31 March	9,614
	<u>Depreciation and Impairments</u>	
-193	Opening Balance at 1 April	0
-194	Depreciation Charge	-263
387	Revaluations	0
0	Closing Balance at 31 March	-263

<u>2016/2017</u> £000s	<u>Other Land &amp; Buildings: PFI Assets</u>	<u>2017/2018</u> £000s
	<u>Balance Sheet Amount</u>	
6,917	Opening Balance at 1 April	9,260
9,260	Closing Balance at 31 March	9,351

### Arvato Public Sector Services Limited

On 1 October 2008, the Council entered into an agreement with Arvato Public Sector Services Limited to manage the following services: Information Technology, Transactional Human Resources and Payroll, Benefits, Revenues and Customer Contact. The contract also contains an element for assets to be provided by arvato to deliver the services contained in the contract. This has been assessed as requiring the administrative plant and equipment assets involved to be accounted for in the same way as the PFI contract, i.e. on Balance Sheet with a corresponding liability. Depreciation is totally attributable to the principal charge. Any increase due to indexation (Contingent Rent) is removed from the Net Cost of Services and charged to Financing and Investment Income and Expenditure.

The Council only has the right to terminate the contract if it pays redundancy payments, breakage costs, service provider lost profit for the remainder of the contract, handover costs and direct losses. The service provider has the right to terminate the contract if it pays the Council's retendering costs, reprocurement costs, interim management costs handover costs and direct losses.

### Payments

The contract price for the ten years was agreed at the start of the contract and yearly inflation is added to the contract price each 1 April based on the pay award and retail price index for the relevant year, subject to agreed service standards which are reviewed annually. Where necessary, variations to the contract price are negotiated and agreed following changes to statutory requirements or changes in demand.

At 31 March 2018, the amount of payments (at Balance Sheet date prices) due to be made under the agreement, separated into repayment of liability and service charges is as follows (no future interest costs can be established until a contingent rents is calculated in the year the actual 'unitary' charge is made)

<u>Commitments under Service Concession</u>	<u>Repayment of Liability</u> £000s	<u>Service Charge</u> £000s	<u>Total</u> £000s
Contract Payments in 2018/2019	2,435	7,738	10,173

### Liabilities

An analysis of the movement in the value of the liabilities for both schemes is shown below:

<u>2016/2017</u> £000s		<u>2017/2018</u> £000s
-4,300	Balance outstanding at start of year	-3,337
963	Payments during the year	901
-3,337	Balance outstanding at the year-end	-2,436

### Property Plant and Equipment / Intangible Assets

The following table shows the value of assets held under the arvato contract at each Balance Sheet date and an analysis of the movement in those values:

2016/2017		Arvato	2017/2018	
Vehicles, Plant & Equipment £000s	Intangible Assets £000s		Vehicles, Plant & Equipment £000s	Intangible Assets £000s
		<u>Cost or Valuation</u>		
8,186	1,355	Opening Balance at 1 April	8,186	1,355
0	0	Additions	0	0
8,186	1,355	Closing Balance at 31 March	8,186	1,355
		<u>Depreciation and Impairments</u>		
-4,563	-678	Opening Balance at 1 April	-5,376	-828
0	-150	Amortisation for the Year	0	-151
-813	0	Depreciation Charge	-751	0
-5,376	-828	Closing Balance at 31 March	-6,127	-979
		<u>Balance Sheet Amount</u>		
3,623	677	Opening Balance at 1 April	2,810	527
2,810	527	Closing Balance at 31 March	2,059	376

## 57 **PARTICIPATION IN PENSION SCHEMES**

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although retirement benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in three pension schemes:

### **Pension Schemes Accounted for as Defined Contribution Schemes**

#### Teachers' Pension Scheme (TPS)

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education. It provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs of making contributions based on a percentage of members' pensionable salaries.

The Scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has approximately 8,800 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2018, the Authority's own contributions equate to approximately 0.26%.

In 2017/2018, the Council paid £10.265m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.47% of teachers' pensionable pay. The figures for 2016/2017 were £10.558m and 16.48%. Contributions of £0.834m remained payable at the year-end. The contributions due to be paid in 2018/2019 are estimated to be £10.209m.

In cases of redundancy or early retirement in the interests of the efficiency of the service, the Authority is responsible for the cost of any additional benefits awarded that are outside the terms of the teachers' scheme. In 2017/2018 these contributions amounted to £1.074m, representing 1.72% of teachers' pensionable pay. The figures for 2016/2017 were £1.156m and 1.80%.



**NHS Pension Scheme**

As a result of the transfer of responsibility for Public Health to local authorities in April 2013, a number of staff also transferred who are members of the NHS Pension Scheme, administered by NHS Pensions on behalf of the Department of Health. It provides staff with specified benefits upon their retirement, and the Authority contributes towards the costs of making contributions based on a percentage of members' pensionable salaries.

The Scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department of Health uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has approximately 8,800 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the NHS Pension Scheme during 2017/2018, the Authority's own contributions equate to approximately 0.001% (0.001% in 2016/2017).

In 2017/2018, the Council paid £0.037m to NHS Pensions in respect of retirement benefits, representing 14.3% of the employees' pensionable pay. The figures for 2016/2017 were £0.038m and 14.3%. Contributions of £0.003m remained payable at 31 March 2018 (£0.003m at 31 March 2017). The contributions due to be paid in 2018/2019 are estimated to be £0.038m.

**Defined Benefit Schemes****Local Government Pension Scheme (LGPS)**

All employees not eligible to join the Teachers' Pension Scheme or the NHS Pension Scheme are, subject to certain qualifying criteria, eligible to join the Local Government Pension Scheme. Wirral Metropolitan Borough Council acts as the administering authority of the LGPS as lead authority for the Merseyside councils' scheme, the Merseyside Pension Fund (MPF). This is a funded defined benefit final salary scheme (career average revalued earnings scheme from 1 April 2014), meaning that the Authority and employees pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets.

In 2017/2018, the Council paid £45.292m to the MPF in respect of retirement benefits, representing 47.0% of employees' pensionable pay. The figures for 2016/2017 were £14.127m and 14.8%. Contributions of £1.332m remained payable at 31 March 2018 (£1.290m at 31 March 2017).

The amount paid in 2017/2018 includes a one-off payment in April 2017 of £30.462m to cover the deficit recovery contributions for 2017/2018 to 2019/2020 (for which the Council received a discount). Contributions in 2018/2019 and 2019/2020 will be significantly less as no deficit recovery contribution will be required in those years. The Council has temporarily utilised £20.308m of Earmarked Reserves in 2017/2018 to fund part of the payment. Earmarked Reserves will be increased again in 2018/2019 and 2019/2020 when no deficit recovery payment is required.

In cases of redundancy or early retirement in the interests of the efficiency of the service, the cost of any added years awarded is borne by the Council and not the Local Government Pension Scheme. In 2017/2018 these contributions amounted to £1.364m representing 1.41% of pensionable pay. The figures for 2016/2017 were £1.390m and 1.46%.

The principal risks of the scheme to the Authority are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amounts required by statute, as described in the accounting policies note.

**Transactions Relating to Post-employment Benefits**

The cost of retirement benefits is recognised in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits are reversed out of the General Fund via the Movement in Reserves Statement.



The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2016/2017		<b>Comprehensive Income and Expenditure Statement</b>	2017/2018	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
22,666	0	<u>Cost of Services:</u>	32,957	0
1,209	0	Current Service Cost	3,220	0
477	0	Curtailment Cost	482	0
		Administration Expenses		
11,435	353	<u>Financing and Investment Income and Expenditure:</u>	9,458	239
		Net Interest Cost		
35,787	353	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	46,117	239
62,128	-44	Re-measurement of the Net Defined Benefit Liability	-47,413	-124
97,915	309	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	-1,296	115

2016/2017		<b>Movement in Reserves Statement</b>	2017/2018	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
-35,787	-353	Reversal of net charges made to the Deficit for the Provision of Services for post-employment benefits in accordance with the Code	-46,117	-239
		<u>Actual amount charged against the General Fund for pensions in the year:</u>		
15,518	1,156	<ul style="list-style-type: none"> <li>employers' contributions payable to the scheme</li> <li>retirement benefits payable direct to pensioners</li> </ul>	46,656	1,074

### **Assets and Liabilities in Relation to Retirement Benefits**

#### Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2016/2017			2017/2018	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
-1,231,382	-10,116	Present Value of the Defined Benefit Obligation	-1,223,206	-9,157
814,521	0	Fair Value of Plan Assets	854,297	0
-416,861	-10,116	Net Liability arising from defined benefit obligation	-368,909	-9,157

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

2016/2017			2017/2018	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
981,050	10,963	Opening Balance at 1 April	1,231,382	10,116
22,666	0	Current Service Cost	32,957	0
33,911	353	Interest Cost on Pension Liabilities	30,442	239
6,014	0	Contributions from scheme participants	6,079	0
-14,397	-622	Remeasurement Gains (-) and Losses:	0	0
		- Actuarial Gains / Losses arising from changes in demographic assumptions		
229,257	844	- Actuarial Gains / Losses arising from changes in financial assumptions	-47,371	-124
2,016	-266	- Experience Gains / Losses	0	0
-30,344	-1,156	Benefits paid	-33,503	-1,074
1,209	0	Curtailment Cost	3,220	0
<b>1,231,382</b>	<b>10,116</b>	<b>Closing Balance at 31 March</b>	<b>1,223,206</b>	<b>9,157</b>

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

2016/2017			2017/2018	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
646,586	0	Opening Balance at 1 April	814,521	0
22,476	0	Interest Income	20,984	0
154,748	0	Remeasurement Gains / Losses (-):	42	0
		- The return on plan assets, excluding the amount included in the net operating expense		
15,518	1,156	Contributions from Employer	46,656	1,074
6,014	0	Contributions from Employees into the Scheme	6,079	0
-30,344	-1,156	Benefits paid	-33,503	-1,074
-477	0	Administration Expenses	-482	0
<b>814,521</b>	<b>0</b>	<b>Closing Balance at 31 March</b>	<b>854,297</b>	<b>0</b>

Local Government Pension Scheme Assets Comprised:

2016/2017			2017/2018	
Quoted £000s	Unquoted £000s		Quoted £000s	Unquoted £000s
<b>27,694</b>	<b>0</b>	Cash and Cash Equivalents	<b>22,810</b>	<b>0</b>
		Equities:		
169,543	0	- UK Quoted	180,002	0
267,285	0	- Global Quoted	270,385	0
<b>436,828</b>	<b>0</b>		<b>450,387</b>	<b>0</b>
		Bonds:		
32,581	0	- UK Government	30,669	0
20,363	0	- UK Corporate	36,991	0
72,492	0	- UK Index Linked	69,283	0
<b>125,436</b>	<b>0</b>		<b>136,943</b>	<b>0</b>

2016/2017			2017/2018	
Quoted £000s	Unquoted £000s		Quoted £000s	Unquoted £000s
0	38,282	Property:		
2,444	9,774	- UK Direct Property	0	49,635
0	13,032	- Property Managed (UK)	1,623	12,900
		- Property Managed (Global)	0	11,960
<b>2,444</b>	<b>61,088</b>		<b>1,623</b>	<b>74,495</b>
		Alternatives:		
81	27,694	- Private Equity (UK)	85	28,106
0	28,508	- Private Equity (Global)	0	26,739
0	5,946	- Hedge Funds (UK)	0	4,357
0	19,874	- Hedge Funds (Global)	0	22,383
815	16,209	- Infrastructure (UK)	940	20,161
244	16,046	- Infrastructure (Global)	0	16,830
12,951	20,119	- Opportunities (UK)	11,448	21,699
2,851	9,693	- Opportunities (Global)	4,869	10,422
<b>16,942</b>	<b>144,089</b>		<b>17,342</b>	<b>150,697</b>
<b>609,344</b>	<b>205,177</b>	<b>Total Assets (Quoted / Unquoted)</b>	<b>629,105</b>	<b>225,192</b>
	<b>814,521</b>	<b>Total Assets</b>		<b>854,297</b>

#### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Teachers' Pension Scheme Unfunded Liabilities have been estimated by Mercer Human Resource Consulting, an independent firm of actuaries, estimates being based on the latest full actuarial valuation of the scheme as at 31 March 2016.

The principal assumptions used by the actuary have been:

2016/2017		2017/2018
	<u>Mortality assumptions (years):</u>	
21.9	Longevity at 65 for current pensioners: Men	22.0
24.7	Longevity at 65 for current pensioners: Women	24.8
24.9	Longevity at 65 for future pensioners: Men	25.0
27.7	Longevity at 65 for future pensioners: Women	27.8
	<u>Other assumptions</u>	
2.3%	Rate of Inflation - CPI	2.1%
3.8%	Rate of increase in salaries	3.6%
2.3%	Rate of increase in pensions	2.2%
2.5%	Rate for discounting scheme liabilities (LGPS)	2.6%
2.5%	Rate for discounting scheme liabilities (TPS Unfunded Liabilities)	2.6%

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

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption	Decrease in Assumption
	£000s	£000s
<b><u>Local Government Pension Scheme</u></b>		
Longevity (increase or decrease in 1 year)	24,359	-24,359
Rate of Inflation (increase or decrease by 0.1%)	21,294	-21,294
Rate of Increase in Salaries (increase or decrease by 0.1%)	3,257	-3,257
Rate of Increase in Pensions (increase or decrease by 0.1%)	21,294	-21,294
Rate for Discounting Scheme Liabilities (increase or decrease by 0.1%)	-20,930	20,930
<b><u>Teachers' Additional Unfunded Pensions</u></b>		
Longevity (increase or decrease in 1 year)	425	-425
Rate of Inflation (increase or decrease by 0.1%)	62	-62
Rate for Discounting Scheme Liabilities (increase or decrease by 0.1%)	-61	61

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

The objectives of the Local Government Pension Scheme are to keep employers' contributions 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 next 18 years. Funding levels are monitored on an annual basis. The most recent triennial valuation took place on 31 March 2016 and has set contributions levels for 2017/2018 to 2019/2020.

