Sefton Council

STATEMENT OF ACCOUNTS 2018/2019

As approved by the Audit and Governance Committee on 24 July 2019

Contents

1 NARRATIVE REPORT

Introduction

Sefton is a Metropolitan Borough Council, providing the full range of local authority services to the residents of Sefton. These services include planning, licensing, street cleansing, highways maintenance, and refuse collection, as well as safeguarding vulnerable children and helping older people retain their independence.

Located on the west coast of England between Liverpool in the south and Lancashire in the north / northwest, 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 275,000 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 must ensure that the local taxpayers are receiving "value for money" by delivering high quality outcomes.

The Council has continued to face significant financial challenges in 2018/2019. As a result of the Government’s austerity program, the Council’s core grant funding has been reduced year on year since 2010/2011. By 2019/2020 core Government grant funding will have reduced by more than 50%. The Council has also seen a rise in demand for statutory services, in particular social care services provided to vulnerable adults and children.

In 2017, the Council agreed a three-year medium-term financial plan covering the period from 2017/2018 to 2019/2020. This plan identified the need to make a further £64 million of savings over this period, on top of the £169 million of savings that had already been made since 2010/2011. The impact of these savings requirements has required a radical change to the way that the Council operates and provides services. To facilitate this change, the Council undertook a major consultation exercise in 2016 to identify the areas that local residents thought the Council should prioritise for use of its resources (Sefton 2030 Vision and Council Core Purpose). The outcome of this consultation is summarised later in this document.

In order to facilitate the changes required to meet the Council’s future priorities, we have developed a Framework for Change program. This program covers four main strands, Economic Growth, Public Sector Reform, Service and Corporate Savings Options, and Strategic Investment. An overview of Framework for Change is also provided later in this document.

The Council has taken further steps to identify areas where it could improve its performance by inviting the Local Government Association to undertake an independent peer group review. In September 2018, a six-strong team of expert local government officers and councillors, spent four days talking to over 140 staff, councillors of all parties, and public and private partners. The favourable outcome of this review was accepted by the Council and all recommendations are in the process of being implemented

There is a great deal of uncertainty about the Council’s future funding beyond 2019/2020. The outcome of the Governments Spending Review in Autumn 2019, the Fair Funding Review, and the review of business rate retention could have a negative impact on the Council’s funding in 2020/2021 and beyond. Our initial forecasts estimate that further cuts of £15 million will be required in 2020/2021. This forecast does not include the potential outcome of BREXIT which is likely to impact on all aspects of the economy.

As a result of the cuts in grant funding and the localisation of business rates, local authorities are having to become more reliant on local sources of income such as Council Tax, Business Rates, and Commercial Investment income. Sefton has taken steps to improve its commercial investment income by investing in the purchase of the Strand Shopping Centre in Bootle, as well as setting up a housing company to develop housing on parcels of land already owned by the Council. We are also participating in the Liverpool City Region Business Rates Pilot scheme which has delivered £2.3 million of additional income in 2018/2019.

The Council continues to review and strengthen its Governance arrangements. A copy of the Council's Annual Governance Statement is published as part of these accounts.

During 2018/19 the Council has also reviewed its senior management structure and has reduced the number of Service Department Heads from 13 to 11 in 2018/2019. This change will streamline the senior management team in-line with changes to departmental responsibilities and reduce the pay bill in future years.

An overview of Sefton Council

Sefton Councillors in 2018/2019

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 2019 is identified below: -

Labour	43
Liberal Democrats	12
Conservative	6
Independent	5

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.

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.

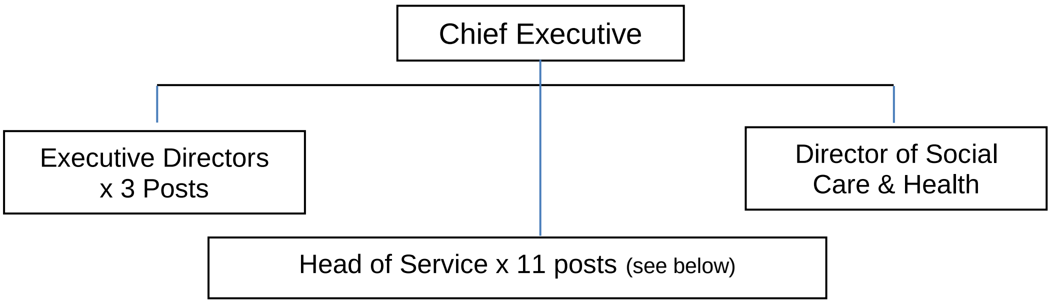
There is also the opportunity for the public to ask questions or submit petitions directly to the Council.

The Leader of the Labour Group, Councillor 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. A review of management responsibilities was undertaken during 2018/19 and a revised structure was implemented in January 2019.

The managers below form the Strategic Leadership Board.



(1) Adult Social Care, (2) Children's Social Care, (3) Commercial Development, (4) Communities, (5) Corporate Resources, (6) Economic Growth and Housing, (7) Education Excellence, (8) Health and Wellbeing, (9) Highways and Public Protection, (10) Locality Services, and (11) Strategic Support.

The number of Heads of Service has reduced from 13 to 11 in 2018/2019. One of the three current Executive Director posts is only for a time limited period.

Other Employees

At the end of 2018/2019 the Council employed 2,696 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%.

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.

Governance / VFM / Risk

The Council is required to review its governance arrangements on an annual basis, along with its arrangements for achieving economy, efficiency and effectiveness, and ensuring it is identifying and managing risk effectively.

The annual review has been undertaken and the outcome of that review is reported in the annual governance statement (AGS) which is published as part of the statement of accounts. A copy of the AGS can be found in section 11 of this document.

LGA Peer Group Review 2018

In September 2018, a six-strong team of expert local government officers and councillors were invited in by the council and spent four days talking to over 140 staff, councillors of all parties, and public and private partners.

The peer review team considered five core themes; understanding local context and priority setting, leadership of place, financial planning and viability, organisational leadership and governance and capacity to deliver.

Throughout the review, they commented on how impressed they were by the energy, commitment and appetite for change held by the workforce which they felt put the council in a strong position to continue its transformation journey and effectively play its role in achieving the Sefton 2030 vision.

Their independent findings also praised the council for listening to and serving its communities well through a challenging period of austerity, and highlighted the council's knowledge of Sefton.

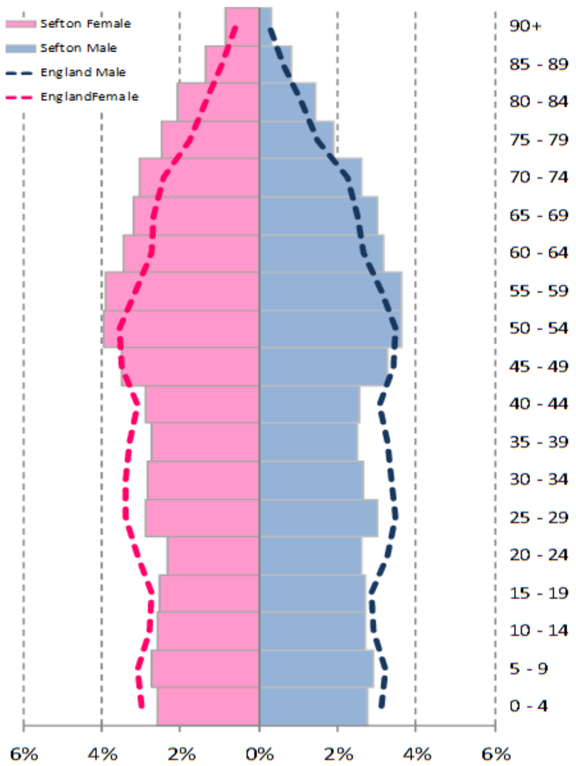
They recognised Sefton's combined strong political and managerial leadership as a key driver of success in managing a 51% reduction in grant funding through effective budget planning.

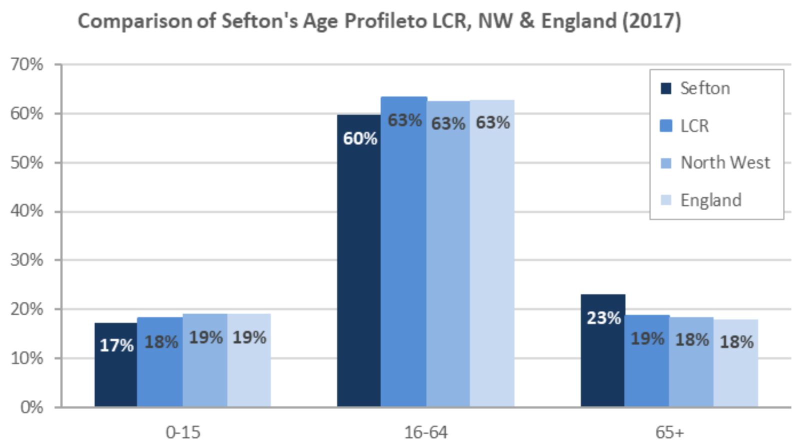
In a full feedback report, the peer review team suggested some areas of improvement for the council to consider going forward, including prioritising the refresh of the core purpose, accelerating work on a local economic growth strategy and clearer parameters around commercialisation.

The Council's Cabinet agreed that their recommendations be accepted, and authorised officers to develop an associated action plan; this plan was agreed by Cabinet in January 2019.

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 2017 indicated that Sefton's total population was 274,589. 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.





At 23%, Sefton has the 7th highest proportion of over 65's across the 39 North West local authorities and is the 5th highest amongst it 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 (including Sefton). The proportion is higher than those seen across both the North West and England 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% of the overall population, again higher than the regional and national proportions of 2%. Sefton has the 4th highest proportion of 85 and overs when compared to its comparator authorities.

The number of residents over 65 is projected to increase steadily between 2016 and 2041. For males, the increase is projected to be 41% (27,300 to 38,600) and an increase for females of 31% (35,300 to 46,300). This means an overall 65+ population increase of 36% rising from 62,600 in 2016 to 85,000 by 2037.

Greatest increases are amongst those aged 85 and above with and overall increase of 88% (8,900 to 16,700). The male over 85 population rising by almost 127% (3,000 to 6,800) between 2016 and 2041. For females, the increase is projected to be 66% (5,900 to 9,800).

The rate of increase in the over 65 population of 36% compared to overall population increases of just 4% means that by 2037 approximately one in three Sefton residents will be age 65 or over.

Projected reductions in working age population (16 to 64 year olds) of 7% 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 30% by 2041, compared to 23% in 2016.

Source: Mid-Year Population Estimates 2017

Performance information

Core Funding

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 2020/2021. 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 entered into an agreement with the MHCLG to pilot 100% business rates retention from 2017/2018 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.

Council Tax: From 2016/2017, 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 2017/2018 allowing the adult social care levy to be increased to 3% in 2017/2018 and 2018/2019 provided that the amount raised by the levy did not exceed 6% over the three-year period from 2017/2018 to 2019/2020. Sefton Council utilised this flexibility in both 2017/2018 and 2018/2019.

Government Grant Funding: The Government's Austerity programme has resulted in significant reductions in core grant funding. The level of Sefton's Core Grant funding will have reduced by more than 50% between 2010/2011 and 2019/2020. During 2018/2019, Sefton's core grant funding including Settlement Funding Assessment, New Homes Bonus, Improved Better Care Fund, and Adult Social Care Support Grant was reduced by £4.5 million (4.5%).

Future Funding: In October 2016, the Council accepted the Government's four-year funding offer that guaranteed the level of Revenue Support Grant until 2019/2020. Since then the Chancellor has set out the total public spending envelope for years beyond 2020 in his budget statement in October 2018. A full departmental Spending Review is expected to be published in Autumn 2019 which will set out the spending allocations across all government departments. The Government also intend to replace the current local government funding model from 2020/2021 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 2020/2021 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.

<u>Latest available key data on the Sefton economy</u>

- The unemployment rate in Sefton in between October 2017 and September 2018 was 3.6%, the fourteenth lowest rate across the North West and lower than the regional and national average (4.1% and 4.2% respectively). Compared to the previous year the number of unemployed people in Sefton has reduced and is currently at the lowest level since available records began in 2004. Within Sefton, levels of unemployment vary, with south Sefton (Bootle Constituency) having a rate of 4.3%, considerably higher than elsewhere in Sefton;
- The economic activity rate in Sefton is 75.5%, slightly lower that the 78.5% seen across Great Britain
- There are currently 127,800 Sefton residents in employment (73.3% employment rate).
- In 2018, the average full-time earnings for Sefton residents is £550 per week, or £28,615 per annum, 3.8% lower than the Great British average.
- The National Living Wage increased to £8.21 per hour in April 2019 for over-25s only.
- 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 LOSA 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 October 2017 to September 2018, ASHE data 2018, IMD 2010/15

Social Care

Sefton’s Adult Social Care dealt with over 24,000 contacts during 2017/2018, 49% of these related to new clients.

At some stage during 2017/2018 Adult Social Care supported approximately 5,715 clients in long-term residential, nursing, or community settings.

Information or advice, or direct / indirect support services were provided to approximately 1,540 carers by Sefton’s Adult Social Care during 2017/2018

Within Sefton, 774 older person service users (aged 65+) per 100,000 population, were admitted to rest or nursing home placements in 2017/2018 compared to 738 per 100,000 regionally

During 2017/2018 there were 3,501 episodes of Children in Need, which was 654 per 10,000 population compared with a national average of 635 per 10,000 population. Sefton episodes related to a total of 3,318 children. In the same time period 310 children became subject to a Child Protection Plan which was 58 per 10,000 population which mirrored the national figure. With 635 children recorded as Looked After during 2017/2018

The Sefton Turnaround (Phase 2) programme runs between 2015 and 2020. Sefton currently has a target 2,130. As of Jan 2019, 1065, families have now been turned around, were "turned around" meaning they either gained employment, school attendance improved, or crime / anti-social behaviour was reduced (or any combination of the three). The programme has six eligibility criteria, child in need of help, school attendance, claiming out of work benefits, crime / anti-social behaviour, domestic violence and health.

Sources: ASCOF - Pages 1C(1A) - 1G - 2A(2), SALT ASCFR Activity and reference, LCS Child Record / CiN Census SFR61-2017 / SSDA903 Return SFR50 – 2017, Turnaround Families Database

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, Royal Birkdale regularly hosts The Open while 2019 will see The British Masters hosted at Hillside Golf club. 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 has entered into a partnership agreement with Agilisys Ltd for the provision of IT services to the Council. This five-year agreement means that the Council has made savings on the annual costs of ICT services, and it will also allow the Council to benefit from the innovation and best practice which Agilisys has implemented for other local authorities.

Sefton Council has implemented an ambitious ICT Transformation Programme, which has seen 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 a number of systems and data to cloud hosting. This programme has supported the Council's plans for agile working, and the reduction and rationalisation of the Council's office accommodation.

Councillors are being issued with new mobile devices and technology which allows them to conduct their duties more efficiently by granting access to key information and electronic communication with citizens whilst on the move. This has resulted in a reduction in the use of paper and printing for Council meeting documentation.

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 18,000 followers. Work continues to increase the number of online transactional services, to enable self-service on a variety of services 24 hours a day.

Financial Overview

Revenue Budget Process / Council Tax

The ongoing Government austerity programme means that further significant budget reductions (£64.408m) were required through 2017/2018 into 2019/2020. The Council agreed that identifying budget reductions over all three years (rather than just considering each year in isolation), would be the most effective way of planning / implementing the required savings. Specific options to contribute to the budget shortfall in 2018/2019 were identified, including a 5.99% 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 2018/2019 were achieved by March 2019. In addition, the Council experienced significant budget pressures in some service areas, particularly Adult's and Children's Social Care, Home to School Transport and Locality Services. However, the Council did identify underspending in other areas as well as implementing various mitigating actions during the year. This has enabled the outturn position to be an underspend of £0.330m.

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 £233m savings Sefton will have faced to March 2020. 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.

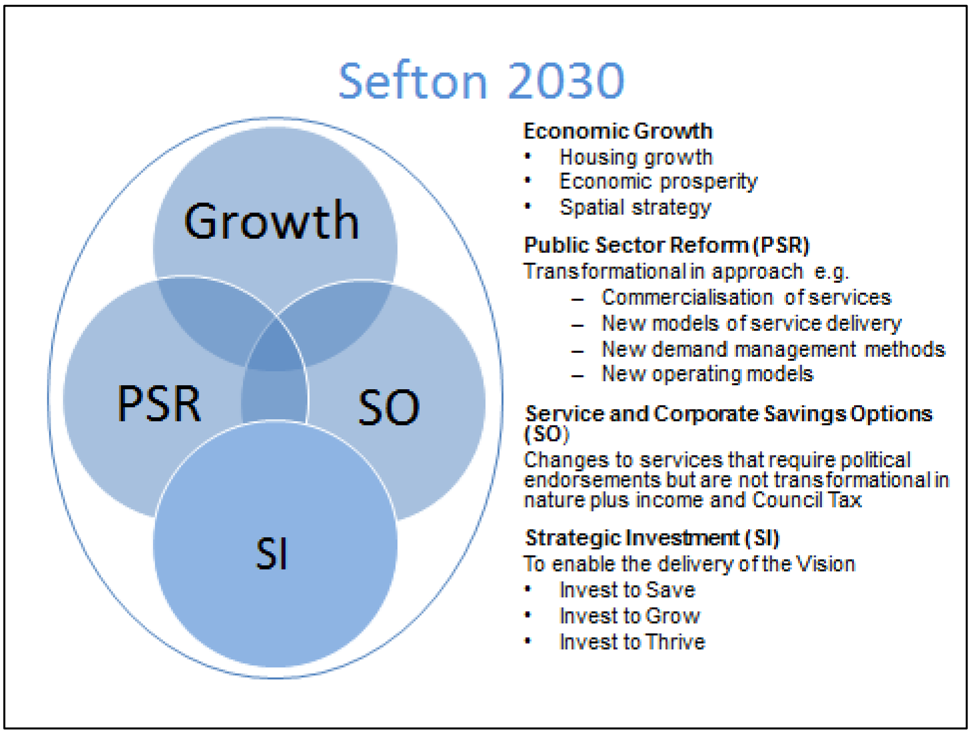
The 2017/2018 to 2019/2020 period represent the eighth to tenth successive years of budget reductions for Sefton Council and has required more challenging solutions to achieve a balanced budget for 2018/2019 and the final year of the three-year financial plan.

Delivering a further £64m savings on top of the £169m achieved to March 2017 has had 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 2018/2019

<u>Non-School General Fund Net Expenditure</u>

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 1 March 2018, the Council approved a revenue budget for 2018/2019 of £223.305m, which included £1.026m 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 2018. As a result of an underspend of £1.923m in 2017/2018 the anticipated year-end balances position was revised to £9.132m. The 2018/2019 Budget assumed no use of general balances. However, Cabinet on 26 July 2018 approved that the underspend from 2017/2018 would be held to support the budget in 2018/2019 in light of the significant pressures being experienced by some services. Therefore, anticipated balances as at 31 March 2019 were forecast to be £7.209m.

Overall, actual expenditure for 2018/2019 on General Fund services (excluding Schools' delegated expenditure) was £0.330m lower than the Base Estimates. This has reduced General Fund Balances by £1.593m rather than the £1.923m reduction assumed.

The Authority's reported Non-School General Fund balances at 31 March 2019 are therefore £7.539m as shown in the following table:

Non-School General Fund Balances	**£m**	**£m**
Actual Non-School General Fund Balances at 31 March 2018		-9.132
Less underspend in comparison to the 2018/2019 Base Estimate:		
- Assumed Use of Balances 2018/2019	1.923	
- Underspend in 2018/2019	-0.330	
Actual Reduction in Balances in 2018/2019		1.593
Actual Non-School General Fund Balances at 31 March 2019		**-7.539**

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

Net Revenue Expenditure	**Budget**	**Net Expenditure Chargeable to General Fund Balances (per EFA)**	**Adjustments for Depreciation**	**Adjustments for Internal Recharges / Earmarked Reserves**	**Actual Expenditure Chargeable against Budget**	**Variance**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Services						
Strategic Management	3.049	0.964	-	2.085	3.049	0.000
Strategic Support Unit	3.026	3.272	-	-0.259	3.013	-0.013
Adult Social Care	95.397	89.514	0.476	5.920	95.910	0.513
Children's Social Care	28.137	31.969	0.036	1.438	33.443	5.306
Communities	8.055	6.332	0.761	0.644	7.737	-0.318
Corporate Support	5.634	23.876	0.606	-19.445	5.037	-0.597
Health and Wellbeing	22.509	18.011	1.634	2.150	21.795	-0.714
Inward Investment & Employment	2.447	2.626	0.479	-0.105	3.000	0.553
Locality Services - Commissioned	20.044	12.126	4.049	4.042	20.217	0.173
Locality Services - Provision	10.533	8.548	1.350	1.347	11.245	0.712
Regeneration and Housing	4.666	2.970	0.018	1.038	4.026	-0.640
Regulation and Compliance	3.779	2.752	0.044	1.092	3.888	0.109
Schools and Families	22.760	18.844	3.900	1.426	24.170	1.410
Schools – DSG Funded	0	0.111	-	-0.111	0.000	0.000
Other Services	3.189	2.425	-	0.746	3.171	-0.018
Total Service Net Expenditure	**233.225**	**224.340**	**13.353**	**2.008**	**239.701**	**6.476**
Reversal of Capital Charges	-13.353	-	-13.353	-	-13.353	-
Corporate Items	3.354	1.766	-	-1.419	0.347	-3.007
Levies	33.255	33.255	-	-	33.255	-
Parish Precepts	1.026	1.026	-	-	1.026	-
Total Net Expenditure	**257.507**	**260.387**	**0.000**	**0.589**	**260.976**	**3.469**
Financed by:						
Council Tax Payers	-128.232	-128.232	-	-	-128.232	-
Business Rates Top-Up	-24.653	-24.653	-	-	-24.653	-
Retained Business Rates	-70.420	-70.420	-	-	-70.420	-
General Government Grants	-34.202	-37.578	-	1.500	-36.078	-1.876
Total Financing	**-257.507**	**-260.883**	**0.000**	**1.500**	**-259.383**	**-1.876**
Amount Funded from / contributed to (-) General Balances	**0.000**	**-0.496**	**0.000**	**2.089**	**1.593**	**1.593**

Note: The total of the figures shown above for Other Services and Corporate Items are categorised differently in the Expenditure & Funding Analysis (total of Corporate Unallocated Costs and Financing and Investment Income & Expenditure

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 and libraries and arts.

- Locality Services – Commissioned – Commissioning services for the management & maintenance of the Council's road, parks, 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 four key areas:

Children's Social Care: The overspend of £5.306m relates to increased demand for Children's social care services. In line with all other local authorities, the number of looked after children has increased throughout the year resulting in significantly higher costs.

Schools and Families: The overspend of £1.410m mainly relates to increased demand for Home to School Transport.

Corporate Items: A variance of -£3.007m mainly due to a review of Council Earmarked Reserves and other one-off items and mitigating actions implemented to support the budget pressures within services.

General Government Grants: A variance of -£1.826m mainly due to additional Business Rates grants being received from the Government to offset reliefs applied.

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 overspent by £1.815m in 2018/2019. This comprised an overspend of £2.134m across Individual Schools' delegated budgets, and an increase in the level of DSG school funds held by the Local Authority during 2018/2019 in respect of the Supply Teachers scheme (£0.319m). Movements in Schools' balances during 2018/2019 can be summarised as follows:

Schools' Balances	**£m**
Schools' balances as at 1 April 2018	-15.411
Overspend on Schools' Delegated Budgets	1.815
Schools' balances at 31 March 2019	-13.596

The Council also holds some Centrally Retained DSG reserves, separate to its Maintained Schools balances. These are respect of Schools' Central Support services; Early Years (non-schools) provision and High Needs (non-schools) provision. The net opening balance of these reserves, as at 1 April 2018 was a surplus of £0.515m, however during 2018/19, there were some significant under and overspending areas, which net, have resulted in an overspending of £0.745m. This has therefore taken the level of reserves into a deficit position of £0.230m at 31 March 2019 for the first time.

Centrally Retained DSG Balances	1 April 2018 £m	Movement 2018/2019 £m	31 March 2019 £m
Schools Block	-0.224	-0.151	-0.375
Early Years Block	-1.656	-1.382	-3.038
High Needs Block	1.365	2.278	3.643
	-0.515	0.745	0.230

Under recent DfE regulations, operating from 2018/2019, Local Authorities may carry forward up to 1% of their total DSG funding (including Academy schools) as a deficit balance. Once this threshold is exceeded however in any one year, the Local Authority are obliged to provide the DfE, and Schools Forum, with a detailed plan of action, to bring the level of deficit under control and below the threshold towards a break-even position, as soon as possible. This plan may be agreed over a three-year period, or may be extended by agreement with the DfE, and will be periodically reviewed. The DfE have vowed to support Local Authorities to better understand the reasons for overspending, and to help them move towards a balanced position.

In 2018/2019, the Council has not reached the 1% threshold level (£2.027m), and so will not need to provide a report. However, with High Needs overspending in excess of £2m anticipated in 2019/2020, this threshold may well be reached by the end of the year, and plans will need to be made to reduce spending in this area in 2019/2020, if this requirement is to be avoided.

Capital Strategy / Programme 2018/2019

The Capital Programme Capital Allocation 2018/2019 report was approved by Council on 1 March 2018. 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 two 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 form 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 2018/2019 report highlighted Government grant funding of £2.419m for schools and £3.596m for transport, giving a total fund of £6.015m. Of the £2.419m for schools, £0.411m was ring-fenced Devolved Formula Capital Grant, £0.166m High Need Special Educational Needs and Disability Grant and £1.842m Capital Maintenance Grant. £1.448m of the balance of the school grant was required for previously approved schemes and the remaining balance of £0.560m was pre-allocated to new school schemes. Of the £3.596m for transport, £0.998m was the Local Integrated Transport Block Grant, £2.298m was the Highway Maintenance Block Grant and £0.300m was the Additional Key Route Network Allocation. £0.383m of the balance of resources was required for previous approvals and the remaining balance of £3.213m was pre-allocated to agreed transport schemes. No further funding was available to be allocated to schemes via the single capital pot bidding process.

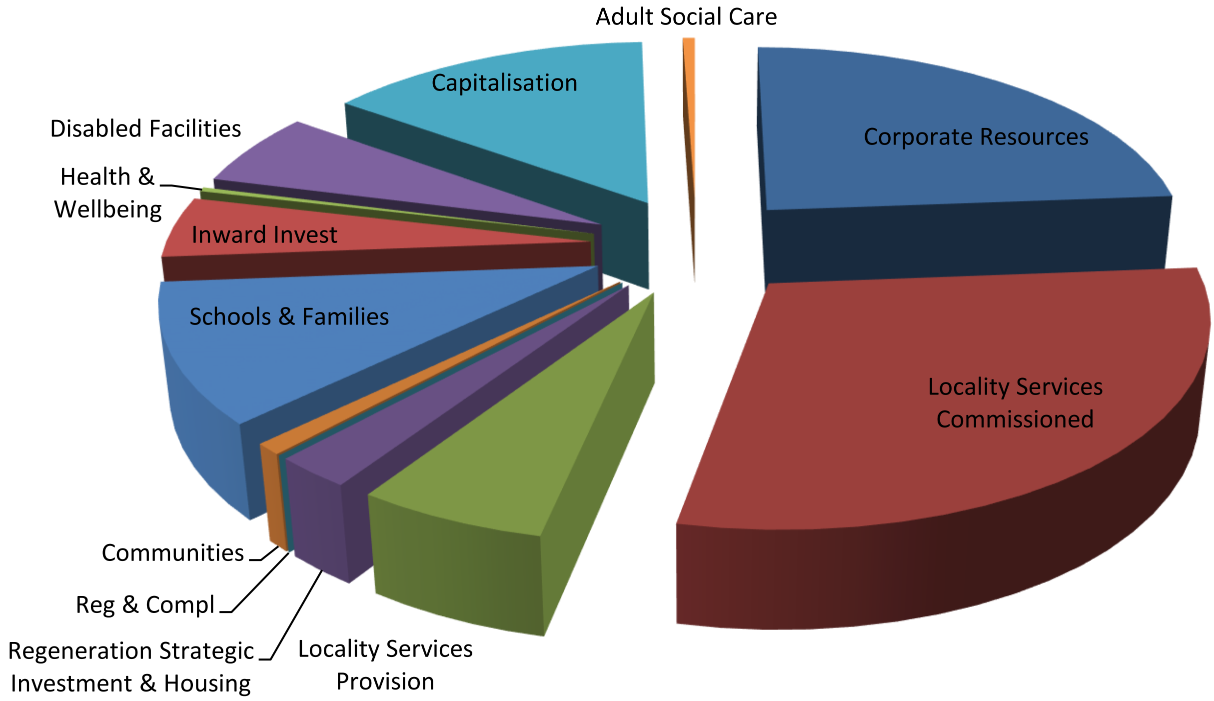
Capital Expenditure in 2018/2019

In 2018/2019 the Authority spent £23.019m on capital projects. Examples of some of the major areas of spend include expenditure on, Public Sector Reform ICT Transformation (£3.214m), Highways Carriageway maintenance (£2.365m), Liverpool City Region M58 and A565 projects (£1.416m), Disabled Facilities Grant (£1.383m), Vehicle Replacement Scheme (£1.388m) and Southport Pier Refurbishment (£1.123m).

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

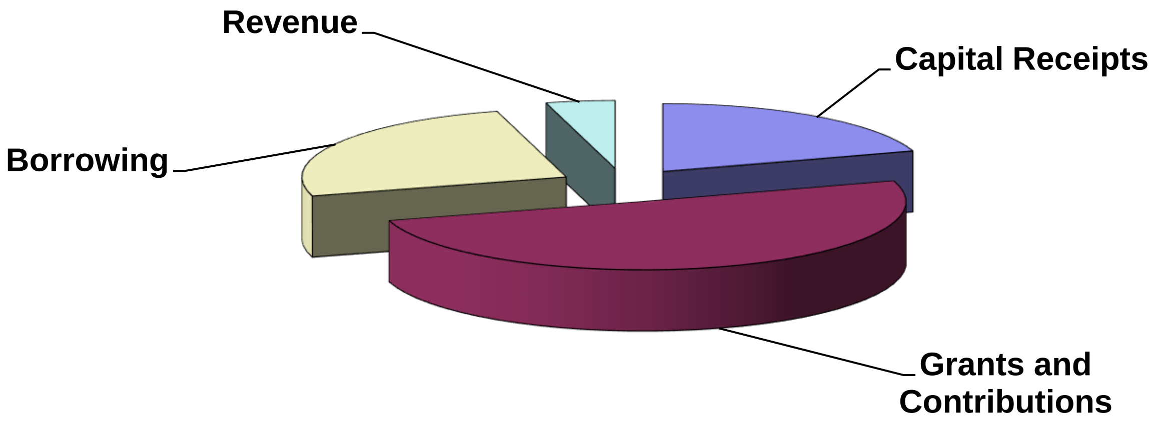
Sefton's Capital Expenditure for 2018/2019

Service	£m	%
Locality Services - Commissioned	6.789	29
Regeneration, Strategic Investment & Housing	0.578	3
Schools & Families	2.543	11
Health & Wellbeing	0.078	0
Communities	0.205	1
Locality Services – Provision	1.393	6
Corporate Resources	5.474	24
Adult Social Care	0.124	1
Inward Investment & Employment	1.123	5
Disabled Facilities Grant	1.383	6
Capitalisation	3.329	14
	23.019	100



Financing of Sefton's 2018/2019 Capital Expenditure

Source of Finance	£m	%
Capital Receipts	4.625	20
Grants and Contributions	11.599	51
Revenue	0.971	4
Prudential Borrowing	5.824	25
	23.019	100



Total capital expenditure consists of additions to fixed assets of £20.626m (Property, Plant and Equipment - £20.600m, Investment Properties - £0.026m,) and revenue expenditure funded from capital under statute of £2.393m.

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 16 July 2019.

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

(a) Comprehensive Income and Expenditure Statement (page 25)

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 27)

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 29 - 30)

The Balance Sheet shows the value as at 31 March 2019 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 31)

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 33 - 34)

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 35 - 114)

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 115 - 118)

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 119 – 132)

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. During 2018/2019 Sefton (ACS) Development Company Limited, a company limited by shares and wholly owned by Sefton MBC, was incorporated. However, the activities of the company were not considered material enough in 2018/2019 to require them to be included in the Group Accounts (see page 119 for more details).

(i) Annual Governance Statement (pages 133 - 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 2018/2019 (the Code).

The following accounting policies have been amended in 2018/19:

Accruals of Income and Expenditure (Note 63 / Accounting Policy b / Page 101)

The accounting policy for Accruals of Income and Expenditure has been amended as a result of changes to the Code of Practice introduced by the adoption of IFRS 15 '*Revenue from Contracts with Customers'*. IFRS15 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 so the impact of the change in accounting policy has been negligible.

Financial instruments (Note 63 / Accounting Policy j / Page 105)

The accounting policy for Financial instruments has been amended as a result of changes to the Code of Practice introduced by the adoption of IFRS 9 '*Financial Instruments'*.

IFRS 9 introduces fundamental changes to the classification of financial assets. Under previous editions of the Code, there were three classes for financial assets: (1) Loans and Receivables, (2) Fair value through profit or loss, and (3) available for sale. Under IFRS 9 Financial Instruments are now classed as either (1) amortised cost, (2) fair value through other Comprehensive Income, or (3) fair value through profit & loss. The default position is that financial assets are carried at their fair value and that movements in fair value will be accounted for as income or expenditure as they arise (i.e. fair value through profit or loss)

The Code requires authorities to apply IFRS 9 retrospectively, however, this is subject to some concessions, the most important of which mean that there should be no restatement of preceding year information. Consequently, where financial instruments have been reclassified and remeasured, adjustments will be calculated with retrospection, but the adjustments are only accounted for at 1 April 2018.

Designated to fair value through profit and loss and statutory override

The Council holds a £5m pooled investment in a property fund. As a result of the change in accounting standards for 2018/2019, under IFRS 9, this investment has been reclassified as Fair Value through Profit and Loss. To avoid any impact on the General Fund balance, the Ministry of Housing, Communities and Local Government have agreed a temporary override to allow English Local Authorities time to adjust their portfolio of all pooled investments. This override commences on the 1st April 2018 and lasts for five years. The Council will use the statutory override to account for any changes in the fair value on its pooled investments.