The total payments expected to be made to the local government pension scheme by the Council in the year to 31 March 2019 is £16.616m. This is significantly lower than in 2017/2018 due to the one-off payment made in April 2017 to cover the deficit contributions for the years 2017/2018 to 2019/2020.

The total payments expected to be made by the Council to former teachers receiving additional unfunded pensions in the year to 31 March 2019 is £1.074m.

The weighted average duration of the defined benefit obligation for Local Government Pension Scheme members is 17 years in 2017/2018 (17 years in 2016/2017). The weighted average duration for former teachers receiving additional unfunded pensions is 7 years in 2017/2018 (7 years in 2016/2017).

## **58 CONTINGENT LIABILITIES**

**Business Rates Appeals:** The Council has made a provision for Appeals that is its best estimate of the actual liability as at the year-end based on appeals that were outstanding at 31 March 2018 and an estimate of the value of appeals still to be lodged against the 2010 Rating List, and future checks, challenges and appeals against the 2017 Rating List. There is a potential risk that the value of refunds due as a result of appeals outstanding and future appeals lodged with the Valuation Office Agency will exceed the provision made in the accounts.

Collateral warranty by the Council in favour of the Security Trustee (Prudential Trustee Company Limited)

The Council has given a number of warranties for up to 35 years in respect of environmental pollution, statements, title, encumbrances, planning matters, statutory obligations, adverse orders, tenancies, information and statistics supplied, sales off, disputes and litigation, rights of entry to maintain and repair, absence of adverse replies, electricity sub-stations and shop leases, leasehold property, wayleaves, telecommunications and works undertaken.

In addition the following specific warranties have been given from the date of transfer (30 October 2006):

- Unlimited warranty for up to 35 years in respect of vices claims
- Warranty for up to 20 years in respect of claims in relation to asbestos, except that this shall not apply in respect of the first £10,685,780 of costs and expenses incurred in aggregate on asbestos works.

In aggregate the value of these warranties is limited to £100,500,000 plus any costs associated with interest and loan breakage costs due under the One Vision Loan Agreement.

Collateral warranty by the Council in favour of One Vision Housing Limited

The Council has given a number of warranties for up to 17 years in respect of statements, title, encumbrances, planning matters, statutory obligations, adverse orders, tenancies, information and statistics supplied, sales off, disputes and litigation, rights of entry to maintain and repair, absence of adverse replies, electricity sub-stations and shop leases, leasehold property, wayleaves, telecommunications and works undertaken.

In addition the following specific warranties have been given from the date of transfer (30 October 2006):

- Warranty not exceeding £100,500,000 for up to 20 years in respect of environmental pollution.
- Warranty for up to 20 years in respect of claims in relation to asbestos, except that this shall not apply in respect of the first £8,439,750 of costs and expenses incurred in aggregate on asbestos works.
- Unlimited warranty for up to 17 years in respect of vices claims.

Contamination Costs: During 2011/2012 it was identified there was a site in the Borough that was contaminated and there would be significant costs associated with clearing the contamination. Sefton has established an Earmarked Reserve of £1.500m to cover potential costs associated with clearing the contamination. There is a potential further liability if the costs of clearing the contamination are greater than currently envisaged.

Merseyside Pension Fund - Contractor Admission Bodies: The Council provides guarantees for any potential unfunded liabilities on the Merseyside Pension Fund for Sefton New Directions Limited and Arvato Public Sector Services Limited. The most recently notified value of the guarantees for Sefton New Directions Limited and Arvato Public Sector Services Limited were both nil. The values are highly dependent on market conditions at the time of the valuation and can vary significantly between valuations. Therefore although no liability existed at the latest review this has the potential to change at the next review.

Municipal Mutual Insurance: The Scheme of Arrangement for the above company was enacted during 2012/2013. The liability upon the Council as a scheme creditor cannot be fully estimated at this stage for unknown claims incurred but not reported between 1974 and 1992. Whilst the Council has considered the financial impact in producing its Statement of Accounts, by including resources in its Insurance Provision, there is a risk that the Council's financial liability could increase from this level.

**59 CONTINGENT ASSETS**

Receipts from Former Council House Sales: The Council agreed to share any proceeds of former council house sales if they were subsequently sold by One Vision Housing Limited. The arrangement lasts until 31 March 2037 and the amount received will depend on the number of sales each year.

VAT Sharing Arrangement: As part of the voluntary stock transfer an agreement was reached with One Vision Housing Limited to share their VAT that they can claim from HM Revenue and Customs. This arrangement is unique to councils and registered social landlords upon transfer. This arrangement was due to end on 30 October 2016 but has now been extended until 2027. Sefton's share of reclaimable VAT is estimated to be in the region of £1.7m until the end of the arrangement.

**60 FINANCIAL INSTRUMENTS**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another. Typical financial instruments include trade payables and borrowings (liabilities) and investments and trade receivables (assets).

Financial Instruments in so far as the Authority is concerned relate to investments, cash and cash equivalents, loans receivable, borrowings, trade payables and receivables.

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	31/03/2017 £000s	31/03/2018 £000s	31/03/2017 £000s	31/03/2018 £000s
<b>Investments</b>				
Loans and receivables	2	2	4,078	60
Available for sale financial assets	5,278	5,529		
Cash and cash equivalents			19,074	16,543
<b>Total investments</b>	5,280	5,531	23,152	16,603
<b>Receivables</b>				
Loans and receivables	4,604	4,326		
Financial assets carried at contract amounts			32,341	38,054
<b>Total Receivables</b>	4,604	4,326	32,341	38,054
<b>Borrowings</b>				
Financial liabilities at amortised cost	100,197	148,712	748	8,336
Bank overdraft			2,771	0
<b>Total borrowings</b>	100,197	148,712	3,519	8,336
<b>Other Long Term Liabilities</b>				
PFI and finance lease liabilities	13,658	10,159		
<b>Total other long term liabilities</b>	13,658	10,159		
<b>Payables</b>				
Financial liabilities carried at contract amount			36,689	34,395
PFI and finance lease liabilities			2,052	3,499
<b>Total payables</b>			38,741	37,894

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to the above financial instruments are made up as follows:

	31 March 2018		
	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Total £000s
Interest expense	-6,662		
<b>Interest payable and similar charges</b>	-6,662	0	-6,662
Interest Receivable		443	
Income on Investment Properties		2,065	
<b>Interest and investment income</b>	0	2,508	2,508
<b>Net loss (-) / gain for the year</b>	-6,662	2,508	

Comparative figures for the previous financial year are made up as follows:

	31 March 2017		
	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Total £000s
Interest expense	-6,024	0	
<b>Interest payable and similar charges</b>	-6,024	0	-6,024
Interest Receivable		643	
Income on Investment Properties	0	1,919	
<b>Interest and investment income</b>	0	2,562	2,562
<b>Net loss (-) / gain for the year</b>	-6,024	2,562	

#### **Fair Value of Assets and Liabilities.**

The Churches and Charities Local Authority LAMIT Property Fund asset is measured in the balance sheet (Long Term Investments) at fair value on a recurring basis.

Recurring Fair Value Measurements	<u>Input level in Fair Value Hierarchy</u>	<u>Valuation technique used to measure Fair Value</u>	31 March 2017 £000s	31 March 2018 £000s
Available for Sale - CCLA	Level 1	Unadjusted quoted prices in active markets for identical shares	5,278	5,529

The Fair Values of Financial Assets and Liabilities that are not measured at Fair Value but require a Fair Value disclosure.

Financial liabilities and financial assets represented by loans and receivables 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 Input – inputs other than quoted prices that are observable for the financial asset/ liability). We have used the following assumptions:

- The discount rate used in the net present value calculation is equal to the current rate in relation to the same instrument from a comparable lender. This rate will be the rate applicable in the market on the date of valuation (31<sup>st</sup> March 2017), for an instrument of the same duration.
- For PWLB debt the new borrowing rate has been used, as opposed to the premature repayment rate.

The fair value calculation has been based on the comparable new borrowing / deposit rate for the same financial instruments from a comparable lender. A consistent approach has been applied to assets and liabilities.

The purpose of the fair value valuation is to allow evaluation quantitatively of the Authority's financial position and performance with regard to each class of financial instrument, and also to indicate the extent of the Authority's risk exposure arising as a result of these transactions. The fair value also indicates the cost / benefits to the Council of retaining fixed interest borrowings and investments to maturity.

The fair values calculated are as follows:

	31 March 2017		31 March 2018	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Borrowing	100,945	132,877	157,048	183,806
Other Short and Long-term liabilities	15,710	15,710	13,658	13,658

The fair value is more than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above the current market rate increases the amount that the Authority would have to pay if the lender requested or agreed to early repayment of the loan.

	31 March 2017		31 March 2018	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Loans and Receivables	4,078	4,078	60	60
Long-term Receivables	4,604	4,604	4,326	4,326

No fixed rate investments were held at the Balance Sheet date therefore, the fair value is the same as the carrying amount as all investments are at current market rates.

Short term receivables and payables are carried at cost as this is a fair approximation of the value.

## 61 **NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

The Authority is required to disclose information, which enables the user of these statements of accounts to evaluate the nature and extent of any risk arising from Financial Instruments.

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

- Credit risk – the possibility that other parties may fail to pay amounts due to the Authority;
- Liquidity risk – the possibility that the Authority may not have funds available to meet its commitments to make payments;
- Market risk – the possibility that financial loss may arise for the Authority as a result of changes in such measures as interest rates or stock market movements.

The Treasury Management Policy and Strategy documents approved by Council annually seek to limit the risk of potential adverse effects on resources available to fund services arising due to the impact of unpredictable movements in the financial markets on treasury management activity undertaken by the in-house team.



## Credit Risk

The main element of credit risk the Authority is exposed to arises from deposits with banks, building societies and money market funds, as well as credit exposures to the Authority's customers.

This risk is managed through the Authority's Treasury Management Policy and Strategy documents approved by Council annually. These documents set out the limits in terms of value and duration over which investment can be made with the various Banks and Building Societies included on the Authority's Counter Party lending list. This counter party list is made up of the institutions that have been rated using the Fitch and Moody's scoring methodologies and any changes to the institutions rating that result in a non-compliance with the minimum criteria will see the institution taken off the counter party list.

Credit rating agencies such as Fitch and Moody's rate institutions depending upon:

- Long term ability to meet all of their most senior financial obligations on a timely basis
- Short term ability to meet financial obligations within a relatively short time period
- Individual rating attempts to assess how a bank would be viewed if it was entirely independent of any external support
- Support rating is the likelihood of a potential supporter's propensity and ability to support the institution

The sovereign rating is an additional rating criteria that is now used. It reflects the strength of a country's economy, and hence the ability of a country's Government to support its financial institutions.

The credit criteria in respect of Financial Assets held by the Authority is as detailed below:

Financial Asset Category	Criteria	Maximum Investment
Deposits with banks	Sovereign rating: AA+  Short Term: F1+ Long Term: A- Individual rating: C Support: 2 Active in sterling markets	£25m (the Authority currently operates a £15m operational limit)
Deposits with building societies	Short Term: F1 (Fitch) / P-1 (Moody) Active in sterling markets  Minimum total assets: £2,000m	£25m (the Authority currently operates a £15m operational limit)
Deposits with money market funds	Sovereign rating: AAA	£15m

The above table demonstrates that the Authority will only invest in institutions that have the highest credit rating scores. For Banks, a risk score of F1+ (exceptionally strong credit quality), A- (high credit quality – low credit risk and considered to have a very strong capacity to pay financial commitments) and Building Societies that have a risk score of F1 (highest credit quality), P-1 (low risk).

The following analysis summarises the Authority's potential maximum exposure to credit risk at the balance sheet date. The figures represent the actual investment made and, based on experience of default and uncollectability over the last 13 financial years, adjusted to reflect current market conditions:

Estimated maximum exposure at 31/03/17		Amount at 31/03/18	Historical experience of default	Historical experience adjusted for market conditions at 31/03/18	Estimated maximum exposure to default & uncollectability at 31/03/18
£000s		£000s A	% B	% C	£000s (A x C)
0	Deposits with Banks	0	0	0	0
0	Deposits with Money Market	10,429	0	0	0
0	Deposits Other	5,529	0	0	0
342	Customers	10,760	3.54%	3.54%	381
<b>342</b>					<b>381</b>

The Authority has no history of non-repayment of investments. There were no instances of counterparties failing to meet contractual obligations in relation to deposits during the financial year, and whilst no guarantee can be given against default, the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority also reduces its exposure of credit risk by limiting the number of investments with a maturity period of between 1 and 5 years to a maximum of 40% of our total investments. This ensures that the Authority does not tie up all its funds for a long period of time, increasing the risk of a bank running into financial problems.

As mentioned previously, the Authority has changed its investment policy with banks and now only invests with extremely highly rated banks (with a Sovereign rating: AA+) that are backed by the Government in which the bank is situated. The profile of investments by country is shown below:

	Total Investments at 31 March 2017 £000s	Total Investments at 31 March 2018 £000s
United Kingdom Banks	4,018	0
Other: CCLA	5,278	5,529
Other: Funding Circle	1	1
	<b>9,297</b>	<b>5,530</b>

The Authority does not generally allow credit for customers, such that £9.340m of the £10.760m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2017 £000s	31 March 2018 £000s
Less than three months	3,810	4,141
Three months to one year	1,945	2,086
More than one year	4,740	4,533
	<b>10,495</b>	<b>10,760</b>

A provision for bad debts relating to customers exists which totals £2.295m at 31 March 2018 (£2.050m at 31 March 2017). This provision relates to a wide variety of assets of which none are individually significant. The provision was increased by £0.509m in 2017/2018 (£0.252m in 2016/2017) and £0.263m was written-off during the year (£0.415m in 2016/2017).

Of this debt £4.037m is secured against properties at 31 March 2018 (£4.071m as at 31 March 2017). These properties are held as collateral but cannot be pledged or resold unless the owner defaults.

## Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the Public Works Loans Board (PWLB) and Money Markets as a result of the annual Treasury Management Policy and Strategy documents approved by Council. The authority has set an affordable borrowing limit that reflects its underlying need to borrow for a capital purpose, and this includes an allowance for exceptional cash flow movements. There is thus no significant risk that the Authority will be unable to raise finance to meet its commitments.

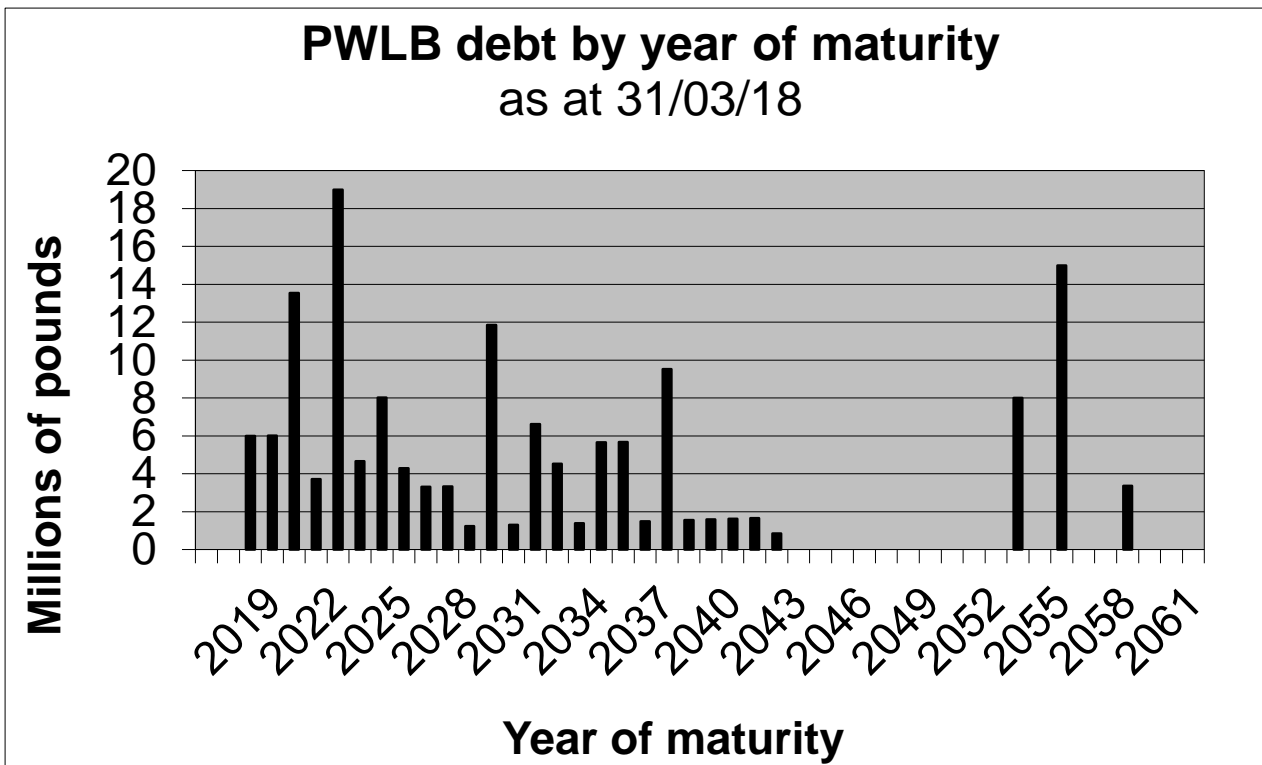
The risk for the Authority is that it will need to replace its borrowings at a time when interest rates are unfavourable, leading to additional ongoing financing costs. The strategy for the Council is to ensure that by careful planning of the repayment date for new and replacement loans, and (when economic to do so) the restructuring of debt, the maturity profile of its fixed rate loans do not exceed or fall below the limits for the periods set out below. These limits also ensure that the Authority does not have significant amounts of variable borrowing in the long term, exposing itself to major movements in interest rates. Analyses of the Council's debt by type and maturity are shown in the following tables.

31 March 2017 £000s	<b>Analysis of Loans by Type:</b>	Range of Interest Rates Payable (%)	31 March 2018 £000s
100,925	Public Works Loan Board	0.88 – 7.13	157,028
0	Money Market		0
16	Individuals	0.00	16
0	Other Local Authorities		0
4	Other	6.50	4
<b>100,945</b>	<b>Total</b>		<b>157,048</b>

31 March 2017 £000s	<b>Analysis of Loans by Maturity:</b>	31 March 2018 £000s
748	Maturing within one year	8,336
0	Maturing in 1-2 years	6,018
2,645	Maturing in 2-5 years	36,240
33,557	Maturing in 5-10 years	23,585
17,982	Maturing in 10-15 years	25,532
11,635	Maturing in 15-20 years	23,713
8,000	Maturing in 20-25 years	7,246
0	Maturing in 25-30 years	0
0	Maturing in 30-35 years	0
23,000	Maturing in 35-40 years	23,000
3,358	Maturing in 40-45 years	3,358
20	Maturing in more than 45 years	20
<b>100,945</b>	<b>Total</b>	<b>157,048</b>

The Analysis of Loans by Type shows the total of loans that are due to be repaid within one year (shown as Short-Term Borrowing on the Balance Sheet) and those due to be repaid in more than one year (shown as Long-Term Borrowing on the Balance Sheet).

The maturity profile of the Council's PWLB debt only is shown in the following chart.



All trade and other payables are due to be repaid within one year.

#### Market Risk

a) **Foreign Exchange Risk**

The Authority has no financial assets or liabilities denominated in foreign currencies, and thus has no exposure to loss arising from movements in exchange rates.

b) **Price Risk**

Price risk arises on financial assets because of changes in commodity prices or equity prices. The Authority's holdings in the CCLA Local Authority Property Fund are held on the Balance Sheet at bid price. This is the expected return if the Authority decided to sell its holdings. The asset value will reflect fluctuations in Property Values and rents and are therefore exposed to risk arising from movements in the price of such assets due to changes in general economic conditions.

c) **Interest Rate Risk**

The Authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. As an example of this, a rise in interest rate has the following effects:

- i) Borrowings at variable rates – the interest expense charged to the surplus or deficit on the provision of services will rise;
- ii) Borrowings at fixed rates – the fair value of the loan will fall;
- iii) Investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise;
- iv) Investments at fixed rates – the fair value of the investment will fall.

Borrowings are carried at amortised cost on the Balance Sheet not fair value, and so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in variable rates on borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The annual Treasury Management Policy and Strategy documents approved by Council contain a number of strategies for managing interest rate risk. To guard against the impact of adverse changes in interest rates, the maximum proportion of borrowing subject to variable interest rates is

limited to 33% along with a maximum proportion of investments subject to variable rates limited to 40%.

During periods of falling interest rates, and where economic circumstances make it favourable, the Authority will look to reschedule its loans in order to limit its exposure to losses and so reduce its capital financing costs.

The in-house Treasury Management team receives professional advice and has an active strategy for assessing interest rate exposure via the use of indicators. This is used to establish and monitor the budget for capital financing costs, allowing any adverse changes to be accommodated. The monitoring of interest rate exposure assists with the decision as to whether new borrowing or investment undertaken is fixed or variable.

Based on the assessment strategy for interest rate risk if interest rates had been 1% higher with all other variables held constant on 31 March, the financial effect would be (note that the percentages quoted are for illustrative purposes only and are not an indication of the likely change):

31 March 2017 £000s		31 March 2018 £000s
453	Increase in interest receivable on variable rate investments (and resultant impact on the Surplus or Deficit on the Provision of Services)	319
-15,266	Decrease in fair value of fixed rate loans (no impact on Other Comprehensive Income and Expenditure)	-18,223
0	Increase in fair value of fixed rate investments (impact on Other Comprehensive Income and Expenditure)	0
0	Increase in fair value of financial liabilities (no impact on Other Comprehensive Income and Expenditure)	0

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The 1% variation chosen for sensitivity analysis can be treated as a flat line change, so a 5% variation will result in amounts totalling five times the amount included in the table above.

The Authority held no loans at variable rate at the Balance Sheet date so any movement in interest rates will have no effect on the Comprehensive Income and Expenditure Statement.

## **62 STATEMENT OF ACCOUNTING POLICIES**

### **(a) GENERAL PRINCIPLES**

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year end. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 in accordance with proper accounting practices. These practices are set out primarily the *Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018*.

The accounting convention adopted in the Statement of Accounts is primarily historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. All accounting policies have been consistently applied.

The accounts have been prepared on a going concern basis. The assumption is that the Council will continue in operation for the foreseeable future.

### **(b) 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, in particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- 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.
- 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 receivables is written down and a charge made to revenue for the income that might not be collected.

**(c) BUSINESS IMPROVEMENT DISTRICTS**

A Business Improvement District (BID) scheme applies to an area in Southport Town Centre. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Authority acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

**(d) CARBON REDUCTION COMMITMENT**

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme has completed its introductory phase and the second phase of the scheme started in April 2013. The Council is required to purchase allowances retrospectively, on the basis of emissions (i.e. carbon dioxide produced as energy is used). As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised.

The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the cost of the Council's services and is apportioned to services on the basis of energy consumption.

**(e) 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 investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. The Authority has eight different reserve accounts as at 31 March 2018 that it has determined to be Cash Equivalents.

In the Balance Sheet and 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.

**(f) CHARGES TO REVENUE FOR NON-CURRENT ASSETS**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding Property, Plant and Equipment and Intangible 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; and
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However it 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 are therefore replaced by the contribution in the General Fund Balance (Statutory Provision for the Financing of Capital Investment) by way of an adjusting transaction with the Capital Adjustment Account in the Movement of Reserves Statement for the difference between the two.

**(g) EMPLOYEE BENEFITS****Benefits payable during employment**

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages, salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which the employees render service for the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu), earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following financial year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year to which the holiday absence occurs.

**Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's appointment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Corporate Unallocated Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority 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 Authority 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.

**Post-Employment Benefits**

Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education.
- The NHS Pension Scheme, administered by NHS Pensions on behalf of the Department of Health.
- Local Government Pension Scheme (Merseyside Pension Fund) administered by Wirral Metropolitan Borough Council.

These Schemes are defined benefits schemes in that they provide defined benefits to members (retirement lump sums and pensions) earned as employees working for the Council.

However, the arrangements for the Teachers' Pension Scheme and NHS Pension Scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Schools and Families - Schools line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions. The Health and Wellbeing line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to NHS Pensions in the year.

### **The Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Merseyside Pension Fund 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 current earnings for current employees.
- Liabilities are discounted to their present value at current prices using a discount rate based on the indicative rate of return on high quality corporate bonds (based on a weighted average of 'spot yields' on AA rated corporate bonds). The discount rate used for the year is disclosed in the Participation in Pension Schemes note.
- The assets of Merseyside Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted Securities – current bid price,
  - Unquoted securities – professional estimate,
  - Unitised securities- current bid price,
  - Property – market value.
- The change in the net pensions liability is analysed into the following components:

#### Service cost comprising:

- 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 to the services for which the employee worked.
- Past Service Cost - the increase in liabilities as a result of scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Unallocated Costs,
- Net Interest on the Net Defined Benefit Liability (Asset), i.e. net interest expense of the Authority - 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 in 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 year as a result of contribution and benefit payments.

#### Remeasurements comprising:

- 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.
- 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.

#### Contributions paid to the Merseyside Pension Fund

- Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.



In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners 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 Pensions Reserve therefore measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than benefits which are earned by employees.

#### **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.

#### **(h) EVENTS AFTER THE BALANCE SHEET DATE**

Events after the Balance Sheet date are those events, both favourable and unfavourable that occur between the end of the reporting period and the date when the Statement of Accounts is 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 is **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 authorisation to issue are not reflected in the Statement of Accounts.

#### **(i) FAIR VALUE MEASUREMENT**

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability 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 uses external Valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

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.

**(j) FINANCIAL INSTRUMENTS****General Comment**

A financial instrument is any contract that gives rise to a financial asset in one entity, and a financial liability in another. Most straight forward financial assets (receivables, bank deposits, investments etc.) and liabilities (payables, borrowings etc) are covered by this policy.

**Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are subsequently carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in 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 investment. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

**Financial Assets**

Financial Assets are classified into two types;

- Loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market.
- Available for sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments. The Council has one Available for Sale Asset.

**Loans and receivables**

Loans and receivables 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 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 loans that the council has made, this means that the amount presented in the Balance Sheet is the principle outstanding plus or minus accrued interest and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

If an asset is identified as impaired because of the likelihood arising from a past event that payments due under a contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains or losses that result from the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

**Available for Sale Assets**

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

#### **Warranties and Guarantees**

The Council has entered into a number of Guarantees that are not required to be accounted for as Financial Instruments. These guarantees are reflected in the Statement of Accounts to the extent that at some future date a provision or earmarked reserve may have to be set up. These guarantees relate to:

- Housing stock transfer warranties,
- Pension guarantees related to contractor admissions bodies, such as New Directions, arvato and Capita Symonds.

#### **(k) FOREIGN CURRENCY TRANSLATION**

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effected.

#### **(l) GOVERNMENT GRANTS AND CONTRIBUTIONS**

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

- The Authority 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 embodied in the asset received in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as payables. When conditions are satisfied, the grant or contribution is credited to the relevant services line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (Non-Ringfenced Government Grants and Capital Grants and Government 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 Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustments Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustments Account once they have been applied to fund capital expenditure.

**(m) HERITAGE ASSETS**

A heritage asset is an asset that is held due to its historical, artistic, scientific, technological, or environmental qualities, and is maintained principally for its contribution to knowledge and culture. The Authority's heritage assets are held in a number of locations, such as Town Halls and the Atkinson Centre.

The collection consists principally of a ceramic collection, a silver collection, works of art, an Egyptology collection, several war memorials, and the art installation "Another Place". The collection is mainly valued on an insurance valuation basis. However, a number of war memorials are held that are valued at a nominal £1.

The assets are felt to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

The Authority considers that obtaining valuations for the collection would involve disproportionate cost. This is because of the diverse nature of the assets and the lack of comparable market values.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment (note (q)). The carrying amounts of Heritage Assets would be reviewed where there was evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise about its authenticity. Any impairment would be recognised and measured in accordance with the Authority's general policies on impairment (see Impairment section of note (v)). If any items were disposed of, the proceeds would be accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

**(n) 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 licenses) is capitalised when it is expected that the future economic benefits or service potential will flow from the intangible asset to the Council.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Councils goods or services.

Intangible assets are carried at amortised cost. An intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement of Reserves Statement and posted to the Capital Adjustments Account and (if sales proceeds exceed £10,000) the Capital Receipts Reserve.

**(o) INTERESTS IN COMPANIES AND OTHER ENTITIES**

The Council has a material interest in a company that is a subsidiary and is required to prepare group accounts. In the Council's own single entity accounts the interest in the company is recorded as a long term investment at cost.

In the group accounts transactions and balances between the Council and subsidiary are netted out on consolidation.

**(p) INVENTORIES AND LONG TERM CONTRACTS**

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. The cost of inventories is assigned using the First-In-First-Out costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

**(q) INVESTMENT PROPERTY**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or the production of goods or is held for sale.

Investment Properties are measured initially at cost. This is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition. They are subsequently measured at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. Properties are not depreciated but are revalued. An annual revaluation of all investment properties is undertaken. 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 for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any proceeds above £10,000) the Capital Receipts Reserve.

**(r) LEASES**

Leases have been classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of property from the lessor to the lessee. All other leases are to be classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for a payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

**THE COUNCIL AS A LESSEE****Finance Leases**

Property, plant and equipment held under Finance leases will be recognised on the balance sheet at the commencement of the lease at its fair value measured at the leases inception (or the present value of the minimum lease payments if lower). The asset recognised will be matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority 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 will be apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability,
- 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.

### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from the use of the leased property, plant and 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 (i.e. there is a rent free period at the commencement of the lease).

## **THE COUNCIL AS A LESSOR**

### **Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the balance sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of a gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal) matched by a lease (long term debtor) asset in the balance sheet.

Lease rentals receivable will be apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement is not permitted by Statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against council tax, as the cost of Property, Plant and Equipment is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

**Operating Leases**

Where the Council grants an operating lease over a property or an item of Plant or Equipment, the asset is retained in the Balance Sheet. Rental Income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (i.e. there is a premium paid at the commencement of the lease).

Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the term on the same basis as rental income.

**(s) OVERHEADS AND SUPPORT SERVICES**

The costs of overhead and support services are charged to those services that benefit from them, in accordance with the costing principles of the CIPFA Service Reporting Code of Practice for Local Authorities. However, due to the changes in the 2016/2017 Code relating to the analysis within the Net Cost of Services, costs are now shown against the services that incur the cost. This is in line with how expenditure is formally monitored by the Council.

**(t) PRIOR YEAR ADJUSTMENTS, CHANGES IN ACCOUNTING POLICY AND ESTIMATES AND ERRORS**

Prior year adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior year adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more clear and reliable information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior year as if the new policy had always been applied.

**(u) PRIVATE FINANCE INITIATIVE AND SIMILAR CONTRACTS**

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 its 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 Authority carries the assets used under the contracts on its Balance Sheet as Property Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the Property, Plant and Equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

These non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property plant and equipment owned by the Council.

The amounts payable to the PFI operator 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 on the same basis as for a finance lease);

- Lifecycle replacement costs - 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.

(v) **PROPERTY, PLANT AND EQUIPMENT**

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 (PP&E).

**Recognition**

Expenditure on the acquisition, creation or enhancement of Property Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that remains but does not add to an assets potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

All expenditure, regardless of value, is capitalised if it relates to an existing asset. Expenditure on new assets under £10,000 is not capitalised but treated as Revenue Expenditure Funded from Capital Under Statute (REFCUS), with expenditure over £10,000 being capitalised.

**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 upon which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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 authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying value of the asset given up by the Authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost,
- Non HRA dwellings and rented property - fair value, determined using the basis of existing use,
- All other assets - fair value, determined as the amount that would be paid for the asset in its existing use.

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 fair value.

Where non property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the balance sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally gains might be credited to the Comprehensive Income and Expenditure Statement 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 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 Revaluation Reserve contains gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **Impairment**

Assets are assessed at each 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, 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 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.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life, such assets that are not yet available for use (i.e. assets under construction) and assets held for a commercial return (i.e. investment properties).

Where an item of Property Plant or Equipment asset has major components whose cost is significant in relation to the total cost of the item, then the components are depreciated separately.

For those assets that have major components the percentage of the asset that makes up each component is shown below:

<u>Asset Type</u>	<u>Building</u>	<u>Roof</u>	<u>Services</u>	<u>Externals</u>	<u>Total</u>
Primary Schools	42%	9%	26%	23%	100%
Secondary Schools	50%	11%	22%	17%	100%
Sports Centres	49%	10%	23%	18%	100%
Libraries	49%	8%	28%	15%	100%

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.

### **Disposals and non-current assets held for sale**

When it becomes apparent that the carrying amount of an asset will be recovered principally through a sale 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 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 losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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 the carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal, Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

When an asset has been fully depreciated it is assumed, unless otherwise known, that the asset is disposed of or decommissioned in the following year. The gross value of the asset and the matching accumulated depreciation are then written out as disposals in that year.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

The written off value of disposals is not a charge against council tax, as the cost of Property, Plant and Equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the capital adjustments account from the General Fund Balance in the Movement in Reserves Statement.

### **Schools**

When a maintained school transfers to Foundation Trust or Academy status the transfer of the school is treated as a disposal. Voluntary Aided and Voluntary Controlled schools are not recognised on the Council's Balance Sheet. The land and building are owned by the trustees of the school and the Council provides educational services under mere licence with no assignment of rights to the property. The trustees can terminate the arrangement at any time and as such the risks and rewards of the asset have not transferred to the school.

## **(w) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

### **Provisions**

Provisions are made where an event has taken place that gives the Authority 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. For instance, the authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that 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 into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried within the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made) the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. an insurance claim), this is only recognised as income for the relevant service if it is virtually certain the reimbursement will be received if the Council settles the obligation.

Amounts required to settle any obligation have not been discounted when included in the accounts.

**Internal Insurance Cover**

The Authority has established a provision to cover the potential costs of certain known uninsured losses, i.e. losses arising from excesses that apply to the Authority's main insurance policies. This is accounted for in line with the normal policy above.

**Provision for NDR Appeals**

The Authority has established a provision to cover the potential costs for refunding ratepayers who have successfully appealed against the rateable value of their properties. The provision covers the Council's locally retained share (99%) of the cost. This is accounted for in line with the normal policy above.

**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 authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

**Contingent Assets**

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

Contingent Assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefit or service potential.

**(x) RESERVES**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When the expenditure to be financed from a reserve is incurred, it is charged to the appropriate 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 into the General Fund Balance in the Movement of Reserves Statement so that there is no net change against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the authority- these reserves are explained in the relevant notes and policies.

**(y) REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or from borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

**(z) VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## 9 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 distribution to local authorities and the Government of council tax and non-domestic rates.

2016/2017 £000s	<b><u>INCOME AND EXPENDITURE ACCOUNT</u></b>	Note	2017/2018		
			<u>Business Rates</u> £000s	<u>Council Tax</u> £000s	<u>Total</u> £000s
	<b><u>INCOME</u></b>				
-134,680	<u>Council Tax</u> Income from Council Tax Payers			-141,741	-141,741
-113	<u>Transfers from the General Fund</u> Hardship Relief			-129	-129
-71,886	<u>Business Rates</u> Income from Business Ratepayers		-69,027		-69,027
0	<u>Contributions</u> Contributions towards previous year's deficit	2	-2,437		-2,437
<b>-206,679</b>	<b>Total Income</b>		<b>-71,464</b>	<b>-141,870</b>	<b>-213,334</b>
	<b><u>EXPENDITURE</u></b>				
130,689	<u>Distribution of Resources</u> Precepts and Demands - Council Tax	4		138,431	138,431
67,296	Shares of Non-domestic Rates Income	5	63,591		63,591
70	Transitional Protection Payments		1,990		1,990
328	<u>Transfers to the General Fund</u> Cost of Collection Allowance		321		321
34	Council Tax Benefit			23	23
3,567	<u>Impairment of Debts / Appeals</u> Provision for Bad and Doubtful Debts	6	1,320	2,367	3,687
4,178	Provision for Appeals	7	-5,000		-5,000
8,109	<u>Contributions</u> Contributions towards previous year's surplus	2		2,367	2,367
<b>214,271</b>	<b>TOTAL EXPENDITURE</b>		<b>62,222</b>	<b>143,188</b>	<b>205,410</b>
<b>7,592</b>	<b>MOVEMENT ON THE FUND BALANCE</b>		<b>-9,242</b>	<b>1,318</b>	<b>-7,924</b>
	<b><u>COLLECTION FUND BALANCES</u></b>				
-6,133	Balances Brought Forward		3,653	-2,194	1,459
7,592	Movement on the Fund Balance in Year		-9,242	1,318	-7,924
<b>1,459</b>	<b>BALANCES AT YEAR END</b>		<b>-5,589</b>	<b>-876</b>	<b>-6,465</b>
	<b><u>BALANCES TO BE ALLOCATED</u></b>				
1,826	Central Government		608	0	608
-84	Sefton MBC		-6,141	-752	-6,893
-221	Merseyside Police and Crime Commissioner		0	-86	-86
-62	Merseyside Fire and Rescue Authority		-56	-38	-94
<b>1,459</b>			<b>-5,589</b>	<b>-876</b>	<b>-6,465</b>

**NOTES TO THE COLLECTION FUND****1 COUNCIL TAX BASE**

The Council's tax base, i.e., the number of chargeable dwellings in each valuation band for 2017/2018 (adjusted for dwellings where discounts apply) converted to a number of band D dwellings, has been calculated as follows:

<u>Band</u>	<u>Number of Chargeable Dwellings After Discounts</u>	<u>Proportion of Band D Charge</u>	<u>Band D Equivalent Dwellings</u>
A*	66.8	5/9	37.2
A	21,753.0	6/9	14,502.0
B	19,730.4	7/9	15,345.8
C	24,623.4	8/9	21,887.5
D	12,938.2	9/9	12,938.2
E	7,411.8	11/9	9,058.8
F	3,544.1	13/9	5,119.3
G	2,444.5	15/9	4,074.2
H	197.8	18/9	395.5
	92,710.1		83,358.5
Adjustment for estimated collection rate (98.25%)			-1,458.8
Adjustment for Ministry of Defence properties			7.0
<b>Council Tax Base</b>			<b>81,906.8</b>

\* Properties subject to disabled relief

Band "D" Equivalent is the statutory method of expressing the cost of Council Tax for any given area if all properties are valued as a proportion of a band D property, e.g. band H, which is equivalent to twice the value of band D, would therefore be charged twice the band D equivalent.

**2 COLLECTION FUND SURPLUS / DEFICIT (-) PAYMENTS IN THE YEAR**

The following amounts were paid during the year in respect of the estimated collection fund surplus / deficit:

<u>Council Tax</u>	<u>2016/2017</u> £000	<u>2017/2018</u> £000
Sefton Council	4,467	2,022
Merseyside Police and Crime Commissioner	537	238
Merseyside Fire and Rescue Service	240	107
	5,244	2,367
<u>Business Rates</u>	<u>2016/2017</u> £000	<u>2017/2018</u> £000
Central Government	1,432	-1,219
Sefton Council	1,404	-1,194
Merseyside Fire and Rescue Service	29	-24
	2,865	-2,437

### 3 BUSINESS RATES MULTIPLIER AND RATEABLE VALUE

Under the arrangements for nationally uniform business rates, the Council collects rates for its area, which are based on local rateable values multiplied by a uniform rate. The standard business rate multiplier was set at 47.9p in the pound in 2017/2018 (49.7p in 2016/2017).

At 31 March 2017 the total non-domestic rateable value was £178,446,196 in Sefton. This was the closing value on the 2010 Rating List. The total non-domestic rateable value increased to £181,745,514 on 1 April 2017 as a result of revaluation, this was the opening value on the 2017 Rating List. At 31 March 2018 the total non-domestic rateable value was £183,259,872.

### 4 PRECEPTS AND DEMANDS ON THE COLLECTION FUND

The following precepts and demands have been made on the fund during the year:

Council Tax	<u>2016/2017</u> £000	<u>2017/2018</u> £000
Sefton Council (Including Parish Precepts)	111,644	118,748
Merseyside Police and Crime Commissioner	13,155	13,594
Merseyside Fire & Rescue Authority	5,890	6,089
	130,689	138,431

### 5 SHARES OF NON-DOMESTIC RATES INCOME

Business rates income is shared on the following basis:

Business Rates	Share %	<u>2016/2017</u> £000	<u>2017/2018</u> £000
Central Government	50% / 0%	33,648	0
Sefton Council	49% / 99%	32,975	62,955
Merseyside Fire & Rescue Authority	1% / 1%	673	636
	100%	67,296	63,591

Sefton's retained share of business rates increased from 49% in 2016/17 to 99% in 2017/18 as part of the Liverpool City Region 100% Business Rates Retention Pilot agreement.