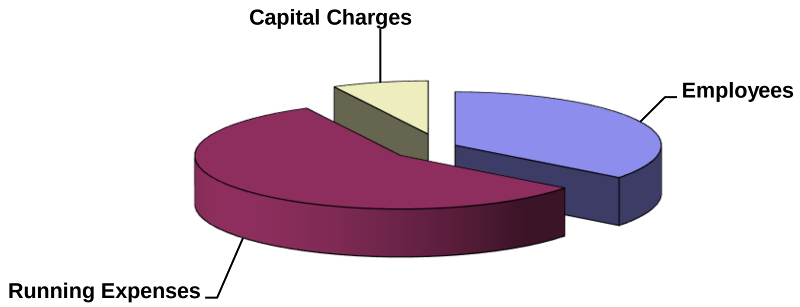
In 2018/2019 the gains on the property fund recognised as Other Comprehensive Income and Expenditure in previous years (£0.529m) have been reversed with the Available for Sale Financial Instruments Reserve being disestablished (note 45). The total gains on the property fund to 31 March 2019 (£0.615m) have been credited to Financing and Investment Income & Expenditure but have been reversed out within the Movement on Reserves Statement in line with the statutory override. The accumulated gains are now shown in a new account on the Balance Sheet – the Pooled Investment Funds Adjustment Account (note 46).

Analysis of the Income and Expenditure Account

The tables and charts below summarise the Authority's **gross** revenue expenditure within the General Fund for 2018/2019 and highlights the main sources of General Fund Financing for 2018/2019.

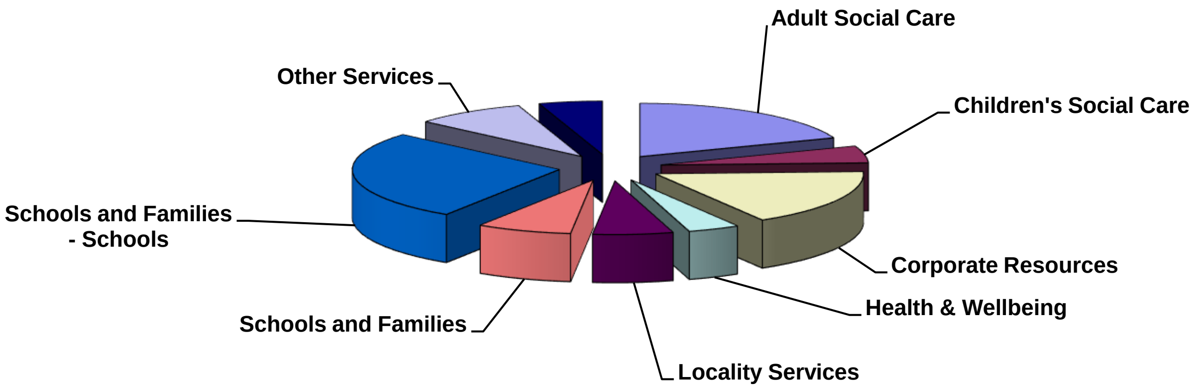
Gross Expenditure on Services (including Levies) (by Expenditure Type)

Expenditure Type	£m	%
Employees	237.727	35
Running Expenses	383.209	57
Capital Charges	50.759	8
	671.695	100



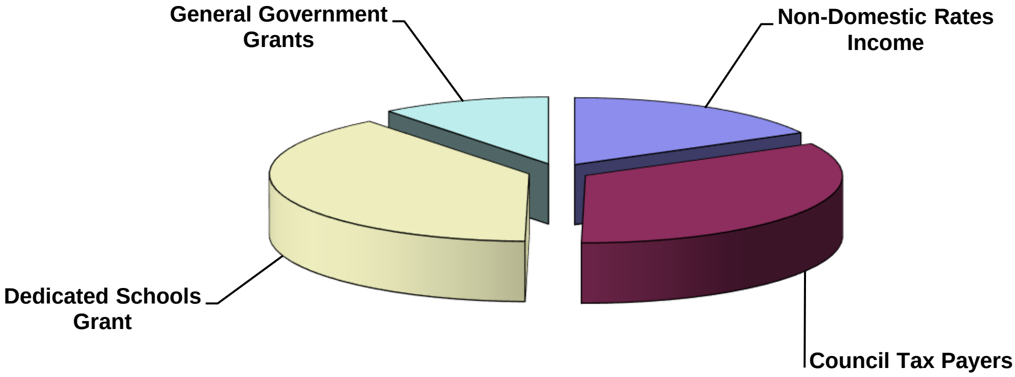
Gross General Fund Expenditure on Services (including Levies)

Service	£m	%
Adult Social Care	129.259	19
Children's Social Care	34.303	5
Corporate Resources	114.804	17
Health & Wellbeing	27.078	4
Locality Services – Commissioned / Provision	42.014	6
Schools and Families - Non-School	49.923	7
- Schools	182.626	28
Other Services	58.419	9
Levies	33.269	5
	671.695	100



Main Sources of General Fund Financing for 2018/2019

Source of Income	£m	%
General Government Grants	40.858	11
Non-Domestic Rates Income	66.122	17
Council Tax Payers	128.324	33
Dedicated Schools Grant	151.676	39
	386.980	100



The Gross expenditure (identified on page 18) is financed by the major grants shown above, other smaller revenue grants and contributions received by the Council (Note 20 on page 56) 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 Agilisys, Formby Pool Trust, The Bliss Space (Southport) Limited, 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 2018/2019 this limit was set at £177m; the Council stayed within this figure during the year.

As at 31 March 2019, the Council had outstanding borrowing of £151.023m (£157.048m as at 31 March 2018). This includes local authority bonds, stocks, mortgages and loans from the Public Works Loans Board (PWLB). As at 31 March 2019, accrued interest of £2.312m, was due to be repaid within 12 months.

During 2018/2019, no new long term borrowing from the PWLB was required to fund capital expenditure. Principal of £5.996m was repaid during the year of which £5m related to Equal Instalments of Principal (EIP) loans and £0.996m related to Annuity loans.

Interest on long term borrowing from the PWLB totalled £5.805m during the year (£5.632m in 2017/2018).

In line with its Treasury Management Policy and Strategy the Council makes daily investment decisions. As at 31 March 2019, the Council had short-term investments of £13m (£10.420m as at 31 March 2018). The Council had no short-term deposits with banks and building societies (£0.000m as at 31 March 2018). The Council had long term investments with the Church and Charities Local Authority (CCLA) Property Fund (£5.615m) and the Funding Circle (£0.001m).

Pension Liability

As at 31 March 2019 the Pensions Liability figure in the Balance Sheet includes a net deficit on the Local Government Pension Scheme Fund attributable to Sefton of £457.626m (£368.909m as at 31 March 2018). 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 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) were significantly less as no deficit recovery contribution was required. The Council has temporarily utilised Earmarked Reserves in 2017/2018 to fund part of the payment. Earmarked Reserves has been increased in 2018/2019 (and will be in 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 2019 there was a net deficit relating to unfunded Teachers' Pensions attributable to Sefton of £8.596m (£9.157m as at 31 March 2018). 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 2018/2019 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 2019 is £16.319m (£15.106m as at 31 March 2018). Sefton's share of the Provision as at 31 March 2019 is £16.156m (£14.954m as at 31 March 2018).

The only material write-offs in 2018/2019 relate to revaluation losses on the Authority's assets. These total £28.1m (£1.7m in 2017/2018). Of this, £23m relates to a change in the methodology for valuing schools rather than any impairment of assets.

General Balances and Reserves

The Financial Overview on pages 10 to 13 show the General Balances of the Council split between Delegated Schools' and Non-Delegated Services. The Council's 2018/2019 Revenue Budget assumed the use of £1.923m of Non-Delegated Services' General Balances which would therefore reduce to £7.209m. There was an actual use of reserves of £1.593m, resulting in a year-end balance of £7.539m. 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 £16.063m of capital resources available as at 31 March 2019 (£15.008m as at 31 March 2018). These are amounts already received that will be used to fund the Council's Capital Investment Plan in 2019/2020 (see pages 13 to 15).

The Council also has £29.591m of Earmarked Reserves as at 31 March 2019 (£25.687m as at 31 March 2018). These are described in Note 39 (it should be noted that this includes the temporary use of £10.154m 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 £39.745m. 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 £133.402m of Unusable Reserves as at 31 March 2019 (negative £20.772m as at 31 March 2018). 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 £453m (£444m relating to the Local Government Pension Scheme). As explained in the Pension Liability section on page 20, 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.

Due to the notional deficit on the Pension Reserve the Council's overall reserves are a negative £80.146m. This negative position does not give rise to the same risks to financial sustainability as it would for a company in the private sector due to the deficit on the Pension Fund being notional rather than impacting on the cash flows of the Council.

Material Events after the Reporting Date

On 27th June 2019, the Supreme Court denied the Government's request for an appeal in the McCloud and Sargeant case in respect of age discrimination and pension protection. They ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. At this stage, it is uncertain whether or not there will be an issue for the Local Government Pension Scheme and its employers, nor is it clear what the exact extent would be of any required changes. The potential effects if the transitional protections need to be extended to younger members of the scheme have been included in the final version of these Statement of Accounts. The Pension Liability and Reserve have both increased by £13.533m, with an additional charge to the Deficit on Provision of Services of £9.254m and to Other Comprehensive Income and Expenditure of £4.279m.

Conclusion

During the 2018/2019 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 agreed 2019/2020 budget will not reduce General Fund balances from the 31 March 2019 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 2019/2020 to ensure the Council maintains its financial standing position.

Once again, the Accounts have been closed within the statutory deadline. My thanks go to all staff that have invested considerable efforts to achieve this.

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 165.

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 2019, and its income and expenditure for the financial year ended 31 March 2019.

Stephan Van Arendsen

Stephan Van Arendsen
Head of Corporate Resources
Date: 24 July 2019

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 24 July 2019.

Dave Robinson

Councillor Dave Robinson
Chair, Audit and Governance Committee
Date: 24 July 2019

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.

2017/2018			Note		2018/2019		
Gross Expenditure	Gross Income	Net Expenditure / Income (-)			Gross Expenditure	Gross Income	Net Expenditure / Income (-)
£000s	£000s	£000s		Continuing Operations			
907	0	907		Strategic Management	1,205	-200	1,005
4,266	-97	4,169		Strategic Support Unit	3,559	-153	3,406
121,948	-40,113	81,835		Adult Social Care	129,259	-37,105	92,154
29,624	-1,051	28,573		Children's Social Care	34,303	-1,840	32,463
12,293	-2,977	9,316		Communities	9,963	-2,537	7,426
124,778	-98,661	26,117		Corporate Resources	114,804	-88,205	26,599
27,638	-29,244	-1,606		Health and Wellbeing	27,078	-29,399	-2,321
7,354	-3,730	3,624		Inward Investment & Employment	6,776	-3,360	3,416
21,174	-3,316	17,858		Locality Services - Commissioned	22,721	-4,269	18,452
19,049	-8,107	10,942		Locality Services - Provision	19,293	-8,789	10,504
8,311	-4,639	3,672		Regeneration and Housing	8,391	-5,196	3,195
11,707	-7,861	3,846		Regulation and Compliance	11,326	-7,498	3,828
27,752	-4,705	23,047		Schools and Families	49,923	-4,864	45,059
180,811	-180,171	640		Schools and Families - Schools	182,626	-179,405	3,221
12,696	-9,039	3,657		Corporate Unallocated Costs	17,199	-4,901	12,298
610,308	**-393,711**	**216,597**		**Net Cost of Services**	**638,426**	**-377,721**	**260,705**
				Other Operating Income and Expenditure			
		921		Precepts paid to Parish Councils			1,026
		31,568		Levies			33,269
		12		Contribution to Housing Pooled Capital Receipts			0
		10,180		Loss on the disposal of non-current assets			11,729
		-7		Gain (-) / Loss on Disposal of Assets Held for Sale			0
		-1,045	8	Other Operating Income			-1,097
		41,629					44,927
				Financing and Investment Income & Expenditure			
		6,662	9	Interest payable and similar charges			6,795
		9,697	58	Net Interest on the Net Pension Defined Benefit Liability			9,668
		-433		Interest Receivable			-512
		-2,060	23	Income and Expenditure on Investment Properties			-1,616
		-2,154	23	Changes in the Fair Value of Investment Properties			-1,415
		673		Loss on the disposal of Investment Properties			235
		0		Changes in the Fair Value of Financial Instruments			-86
		-32,500		Receipt of Dividend in Specie relating to Regeneration Asset			0
		32,500		Impairment of Equity relating to Regeneration Asset			0
		12,385					13,069
				Taxation and Non-specific Grant Income			
		-119,648		Income from Council Tax			-128,324
		-69,691		Non-Domestic Rates Income			-66,122
		-38,155	20	Non-Ringfenced Government Grants			-40,858
		-12,806	20	Capital Grants and Contributions			-13,802
		-240,300					-249,106
		30,311	5	**Deficit on Provision of Services**			**69,595**
		-718	42	Surplus (-) / Deficit on Revaluation of non-current assets			-2,712
		-251	45	Surplus on Revaluation of Available for Sale Financial Assets			0
		-47,537	48	Re-measurement of the Net Defined Benefit Liability			49,401
		0	48	Net Defined Benefit Liability –Business Combinations			8,328
		-48,506		**Other Comprehensive Income and Expenditure**			55,017
		-18,195		**Total Comprehensive Income and Expenditure**			**124,612**

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.

Movements in Reserves in 2018/2019	General Fund Balance £000	Earmarked Reserves Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves (Notes 42 to 49) £000	**Total Authority Reserves £000**
Balance at 1 April 2018	-24,543	-25,687	-5,675	-9,333	-65,238	20,772	-44,466
Movements in Year							
Total Comprehensive Income and Expenditure	69,595	0	0	0	69,595	55,017	124,612
Adjustments between accounting basis and funding basis under regulations (Note 7)	-70,091	0	3,541	-4,596	-71,146	71,146	0
Net Increase before Transfers to Earmarked Reserves	-496	0	3,541	-4,596	-1,551	126,163	124,612
Transfers to / from Earmarked Reserves (Note 39)	3,904	-3,904	0	0	0	0	0
Decrease / Increase (-) in Year	3,408	-3,904	3,541	-4,596	-1,551	126,163	124,612
Balance at 31 March 2019	-21,135	-29,591	-2,134	-13,929	-66,789	146,935	80,146

Movements in Reserves in 2017/2018	General Fund Balance £000	Earmarked Reserves Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves (Notes 42 to 49) £000	**Total Authority Reserves £000**
Balance at 1 April 2017	-21,937	-59,778	-7,124	-8,147	-96,986	70,715	-26,271
Movements in Year							
Total Comprehensive Income and Expenditure	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
Net Increase before Transfers to Earmarked Reserves	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
Decrease / Increase (-) in Year	-2,606	34,091	1,449	-1,186	31,748	-49,943	-18,195
Balance at 31 March 2018	-24,543	-25,687	-5,675	-9,333	-65,238	20,772	-44,466

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’.

31 March 2018 £000s		Note	31 March 2019 £000s
515,371	Property, Plant and Equipment	21	478,923
11,225	Heritage Assets	22	11,532
60,514	Investment Property	23	61,836
704	Intangible Assets	24	85
5,531	Long Term Investments	26	5,616
4,326	Long Term Receivables	27	4,466
597,671	**Long-Term Assets**		562,458
60	Short Term Investments	28	62
212	Assets Held for Sale	29	0
614	Inventories	30	716
38,054	Short Term Receivables	31	35,866
5,231	Prepayments		4,400
16,543	Cash and Cash Equivalents	32	12,280
60,714	**Current Assets**		53,324
-8,336	Short Term Borrowing	61	-10,332
-34,395	Short Term Payables	33	-30,546
-10,391	Receipts in Advance	34	-14,376
0	Provisions	35	0
-3,499	Deferred Liabilities	36	-884
-56,621	**Current Liabilities**		-56,138
-20,361	Provisions	35	-21,600
-148,712	Long Term Borrowing	61	-142,693
-10,159	Deferred Liabilities	36	-9,275
-378,066	Pensions Liability	58	-466,222
-557,298	**Long Term Liabilities**		-639,790
44,466	**Net Assets / Liabilities (-)**		**-80,146**

31 March 2018 £000s	Balance Sheet (Continued)	Note	31 March 2019 £000s
	Reserves		
	Usable Reserves		
-15,411	General Fund - Delegated Schools	38	-13,596
-9,132	General Fund - Non Delegated Services	38	-7,539
-25,687	Earmarked Reserves	39	-29,591
-5,675	Capital Receipts Reserve	40	-2,134
-9,333	Capital Grants and Contributions Unapplied	41	-13,929
-65,238			-66,789
	Unusable Reserves		
-70,419	Revaluation Reserve	42	-71,389
-283,120	Capital Adjustment Account	43	-249,225
488	Financial Instruments Adjustment Account	44	429
-529	Available for Sale Financial Instruments Reserve	45	0
0	Pooled Investment Funds Adjustment Account	46	-615
-94	Deferred Capital Receipts Reserve	47	-16
378,066	Pensions Reserve	48	466,222
-6,893	Collection Fund Adjustment Account	49	-2,687
3,273	Accumulated Absences Account	50	4,216
20,772			146,935
-44,466	**Total Reserves**		**80,146**

The Notes on pages 33 to 114 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.

2017/2018 £000s		Note	2018/2019 £000s
	Operating Activities		
30,311	Net deficit on the provision of services		69,595
-22,137	Adjustments to net surplus or deficit on the provision of services for non-cash movements		-81,913
1,277	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		2,885
9,451	Net cash flows from Operating Activities	53	-9,433
	Investing Activities		
51,752	Purchase of property, plant and equipment, investment property and intangible assets		21,259
0	Purchase of short-term and long-term investments		0
0	Other payments for investing activities		0
-1,068	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		-1,084
-4,000	Proceeds from short-term and long-term investments		0
-13,167	Other receipts from investing activities		-14,027
33,517	Net cash flows from Investing Activities		6,148
	Financing Activities		
-57,500	Cash receipts of short- and long-term borrowing		-2,000
0	Other receipts from financing activities		-163
1,614	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		3,062
3,427	Repayments of short- and long-term borrowing		6,433
9,251	Other payments for financing activities		216
-43,208	Net cash flows from Financing Activities	53	7,548
-240	**Net decrease / (increase) in cash and cash equivalents**		**4,263**
-16,303	Cash and cash equivalents at the beginning of the reporting period		-16,543
-16,543	**Cash and cash equivalents at the end of the reporting period**	32	**-12,280**

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.

2018/2019	Net Expenditure Chargeable to General Fund Balances	Adjustments between the Funding and Accounting Basis (Note 6)	Net Expenditure in the Comprehensive Income and Expenditure Statement
Strategic Management	964	41	1,005
Strategic Support Unit	3,272	134	3,406
Adult Social Care	89,514	2,640	92,154
Children's Social Care	31,969	494	32,463
Communities	6,332	1,094	7,426
Corporate Resources	23,876	2,723	26,599
Health and Wellbeing	18,011	-20,332	-2,321
Inward Investment & Employment	2,626	790	3,416
Locality Services - Commissioned	12,126	6,326	18,452
Locality Services - Provision	8,548	1,956	10,504
Regeneration and Housing	2,970	225	3,195
Regulation and Compliance	2,752	1,076	3,828
Schools and Families	18,844	26,215	45,059
Schools and Families - Schools	111	3,110	3,221
Corporate Unallocated Costs	-4,681	16,979	12,298
Net Cost of Services	**217,234**	**43,471**	**260,705**
Other Operating Income and Expenditure	34,281	10,646	44,927
Financing and Investment Income & Expenditure	8,872	4,197	13,069
Taxation and Non-specific Grant Income	-260,883	11,777	-249,106
Other Income and Expenditure	**-217,730**	**26,620**	**-191,110**
Deficit/(Surplus) on Provision of Services	**-496**	**70,091**	**69,595**

Opening General Fund Balance	**-50,230**
Plus: Surplus in the Year	-496
Closing General Fund Balance	**-50,726**
Analysis of Closing General Fund Balance:	
General Fund - Delegated Schools	-13,596
General Fund - Non-Delegated Services	-7,539
Earmarked Reserves	-29,591
Closing General Fund Balance	**-50,726**

The following table shows the comparative information for 2017/2018:

2017/2018 (Restated)	Net Expenditure Chargeable to General Fund Balances	Adjustments between the Funding and Accounting Basis (Note 6)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£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
Net Cost of Services	**233,689**	**-17,092**	**216,597**
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
Other Income and Expenditure	**-202,204**	**15,918**	**-186,286**
Deficit on Provision of Services	**31,485**	**-1,174**	**30,311**

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

8 OTHER NOTES TO THE FINANCIAL STATEMENTS

1 TRANSFERS OF FUNCTIONS BETWEEN SERVICES

During 2018/2019 some functions moved between Strategic Support and Adult Social Care, with further functions transferring between Communities and Locality Services – Commissioned. The amounts are not considered material enough to warrant a Prior Period Adjustment. To enable comparability between the two years, the impact of the changes on the figures included in the 2017/2018 Statement of Accounts are shown below:

Comprehensive Income and Expenditure Statement	Per 2017/2018 Statement of Accounts	Adjustments	Revised Figures for Comparability
	£000	£000	£000
Gross Expenditure:			
Strategic Support	4,266	-791	3,475
Adult Social Care	121,948	791	122,739
Communities	12,293	-1,952	10,341
Locality Services - Commissioned	21,174	1,952	23,126
Gross Income:			
Strategic Support	-97	0	-97
Adult Social Care	-40,113	0	-40,113
Communities	-2,977	780	-2,197
Locality Services - Commissioned	-3,316	-780	-4,096
Net Expenditure:			
Strategic Support	4,169	-791	3,378
Adult Social Care	81,835	791	82,626
Communities	9,316	-1,172	8,144
Locality Services - Commissioned	17,858	1,172	19,030

Expenditure and Funding Analysis	Per 2017/2018 Statement of Accounts	Adjustments	Revised Figures for Comparability
	£000	£000	£000
Net Expenditure Chargeable to General Fund Balances:			
Strategic Support	3,905	-791	3,114
Adult Social Care	79,863	791	80,654
Communities	7,950	-918	7,032
Locality Services - Commissioned	11,976	918	12,894
Adjustments between the Funding and Accounting Basis:			
Strategic Support	264	0	264
Adult Social Care	1,972	0	1,972
Communities	1,366	-254	1,112
Locality Services - Commissioned	5,882	254	6,136
Net Expenditure in the Comprehensive Income & Expenditure Account:			
Strategic Support	4,169	-791	3,378
Adult Social Care	81,835	791	82,626
Communities	9,316	-1,172	8,144
Locality Services - Commissioned	17,858	1,172	19,030

Note 6 – Note to the Expenditure and Funding Analysis - Adjustments between the Funding and Accounting Basis	Per 2017/2018 Statement of Accounts	Adjustments	Revised Figures for Comparability
	£000	£000	£000
Adjustments for Capital Purposes:			
Strategic Support	0	0	0
Adult Social Care	1,292	0	1,292
Communities	1,059	-180	879
Locality Services - Commissioned	5,465	180	5,645
Net change for the Pensions Adjustment:			
Strategic Support	254	0	254
Adult Social Care	655	0	655
Communities	367	-71	296
Locality Services - Commissioned	471	71	542
Other Differences:			
Strategic Support	10	0	10
Adult Social Care	25	0	25
Communities	-60	-3	-63
Locality Services - Commissioned	-54	3	-51
Total Adjustments:			
Strategic Support	264	0	264
Adult Social Care	1,972	0	1,972
Communities	1,366	-254	1,112
Locality Services - Commissioned	5,882	254	6,136

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:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property. This is not expected to have any material impact on the Council.

- Annual Improvements to IFRS Standards 2014-2016 Cycle

  - IFRS 12 Disclosure of Interests in Other Entities: Clarification of the Scope of the Standard
  - IAS 28 Investments in Associates and Joint Ventures: Measuring an Associate or Joint Venture at Fair Value.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.

- IFRIC 23 Uncertainty over Income Tax Treatments provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the single entity accounts and the impact on the group accounts is not expected to be material.

- IFRS 9 Financial instruments: prepayment features with negative compensation amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to whom this will apply.

These standards and amendments have been 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 63, 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 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 £3.696m 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 £1.6m 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
Property, Plant and Equipment	Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. 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. The total value of PP&E as at 31 March 2019 is £478.923m.	A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for assets would increase by £1.036m for every year that useful lives had to be reduced.
Investment Properties	The Council's valuers use valuation techniques to determine the fair value of investment property.	Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.
Provision for NNDR Checks, Challenges & Appeals	A provision has been made in respect of checks, challenges and 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 2019. The total provision recorded on the Collection Fund is £16.319m (Sefton's share is £16.156m). 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. The actual number and value of successful appeals may be materially different from the experience of previous rating lists and settled appeals.	An increase of 1% in the reduction in Rateable Value on appeals outstanding against the 2010 Rating List would require an increase of £0.723m in the total provision (Sefton's share would be £0.715m). An increase of 1% in the reduction in Rateable Value on check, challenge, or appeal against the 2017 Rating List at 31.03.19 would require an increase of £1.404m in the total provision (Sefton's share would be £1.390m).
Pensions Liability	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.	The effects on the net pensions liability of changes in individual assumptions can be measured. The impact of changes in individual assumptions are shown in Note 58, as required by the Code of Practice.

	As at 31 March 2019 the value of assets was £944.647m and liabilities was £1,410.869m. The net liability is therefore £466.222m.	
Arrears	At 31 March 2019, Sefton had a net balance of sundry debtor accounts issued by the Authority but not yet paid of £15.056m. A review of significant balances suggested that an impairment of doubtful debts of approximately 15% (£2.272m) was appropriate for these accounts. At 31 March 2019, Sefton had a balance of Council Tax arrears (including Court Costs) of £18.819m. A review of significant balances suggested that an impairment of doubtful debts of approximately 51% (£9.598m) was appropriate for these accounts. At 31 March 2019, Sefton had a balance of NNDR arrears (including Court Costs) of £3.835m (Sefton's share only). A review of significant balances suggested that an impairment of doubtful debts of approximately 66% (£2.527m) was appropriate for these accounts. At 31 March 2019, Sefton had a balance of Housing Benefit arrears of £6.473m. A review of significant balances suggested that an impairment of doubtful debts of approximately 45% (£2.935m) was appropriate for these accounts. However, in the current economic climate it is possible that such allowances would not be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £17.332m to be set aside as an allowance.

5 EXPENDITURE AND INCOME ANALYSED BY NATURE

2017/2018 £000s		2018/2019 £000s
	Expenditure	
235,617	Employee benefit expenses	237,727
352,047	Other service expenses	349,273
20,494	Depreciation, amortisation and impairment	49,257
6,662	Interest Payments	6,803
32,490	Precepts and Levies	34,295
12	Payments to Housing Capital Pool	0
10,845	Loss on the disposal of assets	11,964
9,697	Net Interest on the Net Pension Defined Benefit Liability	9,668
667,864	**Total Expenditure**	698,987
	Income	
-68,481	Fees, charges and other service income	-69,589
-434	Interest and Investment Income	-536
-189,338	Income from council tax and non-domestic rate income	-194,447
-379,300	Government Grants and Contributions	-364,820
-637,553	**Total Income**	-629,392
30,311	**Deficit on the Provision of Services**	**69,595**

6 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis in 2018/2019

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	41	0	41
Strategic Support Unit	0	132	2	134
Adult Social Care	2,157	476	7	2,640
Children’s Social Care	89	398	7	494
Communities	954	165	-25	1,094
Corporate Resources	2,156	559	8	2,723
Health and Wellbeing	1,123	212	-21,667	-20,332
Inward Investment & Employment	934	91	-235	790
Locality Services - Commissioned	6,176	319	-169	6,326
Locality Services - Provision	1,790	770	-604	1,956
Regeneration and Housing	13	209	3	225
Regulation and Compliance	857	229	-10	1,076
Schools and Families	25,792	416	7	26,215
Schools and Families - Schools	399	1,844	867	3,110
Corporate Unallocated Costs	3,695	14,898	-1,614	16,979
Net Cost of Services	**46,135**	**20,759**	**-23,423**	**43,471**
Other Income and Expenditure	-11,560	9,668	28,512	26,620
Surplus (-) or Deficit	**34,575**	**30,427**	**5,089**	**70,091**

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
Net Cost of Services	**19,807**	**-11,071**	**-25,828**	**-17,092**
Other Income and Expenditure	-11,529	9,697	17,750	15,918
Deficit	**8,278**	**-1,374**	**-8,078**	**-1,174**

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

2017/2018 £000s		2018/2019 £000s
0	Strategic Management	-199
-84	Strategic Support Unit	-87
-17,738	Adult Social Care	-20,470
-146	Children's Social Care	-344
-681	Communities	-961
-4,551	Corporate Resources	-4,378
-5,857	Health and Wellbeing	-6,996
-2,043	Inward Investment & Employment	-1,517
-3,812	Locality Services - Commissioned	-3,858

2017/2018 £000s	(continued from previous page)	2018/2019 £000s
-8,018	Locality Services - Provision	-8,716
-2,329	Regeneration and Housing	-2,880
-6,804	Regulation and Compliance	-6,576
-1,923	Schools and Families	-1,751
-4,417	Schools and Families - Schools	-4,932
-9,034	Corporate Unallocated Costs	-4,827
-67,437	**Net Cost of Services**	-68,492
-1,044	Other Income and Expenditure	-1,097
-68,481	**Surplus on the Provision of Services**	**-69,589**

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.

Adjustments in 2018/2019	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation of non-current assets	-19,692			19,692
Revaluation losses on non-current assets	-28,054			28,054
Movements in the market value of Investment Properties	1,415			-1,415
Amortisation of intangible assets	-619			619
Capital grants and contributions applied	8,660			-8,660
Revenue expenditure funded from capital under statute - Gross	-2,393			2,393
Revenue expenditure funded from capital under statute – Related Capital Grants and Contributions	2,393			-2,393
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	-12,038			12,038
Amortisation of Deferred Income re. Crosby PFI Scheme	108			-108
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	8,441			-8,441
Capital expenditure charged against the General Fund	971			-971
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	5,222		-5,222	
Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	-80		80	
Application of grants to capital financing transferred to the Capital Adjustment Account			546	-546

Adjustments in 2018/2019 Continued	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	74	-74		
Transfers to Usable Capital Receipts not relating to the disposal of assets	1,010	-1,010		
Use of the Capital Receipts Reserve to finance new capital expenditure		4,625		-4,625
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Reduction of Capital Receipts Deferred re. Leased Out Buildings	-78			78
Adjustment primarily involving the Financial Instruments Adjustment Account:				
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
Adjustment primarily involving the Pooled Investment Funds Adjustment Account:				
Amount by which Financial Instruments held under Fair Value through Profit & Loss are subject to MHCLG statutory over-ride.	86			-86
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-47,712			47,712
Employer's pensions contributions and direct payments to pensioners payable in the year	17,285			-17,285
Adjustments primarily involving the Collection Fund Adjustment Account:				
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	-4,206			4,206
Adjustment primarily involving the Accumulated Absences Account:				
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	-943			943
Total Adjustments	-70,091	3,541	-4,596	71,146

The table below provides comparative figures for 2017/2018:

Adjustments in 2017/2018	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
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
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	6,177			-6,177
Capital expenditure charged against the General Fund	937			-937
Adjustments primarily involving the Capital Grants Unapplied Account:				
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
Adjustments primarily involving the Capital Receipts Reserve:				
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
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Reduction of Capital Receipts Deferred re. Leased Out Buildings	-51			51

Adjustments in 2017/2018 Continued	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustment primarily involving the Financial Instruments Adjustment Account:				
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
Adjustments primarily involving the Pensions Reserve:				
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
Adjustments primarily involving the Collection Fund Adjustment Account:				
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
Adjustment primarily involving the Accumulated Absences Account:				
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
Total Adjustments	1,174	1,449	-1,186	-1,437

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:

2017/2018 £000s	Other Income	2018/2019 £000s
-789	Capital Receipts re. Former Council Dwellings	-731
-189	Other Capital Receipts not relating to the Disposal of Council Assets	-279
-67	Sefton's share of a VAT Shelter Agreement with One Vision Housing	-87
-1,045		**-1,097**

9 INTEREST PAYABLE AND SIMILAR CHARGES

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

2017/2018 £000s		2018/2019 £000s
5,846	External Interest Charges	5,987
412	Finance Charge re. Leasing Agreements	360
404	Finance Charge re. PFI Schemes	448
6,662	**Total**	**6,795**

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

2017/2018			Activity	2018/2019		
Income £000s	Expenditure £000s	Deficit / Surplus (-) £000s		Income £000s	Expenditure £000s	Deficit / Surplus (-) £000s
-1,425	1,014	-411	Other Commercial Land and Buildings	-1,331	913	-418
-360	580	220	Southport and Other Markets	-224	513	289
-1,118	402	-716	Commercial Cleansing Services	-1,227	727	-500
-624	3,458	2,834	Arts Operations / Development	-866	3,295	2,429
-313	626	313	Netherton Activity Centre	-377	704	327
-6,727	10,666	3,939	Sports Facilities	-7,562	10,876	3,314
-7,356	7,475	119	School Meals & Welfare Catering	-8,081	8,264	183
-2,990	1,620	-1,370	Cemeteries and Crematoria Services	-2,959	2,033	-926
-630	506	-124	Tourism Related Facilities in Southport	-599	492	-107
-2,544	2,921	377	Building Cleaning	-2,693	2,939	246
-5,175	4,153	-1,022	Vehicle Maintenance	-5,181	4,605	-576
-29,262	33,421	4,159	**Total Trading Deficit for Year**	-31,100	35,361	4,261

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

Trading Service	**Reason for change**
Other Commercial Land and Buildings: The leasing and rental, at market rates, of commercial land and buildings owned by the Council.	No significant changes
Southport Market: The operation of Southport Indoor Market and any Farmers' Markets that occur in the Borough.	No significant changes
Commercial Cleansing Services: The operation of various cleansing services on a commercial basis including Trade Waste, Clinical Waste and Skip Hire.	Gross expenditure shows an increase of £0.326m due to salary costs for traded cleansing services not being included in the 2017/2018 figure as they weren't separately identified against these services.
Arts Operations / Development: Provision of all arts activities within the Borough including the operation of The Atkinson cultural centre.	No significant changes
Netherton Activity Centre: 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 changes
Sports Facilities: The provision of sports facilities within Sefton including the direct operation of Bootle Leisure Centre, Crosby	Gross Income recorded against the service has increased by £0.835m due to a change in VAT regulations on certain types of sports income.