### 6 PROVISION FOR BAD AND DOUBTFUL DEBTS

The Collection Fund provides for bad debts on Council Tax and Business Rates arrears. The following movements on the bad debt provisions were recorded in the year:

Council Tax	<u>2016/2017</u> £000	<u>2017/2018</u> £000
Balance at 1 April	-5,561	-6,264
Write-offs in year	1,635	636
Increase / Decrease in Year	-2,338	-2,367
<b>Balance at 31 March</b>	<b>-6,264</b>	<b>-7,995</b>

Business Rates	<u>2016/2017</u> £000	<u>2017/2018</u> £000
Balance at 1 April	-870	-1,276
Written-off in year	823	585
Increase / Decrease in Year	-1,229	-1,320
<b>Balance at 31 March</b>	<b>-1,276</b>	<b>-2,011</b>

**7 PROVISION FOR APPEALS**

The Collection Fund also makes a provision for appeals against rateable values set by the Valuation Office Agency (VOA) not settled as at 31st March 2017. The table below shows the movements on the appeals provision in the year:

Business Rates	<u>2016/2017</u> £000	<u>2017/2018</u> £000
Balance at 1 April	-15,928	-20,106
Movement in the Year	-4,178	5,000
<b>Balance at 31 March</b>	<b>-20,106</b>	<b>-15,106</b>

## 10 **GROUP ACCOUNTS**

The standard financial statements consider the Council only as a single entity. Sefton Council now conducts some of its adult and social care services activities through a wholly owned company, Sefton New Directions Limited, which began trading on 1 April 2007.

Thus a full picture of the Council's economic activities, financial position, service position, accountability for resources and exposure to risk is not presented in the Council's single entity financial statements. As a result, group financial statements are used to reflect the full extent of Sefton Council's involvement with its group undertakings in order to provide a clearer picture of the Council's activities as a group.

The following pages include:

- Group Movement in Reserves Statement,
- Group Comprehensive Income and Expenditure Statement,
- Reconciliation of the Single Entity Deficit / Surplus (-) on Provision of Services to the Group Deficit / Surplus (-) on Provision of Services,
- Group Balance Sheet,
- Group Cash Flow Statement, and,
- Notes to the Group Accounts.
- A summary of the financial statements for Sefton New Directions.

The financial positions of Sefton Council and Sefton New Directions have been consolidated to produce the Group Accounts with any transactions and balances between the two organisations netted out on consolidation.

The main effect of consolidation has been to increase revenue reserves by £1.483m (£1.958m increase as at 31 March 2017), representing the Authority's 100% share of accumulated net surplus in the Company.

The Group Comprehensive Income and Expenditure Statement records a surplus for Sefton New Directions Limited of £1.642m in 2017/2018 (a £0.358m surplus in 2016/2017).

After adjusting for Movements on Reserves the surplus achieved by Sefton New Directions Limited in was £0.225m in 2017/2018 (a £0.297m surplus in 2016/2017).

Both organisations have a financial year-end of 31 March.

Copies of the Company's accounts for 2017/2018 can be obtained from The Company Secretary, Sefton New Directions Head Office, Third Floor, The Investment Centre, 375 Stanley Road, Bootle, Merseyside, United Kingdom, L20 3EF.



## **GROUP 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 to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2016/2017			Note	2017/2018		
Gross Expenditure	Gross Income	Net Expenditure / Income (-)		Gross Expenditure	Gross Income	Net Expenditure / Income (-)
£000s	£000s	£000s		£000s	£000s	£000s
642,713	-383,328	259,385	<u>Cost of Services</u>	610,308	-393,711	216,597
			Single Entity Accounts			
8,582	-9,164	-582	Sefton New Directions Limited	8,903	-9,305	-402
-8,411	8,411	0	Net out Income Received from Sefton	-8,783	8,783	0
0	0	0	Net out Dividend Paid	0	700	700
<b>642,884</b>	<b>-384,081</b>	<b>258,803</b>	<b>Total Continuing Operations</b>	<b>610,428</b>	<b>-393,533</b>	<b>216,895</b>
			<u>Other Operating Income and Expenditure</u>			
		34,649	Transactions as shown in Single entity accounts			41,629
		34,649				41,629
			<u>Financing and Investment Income &amp; Expenditure</u>			
		6,026	Interest payable and similar charges			6,662
		11,932	5 Net Interest on the Net Pension Defined Benefit Liability			9,805
		-649	Interest Receivable			-435
		-16,310	Other transactions shown in Single entity accounts			-3,541
		999				12,491
			<u>Taxation and Non-specific Grant Income</u>			
		145	Taxation			71
		-232,797	Other transactions shown in Single entity accounts			-240,300
		-232,652				-240,229
		<b>61,799</b>	<b>Deficit on Provision of Services</b>			<b>30,786</b>
			5 Re-measurement of the Net Defined Benefit Liability			-49,244
		62,011	Deferred Tax re. Actuarial losses/gains on pension fund assets and liabilities for Sefton New Directions Limited			290
		12	Other transactions shown in Single entity accounts			-969
		19,397				
		<b>81,420</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>-49,923</b>
		<b>143,219</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>-19,137</b>

### **Reconciliation of the Single Entity Deficit / Surplus (-) on Provision of Services to the Group Deficit / Surplus (-) on Provision of Services**

2016/2017 £000s		2017/2018 £000s
62,096	Deficit for the year on Provision of Services on the Authority Income and Expenditure Statement	30,311
-297	Surplus in the Group Income and Expenditure Statement Attributable to Group Entities (adjusted for Intra-Group Transactions)	-225
0	Payment of Dividend	700
<b>61,799</b>	<b>Deficit for the year on Provision of Services on the Group Income and Expenditure Statement</b>	<b>30,786</b>

**GROUP MOVEMENT IN RESERVES STATEMENT**

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to, or from, earmarked reserves undertaken by the Council.

<b><u>Movements in Reserves in 2017/2018</u></b>	Council	New Directions	Total Usable Reserves	New Directions	Council	Total Authority Reserves
	Usable Reserves £000	Surplus £000	£000	Pensions Reserve £000	Unusable Reserves £000	£000
<b>Balance at 1 April 2017</b>	-96,986	-1,958	-98,944	2,091	70,715	-26,138
<b><u>Movements in Year</u></b>						
<b>Total Comprehensive Income and Expenditure</b>	30,311	475	30,786	-1,417	-48,506	-19,137
Adjustments between accounting basis and funding basis under regulations (Note 7 of single entity accounts)	1,437	0	1,437	0	-1,437	0
<b>Net Increase (-) / Decrease before Transfers to Earmarked Reserves</b>	31,748	475	32,223	-1,417	-49,943	-19,137
Transfers to / from Earmarked Reserves (Note 39 of single entity accounts)	0	0	0	0	0	0
<b>Increase in Year</b>	31,748	475	32,223	-1,417	-49,943	-19,137
<b>Balance at 31 March 2018</b>	-65,238	-1,483	-66,721	674	20,772	-45,275

<b><u>Movements in Reserves in 2016/2017</u></b>	Council	New Directions	Total Usable Reserves	New Directions	Council	Total Authority Reserves
	Usable Reserves £000	Surplus £000	£000	Pensions Reserve £000	Unusable Reserves £000	£000
<b>Balance at 1 April 2016</b>	-97,872	-1,661	-99,533	2,152	-71,976	-169,357
<b><u>Movements in Year</u></b>						
<b>Total Comprehensive Income and Expenditure</b>	62,096	-297	61,799	-61	81,481	143,219
Adjustments between accounting basis and funding basis under regulations (Note 7 of single entity accounts)	-61,210	0	-61,210	0	61,210	0
<b>Net Increase (-) / Decrease before Transfers to Earmarked Reserves</b>	886	-297	589	-61	142,691	143,219
Transfers to / from Earmarked Reserves (Note 39 of single entity accounts)	0	0	0	0	0	0
<b>Increase in Year</b>	886	-297	589	-61	142,691	143,219
<b>Balance at 31 March 2017</b>	-96,986	-1,958	-98,944	2,091	70,715	-26,138

**GROUP BALANCE SHEET**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2017 £000s		Note	31 March 2018 £000s
494,141	Property, Plant and Equipment	6	515,873
11,057	Heritage Assets		11,225
58,377	Investment Property		60,514
843	Intangible Assets		704
5,279	Long Term Investments		5,531
4,604	Long Term Receivables		4,326
<b>574,301</b>	<b>Long-Term Assets</b>		<b>598,173</b>
4,078	Short Term Investments		60
212	Assets Held for Sale		212
660	Inventories		614
32,440	Short Term Receivables	7	38,183
3,770	Prepayments		5,231
20,007	Cash and Cash Equivalents	8	20,239
<b>61,167</b>	<b>Current Assets</b>		<b>64,539</b>
-748	Short Term Borrowing		-8,336
-37,022	Short Term Payables	9	-34,715
-10,695	Receipts in Advance		-10,391
-104	Provisions	10	-256
-2,052	Deferred Liabilities		-3,499
<b>-50,621</b>	<b>Current Liabilities</b>		<b>-57,197</b>
-14,119	Provisions		-20,361
-100,197	Long Term Borrowing		-148,712
-13,658	Deferred Liabilities		-10,159
-430,735	Pensions Liability	5	-381,008
<b>-558,709</b>	<b>Long Term Liabilities</b>		<b>-560,240</b>
<b>26,138</b>	<b>Net Assets</b>		<b>45,275</b>

31 March 2017 £000s	Balance Sheet (Continued)	Note	31 March 2018 £000s
	<b>Reserves</b>		
	<u>Usable Reserves</u>		
-13,834	General Fund - Delegated Schools		-15,411
-8,103	General Fund - Non Delegated Services		-9,132
-1,958	New Directions - Profit and Loss Account		-1,483
-59,778	Earmarked Reserves		-25,687
-7,124	Capital Receipts Reserve		-5,675
-8,147	Capital Grants and Contributions Unapplied		-9,333
-98,944			-66,721
	<u>Unusable Reserves</u>		
-72,241	Revaluation Reserve		-70,419
-288,543	Capital Adjustment Account		-283,120
547	Financial Instruments Adjustment Account		488
-278	Available for Sale Financial Instruments Reserve		-529
-146	Deferred Capital Receipts		-94
429,068	Pensions Reserve	5	378,740
-84	Collection Fund Adjustment Account		-6,893
4,483	Accumulated Absences Account		3,273
72,806			21,446
<b>-26,138</b>	<b>Total Group Reserves</b>		<b>-45,275</b>

The Notes to the single entity accounts on pages 31 to 110, and to the Group Accounts on pages 121 to 130 form part of the financial statements.

**GROUP CASH FLOW STATEMENT**

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting year. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

<u>2016/2017</u> £000s		<u>Note</u>	<u>2017/2018</u> £000s
	<b><u>Operating Activities</u></b>		
20,761	Net Deficit on the provision of services		30,786
-34,002	Adjustments to net surplus or deficit on the provision of services for non-cash movements		-22,948
11,673	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		1,277
-1,568	Net cash flows from Operating Activities	11	9,115
	<b><u>Investing Activities</u></b>		
21,866	Purchase of property, plant and equipment, investment property and intangible assets		52,096
84	Purchase of short-term and long-term investments		0
0	Other payments for investing activities		0
-4,068	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		-1,068
-13,093	Proceeds from short-term and long-term investments		-4,000
-12,218	Other receipts from investing activities		-13,167
-7,429	Net cash flows from Investing Activities		33,861
	<b><u>Financing Activities</u></b>		
0	Cash receipts of short- and long-term borrowing		-57,500
-126	Other receipts from financing activities		0
1,793	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		1,614
10,437	Repayments of short- and long-term borrowing		3,427
450	Other payments for financing activities		9,251
12,554	Net cash flows from Financing Activities		-43,208
<b>3,557</b>	<b>Net decrease / increase (-) in cash and cash equivalents</b>		<b>-232</b>
-23,564	Cash and cash equivalents at the beginning of the reporting period		-20,007
<b>-20,007</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	8	<b>-20,239</b>

**NOTES TO THE GROUP ACCOUNTS****1 INTRODUCTION**

The notes below include details of where the inclusion of Sefton New Directions Limited has altered the disclosures within Sefton's single entity accounts. All other notes to the Group Financial Statements are as shown in the Notes to the single entity accounts.

**2 DISCLOSURE OF AUDIT COSTS**

Sefton New Directions Limited incurred the following fees relating to external audit and inspection.

<u>2016/2017</u> £000		<u>2017/2018</u> £000
14	Fees payable to Hazlewoods LLP for external audit services	14
<b>14</b>	<b>Total</b>	<b>14</b>

Sefton's expenditure on audit costs is shown in Note 13 to the single entity accounts.

**3 ASSETS ON OPERATING LEASES**

Sefton New Directions Limited made no operating lease payments in 2017/2018 relating to Land and Buildings and other assets (also nil in 2016/2017). Sefton New Directions has no commitments to making payments for operating leases in 2018/2019.

Sefton's expenditure on operating leases is shown in Note 54 to the single entity accounts.

**4 EMPLOYEES' EMOLUMENTS IN EXCESS OF £50,000**

Sefton New Directions Limited had 326 employees during 2017/2018 (327 in 2016/2017). The number of employees whose remuneration was over £50,000 is shown in the table below:

<b>Sefton New Directions (Only)</b>				
<u>2016/2017</u>		<u>Remuneration Band</u>	<u>2017/2018</u>	
<u>Employed on 31/03/17</u>	<u>Left during the year</u>		<u>Employed on 31/03/18</u>	<u>Left during the year</u>
1	0	£60,000 - £64,999	0	0

Details of Sefton Employees' Emoluments are shown in Notes 16 and 17 to the single entity accounts.

## 5 PARTICIPATION IN PENSION SCHEMES

Sefton New Directions Limited employees are eligible to join the same Local Government Pension Scheme as those employees in Sefton.