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.	
School Meals and Welfare Catering: The provision of a catering service to certain schools within the Borough.	Gross Expenditure has increased by £0.789m mainly due to the impact of pay inflation. Gross Income has increased by £0.726m due to an increase in the price of school meals and an increase in service level agreements to cover the costs of pay inflation.
Cemeteries and Crematoria Services: The operation of two Crematoria in Southport and Thornton and Cemeteries in Birkdale, Bootle, Southport and Thornton.	Gross Expenditure has increased by £0.413m mainly due to the impact of a revaluation loss of £0.403m on Thornton Crematorium.
Tourism Related Facilities: The operation of Southport Pier and various other facilities at the seafront in Southport.	No significant changes
Building Cleaning: The provision of building cleaning services to schools and other Council owned buildings.	No significant changes
Vehicle Maintenance: The provision, management and maintenance of Council owned vehicles and small plant.	Gross expenditure has increased by £0.452m 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 £0.041m on behalf of the Highways Agency and received fees of £0.041m according to agreed charging in 2018/2019 (£0.053m value of work and £0.053m fees in 2017/2018).

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 £1.297m from CCG's (£1.113m in 2017/2018) and £1.268m from Sefton Council (£1.090m in 2017/2018), £2.566m in total (£2.202m in 2017/2018), 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 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 £0.561m from NW Boroughs HCFT (£0.554m in 2017/2018 from Northwest Boroughs HCFT from 1 June 2017 and Liverpool Community Health Trust LCHT) and £0.569m from Sefton Council (£0.611m in 2017/2018), £1.130m in total (£1.1165m in 2017/18), 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 2018/19 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 2017/2018 to 2019/2020. The 2018/2019 allocation of £10.995m (£7.965m in 2017/2018) 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:

2017/2018 £'000		2018/2019 £'000
	Contributions	
14,060	South Sefton CCG	14,377
9,196	Southport & Formby CCG	9,497
12,568	Sefton Council	17,465
35,824	**Total Contributions**	**41,339**
33,692	**Total Expenditure**	**36,582**
2,132	**Variance**	**4,757**

The variance of £4.757m relates to capital expenditure in the pooled fund arrangement. The 2018/19 Disabled Facilities grant allocation of £4.379 together with the £2.132m brought forward from 2017/18 (both are included in the total Sefton Council contribution figure shown in the table above) was utilised to fund expenditure of £1.754m in 2018/2019 and the balance will be carried forward into the 2019/20 pool for consideration with the 2019/2020 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.

2017/2018 £000		2018/2019 £000
127	Fees for external audit services carried out by the appointed auditors	98
11	Fees payable for the certification of grant returns	5
20	Fees payable in respect of any other services	77
158	**Total**	180

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 and ended on 30 September 2018. All services, with the exception of Information Technology, transferred back to the Council on 1 October 2018. Information Technology services are now undertaken by Agilisys Limited (see below). Payments of £7.857m were made under the Arvato contract in 2018/2019 (£15.374m in 2017/2018). 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 £0.525m made against the contract value in 2018/2019 (£1.050m in 2017/2018). In addition, the Council could procure additional works outside of the core contract the value of which was £2.128m in 2018/2019 (£1.843m in 2017/2018).

Agilisys: On 1 October 2018, the Council entered into a five-year partnership agreement with Agilisys Ltd for the provision of IT services to the Council (with the option to extend the contact by up to a further two years). Payments of £2.278m were made under the contract in 2018/2019 (£0.000m in 2017/2018). The contract is uplifted 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. In addition, the Council could procure additional works outside of the core contract the value of which was £0.252m in 2018/2019 (£0.000m in 2017/2018).

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 £0.134m were made in 2018/2019 (£0.169m in 2017/2018). The new financial arrangement started on 27th January 2017 and the revised annual fee will be increased each year in line with the Retail Price Index

The Bliss Space (Southport) Ltd: The Authority has entered into a three-year contract agreement with Bliss to manage the Southport Theatre and Convention Centre. Management fees of £0.300m plus an incentive payment of £0.209m were paid in 2018/19. The total Management Fees for the first year of operation will be £0.360m plus total incentive payments of £0.255m over the term of the contract. No management fees will be payable in years 2 and 3 of the contract. Management fees of £0.063m were paid to the outgoing contract holder (ATG Venues) who voluntarily terminated their operating agreement on 31 March 2018.

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 2018/2019 was £7.462m (£8.012m in 2017/2018). 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 £1.265m were made under this contract in 2018/2019 (£1.277m in 2017/2018) with government grants of £0.561m received in the year (£0.561m in 2017/2018). 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:

2017/2018 £000s		2018/2019 £000s
610	Basic Allowances	603
209	Special Responsibility Allowances	233
6	Expenses	6
825	**Total**	842

No Members were paid a salary in either year.

16 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 2018/2019

Exit Package Cost Band	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band	Total Cost of Exit Packages in each Band
£0 - £20,000	99	58	157	£0.919m
£20,001 - £40,000	9	10	19	£0.502m
£40,001 - £60,000	4	0	4	£0.184m
£60,001 - £80,000	4	2	6	£0.409m
£80,001 - £100,000	4	0	4	£0.363m
£100,001 - £150,000	1	0	1	£0.141m
£150,001 - £200,000	1	0	1	£0.156m
£250,001 - £300,000	1	0	1	£0.268m
Total	123	70	193	£2.942m

Exit Packages in 2017/2018

Exit Package Cost Band	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band	Total Cost of Exit Packages in each Band
£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
Total	60	120	180	£3.856m

17 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 18.

Teaching Staff (including Voluntary Aided Schools)				
2017/2018		Remuneration Band	2018/2019	
Employed on 31/03/18	Left during the year		Employed on 31/03/19	Left during the year
46	4	£50,000 - £54,999	42	1
37	0	£55,000 - £59,999	30	1
28	0	£60,000 - £64,999	34	2
22	1	£65,000 - £69,999	25	0
13	0	£70,000 - £74,999	10	1
4	0	£75,000 - £79,999	7	0
2	0	£80,000 - £84,999	2	0
2	0	£85,000 - £89,999	2	0
0	0	£90,000 - £94,999	0	0
2	0	£95,000 - £99,999	3	0
0	0	£100,000 - £104,999	0	0
1	0	£105,000 - £109,999	1	0

Non-Teaching Staff (including schools)				
2017/2018		Remuneration Band	2018/2019	
Employed on 31/03/18	Left during the year		Employed on 31/03/19	Left during the year
27	9	£50,000 - £54,999	33	2
1	4	£55,000 - £59,999	3	1
10	0	£60,000 - £64,999	5	0
1	0	£65,000 - £69,999	6	1
6	0	£70,000 - £74,999	7	1
0	0	£75,000 - £79,999	1	0
7	0	£80,000 - £84,999	4	2
0	0	£85,000 - £89,999	1	0
0	0	£90,000 - £94,999	0	0
0	0	£95,000 - £99,999	1	0
0	0	£100,000 - £104,999	0	0
0	0	£105,000 - £109,999	0	1
1	0	£110,000 - £114,999	1	0
0	0	£115,000 - £119,999	0	0
1	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	0	0
0	0	£140,000 - £144,999	1	0

18 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 2018/2019:

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		140,526	0	0	140,526	37,699	178,225
Executive Director		112,697	0	0	112,697	30,187	142,884
Executive Director	(a)	75,131	0	0	75,131	20,091	95,222
Executive Director	(b)	71,193	0	0	71,193	18,965	90,158
Director of Social Care and Health		122,944	0	0	122,944	32,920	155,864
Head of Strategic Support		74,942	0	0	74,942	20,074	95,016
Head of Commissioning Support & Business Intelligence	(c)	54,368	0	0	54,368	14,353	68,721
Head of Health and Wellbeing (Director of Public Health)	(d)	15,000	0	0	15,000	3,600	18,600
Head of Communities	(e)	24,246	0	0	24,246	6,379	30,625
Head of Education Excellence (previously Head of Schools and Families)		72,491	0	0	72,491	19,424	91,915
Head of Regulation and Compliance	(f)	20,895	0	0	20,895	5,516	26,411
Head of Economic Growth and Housing (previously Head of Regeneration and Housing)	(g)	27,860	0	0	27,860	7,355	35,215
Head of Children's Social Care		82,298	0	0	82,298	22,021	104,319
Head of Adult Social Care		82,298	0	0	82,298	22,060	104,358
Head of Locality Services (previously Head of Locality Services Provision)		82,298	0	0	82,298	22,044	104,342
Head of Highways and Public Protection (previously Head of Locality Services – Commissioned)	(h)	82,298	0	44,881	127,179	245,661	372,840
Head of Corporate Resources		85,343	0	0	85,343	22,788	108,131
Head of Commercial Development	(i)	72,564	0	0	72,564	19,403	91,967

a) An Executive Director post was appointed to on 1st August 2018. It had previously been vacant.

b) A new fixed term Executive Director post was appointed to on 14th August 2018.

c) The Head of Commissioning Support and Business Intelligence post was deleted on 31st December 2018. The post holder was appointed to the Head of Highways and Public Protect post.

d) The Head of Health and Wellbeing (Director of Public Health) post was filled via a shared arrangement with Knowsley Borough Council until 31st January 2019. The substantive post has a full time equivalent salary of between £90,000 and £95,000. The post was appointed to on 1st February 2019.

e) The Head of Communities was appointed to an Executive Director post on 1st August 2018. The Head of Communities post remained vacant until the end of the year.

f) The Head of Regulation and Compliance post was deleted on 30th June 2018. The post holder left the Authority.

g) The Head of Economic Growth and Housing post was appointed to on 1st December 2018. It had previously been vacant.

h) The Head of Highways and Public Protection left on 31st December 2018. The previous Head of Commissioning Support and Business Intelligence was appointed to the post with that post being deleted.

i) A new Head of Commercial Development post was appointed to on 14th May 2018.

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
Head of Health and Wellbeing (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		80,685	0	0	80,685	20,731	101,416

a) An Executive Director left on 31st July 2017. The post remained vacant until the end of the year.

b) The Head of Health and Wellbeing (Director of Public Health) post was 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 29th October 2017. The post remained vacant until the end of the year.

d) The Head of Inward Investment and Employment left on 31st May 2017. The post remained vacant until the end of the year.

e) The Head of Adult Social Care left on 31st July 2017. The post was filled on 29th January 2018.

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 2018/2019 are as follows:

	Central Expenditure (Note a) £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2018/2019			-202,682
Academy figure recouped for 2018/19			50,781
Total DSG after Academy Recoupment			-151,901
Brought forward from 2017/2018			-515
Carry forward to 2019/2020 agreed in advance			515
Agreed initial budgeted distribution in 2018/2019	-44,692	-104,671	-149,363
In year adjustments	-2,538	0	-2,538
Final budgeted distribution in 2018/2019	-47,230	-104,671	-151,901
Actual central expenditure	47,975		47,975
Actual ISB deployed to schools		104,671	104,671
Local authority contributions in 2018/2019	0	0	0
Total Carry forward to 2019/20120 (Note a)	745	0	230

Note (a): The net overspend £0.745 recorded under Central Expenditure includes an overspend on High Needs of £2.278m, an underspend on Early Years of -£1.382m and an underspend on Central items of -£0.151m. It is expected that some of the net overspend will be recouped in 2019/20 for changes in the headcount between 2018 and 2019.

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:

2017/2018 £000s	Credited to Taxation and Non-specific Grant Income	2018/2019 £000s
	Non-Ringfenced Government Grants	
-22,504	Non-Domestic Rates Top-Up Grant	-24,653
-2,438	New Homes Bonus	-1,437
-872	Education Services Grant	0
-7,153	Business Rates Relief - S31 Grant	-8,161
-2,243	Independent Living Fund - Transition Funding	-2,173
-1,532	Adult Social Care Support Grant	-953
0	Business Rate Retention - Levy Account Surplus	-980
0	Adult Social Care Winter Pressures Grant	-1,525
-1,413	Other Non-Ringfenced Government Grants	-976
-38,155		-40,858

2017/2018 £000s	Credited to Taxation and Non-specific Grant Income	2018/2019 £000s
	Capital Grants and Contributions	
-3,804	Local Transport Plan Grant	-4,571
-1,957	Department for Education Capital Grants	-3,120
-2,321	Better Care Fund	-2,996
-883	Merseytravel – M58 Junction 1 Improvements	-569
-464	Environment Agency - CERMS Grant	-482
-1,486	MHCLG – Southport Pier	-454
-1,979	Other Capital Grants and Contributions	-1,690
88	Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	80
-12,806		-13,802

2017/2018 £000s	Grants Credited to Services	2018/2019 £000s
	Revenue Grants	
-151,749	Dedicated Schools Grant	-151,676
-92,313	Housing Benefit Subsidy	-79,715
-21,938	Public Health Grant	-21,374
-9,422	Pupil Premium	-9,260
-5,680	Education Funding Agency	-4,273
-6,946	Improved Better Care Funding Programme	0
-2,785	Universal Infant Free School Meals	-2,696
-1,201	Troubled Families Programme	-1,054
-1,130	PE and Sport Funding	-1,374
-1,073	Housing Benefit Administration	-951
-787	Skills Funding Agency	-811
-720	Discretionary Housing Payments	-764
-664	Arts Council	-640
-561	PFI Grant	-561
-460	Local Council Tax Support Administration	-373
-412	Transformation Challenge Award Fund	-321
-395	Youth Justice Board	-490
-329	Syrian Refugees (Home Office)	-605
-321	NNDR Administration Grant	-319
-246	Police and Crime Commissioner	-237
-174	Unaccompanied Asylum-Seeking Children	-232
-126	Heritage Lottery Grant	-122
-3,713	Other Revenue Grants	-4,696
-303,145		-282,544
	Capital Grants	
-2,119	Capital Grants utilised to fund Revenue Expenditure Funded from Capital Under Statute	-2,393
	Contributions	
-15,514	Health Contributions	-17,857
-4,505	School Contributions and Donations	-4,222
-976	Other Local Authorities	-1,475
-2,080	Other Contributions	-3,453
-23,075		-27,007

21 PROPERTY PLANT AND EQUIPMENT

Movement on Balances

Movements in 2018/2019:

	Other Land and Buildings £000s	Vehicles Plant and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total £000s
Cost or Valuation							
At 1 April 2018	338,905	27,894	217,376	22,466	10,555	0	617,196
Additions	5,310	5,250	9,310	383	347	0	20,600
Revaluations - recognised in the Revaluation Reserve	2,155	0	0	0	250	0	2,405
Revaluations – recognised in the Surplus/Deficit on the Provision of Services	-32,026	0	0	0	92	0	-31,934
Derecognition - Disposals	-10,820	-10,492	0	-248	-1,565	0	-23,125
Reclassifications	-1,121	0	0	0	1,190	0	69
At 31 March 2019	302,403	22,652	226,686	22,601	10,869	0	585,211
Accumulated Depreciation and Impairment							
At 1 April 2018	-24,019	-20,117	-57,689	0	0	0	-101,825
Depreciation Charge	-8,751	-5,111	-5,830	0	0	0	-19,692
Revaluations - recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Accumulated Depreciation written out upon impairment	3,880	0	0	0	0	0	3,880
Derecognition - Disposals	830	10,492	0	0	0	0	11,322
Reclassifications	27	0	0	0	0	0	27
At 31 March 2019	-28,033	-14,736	-63,519	0	0	0	-106,288
Net Book Value							
At 1 April 2018	314,886	7,777	159,687	22,466	10,555	0	515,371
At 31 March 2019	274,370	7,916	163,167	22,601	10,869	0	478,923

Movements in 2017/2018:

	Other Land and Buildings £000s	Vehicles Plant and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total £000s
Cost or Valuation							
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
Accumulated Depreciation and Impairment							
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
Net Book Value							
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

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 (Computers)	Straight-line	5 Years
Vehicles, Plant and Equipment (Other)	Straight-line	5 to 10 Years
Infrastructure Assets (Capitalised Highways Maintenance)	Straight-line	10 Years
Infrastructure Assets (Other)	Straight-line	40 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 2019, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019/2020 and future years which are budgeted to cost £9.147m. Similar commitments at 31 March 2018 were £12.049m. The major commitments are:

Scheme	Expenditure approved and contracted at 31 March 2019 £000s
M58 junction improvements	6,097
A565 Key corridor improvements	775
A565 Route Management Seaforth	600

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:

	Other Land and Buildings £000s	Vehicles Plant and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total £000s
Cost or Valuation							
Carried at Historical Cost	87,777	22,652	226,686	22,601	3,604	0	363,320
Leased in Buildings	11,736	0	0	0	0	0	11,736
Valued at Current Value in:							
2018/2019	87,353	0	0	0	1,011	0	88,364
2017/2018	1,445	0	0	0	2,095	0	3,540
2016/2017	72,736	0	0	0	3,590	0	76,326
2015/2016	26,072	0	0	0	372	0	26,444
2014/2015	15,284	0	0	0	197	0	15,481
At 31 March 2019	302,403	22,652	226,686	22,601	10,869	0	585,211

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:

2017/2018				2018/2019		
Art Collection	Other	Total		Art Collection	Other	Total
£000s	£000s	£000s		£000s	£000s	£000s
9,397	1,660	11,057	Balance at the start of the year	9,397	1,828	11,225
0	0	0	Additions (Expenditure)	0	0	0
0	0	0	Disposals	0	0	0
0	168	168	Revaluations	307	0	307
0	0	0	Depreciation	0	0	0
9,397	**1,828**	**11,225**	**Balance at the end of the year**	**9,704**	**1,828**	**11,532**

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 ongoing 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:

2017/2018 £000s		2018/2019 £000s
-2,065	Rental Income from Investment Property	-1,988
5	Direct operating expenses arising from Investment Property	317
-2,060	Net gain	-1,671

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 2019, the Authority had no contractual obligations for the construction or enhancement of investment property in 2019/2020 and future years. There were also no similar commitments at 31 March 2018.