The following transactions have been made in the Group Comprehensive Income and Expenditure Statement during the year:

<u>2016/2017</u>		<u>Comprehensive Income and Expenditure Statement</u>	<u>2017/2018</u>	
<u>Sefton Council</u> £000s	<u>Sefton New Directions Limited</u> £000s		<u>Sefton Council</u> £000s	<u>Sefton New Directions Limited</u> £000s
22,666	835	<u>Cost of Services:</u>		
1,209	0	Current Service Cost	32,957	1,062
477	0	Curtailment Cost	3,220	0
		Administration Expenses	482	0
		<u>Financing and Investment Income &amp; Expenditure:</u>		
11,788	144	Net Interest Cost	9,697	108
36,140	979	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	46,356	1,170
62,084	-73	Actuarial Losses / Gains (-) on Pension Assets and Liabilities	-47,537	-1,707
0	12	Deferred Tax re. Actuarial losses on pension fund assets and liabilities for Sefton New Directions Limited	0	290
98,224	918	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	-1,181	-247

### Pensions Assets and Liabilities Recognised in the Balance Sheet

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

<u>2016/2017</u>			<u>2017/2018</u>	
<u>Sefton Council</u> £000s	<u>Sefton New Directions Limited</u> £000s		<u>Sefton Council</u> £000s	<u>Sefton New Directions Limited</u> £000s
-1,241,498	-43,841	Present Value of the Defined Benefit Obligation	-1,232,363	-43,252
814,521	39,313	Fair Value of Plan Assets	854,297	39,708
0	770	Related Deferred Tax Assets	0	602
-426,977	-3,758	Net Liability arising from defined benefit obligation	-378,066	-2,942

Assets and Liabilities in Relation to Retirement Benefits  
Reconciliation of present value of scheme liabilities

<u>2016/2017</u>			<u>2017/2018</u>	
<u>Sefton Council</u>	<u>Sefton New Directions Limited</u>		<u>Sefton Council</u>	<u>Sefton New Directions Limited</u>
£000s	£000s		£000s	£000s
992,013	36,157	1 April	1,241,498	43,841
22,666	835	Current Service Cost	32,957	1,062
34,264	1,295	Interest Cost on Pension Liabilities	30,681	1,084
6,014	196	Contributions by scheme participants	6,079	179
216,832	5,932	Remeasurement Gains (-) and Losses	-47,495	-1,705
-31,500	-574	Benefits paid	-34,577	-1,209
1,209	0	Curtailment Cost	3,220	0
1,241,498	43,841	31 March	1,232,363	43,252

Reconciliation of fair value of scheme assets:

<u>2016/2017</u>			<u>2017/2018</u>	
<u>Sefton Council</u>	<u>Sefton New Directions Limited Restated</u>		<u>Sefton Council</u>	<u>Sefton New Directions Limited</u>
£000s	£000s		£000s	£000s
646,586	31,766	1 April	814,521	39,313
22,476	1,151	Interest Income	20,984	976
154,748	6,005	Remeasurement Gains / Losses (-)	42	2
16,674	769	Employer contributions	47,730	462
6,014	196	Contributions by scheme participants	6,079	179
-31,500	-574	Benefits paid	-34,577	-1,209
-477	0	Administration Expenses	-482	-15
814,521	39,313	31 March	854,297	39,708

The liabilities show the underlying commitments that the Authority and Sefton New Directions Limited have in the long-run to pay additional retirement benefits. The total liability of £381m has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in an overall balance of £45m.

The deficit for Sefton New Directions Limited on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme Actuary.

Basis for Estimating Assets and Liabilities

All assumptions are the same as for Sefton Council (shown in Note 57 to the single entity accounts).



**6 PROPERTY, PLANT AND EQUIPMENT**

The Property, Plant and Equipment (PP&E) figure in the Group Balance Sheet includes £0.413m for Vehicles, Plant and Equipment of Sefton New Directions Limited at 31 March 2018 (£0.255m at 31 March 2017) and £0.089m for Land and Buildings (£0.005m at 31 March 2017). Details of Sefton's PP&E are shown in Note 21 to the single entity accounts.

**7 CURRENT ASSETS**

The Current Assets figure in the Group Balance Sheet includes £0.234m for Receivables of Sefton New Directions Limited at 31 March 2018 (£0.183m at 31 March 2017). Details of Sefton's Receivables are shown in Note 31 to the single entity accounts.

**8 CASH AND CASH EQUIVALENTS**

The balance of Cash and Cash Equivalents held by Sefton MBC and Sefton New Directions Limited are shown below:

<u>31 March</u> <u>2017</u> £000s		<u>31 March</u> <u>2018</u> £000s
16,303	Sefton MBC - Cash and Cash Equivalents	16,543
3,704	Sefton New Directions Limited - Bank Deposits	3,696
20,007	<b>Total Cash and Cash Equivalents</b>	20,239

**9 CURRENT LIABILITIES**

The Current Liabilities figure in the Group Balance Sheet includes £0.425m for Payables of Sefton New Directions Limited at 31 March 2018 (£0.417m at 31 March 2017). Details of Sefton's Payables are shown in Note 33 to the single entity accounts.

**10 PROVISIONS**

The Current Liabilities figure in the Group Balance Sheet includes £0.256m for Short Term Provisions of Sefton New Directions Limited at 31 March 2018 (£0.104m at 31 March 2017). Details of Sefton's provisions are shown in Note 35 to the single entity accounts. Movements in New Directions' provisions during the year were as follows:

	<b>2017/18</b>	<u>1 April</u> <u>2017</u> £000s	<u>Additions</u> <u>in Year</u> £000s	<u>Applied</u> <u>In Year</u> £000s	<u>Released</u> <u>In Year</u> £000s	<u>31 March</u> <u>2018</u> £000s
(a)	<b>Short-term</b> Restructuring Costs / Employee Settlement Costs	-79	-155	0	0	-234
(b)	Deferred Tax	-25	0	3	0	-22
		<b>-104</b>	<b>-155</b>	<b>3</b>	<b>0</b>	<b>-256</b>

Comparable figures for the previous year are shown below:

	<b>2016/17</b>	<u>1 April</u> <u>2016</u> £000s	<u>Additions</u> <u>in Year</u> £000s	<u>Applied</u> <u>In Year</u> £000s	<u>Released</u> <u>In Year</u> £000s	<u>31 March</u> <u>2017</u> £000s
(a)	<b>Short-term</b> Restructuring Costs	-79	0	0	0	-79
(b)	Deferred Tax	-20	-5	0	0	-25
		<b>-99</b>	<b>-5</b>	<b>0</b>	<b>0</b>	<b>-104</b>

(a) Restructuring Costs / Employee Settlement Costs Provision – Restructuring costs reflects a provision for severance payments as management made and communicated a formal decision prior to 31 March 2014 to eliminate certain positions. Some payments were made in the years ending 31 March 2015 and 31 March 2016. The full amount was not utilised during the years ended 31 March 2017 and 31 March 2018 due to the longer than expected process of implementing restructuring and liaising with trade unions. Such factors are the main uncertainties regarding the timing and quantum of payments yet to be made. In addition, during 2017/2018 employees brought about a potential National Minimum Wage claim against the company and provisions have been made in anticipation of the payouts.

(b) Deferred Tax – This relates to the difference between accumulated depreciation and amortisation and capital allowances (-£0.022m).

## 11 **CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

<u>2016/2017</u> £000s		<u>2017/2018</u> £000s
-669	Interest received	-453
6,045	Interest paid	5,070

## 12 **STATEMENT OF ACCOUNTING POLICIES**

The Accounting Policies adopted by Sefton New Directions are listed below. The Accounting Policies of Sefton Council are described in Note 62 to the single entity accounts.

### Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

### Basis of preparation

These financial statements have been prepared using the historical cost convention except for, where disclosed in these accounting policies, certain items that are shown at fair value.

The company is exempt from preparing a cash flow statement as 90% or more of the voting rights are held within the group.

### Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### Name of parent of group

These financial statements are consolidated in the financial statements of Sefton Metropolitan Borough Council.

The financial statements of Sefton Metropolitan Borough Council may be obtained from the company's registered office.

### Revenue recognition

Turnover comprises the fair value of the consideration received in respect of the provision of social care services, where the amounts receivable relate to a period which covers the balance sheet date, that amount is apportioned over the period to which it relates.

Contracted financial income is recognised in accordance with the terms of the contract.

Supporting People Funding Income and other grant income is recognised when the income is receivable provided conditions for receipt have been complied with.

Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets

Tangible assets is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Leasehold improvements	10% straight line basis
Fixtures & fittings	20% straight line basis
Office equipment	20% straight line basis

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Defined benefit pension obligation

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise.

Financial instruments*Classification*

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability on the balance sheet, The corresponding dividends relating to the liability component are charged as interest expenses in the profit and loss account.

*Recognition and measurement*

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

*Impairment*

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

A non-financial asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units ('CGUs') of which the goodwill is a part. Any impairment loss in respect of a 'CGU' is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

**13 SEFTON NEW DIRECTIONS SUMMARY FINANCIAL STATEMENTS**Profit and Loss Account

<u>2016/2017</u> £000		<u>2017/2018</u> £000
9,164	Turnover	9,305
-7,262	Cost of Sales	-7,384
1,902	Gross Profit	1,921
-1,095	Administrative Expenses	-1,216
807	Gross Profit	705
-225	Costs of reorganisation and restructuring	-303
-138	Other interest receivable and similar income	-106
-2	Interest payable and similar charges	0
442	Profit before Tax	296
-145	Taxation	-71
297	<b>Profit for the financial year</b>	225

Statement of Comprehensive Income

<u>2016/2017</u> £000		<u>2017/2018</u> £000
297	<b>Profit for the financial year</b>	225
73	Actuarial gain / loss (-) recognised on defined benefit pension scheme	1,707
-12	Deferred tax ctuarial gain / loss (-) recognised on defined benefit pension scheme	-290
61		1,417
358	<b>Comprehensive Income for the financial year</b>	1,642

Balance Sheet

<u>2016/2017</u> £000		<u>2017/2018</u> £000
	<b>Fixed Assets</b>	
260	Tangible Assets	502
	<b>Current Assets</b>	
183	Debtors	234
3,704	Cash at bank and in hand	3,696
3,887		3,930
-417	<b>Creditors: Amounts falling due within one year</b>	-425
3,470	<b>Net Current Assets</b>	3,505
3,730	<b>Total assets less current liabilities</b>	4,007
-104	Provision for liabilities	-256
3,626	Net assets excluding pension liability	3,751
-3,758	Net pension liability	-2,942
-132	<b>Net liabilities</b>	<b>809</b>
	<b>Capital and reserves</b>	
1	Called up share capital	1
-133	Retained earnings	808
-132	<b>Total equity</b>	<b>809</b>

Expenditure and Income by Nature

<u>2016/2017</u> £000s		<u>2017/2018</u> £000s
	<u>Expenditure</u>	
7,142	Employee benefit expenses	7,300
1,145	Other service expenses	1,244
225	Exceptional Items	303
69	Depreciation, amortisation and impairment	56
3	Interest Payments	0
144	Net Interest on the Net Pension Defined Benefit Liability	108
145	Taxation	71
<b>8,873</b>	<b>Total Expenditure</b>	<b>9,082</b>
	<u>Income</u>	
-9,164	Fees, charges and other service income	-9,305
-6	Interest and Investment Income	-2
-9,170	<b>Total Income</b>	-9,307
<b>-297</b>	<b>Surplus on the Provision of Services</b>	<b>-225</b>

# Annual Governance Statement 2017/18

Year Ended 31<sup>st</sup> March 2018





## Contents Page

	Page
1 Introduction and Scope of Responsibility	3
2 The Purpose of the Governance Statement	4
3 The Governance Framework	5
4 Review of Effectiveness	7
5 Significant Governance Issues	14
6 Conclusion and Declaration	17



## 1. Introduction and Scope of Responsibility

Sefton Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for. Sefton Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Sefton Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.



## 2. The Purpose of the Governance Statement

The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled and through which it engages with and leads its communities. It enables the authority to develop and achieve its strategic objectives and core purpose. The Councils governance arrangements are designed to manage risk to a reasonable level within this context. These arrangements cannot eliminate risk but can provide reasonable assurance for the Annual Governance Statement.

The system of internal control is a significant part of that framework and again, this is designed to manage risk to a reasonable level. It cannot remove all risk of failing to achieve our policies, aims and objectives but can provide a reasonable assurance of effectiveness. The system of internal control is based on an on-going process designed to:-

- i. identify and prioritise the risks that could prevent the Council from achieving its policies, aims and objectives;
- ii. assess how likely it is that identified risks will happen and what would be the potential impact if they did; and
- iii. manage the risks efficiently, effectively and economically.

For the purposes of this statement, the governance framework has been in place at Sefton Council from 1 April 2017 and up to the date of the approval of the statement of accounts.



### 3. The Governance Framework

The seven principles of Corporate Governance laid out in the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government (2016 Edition) are as follows:-

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

**Achieving the Intended Outcomes While Acting in the Public Interest at all Times**



*(International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (the "International Framework")*



Sefton Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by the work of senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, which includes a report on the effectiveness of internal audit and also by comments made by the external auditors and other review agencies and inspectorates. The outcome from this review is provided in sections 4 and 5 of this report.



## 4. Review of Effectiveness

### Decision Making and Scrutiny

Council approved the overall policy and budgetary framework for the financial year 2017/18. Cabinet subsequently made decisions that were in line with this policy and budget framework. The decisions of the Cabinet have been the subject of scrutiny through the Council's Overview and Scrutiny Committees which met regularly during the year.

Each Overview and Scrutiny Committee had a work programme for the year and reviewed a range of current activities and potential issues as part of that programme.

All decisions made by Committees, Council, Cabinet, Cabinet Member (under their delegated powers) and Chief Officer executive decisions are recorded and published on line for transparency. Delegation arrangements for Cabinet Members are reviewed annually as part of the appointments process. The Council publishes a calendar of meetings and deadlines for the submission of agenda items; agendas and reports are produced promptly and provided to the relevant Members.

### Audit and Governance Committee

The Audit and Governance Committee provides independent assurance on the adequacy of the Council's governance environment. All parties are represented on the Audit and Governance Committee.

The Committee met regularly during 2017/18, considering reports, from the Monitoring Officer, the s151 Officer, the Chief Internal Auditor and the External Auditor.



## **Executive Leadership Team**

The Council's Executive Leadership Team (ELT) is led by the Chief Executive and includes Executive Directors, Director of Health & Social Care and Head of Corporate Resources (s 151 Officer). This group meets regularly and considers and provides leadership on all business matters of the Council.

## **Strategic Leadership Board**

The Strategic Leadership Board provides strategic leadership in the development, delivery and communication of Council and borough-wide policy and performance. They also have a key responsibility for the development and maintenance of the governance environment.

As part of the corporate governance review for 2017/18 members of the SLB have provided formal assurance in respect of their service area, by their responses to the governance assurance statement (GAS) questionnaires.

## **External Audit**

Ernst & Young LLB was the Council's appointed External Auditor for 2017/18. The work of the Council's External Auditor includes an examination of the Council's financial statements and an assessment of the degree to which the Council delivers value for money in the use of its resources.

## **Internal Audit**

The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit which provides independent and objective assurance across the whole range of Council activities. It is the duty of the Chief Internal Auditor to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council.



Based upon the work of Internal Audit during 2017/18, the Chief Internal Auditor provided the Council with an overall opinion of adequate, with the potential for improvement being good on the arrangements for gaining assurance through the governance framework and on the controls reviewed as part of the Internal Audit programme.

During 2017/18 internal audit carried out follow up audit reviews for all recommendations made. This ensured that recommendations made had been implemented as agreed by management.

The Public Sector Internal Audit Standards were introduced from April 2013 and updated in April 2017. The service was the subject of review during the year in line with these standards and was found to meet the requirements as set out.

### **Other External Inspections**

During the year a number of external inspections took place within the Council. Where appropriate action plans have been developed and processes are in place to track delivery. Notable inspections include:-

- Follow up work to determine if the Procurement Action Plan developed was implemented
- SEND Inspection- action plan agreed and implementation group established during the year
- General Registers Office
- National Security Inspectorate Audits
- VOSA Inspections





**From the evaluation work undertaken the following sections look at how the Council is held to account for the seven principles of Corporate Governance.**

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

Sub – Principles	How Sefton Council Achieves the Principle
<p>Behaving with integrity.</p> <p>Demonstrating strong commitment to ethical values.</p> <p>Respecting the rule of law.</p>	<ul style="list-style-type: none"> <li>◇ The Council has an agreed constitution which sets out how the council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.</li> <li>◇ The Council has put processes in place to minimise the risk that its Councillors and employees act in an improper way (influenced by prejudice, bias or conflict of interest) when dealing with stakeholders.</li> <li>◇ The Council has Codes of Conducts and a suite of policies and procedures for Councillors and employees which define the standards of behaviour expected. Deviation from these policies may result in the use of the embedded disciplinary processes in place.</li> <li>◇ The Council's Vision (Imagine Sefton 2030) and Framework for Change programme are clear and demonstrates its commitment to its stakeholders. The 2030 Vision also takes into account ethical behaviour in its promise.</li> </ul>

B - Ensuring openness and comprehensive stakeholder engagement.

Sub – Principle	How Sefton Council Achieves the Principle
<p>Openness.</p> <p>Engaging comprehensively with institutional stakeholders.</p> <p>Engaging stakeholders effectively, including individual citizens and service users.</p>	<ul style="list-style-type: none"> <li>◇ The Council publishes all relevant information (as required by the Local Government Transparency Code 2015) on its website.</li> <li>◇ The Council website contains comprehensive information pertaining to Council Services.</li> <li>◇ The Council's decision making information, including committee agendas and minutes (not restricted) is available via the council's website and intranet.</li> <li>◇ The Council undertakes consultation exercises regularly including on all budget proposals.</li> </ul>



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

Sub – Principle	How Sefton Council Achieves the Principle
<p>Defining Outcomes</p> <p>Sustainable economic, social and environmental benefits.</p>	<ul style="list-style-type: none"> <li>◇ The council is committed to community engagement and involvement.</li> <li>◇ The Council has a clear vision for the future as set out in Imagine Sefton 2030 and Framework for Change Programme which takes into account all relevant economic, social and environmental factors.</li> <li>◇ The Framework for Change has been developed to achieve financial sustainability, to ensure services align with the core purpose and that the Council works with partners to achieve better outcomes.</li> <li>◇ The Council has structured Budget and Treasury Management processes in place.</li> </ul>

D - Determining the interventions necessary to optimise the achievement of the intended outcomes.

Sub – Principle	How Sefton Council Achieves the Principle
<p>Determining interventions.</p> <p>Planning interventions.</p> <p>Optimising achievement of intended outcomes.</p>	<ul style="list-style-type: none"> <li>◇ The Council operates a Scrutiny and Review committee system and the decision making process allows for challenge where necessary.</li> <li>◇ The Council has a robust financial strategy with Financial Planning protocols in place (Framework for Change, 3 years budget plan, MTFP and Forward plans.)</li> <li>◇ The Council has a Communication Strategy in place.</li> <li>◇ The Council undertakes consultation exercises with its stakeholders in relation to service provisions and new initiatives.</li> <li>◇ Social value is considered for all Council tender/ARFQ exercises, with the requirement for Social Value being clearly documented in the Council’s Contract Procedure Rules.</li> </ul>



E - Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Sub – Principle	How Sefton Council Achieves the Principle
<p>Developing the entity's capacity.</p> <p>Developing the capability of the entity's leadership and other individuals.</p>	<ul style="list-style-type: none"> <li>◇ The Council has an agreed constitution which details roles and responsibilities of Councillors and key Officers of the Council.</li> <li>◇ The Council requires all new members of staff and new Councillors to undertake an induction process.</li> <li>◇ The Council has a number of human resource policies in place.</li> <li>◇ The Council has a personal development process in place for Councillors and staff.</li> <li>◇ Financial Regulations are contained within the Council Constitution and all members of staff are required to operate within them.</li> <li>◇ A number of new projects are being progressed as part of the framework for change. These are within the Public Sector Reform, strategic investment and economic growth pillars.</li> <li>◇ The Council works with a number of partners in order to deliver services throughout the borough.</li> <li>◇ Areas of the Council have been or are under review to ensure that they are operating efficiently and effectively within resources available.</li> </ul>

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

Sub – Principle	How Sefton Council Achieves the Principle
<p>Managing risk.</p> <p>Managing performance.</p> <p>Robust internal control.</p> <p>Managing data.</p> <p>Strong public financial management.</p>	<ul style="list-style-type: none"> <li>◇ The Council has a Risk Management Framework in development.</li> <li>◇ The Council's Performance Management of new projects is linked to the framework for change.</li> <li>◇ A system of scrutiny and review is in place as part of the Council's decision making progress.</li> <li>◇ The Council has an Audit &amp; Governance Committee who meet quarterly and provide independent assurance of the adequacy of the Council's Risk Management Framework</li> </ul>



Sub – Principle	How Sefton Council Achieves the Principle
	<p>and the associated control environment.</p> <ul style="list-style-type: none"> <li>◇ The Council has a Risk Management Handbook and the Audit &amp; Governance Committee review the Corporate Risk Register at each meeting.</li> <li>◇ An internal audit function is maintained and reports quarterly to the Audit &amp; Governance Committee.</li> <li>◇ A data management framework and procedures are in place and readily available to all members of staff.</li> <li>◇ The Council has a robust financial strategy with Financial Planning protocols in place (Framework for Change, 3 years budget plan, MTFP and Forward plans.)</li> <li>◇ Council Financial Statements are available to the Public on the Councils website.</li> </ul>

G - Implementing good practices in transparency, reporting, and audit to deliver accountability.

Sub – Principle	How Sefton Council Achieves the Principle
<p>Implementing good practice in transparency.</p> <p>Implementing good practices in reporting.</p> <p>Assurance and effective accountability.</p>	<ul style="list-style-type: none"> <li>◇ The Council adheres to the Local Government Transparency Code 2015, with relevant information accessible via the council’s website.</li> <li>◇ The Councils website is designed for ease of navigation and includes “Browse aloud” function.</li> <li>◇ The Council has an Accessible Communications Policy in place.</li> <li>◇ The Council’s financial statements and Auditors letter is available on the Councils website.</li> <li>◇ The Council produces financial statements in accordance with CIPFA’s Practice on Local Authority Accounting in the UK following International Financial Reporting Standards (IFRS). The Financial statements are scrutinised by the external auditor with a separate report produced.</li> <li>◇ An Annual Governance Statement is produced and incorporated into the financial statements.</li> </ul>



## 5. Significant Governance Issues

In addition to identifying those areas that the Council meets the principles of Corporate Governance, it is also appropriate to identify areas of improvement that can be undertaken during the forthcoming year. These are termed as 'Significant Governance Issues' and can be defined as an issue that:

- Seriously prejudices or prevents achievement of a key target
- Has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business
- The external auditor regards as having a material impact on the accounts/value for money conclusion
- Audit and Risk Management Committee advises that it should be considered significant
- The Chief Internal Auditor identifies and reports on it as significant
- It has been reported as significant by external bodies – for example Care Quality Commission, Ombudsman, Information Commissioner, independent consultants
- The issue, or its impact, has attracted significant public interest, or has seriously damaged the reputation of the body
- May make it harder to prevent fraud or other misuse of resources
- May put financial stability, security or data integrity at risk.

Following the 2017/18 review the following governance issues have been identified:



	Governance Issue	Source	Action to Address the issue	Timescale	Lead
1	A Code of Corporate Governance has yet to be implemented. This has been drafted and will be introduced in 2018/19.	AGS Review	This will be presented for approval to Audit and Governance Committee in June 2018.	June 2018	Head of Regulation and Compliance
2	The Council's Core Purpose and Framework for Change Programme was introduced in 2016/17. It will be important that the Council can demonstrate how it is meeting the objectives set out within these strategic approaches as part of its overall performance management process. During 2017/18 the development of a Corporate Performance Framework commenced. The new framework is expected to be implemented in time for the October 2018 PDR process and to inform the next budget cycle.	Senior Leadership Board	Final Corporate Performance Framework to be completed and implemented	October 2018	Senior Leadership Board
3	A significant amount of work has been undertaken during 2017/18 in embedding Risk Management in the Authority. This includes regular reporting and dialogue at Audit and Governance Committee and Senior Leadership Board. There are however still certain services that are to fully embed risk management within their overall management processes.	Senior Leadership Board	Those services where improvement is required have been engaged via Senior Leadership Board and support and guidance is to be provided via the internal audit team. Certain projects within the framework for change programme are also to develop risk management arrangements as appropriate.	October 2018	Senior Leadership Board
4	A review of the council compliance with CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption is partially completed.	AGS Review	Work will continue to complete the review and a report will be submitted to SLB for their consideration and action.	October 2018	Senior Leadership Board/ Internal Audit



	Governance Issue	Source	Action to Address the issue	Timescale	Lead
5	A review of the Council's compliance with CIPFA's Audit Committees: Practical Guidance for Local Authorities (2013) [Note: soon to be superseded by the 2018 guidance] has not been undertaken.	AGS Review	An Action Plan for the completion of this has been developed and will be reported to Audit and Governance Committee in June 2018.	June 2018	Chief Internal Auditor and Chair of Audit & Governance Committee
6	A review of the Council's compliance with the Local Public Services Data Handling Guidance needs to be undertaken either by or in liaison with the Council's Senior Information Risk Owner (SIRO).	AGS Review	The Review will be scoped and then completed in accordance with an agreed action plan.	December 2018	SIRO
7	The Council should ensure that it has appropriate arrangements to update its constitution for key changes on at least an annual basis.	AGS Review	An annual update review will be introduced with a view to any material changes being in place for the start of each municipal year. In the event that key changes arise outside of this they will be reported as required through Audit and Governance Committee and Council.	Throughout 2018/19	Head of Regulation and Compliance



**6. Conclusion and Declaration**

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of the effectiveness and will monitor the implementation and operation as part of the next annual review.

**Signed on behalf of Sefton Council:**



31<sup>st</sup> July 2018

.....  
**Margaret Carney**

.....  
**Date**

**Chief Executive**



31<sup>st</sup> July 2018

.....  
**Councillor Ian Maher**

.....  
**Date**

**Leader of the Council**







## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEFTON METROPOLITAN BOROUGH COUNCIL

### Opinion

We have audited the financial statements of Sefton Metropolitan Borough Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement;
- Authority and Group Comprehensive Income and Expenditure Statement;
- Authority and Group Balance Sheet;
- Authority and Group Cash Flow Statement;
- The related notes to the financial statements 1 to 62, including the Expenditure and Funding Analysis; and
- The Collection Fund and related notes 1 to 7.

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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Sefton Metropolitan Borough Council and Group as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. 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 the Comptroller and Auditor General's (C&AG) AGN01, 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

## Other information

The other information comprises the information included in the annual report set out on pages 1 - 21, other than the financial statements and our auditor's report thereon. The Director of Corporate Resources is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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.

## Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

### Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Sefton Metropolitan Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- 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;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

### Responsibility of the Director of Corporate Resources

As explained more fully in the Statement of the Director of Corporate Resources Responsibilities set out on page 21, the Director of Corporate Resources 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 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Corporate Resources 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 the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure 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 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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether Sefton Metropolitan Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure 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 satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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.

## Certificate

We certify that we have completed the audit of the accounts of Sefton Metropolitan Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

## Use of our report

This report is made solely to the members of Sefton Metropolitan Borough Council, as a body in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. 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.



Hassan Rohimun (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Manchester  
31 July 2018

The maintenance and integrity of the Sefton Metropolitan Borough Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## 13 **GLOSSARY**

### **ACCOUNTABLE BODY**

Projects financed from Government / European resources in some instances require grant claims from recognised legal entities, especially when a partnership or voluntary organisation is involved. This accountable body (usually the local authority) is held responsible for the proper completion of grant claims, ensuring that appropriate financial systems are in place and to receive and distribute the grant.

### **ACCRUALS**

The concept that income and expenditure are recognised in the accounts as they are earned or incurred not as money is received or paid.

### **ACTUARIAL GAINS AND LOSSES**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- (i) Events have not coincided with the actuarial assumptions made for the last valuation (Asset and Liability Gains and Losses); or
- (ii) The actuarial assumptions have changed.

### **AMORTISATION**

The accounting technique of recognising a cost or item of income in the Income and Expenditure Account over a period of years rather than when the initial payment is made. Its purpose is to charge/credit the cost/income over the accounting periods that gain benefit for the respective item. The technique is supported by relevant accounting policies and practices.

### **AUTHORITY**

Another term used to refer to the Council.

### **BALANCES**

These represent accumulated monies of the Authority. Non-School General Fund balances may be utilised to reduce the amount to be met from Revenue Support Grant, NNDR and local taxpayers. School balances can be used by schools to finance future years' expenditure.