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

2017/2018 £000s		2018/2019 £000s
58,377	Balance at the start of the year	60,514
19	Additions – Subsequent expenditure	26
-673	Disposals	-235
2,153	Net gains / losses (-) from fair value adjustments	1,415
	Transfers to (-) / from:	
638	- Property, Plant & Equipment	116
60,514	**Balance at the end of the year**	**61,836**

Fair Value Hierarchy
All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Note 63 Statement of Accounting Policies (i) for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property
The fair value of investment property has been measured using inputs other than quoted prices that are observable for the asset, either directly or indirectly, assets being valued using applicable comparative evidence.

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 £0.619m charged to revenue in 2018/2019 (£0.393m in 2017/2018) 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 2019, the Authority had no contractual obligations for the construction or enhancement of intangible assets in 2019/2020 and future years. There were also no similar commitments at 31 March 2018.

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

2017/2018 £000s	Purchased Software Licences	2018/2019 £000s
3,117	Gross Carrying Amount	3,372
-2,274	Accumulated Amortisation	-2,668
843	Net carrying amount at start of the year	**704**
254	Purchases in the year	0
-393	Amortisation in the year	-619
0	Revaluations	0
704	**Net carrying amount at the year end**	**85**
	Comprising:	
3,372	Gross Carrying Amount	684
-2,668	Accumulated Amortisation	-599
704		**85**

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.

2017/2018 £000s	Capital Financing Requirement	2018/2019 £000s
203,585	Opening Capital Financing Requirement	234,487
	Capital Expenditure	
51,976	Property, Plant and Equipment	20,600
19	Investment Properties	26
254	Intangible Assets	0
2,119	Revenue expenditure funded from capital under statute	2,393
	Sources of Finance	
-2,506	Capital Receipts	-4,625
-13,739	Grants and Contributions	-11,599
-937	Direct Revenue Contributions	-971
	Provision for Repayment of Debt	
-6,177	Statutory Provision for financing capital investment	-8,441
-107	Amortisation of Deferred Income re. Crosby PFI	-108
234,487	**Closing Capital Financing Requirement**	**231,762**

2017/2018 £000s	Explanation of movements in the year	2018/2019 £000s
	Decrease (-) / Increase in underlying need to borrow:	
37,186	Increase in underlying need to borrow	5,824
-6,284	Provision for Repayment of Debt	-8,549
30,902	**Increase (+) / Decrease (-) in Capital Financing Requirement**	**-2,725**

26 LONG TERM INVESTMENTS

31 March 2018 £000s		31 March 2019 £000s
1	The Funding Circle	0
5,529	Churches & Charities Local Authority LAMIT Property Fund	5,615
5,530		5,615
1	Sefton New Directions (see Note 54 for more details)	1
5,531	**Total**	**5,616**

27 LONG TERM RECEIVABLES

31 March 2018 £000s		31 March 2019 £000s
	Transferred Services	
108	Merseyside Residuary Body	102
108		102
	Other	
4,021	Long Term Sundry Debtor Accounts	4,267
94	Finance Lease Agreements	16
1	Mortgages	0
15	Car Loans to Officers	0
87	Loan to Plaza Community Cinema	81
4,218		4,364
4,326	**Total**	**4,466**

28 SHORT TERM INVESTMENTS

Sefton held no Short Term Investments with banks at the balance sheet date. However, accrued interest receipts on the Council's Long Term Investments are shown as Short Term Investments in the Balance Sheet as shown below:

31 March 2018 £000s		31 March 2019 £000s
60	Accrued Interest Receipts	62
60	**Total**	**62**

29 ASSETS HELD FOR SALE

2017/2018 £000s	Movements in the year	2018/2019 £000s
212	Balance Outstanding at start of the year	212
	Assets transferred to:	
0	- Property, Plant and Equipment	-212
	Revaluations	
0	Revaluation Gains	0
0	Revaluation Losses	0
0	Assets Sold	0
212	**Balance Outstanding at the year-end**	**0**

Fair Value Hierarchy

The Council's Assets Held for Sale are valued using the fair value hierarchy for valuation purposes (see Note 63 Statement of Accounting Policies (i) for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Assets Held for Sale

The fair value of Assets Held for Sale has been measured at level 2 using inputs other than quoted prices that are observable for the asset, either directly or indirectly, assets being valued using applicable comparative evidence. The asset classified as an Asset Held for Sale at 31 March 2018 has now been reclassified as a surplus asset as it is no longer being actively marketed.

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

Movements 2018/2019	Stores £000s	Work in Progress £000s	Total £000s
Balance Outstanding at the start of the year	610	4	614
Purchases	4,822	0	4,822
Recognised as an expense in the year	-4,720	0	-4,720
Write-offs	0	0	0
Balance Outstanding at the year-end	712	4	**716**

Movements 2017/2018	Stores £000s	Work in Progress £000s	Total £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
Balance Outstanding at the year-end	610	4	**614**

31 SHORT TERM RECEIVABLES

31 March 2018 £000s		31 March 2019 £000s
	Amounts Falling Due Within One Year	
7,466	Central Government Bodies	1,538
6,308	HM Revenue and Customs	2,819
734	Academies	953
2,270	Other Local Authorities	3,453
2,706	NHS Bodies	5,531
16,009	Council Tax Payers	18,819
2,967	NNDR Payers	3,585
14,475	Other Entities and Individuals	16,481
18	Car Loans to Employees	19
52,953		53,198
	Less Impairment	
-7,573	Council Tax Payers	-9,598
-2,082	NNDR Payers	-2,527
-5,244	Other Entities and Individuals	-5,207
-14,899		-17,332
38,054	**Net Receivables**	**35,866**

32 CASH AND CASH EQUIVALENTS

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

31 March 2018 £000s		31 March 2019 £000s
54	Cash in hand of officers	53
6,060	Bank current accounts	-783
10,429	Short-term deposits with banks and building societies	13,010
16,543	**Total Cash and Cash Equivalents**	**12,280**

33 SHORT TERM PAYABLES

31 March 2018 £000s		31 March 2019 £000s
-4,735	HM Revenue and Customs	-4,494
-1,994	Government Departments	-3,579
-2,336	Other Local Authorities	-3,846
-973	NHS Bodies	-587
-21,084	Other entities and individuals	-13,824
-3,273	Accumulated Absences	-4,216
-34,395	**Total**	**-30,546**

34 RECEIPTS IN ADVANCE

31 March 2018 £000s		31 March 2019 £000s
-4,398	Planning Section 106 Agreements	-5,399
-1,766	Rechargeable Works	-2,840
-664	Council Tax Payers	-789
-783	NNDR Payers	-1,302
-2,780	Other entities and individuals	-4,046
-10,391	**Total**	**-14,376**

35 PROVISIONS

Movements in provisions during 2018/2019 were as follows:

		1 April 2018 £000s	Additions in Year £000s	Applied In Year £000s	Released In Year £000s	31 March 2019 £000s
	Long-term					
(a)	Internal Insurance Cover	-5,406	-991	953	0	-5,444
(b)	Provision for NDR Appeals	-14,955	-4,565	3,364	0	-16,156
		-20,361	**-5,556**	**4,317**	**0**	**-21,600**

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
	Long-term					
(a)	Internal Insurance Cover	-4,267	-2,088	949	0	-5,406
(b)	Provision for NDR Appeals	-9,852	-8,421	3,318	0	-14,955
		-14,119	**-10,509**	**4,267**	**0**	**-20,361**

(a) **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.

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.

(b) **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 (which is the reason why the whole provision is treated as long-term). 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 £16.156m based on the rateable value of properties still subject to appeal on the 2010 Rating List and an assessment of future threats from checks, challenges, and appeals against the rateable value of properties on the 2017 Rating List at 31 March 2019 (£14.955m on 31 March 2018).

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 2019 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 checks, challenges and appeals lodged with the Valuation Office Agency will exceed the provision made in the accounts.

36 DEFERRED LIABILITIES

31 March 2018 £000s		31 March 2019 £000s
	Short Term	
-438	Merseyside Residuary Body	-438
-153	Finance Lease Liability – Crosby Baths PFI	-189
-2,436	Finance Lease Liability – Arvato	0
-365	Finance Lease Liability – Property, Plant and Equipment	-150
-107	PFI Deferred Income	-107
-3,499	**Total Short Term**	**-884**
	Long Term	
-3,063	Merseyside Residuary Body	-2,626
-2,468	Finance Lease Liability – Crosby Baths PFI	-2,279
0	Finance Lease Liability – Arvato	0
-3,661	Finance Lease Liability – Property, Plant and Equipment	-3,510
-967	PFI Deferred Income	-859
-10,159	**Total Long Term**	**-9,274**

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. The amount outstanding in respect of Sefton MBC was £3.064m at 31 March 2019 (£3.501m at 31 March 2018).

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.

Portfolio and Name of Trust	Balance at 1 April 2018 £	Income £	Expenditure £	Balance at 31 March 2019 £
Children's Services				
Bootle Holiday Camp - Children	22,993	292	0	23,285
Wignall Scholarship	12,330	156	0	12,486
Corporate Services				
Netherton Green Trust	14,046	0	0	14,046
Other				
Mayor of Sefton's Charity Fund	8,099	0	0	8,099
Total	57,468	448	0	57,916
The balances are invested as follows:				
Government Securities	300			300
Sefton Cash Balances	57,168			57,616
Total	57,468			57,916

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 2018. The movements in the year were not available at the time these accounts were approved in May 2019. The opening balance in this note has been adjusted to reflect the Charity Fund's final audited accounts for 2017/2018.

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 10 to 13 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:

	Movements in 2018/2019	1 April 2018 £000s	Transfers in £000s	Transfers Out £000s	31 March 2019 £000s
(a)	Environmental Warranty	-11,000	0	0	-11,000
(b)	Insurance Fund	-89	0	89	0
(c)	Transforming Sefton	-7,110	-2,586	1,093	-8,603
(d)	Redundancy Reserve	-4,675	0	2,513	-2,162
(e)	Capital Priorities Fund	-76	0	0	-76
(f)	Community Transition Fund	-672	-500	283	-889
(g)	Contamination Clearance	-1,500	0	0	-1,500
(h)	Rating Appeals / Reduction in NDR Income Reserve	-2,254	0	0	-2,254
(i)	Recycling and Waste Development Fund	-409	0	409	0
(j)	MRP Adjustment Reserve	-3,179	0	2,780	-399
(k)	Regeneration Schemes Reserve	-1,000	-163	500	-663
(l)	Revenue Grants and Contributions Unapplied	-6,581	-2,678	2,582	-6,677
(m)	Schools' Earmarked Reserves	-916	-1,632	2,778	230
(n)	Other Earmarked Reserves	-6,534	-1,468	2,250	-5,752
	Total	-45,995	-9,027	15,277	-39,745
(o)	Temporary Use of Earmarked Reserves to Fund Pension Deficit Payment	20,308	-10,154	0	10,154
		-25,687	-19,181	15,277	**-29,591**

	Movements in 2017/2018	1 April 2017 £000s	Transfers in £000s	Transfers Out £000s	31 March 2018 £000s
(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)	Centrally Retained DSG Balances	-3,886	-224	3,194	-916
(n)	Other Earmarked Reserves	-6,634	-1,712	1,812	-6,534
	Total	**-59,778**	-9,025	22,808	-45,995
(o)	Temporary Use of Earmarked Reserves to Fund Pension Deficit Payment	**0**	0	20,308	20,308
		-59,778	-9,025	43,116	**-25,687**

(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** – Any resources available in the Authority's Insurance Fund in excess of known liabilities are included in an Earmarked Reserved. At the end of 2018/2019 the resources in the Insurance Fund are all required to fund 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. Cabinet on 6 December 2018 agreed to increase the reserve by a further £0.500m from a review of uncommitted Earmarked Reserves.

(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.

(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 utilised in 2018/2019.

(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 was 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 was reserved to contribute towards supporting the Council's revenue budget and also to help fund new regeneration projects. At Budget Council in March 2018, Council agreed to the provision of £0.500m from the Strand reserve to be used to support front line services in both 2018/19 and 2019/20. During 2018/19, after all outgoings have been met, including the repayment of debt, the Strand delivered an in- year surplus of £0.162m that has been used to increase the value of the reserve.

(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) **Centrally Retained DSG Balances –** The Council holds some Centrally Retained DSG reserves, separate to its Maintained Schools balances. These are respect of Schools' Central Support services; Early Years (non-schools) provision and High Needs (non-schools) provision. The net opening balance of these reserves, as at 1 April 2018 was a surplus of £0.515m, however during 2018/19, there were some significant under and overspending areas, which net, have resulted in an overspending of £0.745m. This has therefore taken the level of reserves into a deficit position of £0.230m at 31 March 2019 for the first time. More explanation is provided on page 13.

(n) **Other Earmarked Reserves –** There are a number of other earmarked reserves held by the Council. These include the Formby Pool Sinking Fund (£1.117m) and the Investment Strategy Reserve (£0.979m).

(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 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 were significantly less as no deficit recovery contribution was required in the year (as will also be the case in 2019/2020). The Council temporarily utilised Earmarked Reserves of £20.308m in 2017/2018 to fund part of the payment. Earmarked Reserves have been increased by £10.154m in 2018/2019 (and will be in 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.

2017/2018 £000s		2018/2019 £000s
-7,124	Balance at 1 April	-5,675
	Receipts in the Year	
-90	Sale proceeds credited to the Comprehensive Income and Expenditure Account as part of the gain/loss on disposal of non-current assets	-74
-789	Capital Receipts from Former Council House Sales	-731
-189	Other Capital Receipts not relating to the Disposal of Council Assets	-279
-2	Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0
	Applied in the Year	
2,507	Applied to finance new capital expenditure	4,625
12	Payments to Housing Receipts Pool	0
-5,675	**Balance at 31 March**	**-2,134**

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.

2017/2018 £000s		2018/2019 £000s
-8,147	Balance at 1 April	-9,333
-1,861	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-5,222
88	Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	80
587	Transferred to the Capital Adjustment Account	546
-9,333	**Balance at 31 March**	**-13,929**

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.

2017/2018 £000s		2018/2019 £000s
-72,241	**Balance at 1 April**	-70,419
-1,041	Upward revaluation of assets	-9,564
323	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	6,852
-718	Surplus (-) / Deficit on revaluation of non-current assets not posted to the Surplus / Deficit on the Provision of Services	-2,712
922	Difference between fair value depreciation and historical cost depreciation	891
1,618	Accumulated gains on assets sold or scrapped	851
2,540	Amount written off to the Capital Adjustment Account	1,742
-70,419	**Balance at 31 March**	**-71,389**

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.

2017/2018 £000s		2018/2019 £000s
-288,543	**Balance at 1 April**	-283,120
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
18,426	Depreciation of non-current assets	19,692
1,709	Revaluation of non-current assets	28,054
393	Amortisation of intangible assets	619
0	Revenue expenditure funded from capital under statute	0
10,936	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	12,038
-107	Amortisation of Deferred Income re. Crosby PFI Scheme	-108
-32,500	Receipt of Dividend in Specie relating to Regeneration Asset	0
32,500	Impairment of Equity relating to Regeneration Asset	0
31,357		60,295
	Amounts written out to the Revaluation Reserve	
-922	Difference between fair value depreciation and historical cost depreciation	-891
-1,618	Accumulated gains on assets sold or scrapped	-851
-2,540		-1,742
	Capital financing applied in the year	
-2,506	Capital receipts applied to finance capital expenditure	-4,625
-11,033	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to finance capital expenditure	-8,660
-587	Transfer from the Capital Grants and Contributions Unapplied Account to finance capital expenditure	-546
-6,177	Statutory provision for the financing of capital investment	-8,441
-937	Capital expenditure charged to the General Fund	-971
-21,240		-23,243

2017/2018 £000s	(Continued from previous page)	2018/2019 £000s
	Other Movements	
-2,154	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-1,415
-2,154		-1,415
-283,120	**Balance at 31 March**	**-249,225**

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.

2017/2018 £000s		2018/2019 £000s
547	**Balance at 1 April**	488
-59	Proportion of premiums incurred in previous financial years charged against the General Fund Balance in accordance with statutory requirements	-59
488	**Balance at 31 March**	**429**

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.

2017/2018 £000s		2018/2019 £000s
-278	**Balance at 1 April**	-529
-251	Upward revaluation of investments	0
0	Transfer to Pooled Investment Funds Adjustment Account	529
-529	**Balance at 31 March**	**0**

The 2018/19 Code of Practice on Local Authority Accounting has adopted IFRS9 Financial Instruments. As a result of the implementation of IFRS9, the Available for Sale Financial Instruments Reserve has been decommissioned and the balance held relating to the CCLA Property Fund has been transferred to the Pooled Investment Funds Adjustment Account.

46 POOLED INVESTMENT FUNDS ADJUSTMENT ACCOUNT

The Pooled Investments Funds Adjustment Account contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through profit and loss. 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.

2017/2018 £000s		2018/2019 £000s
0	**Balance at 1 April**	0
0	Transfer from Available for Sale Financial Instruments Reserve	-529
0	Upward revaluation of investments	-86
0	**Balance at 31 March**	**-615**

The Ministry for Housing, Communities and Local Government introduced a mandatory statutory override requiring local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds to protect the General Fund. This will be effective for 5 years from the financial year commencing 1 April 2018, and upon expiry all fair value movements will then impact on the General Fund Balance.

47 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.

2017/2018 £000s		2018/2019 £000s
-146	**Balance at 1 April**	-94
50	Repayment of Long Term Debtor	0
0	Deferred capital receipts applied to finance leased out property	78
2	Transfer to the Capital Receipts Reserve upon receipt of cash	0
-94	**Balance at 31 March**	**-16**

48 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.

2017/2018 £000s		2018/2019 £000s
426,977	**Balance at 1 April**	378,066
-47,537	Re-measurements (Liabilities and Assets)	49,401
0	Business Combinations	8,328
46,356	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	47,712
-47,730	Employer's pensions contributions and direct payments to pensioners payable in the year	-17,285
378,066	**Balance at 31 March**	**466,222**

49 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.

2017/2018 £000s		2018/2019 £000s
-84	**Balance at 1 April**	-6,893
-6,809	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	4,206
-6,893	**Balance at 31 March**	**-2,687**

50 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.

2017/2018 £000s		2018/2019 £000s
4,483	**Balance at 1 April**	3,273
	Transactions in Year	
-4,483	Settlement or cancellation of accrual made at the end of the preceding year	-3,273
3,273	Amounts accrued at the end of the current year	4,216
-1,210	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	943
3,273	**Balance at 31 March**	**4,216**

51 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Head of Corporate Resources on 16 July 2019. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

McCloud Case re. Age Discrimination and Pension Protection

On 27th June 2019, the Supreme Court denied the Government's request for an appeal in the McCloud and Sargeant case in respect of age discrimination and pension protection. They ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. At this stage, it is uncertain whether or not there will be an issue for the Local Government Pension Scheme and its employers, nor is it clear what the exact extent would be of any required changes. The potential effects if the transitional protections need to be extended to younger members of the scheme have been included in the final version of these Statement of Accounts (see Note 58 for more details).

52 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 £14.992m to HM Revenue and Customs for Employers' National Insurance Contributions. Amounts owed from and to Central Government at 31 March 2019 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 2018/2019, works and services to the value of £0.129m 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 £0.421m 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.

2018/2019	Income £000s	Expenditure £000s	Receivables £000s	Payables £000s
Sovini	0	41	4	0
Bosco Society	-1	357	0	0
3TC	0	21	0	0

2017/2018	Income £000s	Expenditure £000s	Receivables £000s	Payables £000s
Sovini	-2	29	0	0
St John Ambulance Council for Merseyside	-2	17	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, Sefton Council for Voluntary Service and Sefton New Directions.

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

2018/2019	Income £000s	Expenditure £000s	Receivables £000s	Payables £000s
Merseyside Police and Crime Commissioner	-542	15,099	68	0
Merseyside Fire and Rescue Authority	-25	7,124	0	0
Parish Councils	-41	1,049	4	0
Merseyside Integrated Transport Authority	0	19,714	8	0
Merseyside Recycling and Waste Authority	-1,148	14,430	0	0
Merseyside Pensions Authority - Employers' Contributions	0	14,534	0	0
Merseycare NHS Foundation	-374	3,078	422	0
Sefton New Directions Limited	-128	10,601	3	0
North West Borough Healthcare NHS Foundation Trust	0	5,101	541	0
Sefton CVS	-8	933	1	0

2017/2018	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

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 and Director of the Southport Business Improvement District. An Executive Director is appointed to the Merseyside Community Safety Partnership. The Head of Locality Services is a Council appointed representative on the Formby Pool Trust Board. The Director of Public Health is the Lead Director of Food Active and a Lead Director for Champs Public Health Collaborative. Any significant 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 2018/2019.

Subsidiary and associated companies

Details of the Council's interest in companies is set out in Note 54.

Note: Some organisations ceased to be related parties at the end of 2017/2018 so are not shown in 2018/2019.

53 CASH FLOW STATEMENT

OPERATING ACTIVITIES

The following table provides a reconciliation between the Net Deficit on Provision of Services shown in the Comprehensive Income and Expenditure Statement and the net cash flows from operating activities in the Cash Flow Statement:

2017/2018 £000s		2018/2019 £000s
	Net deficit on the provision of services	
-451	Interest Received	-510
5,070	Interest Paid	6,822
25,692	Other Items not relating to interest	62,754
30,311		**69,066**
	Adjustments to net surplus or deficit on the provision of services for non-cash movements	
-18,426	Depreciation charged to CIES	-19,692
-1,709	Revaluation Losses charged to CIES	-28,054
2,154	Movements in the Market Value of Investment Properties	1,415
-393	Amortisation of Intangible Assets	-619
-46,356	Reversal of items relating to retirement benefits debited to the CIES	-47,712
47,730	Employer's pensions contributions and direct payments to pensioners	17,285
-63	Movement in Long-Term Debtors	231
-46	Movement in Inventories	102
5,287	Movement in Short-term Receivables	-2,006
1,461	Movement in Prepayments	-831
-5,838	Movement in Short-term Payables	3,192
304	Movement in Receipts in Advance	-3,985
-6,242	Movement in Provisions (Long-Term)	-1,239
-22,137		**-81,913**
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
-10,846	Loss (-) on Sale of Fixed Assets	-11,964
12,806	Capital Grants and Contributions credited to the CIES	13,802
978	Capital receipts not related to disposals	1,010
-51	Reduction of Capital Receipts Deferred re. Leased Out Buildings	-78
-1,610	Other Adjustments	644
1,277		**3,414**
9,451	**Net cash flows from Operating Activities**	**-9,433**

FINANCING ACTIVITIES

The following table provides a reconciliation between the movements on the Balance Sheet during the year and net cash flows from financing activities in the Cash Flow Statement:

2018/2019	31 March 2018 £000s	Financing Cash Flows £000s	Other Cash Flows £000s	Non-Cash Transactions £000s	31 March 2019 £000s
Short-term Borrowing	-8,336	-2,023	27	0	-10,332
Long-term Borrowing	-148,712	6,019	0	0	-142,693
Short-term Deferred Liabilities	-3,499	2,615	0	0	-884
Long-term Deferred Liabilities	-10,159	884	0	0	-9,275
Short-Term Receivables	38,054	30	-2,218	0	35,866
Short-Term Payables	-34,395	23	3,826	0	-30,546
Total	**-167,047**	**7,548**	**1,635**	**0**	**-157,864**

The movements in short-term receivables and short-term payables shown under Financing Cash Flows relate to the net amounts owed to or from the Government and Major Preceptors in respect of their share of council tax and business rates balances which are accounted for on an agency basis. The movements recorded under Other Cash Flows relate to operating and investing activities.

2017/2018	31 March 2018 £000s	Financing Cash Flows £000s	Other Cash Flows £000s	Non-Cash Transactions £000s	31 March 2019 £000s
Short-term Borrowing	-748	-5,996	-1,592	0	-8,336
Long-term Borrowing	-100,197	-48,515	0	0	-148,712
Short-term Deferred Liabilities	-2,052	-1,447	0	0	-3,499
Long-term Deferred Liabilities	-13,658	3,499	0	0	-10,159
Short-Term Receivables	32,341	622	5,091	0	38,054
Short-Term Payables	-36,689	8,629	-6,335	0	-34,395
Total	**-121,003**	**-43,208**	**-2,836**	**0**	**-167,047**

54 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 2019, the Company had net liabilities of £0.250m (net assets of £0.934m on 31 March 2018). The Company reported a pre-tax loss of £0.579m in 2018/19 (a £0.450m profit in 2017/2018) and a loss of £0.459m after tax (a £0.349m profit in 2017/2018).

The Council didn't receive a dividend from the Company during 2018/2019 (a dividend of £0.700m was received in 2017/2018).

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 £5.223m at 31 March 2019 (£3.544m at 31 March 2018).

The Company's accounts for 2018/2019 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.

Sandway Homes

On 19 July 2018 Sefton (ACS) Development Company Limited, a company limited by shares and wholly owned by Sefton MBC, was incorporated. On 29 October 2018 Sandway Homes Limited, a company limited by share and wholly owned by Sefton (ACS) Developments Limited, was incorporated. The nature of business of Sandway Homes Limited is registered as development of building projects. The year-end of both companies is the same as that of Sefton MBC, and as at 31 March 2019 transactions of £0.4m had been transacted by the Sefton (SCS) Developments Limited group. Filing of accounts of both companies is required by Companies House by 31 December 2019. For 2018/2019 the accounts of the group will not be consolidated into the accounts of Sefton MBC on the grounds of materiality. However, from 2019/2020 the activities of the companies will be material enough to be consolidated in Sefton's Group Accounts.

55 OPERATING LEASES

Authority as a Lessee

The Council employs operating leases to obtain the use of certain vehicles and equipment. During 2018/2019 operating lease payments totalled £0.055m (£0.084m in 2017/2018).

In addition, the Council leases a number of properties from third parties under operating lease agreements. During 2018/2019 lease rentals paid for properties under these lease agreements totalled £0.120m (£0.109m in 2017/2018).

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

31 March 2018 £000s		31 March 2019 £000s
101	Not later than one year	120
157	Later than one year and not later than five years	193
1,973	Later than five years	2,419
2,231		2,732

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 2018/2019 lease rentals received from these operating lease agreements totalled £5.622m (£5.305m in 2017/2018).

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

31 March 2018 £000s		31 March 2019 £000s
5,269	Not later than one year	5,128
16,615	Later than one year and not later than five years	16,829
281,149	Later than five years	279,991
303,033		**301,948**

56 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:

31 March 2018 £000s		31 March 2019 £000s
2,766	Other Land and Buildings	2,391
2,766		2,391

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:

31 March 2018 £000s		31 March 2019 £000s
	Finance lease liabilities (net present value of minimum lease payments):	
366	• Current	150
3,660	• Non-current	3,510
2,821	Finance costs payable in future years	2,477
6,847	Minimum lease payments	6,137

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2018 £000s	31 March 2019 £000s	31 March 2018 £000s	31 March 2019 £000s
Not later than one year	710	480	366	150
Later than one year and not later than five years	1,920	1,920	700	773
Later than five years	4,217	3,737	2,960	2,737
	6,847	6,137	4,026	3,660

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 2018/2019 £0.015m contingent rents were payable by the Authority (£0.015m were paid in 2017/2018).

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:

31 March 2018 £000s		31 March 2019 £000s
	Finance lease debtor (net present value of minimum lease payments):	
53	• Current	16
41	• Non-current	0
2	Unearned finance income	0
20	Unguaranteed residual value of property	0
116	Gross investment in the lease	16

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

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2018 £000s	31 March 2019 £000s	31 March 2018 £000s	31 March 2019 £000s
Not later than one year	75	16	55	16
Later than one year and not later than five years	41	0	41	0
Later than five years	0	0	0	0
	116	16	96	16

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 £2.272m at 31 March 2019 (£2.295m at 31 March 2018) to which any unrecoverable lease payments would therefore be charged.

57 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 2018/2019 were £1.304m (£1.277m in 2017/2018) with government grants of £0.561m received in the year (£0.561m in 2017/2018).

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 2019/2020	189	393	695
Contract Payments between 2020/2021 and 2023/2024	824	1,241	3,261
Contract Payments between 2024/2025 and 2027/2028	1,456	842	3,393

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:

2017/2018 £000s		2018/2019 £000s
-2,621	Balance outstanding at start of year	-2,621
0	Payments during the year	153
-2,621	Balance outstanding at the year-end	-2,468

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:

2017/2018 £000s	Other Land & Buildings: PFI Assets	2018/2019 £000s
	Cost or Valuation	
9,260	Opening Balance at 1 April	9,614
354	Additions	33
0	Revaluations	0
9,614	Closing Balance at 31 March	9,647
	Depreciation and Impairments	
0	Opening Balance at 1 April	-263
-263	Depreciation Charge	-274
0	Revaluations	0
-263	Closing Balance at 31 March	-537

2017/2018 £000s	Other Land & Buildings: PFI Assets	2018/2019 £000s
	Balance Sheet Amount	
9,260	Opening Balance at 1 April	9,351
9,351	Closing Balance at 31 March	9,110

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 contract came to an end on the 30th September 2018.

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 2019, 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 rent is calculated in the year the actual 'unitary' charge is made).

Commitments under Service Concession	Repayment of Liability £000s	Service Charge £000s	Total £000s
Contract Payments in 2019/2020	0	0	0

Liabilities

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

2017/2018 £000s		2018/2019 £000s
-3,337	Balance outstanding at start of year	-2,436
901	Payments during the year	2,436
-2,436	Balance outstanding at the year-end	0

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:

2017/2018		Arvato	2018/2019	
Vehicles, Plant & Equipment £000s	Intangible Assets £000s		Vehicles, Plant & Equipment £000s	Intangible Assets £000s
		Cost or Valuation		
8,186	1,355	Opening Balance at 1 April	8,186	1,355
0	0	Derecognition - Disposal	-8,186	-1,355
8,186	1,355	Closing Balance at 31 March	0	0
		Depreciation and Impairments		
-5,376	-828	Opening Balance at 1 April	-6,127	-979
0	-151	Amortisation for the Year	0	-376
-751	0	Depreciation Charge	-2,059	0
0	0	Derecognition - Disposal	8,186	1,355
-6,127	-979	Closing Balance at 31 March	0	0
		Balance Sheet Amount		
2,810	527	Opening Balance at 1 April	2,059	376
2,059	376	Closing Balance at 31 March	0	0

58 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 10,200 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 2019, the Authority's own contributions equate to approximately 0.24%.

In 2018/2019, the Council paid £9.874m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of teachers' pensionable pay. The figures for 2017/2018 were £10.265m and 16.47%. Contributions of £0.800m remained payable at the year-end. The contributions due to be paid in 2019/2020 are estimated to be £12.144m.

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 2018/2019 these contributions amounted to £1.014m, representing 1.69% of teachers' pensionable pay. The figures for 2017/2018 were £1.074m and 1.72%.

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 8,700 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 2018/2019, the Authority's own contributions equate to approximately 0.001% (0.001% in 2017/2018).

In 2018/2019, the Council paid £0.026m to NHS Pensions in respect of retirement benefits, representing 14.3% of the employees' pensionable pay. The figures for 2017/2018 were £0.037m and 14.3%. Contributions of £0.003m remained payable at 31 March 2019 (£0.003m at 31 March 2018). The contributions due to be paid in 2019/2020 are estimated to be £0.059m.

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 2018/2019, the Council paid £14.904m to the MPF in respect of retirement benefits, representing 15.33% of employees' pensionable pay. The figures for 2017/2018 were £45.292m and 47.0%. Contributions of £1.380m remained payable at 31 March 2019 (£1.332m at 31 March 2018).

The amount paid in 2017/2018 included 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 are therefore significantly less, and will be in 2019/2020, as no deficit recovery contribution will be required in those years. The Council temporarily utilised £20.308m of Earmarked Reserves in 2017/2018 to fund part of the payment. Earmarked Reserves have been increased again in 2018/2019 (by £10.154m), and will be in 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 2018/2019 these contributions amounted to £1.367m representing 1.41% of pensionable pay. The figures for 2017/2018 were £1.364m and 1.41%.