### **BEST VALUE**

The Local Government Act 1999 introduced the principle of Best Value and places a statutory duty on authorities to provide economy, efficiency and effectiveness in the provision of its services.

### **BUSINESS IMPROVEMENT DISTRICT**

Business Improvement Districts are business led partnerships which are created through a ballot process to deliver additional services to local businesses.

Business Improvement Districts cover a defined area in which a levy is charged on all business rate payers in addition to the business rates bill. This levy is used to develop projects which will benefit businesses in the local area.

### **CAPITAL CHARGES**

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

**CAPITAL EXPENDITURE**

Capital expenditure is the acquisition of a fixed asset or expenditure which adds to the value of the existing fixed asset (e.g. building of a school). It can be spent either directly by the local authority or indirectly in the form of grants to other persons or bodies.

**CAPITAL RECEIPTS**

The proceeds from the sale of capital assets which, subject to various limitations, can be used to finance Capital Expenditure or to repay leasing charges or outstanding debt on assets originally financed through loan. A proportion of capital receipts may need to be set aside to meet future liabilities.

**CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)**

CIPFA is the leading professional accountancy body for public services, which has responsibility for setting accounting standards in Local Government.

**CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN GREAT BRITAIN (THE CODE)**

The Statement of Accounts is produced in accordance with CIPFA's Code of Practice on Local Authority Accounting in Great Britain, which is updated annually. The Code specifies the principles and practices of accounting required to prepare a Statement of Accounts which "presents fairly" the financial position and transactions of a local authority.

**COMMUNITY ASSETS**

These are assets that the Authority intends to hold indefinitely, have no determinable useful life and may have restrictions on their disposal. Examples include parks and historic buildings.

**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.

**CONTINGENT LIABILITY**

A condition that exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. Where a material loss can be estimated with reasonable accuracy a contingent liability is accrued in the financial statements. If, however, a loss cannot be accurately estimated or the event is not considered sufficiently certain, it will be disclosed in a note to the balance sheet.

**COUNCIL TAX**

A property based tax levied on all domestic properties in the Borough. The banding (and resultant sums due) is based on independent assessed property values. The Council sets levels of Council Tax on an annual basis under relevant statutory provisions.

**CURRENT SERVICE COSTS (PENSIONS)**

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current year.

**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:

- (i) Termination of employees services earlier than expected, for example as a result of closing or discontinuing a segment of a business; and

- (ii) Termination of, or amendment to the terms of, a defined benefit scheme so that some or all of future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

### **DEFERRED CAPITAL RECEIPTS**

Deferred Capital Receipts are derived from the sale of Assets receivable over an agreed period of time, principally mortgages relating to the sale of Council houses.

### **DEFERRED CREDITS**

These represent capital income to be received in the future, when disposals have taken place, and deferred payments have been agreed e.g. the principal outstanding from the sale of Council houses.

### **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 or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a 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 or prior periods.

### **DEPRECIATED REPLACEMENT COST (DRC)**

A method of valuation that provides a recognised proxy for the market value of specialised properties.

### **DEPRECIATION**

The measure of the wearing out, consumption, or other reduction in the useful life of a fixed asset, whether arising from use, effluxion of time or obsolescence through technological or other changes.

### **DISCRETIONARY BENEFITS**

Retirement benefits that the employer has no legal, contractual or constructive obligation to award and which are awarded under the Authority's discretionary powers.

### **EARMARKED RESERVES**

Earmarked reserves are created by setting resources aside for future events or to equalise expenditure between years. Earmarked reserves do not affect service expenditure in the year of creation.

### **EMOLUMENTS**

Amounts paid to or receivable by an employee including expenses allowances chargeable to tax, and the estimated money value of any other benefits received by an employee other than in cash.

### **EVENTS AFTER THE BALANCE SHEET DATE**

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.



**EXISTING USE VALUE**

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion assuming that the buyer is granted vacant possession of all parts of the property and disregarding potential alternative uses and any other characteristics that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

**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.

**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 or use of the asset.

**FAIR FUNDING**

Under Section 48 of the School Standards Framework Act 1998, Local Education Authorities (LEAs) are required to have schemes dealing with the financing of schools. These govern the financial relationship between maintained schools and LEAs from the inception of the new funding framework on 1 April 1999

**FINANCE LEASE**

A lease that transfers substantially all the risks and rewards of ownership of a fixed asset to the lessee.

**FIXED ASSETS**

Assets that yield benefits to the Local Authority and the services it provides for a period of more than one year.

**GENERAL FUND**

This is the account where costs are charged for the year of the major functions for which the Authority is responsible (excluding the Collection Fund). Income to the Fund includes charges made by the Authority, specific Government and other grants and receipts from the Collection Fund.

**HERITAGE ASSETS**

Heritage assets are assets that are held by the Authority principally for their contribution to knowledge or culture.

**IMPAIRMENT**

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

**INFRASTRUCTURE ASSETS**

These include facilities to enable other developments to take place, including roads, street lighting and coastal defence works.

**INTANGIBLE FIXED ASSET**

"Non-financial" fixed assets that do not have physical substance but are identifiable and are controlled by the Authority through custody or legal rights. Purchased intangibles (e.g. software licences) are capitalised at cost, whilst internally developed intangibles are only capitalised where there is a readily ascertainable market value for them.

**INTEREST COST (PENSIONS)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

**INVENTORIES**

Amounts of unused or unconsumed stocks held in expectation of future use. Inventories are comprised of the following categories:

- Goods or other assets purchased for resale
- Consumable stores
- Raw materials and components
- Products and services in intermediate stages of completion
- Finished goods

**LIQUID RESOURCES**

Current asset investments that are readily disposable by the authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount or traded in an active market.

**LOCAL MANAGEMENT OF SCHOOLS (FAIR FUNDING)**

The Authority is required to delegate responsibility for the management of a large proportion of its Nursery, Primary, Secondary and Special School budgets to schools. Individual schools are allocated a share of the budget through a formula mechanism, which distributes funds primarily on the basis of age weighted pupil numbers.

**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.

**MARKET VALUE**

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

**NATIONAL NON-DOMESTIC RATES (NNDR)**

These are often referred to as Business Rates, and are a levy on business properties based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines that national rate poundage. Local Authorities collect the sums due, but the proceeds are split, with 1% paid to the Merseyside Fire and Rescue Authority and 99% retained by the Council.

**NET BOOK VALUE**

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amount 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 its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

**NET REALISEABLE VALUE**

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

**NON-OPERATIONAL ASSETS**

These are assets, which are held by the authority but not directly occupied, used or consumed in the delivery of services. Examples include assets that are surplus to requirements, pending sale or redevelopment.

**OPERATING LEASES**

In an operating lease, the ownership of the asset remains with the leasing company and the annual rent is charged to the annual service account. Expenditure financed by operating leases does not count against capital allocations.

**OPERATIONAL ASSETS**

These are assets that are held and occupied, used or consumed in the direct delivery of services for which the Authority is responsible.

**PAST SERVICE COST / GAIN**

For a defined benefit scheme, the increase or reduction in the present value of the scheme liabilities related to employees service in prior periods arising in the current period as a result of the revision of scheme benefits.

**PAYABLES**

Amounts owed by the Authority for goods and services provided for which payment has not been made by the end of the financial year.

**POOLED BUDGET**

Arrangement permissible under the Health Act 1999 and National Health Service Act 2006 that provides an opportunity for partners to bring money together, in a discrete fund, to pay for the services that are an agreed part of the pooled fund arrangement for the client group who are to benefit from one or all of the services. Instead of users being inconvenienced by disputes about Health and Local Authority responsibilities, organisations will agree at the outset the range of Health and Local Government services to be purchased and provided from a pooled fund.

**PRECEPT**

This is a charge issued by the Merseyside Police and Crime Commissioner, Merseyside Fire and Rescue Authority (and Parish Councils where appropriate), which is collected by the Council on their behalf by adding the precept to its own Council Tax.

**PRIOR YEAR ADJUSTMENTS**

Those material adjustments applicable to prior years arising from changes in accounting policies and from the correction of fundamental errors. They do not include normal recurring corrections and adjustments of accounting estimates made in prior years.

**PROVISIONS**

Provisions represent sums set aside for liabilities or losses, which are certain to arise but, owing to their inherent nature, cannot be quantified with any certainty.

**PUBLIC WORKS LOANS BOARD (PWLB)**

An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities.

**RECEIVABLES**

Sums of money due to the Authority but not received by the end of the financial year.

**RELATED PARTY TRANSACTION**

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. Related party transactions include the provision of services to a related party.

The materiality of related party transactions should be judged not only in terms of their significance to the authority, 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 (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

**RESERVES**

A reserve is an amount, which has been set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. Reserves include earmarked reserves set aside for specific policy purposes and balances that represent resources set aside for purposes such as general contingencies and cash flow management.

**RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the 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.

**REVENUE SUPPORT GRANT**

This is a Government grant in aid of Local Authority services generally. It is based on the Government's assessment of how much an authority needs to spend in order to provide a standard level of service.

**REVENUE EXPENDITURE**

This is money spent on the day-to-day running costs of providing services (e.g. salary costs). It is usually of a constantly recurring nature and produces no permanent asset.

**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.

**SECTION 52 / 106 AGREEMENTS**

The Council is able to restrict or regulate the development or use of land by requiring that a developer deposit funds with the Authority when granting planning permission. The funds are either used directly by the Authority to undertake work, such as providing access from the existing highway to a new development, or held as a deposit which is refundable to the developer when the conditions attached to the planning permission, such as landscaping work, are complied with. The statutory basis for such agreements is currently contained within Section 106 of the 1990 Town and Country Planning Act and previously, within Section 52 of the 1971 Town and Country Planning Act.

**SET ASIDE CAPITAL RECEIPTS**

These are receipts that have to be reserved under the Local Government and Housing Act 1989 and can only be used to repay external debt or in substitution for new external borrowing.

**SETTLEMENT**

An irrevocable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlement includes the transfer of scheme assets and liabilities relating to a group of employees leaving the Authority's scheme.

**SPECIFIC GOVERNMENT GRANTS**

These are designed to aid particular services or reimburse the costs of payments made to claimants. Examples of specific grants include Dedicated Schools Grant, Standards Fund and Housing and Council Tax Benefit Subsidy. Assistance may also be given in aid of specific capital expenditure, e.g. Housing Market Renewal Grant and Stronger Safer Communities Fund.

**STATUTORY PROVISION FOR THE FINANCING OF CAPITAL INVESTMENT**

This is the amount required to be set aside from revenue for the repayment of external loans. It is calculated in accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 [SI 2008/414], in conjunction with the DCLG guidance on the minimum revenue provision (published in February 2012).

**TREASURY MANAGEMENT**

This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

**TRUST FUNDS**

These are funds administered by the Council on behalf of charitable organisations and/or specific organisations.

**USABLE CAPITAL RECEIPTS**

These are receipts which, after allowing for the proportion to be set aside, may be used to finance capital expenditure.

**USEFUL LIFE**

The period over which the Local Authority will derive benefits from the use of a fixed asset.

## 14 **ABBREVIATIONS**

ASHE	Annual Survey of Hours and Earnings
BID	Business Improvement District
CAA	Capital Adjustment Account
CCG	Clinical Commissioning Group
CERMS	Continuous Emission Rate Monitoring System
CFR	Capital Financing Requirement
CIES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
CRC	Carbon Reduction Commitment
CVS	Council for Voluntary Service
DRC	Depreciated Replacement Cost
DSG	Dedicated Schools Grant
EFA	Expenditure and Funding Analysis
GDPR	General Data Protection Regulation
HR	Human Resources
HRA	Housing Revenue Account
IAS	International Accounting Standards
ICT	Information and Communication Technology
ICO	Information Commissioner's Office
IBCF	Improved Better Care Fund
IFRS	International Financial Reporting Standard
IMD	Index of Multiple Deprivation
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LCHT	Liverpool Community Health Trust
LEA	Local Education Authority
LGPS	Local Government Pension Scheme
LSOA	Lower Layer Super Output Area
MBC	Metropolitan Borough Council
MHCLG	Ministry of Housing, Communities and Local Government
MMI	Municipal Mutual Insurance Limited

MPF	Merseyside Pension Fund
MRICS	Member of the Royal Institution of Chartered Surveyors
NHS	National Health Service
NNDR	National Non-Domestic Rates
PFI	Private Finance Initiative
PP&E	Property, Plant and Equipment
PSR	Public Sector Reform
PWLB	Public Works and Loans Board
REFCUS	Revenue Expenditure Funded from Capital Under Statute
RPI	Retail Price Index
SCIG	Strategic Capital Investment Group
SI	Strategic Investment
SO	Savings Options
SOLACE	Society of Local Authority Chief Executives
TPS	Teachers' Pension Scheme
UK	United Kingdom
VAT	Value Added Tax
VOA	Valuation Office Agency

## 15 **USEFUL ADDRESSES**

Additional financial information on Sefton MBC and related organisations is usually available at libraries throughout the Borough and on our website ([www.sefton.gov.uk](http://www.sefton.gov.uk)). Further copies are also available upon request to the following addresses.

### **Sefton Council**

Head of Corporate Resources,  
Magdalen House  
30 Trinity Road  
Bootle  
L20 3NJ

### **Sefton New Directions**

Sefton New Directions Limited Annual Financial Statements can be obtained from:

Sefton New Directions Limited Head Office,  
Third Floor,  
The Investment Centre,  
375 Stanley Road,  
Bootle,  
Merseyside,  
United Kingdom  
L20 3EF

### **Pension Fund Information**

The Merseyside Pension Fund's Annual Report can be obtained from:

The Pension Manager  
Merseyside Pension Fund,  
PO Box 120,  
7<sup>th</sup> Floor,  
Castle Chambers,  
43 Castle Street,  
Liverpool  
L69 2NW

## **CONTACT US**

If you have any questions or comments on the Statement of Accounts please write to the Head of Corporate Resources at the above address. We would particularly like to hear from you if you have any suggestions on how the accounts could be improved.