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:

2017/2018 LGPS £000s	2017/2018 TPS Unfunded Liabilities £000s	**Comprehensive Income and Expenditure Statement**	2018/2019 LGPS £000s	2018/2019 TPS Unfunded Liabilities £000s
		Cost of Services:		
32,957	0	Current Service Cost	31,042	0
3,220	0	Curtailment Cost	1,449	0
482	0	Administration Expenses	486	0
0	0	Effect of Settlements	-4,187	0
0	0	Past Service Cost	9,254	0
		Financing and Investment Income and Expenditure:		
9,458	239	Net Interest Cost	9,443	225
46,117	239	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	47,487	225
-47,413	-124	Re-measurement of the Net Defined Benefit Liability	49,173	228
0	0	Effect of Business Combinations	8,328	0
-1,296	115	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	104,988	453

2017/2018 LGPS £000s	2017/2018 TPS Unfunded Liabilities £000s	**Movement in Reserves Statement**	2018/2019 LGPS £000s	2018/2019 TPS Unfunded Liabilities £000s
-46,117	-239	Reversal of net charges made to the Deficit for the Provision of Services for post-employment benefits in accordance with the Code	-47,487	-225
		Actual amount charged against the General Fund for pensions in the year:		
46,656		• employers' contributions payable to the scheme	16,271	1,014
	1,074	• retirement benefits payable direct to pensioners		

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:

2017/2018 LGPS £000s	2017/2018 TPS Unfunded Liabilities £000s		2018/2019 LGPS £000s	2018/2019 TPS Unfunded Liabilities £000s
-1,223,206	-9,157	Present Value of the Defined Benefit Obligation	-1,402,273	-8,596
854,297	0	Fair Value of Plan Assets	944,647	0
-368,909	-9,157	Net Liability arising from defined benefit obligation	-457,626	-8,596

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

2017/2018 LGPS £000s	2017/2018 TPS Unfunded Liabilities £000s		2018/2019 LGPS £000s	2018/2019 TPS Unfunded Liabilities £000s
1,231,382	10,116	Opening Balance at 1 April	1,223,206	9,157
32,957	0	Current Service Cost	31,042	0
30,442	239	Interest Cost on Pension Liabilities	32,313	225
6,079	0	Contributions from scheme participants	6,123	0
		Remeasurement Gains (-) and Losses:		
0	0	- Actuarial Gains / Losses arising from changes in demographic assumptions	0	0
-47,371	-124	- Actuarial Gains / Losses arising from changes in financial assumptions	75,499	228
0	0	- Experience Gains / Losses	0	0
-33,503	-1,074	Benefits paid	-36,234	-1,014
3,220	0	Curtailment Cost	1,449	0
0	0	Settlements	-16,322	0
0	0	Past Service Cost	9,254	0
0	0	Business Combinations	75,943	0
1,223,206	9,157	Closing Balance at 31 March	1,402,273	8,596

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

2017/2018 LGPS £000s	2017/2018 TPS Unfunded Liabilities £000s		2018/2019 LGPS £000s	2018/2019 TPS Unfunded Liabilities £000s
814,521	0	Opening Balance at 1 April	854,297	0
20,984	0	Interest Income	22,870	0
		Remeasurement Gains / Losses (-):		
42	0	- The return on plan assets, excluding the amount included in the net operating expense	26,326	0
0	0	Settlements	-12,135	0
0	0	Business Combinations	67,615	0
46,656	1,074	Contributions from Employer	16,271	1,014
6,079	0	Contributions from Employees into the Scheme	6,123	0
-33,503	-1,074	Benefits paid	-36,234	-1,014
-482	0	Administration Expenses	-486	0
854,297	0	Closing Balance at 31 March	944,647	0

During 2018/2019 a number of services previously provided by an external contractor were brought back to the Council. The pension rights of affected staff were transferred back to the Council. The effect on this was to increased Scheme Assets by £67.615m and increase Scheme Liabilities by £75.499m, an increase in net liabilities of £7.884m. In should be noted that this is an increase in notional liabilities rather than the actual assets and liabilities transferred.

McCloud Case re. Age Discrimination and Pension Protection

On 27th June 2019, the Supreme Court denied the Government's request for an appeal in the McCloud and Sargeant case in respect of age discrimination and pension protection. They ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. At this stage, it is uncertain whether or not there will be an issue for the Local Government Pension Scheme and its employers, nor is it clear what the exact extent would be of any required changes. The potential effects if the transitional protections need to be extended to younger members of the scheme have been included in the final version of these Statement of Accounts. The Pension Liability and Reserve have both increased by £13.533m, with an additional charge to the Deficit on Provision of Services of £9.254m and to Other Comprehensive Income and Expenditure of £4.279m.

Local Government Pension Scheme Assets Comprised:

2017/2018			2018/2019	
Quoted £000s	Unquoted £000s		Quoted £000s	Unquoted £000s
22,810	**0**	Cash and Cash Equivalents	**27,526**	**0**
		Equities:		
180,002	0	- UK	145,013	24,947
270,385	0	- Global	197,281	96,648
450,387	**0**		**342,294**	**121,595**
		Bonds:		
30,669	0	- UK Government	34,243	0
36,991	0	- UK Corporate	40,711	0
69,283	0	- UK Index Linked	74,868	0
136,943	**0**		**149,822**	**0**
		Property:		
0	49,635	- UK Direct Property	0	57,663
1,623	12,900	- Property Managed (UK)	1,869	17,211
0	11,960	- Property Managed (Global)	0	13,440
1,623	**74,495**		**1,869**	**88,314**
		Alternatives:		
85	28,106	- Private Equity (UK)	2	30,004
0	26,739	- Private Equity (Global)	0	33,493
0	4,357	- Hedge Funds (UK)	820	3,866
0	22,383	- Hedge Funds (Global)	0	23,884
940	20,161	- Infrastructure (UK)	1,640	34,840
0	16,830	- Infrastructure (Global)	0	23,040
11,448	21,699	- Opportunities (UK)	8,703	28,981
4,869	10,422	- Opportunities (Global)	8,207	15,747
17,342	**150,697**		**19,372**	**193,855**
629,105	**225,192**	**Total Assets (Quoted / Unquoted)**	**540,883**	**403,764**
	854,297	**Total Assets**		**944,647**

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:

2017/2018		2018/2019
	Mortality assumptions (years):	
	Local Government Pension Scheme:	
22.0	Longevity at 65 for current pensioners: Men	22.2
24.8	Longevity at 65 for current pensioners: Women	25.0
25.0	Longevity at 65 for future pensioners: Men	25.2
27.8	Longevity at 65 for future pensioners: Women	27.9

2017/2018	(Continued from previous page)	2018/2019
	Teachers' Pension Scheme Unfunded Liabilities:	
22.0	Longevity at 65 for current pensioners – aged 65: Men	22.1
25.0	Longevity at 65 for current pensioners – aged 65: Women	25.1
13.2	Longevity at 65 for current pensioners – aged 75: Men	13.3
15.7	Longevity at 65 for current pensioners – aged 75: Women	15.8
	Other assumptions	
2.1%	Rate of Inflation - CPI	2.2%
3.6%	Rate of increase in salaries	3.7%
2.2%	Rate of increase in pensions	2.3%
2.6%	Rate for discounting scheme liabilities (LGPS)	2.4%
2.6%	Rate for discounting scheme liabilities (TPS Unfunded Liabilities)	2.4%

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
Local Government Pension Scheme		
Longevity (increase or decrease in 1 year)	27,924	-27,924
Rate of Inflation (increase or decrease by 0.1%)	24,411	-24,411
Rate of Increase in Salaries (increase or decrease by 0.1%)	3,473	-3,473
Rate of Increase in Pensions (increase or decrease by 0.1%)	24,411	-24,411
Rate for Discounting Scheme Liabilities (increase or decrease by 0.1%)	-23,994	-23,994
Teachers' Additional Unfunded Pensions		
Longevity (increase or decrease in 1 year)	399	-399
Rate of Inflation (increase or decrease by 0.1%)	58	-58
Rate for Discounting Scheme Liabilities (increase or decrease by 0.1%)	-58	58

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 17 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 2020 is £16.633m.

The total payments expected to be made by the Council to former teachers receiving additional unfunded pensions in the year to 31 March 2020 is £1.014m.

The weighted average duration of the defined benefit obligation for Local Government Pension Scheme members is 17 years in 2018/2019 (17 years in 2017/2018). The weighted average duration for former teachers receiving additional unfunded pensions is 7 years in 2018/2019 (7 years in 2017/2018).

59 CONTINGENT LIABILITIES

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 vires 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 vires 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 Agilisys Limited. The most recently notified value of the guarantees for Sefton New Directions Limited and Agilisys 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.

60 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 £1.6m until the end of the arrangement.

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

FINANCIAL ASSETS	Long Term		Current	
	31/03/2018 £000s	31/03/2019 £000s	31/03/2018 £000s	31/03/2019 £000s
Fair Value through Profit or Loss				
Investments	5,530	5,616	60	62
Amortised Cost				
Investments	1	0	0	0
Debtors	4,326	4,466	28,733	25,587
Cash and cash equivalents	0	0	16,543	12,280
Total Financial Assets	9,857	10,082	45,336	37,929
Non-financial assets - Debtors	0	0	9,321	10,279
Total	**9,857**	**10,082**	**54,657**	**48,208**

FINANCIAL LIABILITIES	Long Term		Current	
	31/03/2018 £000s	31/03/2019 £000s	31/03/2018 £000s	31/03/2019 £000s
Amortised Cost				
Borrowing	148,712	142,693	8,336	10,332
Creditors	0	0	34,395	30,546
Service Concessions and Finance Lease Liabilities	10,159	9,275	3,499	884
Total Financial Liabilities	158,871	151,968	46,230	41,762

Designated to fair value through profit and loss and statutory override

The Council holds a £5m pooled investment in a property fund. As a result of the change in accounting standards for 2018/19, under IFRS 9, this investment has been reclassified as Fair Value through Profit and Loss. To avoid any impact on the General Fund balance, the Ministry of Housing, Communities and Local Government have agreed a temporary override to allow English Local Authorities time to adjust their portfolio of all pooled investments. This override commences on the 1st April 2018 and lasts for five years. The Council will use the statutory override to account for any changes in the fair value on its pooled investments.

Items of income, expense, gains or losses

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 2019		
	Surplus or Deficit on the Provision of Services £000s	Other Comprehensive Income and Expenditure £000s	Total £000s
Net Gains/ Losses on:			
Financial assets measured at fair value through profit or loss	615	0	615
Reversal of Surpluses on Revaluation of Available for Sale Financial Assets	0	-529	-529
Total net gains/ losses	**615**	**-529**	**86**
Interest Revenue			
Financial assets measure at amortised cost	512	0	512
Total Interest Revenue	**512**	**0**	**512**
Interest Expense	**-6,795**		**-6,795**

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

	31 March 2018		
	Surplus or Deficit on the Provision of Services £000s	Other Comprehensive Income and Expenditure £000s	Total £000s
Net Gains/ Losses on:			
Financial assets measured at fair value through profit or loss	0	0	0
Surplus on Revaluation of Available for Sale Financial Assets	0	251	251
Total net gains/ losses	**0**	**251**	**251**
Interest Revenue			
Financial assets measure at amortised cost	433	0	433
Total Interest Revenue	**433**	**0**	**433**
Interest Expense	**-6,662**		**-6,662**

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	Input level in Fair Value Hierarchy	Valuation technique used to measure Fair Value	31 March 2018 £000s	31 March 2019 £000s
Financial Instruments - CCLA	Level 1	Unadjusted quoted prices in active markets for identical shares	5,529	5,615

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

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 (31st March 2019), 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:

FINANCIAL LIABILITIES	31 March 2018		31 March 2019	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Financial Liabilities held at amortised cost				
Borrowing-PWLB	157,028	183,786	151,005	181,671
Borrowing-Other	20	20	2,020	2,020
Short-term Creditors	34,395	34,395	29,856	30,546
PFI and finance lease liabilities	13,658	13,658	10,159	10,159
Total	**205,101**	**231,859**	**193,040**	**224,396**

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.

FINANCIAL ASSETS	31 March 2018		31 March 2019	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Investments	60	60	62	62
Cash and Cash Equivalents	16,543	16,543	12,280	12,280
Short-term Receivables	28,733	28,733	24,897	25,587
Long-term Receivables	4,326	4,326	4,466	4,466
Total	49,662	49,662	41,705	42,395

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.

62 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:

i) Credit risk – the possibility that other parties may fail to pay amounts due to the Authority;
ii) Liquidity risk – the possibility that the Authority may not have funds available to meet its commitments to make payments;
iii) 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 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 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
- Viability rating attempts to assess how a bank would be viewed if it was entirely independent of any external support
- Sovereign rating 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 and building societies	Sovereign rating: AA- Short Term: F1 Long Term: A- Viability rating: A Active in sterling markets	£25m (the Authority currently operates an operational limit of 10% of total investment portfolio)
Deposits with money market funds	Sovereign rating: AAA	

The above table demonstrates that the Authority will only invest in institutions that have the highest credit rating scores. For banks and building societies, a risk score of F1 (highest credit quality), A- (high credit quality – low credit risk and considered to have a very strong capacity to pay financial commitments) and Money Market Funds rating of AAA (highest credit quality).

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 14 financial years, adjusted to reflect current market conditions:

Estimated maximum exposure at 31/03/18		Amount at 31/03/19	Historical experience of default	Historical experience adjusted for market conditions at 31/03/19	Estimated maximum exposure to default & uncollectability at 31/03/19
£000s (A x C)					
0	Deposits with Banks	0	0	0	0
0	Deposits with Money Market	13,010	0	0	0
0	Deposits Other	5,615	0	0	0
381	Customers	15,984	3.29%	3.29%	526
381					**526**

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 2018 £000s	Total Investments at 31 March 2019 £000s
United Kingdom Banks	0	0
Other: CCLA	5,529	5,615
Other: Funding Circle	1	0
	5,530	5,615

The Authority does not generally allow credit for customers, such that £12.317m of the £15.984m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2018 £000s	31 March 2019 £000s
Less than three months	4,141	8,594
Three months to one year	2,086	2,943
More than one year	4,533	4,447
	10,760	15,984

A provision for bad debts relating to customers exists which totals £2.272m at 31 March 2019 (£2.295m at 31 March 2018). This provision relates to a wide variety of assets of which none are individually significant. The provision was increased by £0.357m in 2018/2019 (£0.509m in 2017/2018) and £0.380m was written-off during the year (£0.263m in 2017/2018).

Of this debt £4.267m is secured against properties at 31 March 2019 (£4.021m as at 31 March 2018). 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.

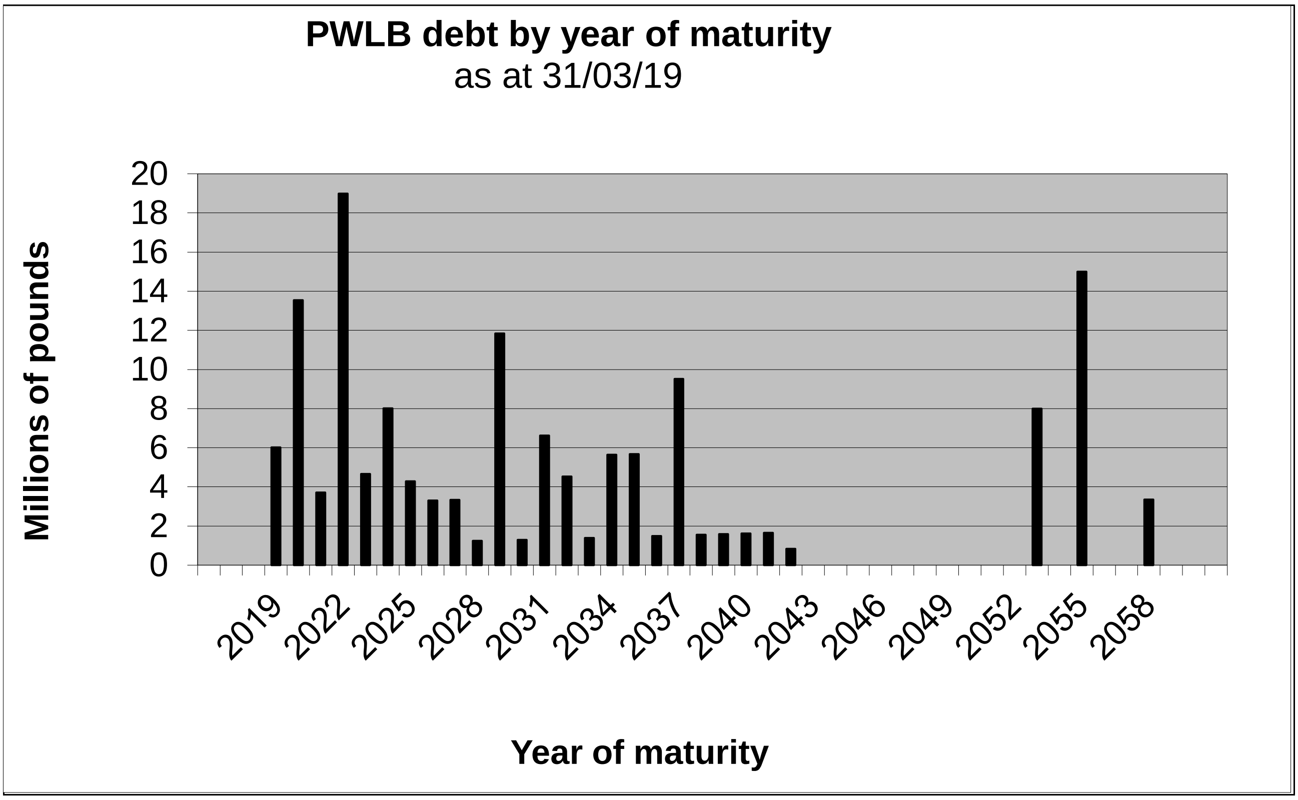
The risk for the Authority is that it will need to replace its borrowings at a time when interest rates are unfavourable, leading to additional ongoing financing costs. The strategy for the Council is to ensure that by careful planning of the repayment date for new and replacement loans, and (when economic 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 2018 £000s	**Analysis of Loans by Type:**	Range of Interest Rates Payable (%)	31 March 2019 £000s
157,028	Public Works Loan Board	0.88 – 7.13	151,004
0	Money Market		0
16	Individuals	0.00	16
0	Other Local Authorities		0
4	Other	0.00 - 6.50	2,005
157,048	**Total**		153,025

31 March 2018 £000s	**Analysis of Loans by Maturity:**	31 March 2019 £000s
8,336	Maturing within one year	10,332
6,018	Maturing in 1-2 years	13,541
36,240	Maturing in 2-5 years	27,354
23,585	Maturing in 5-10 years	20,171
25,532	Maturing in 10-15 years	25,677
23,713	Maturing in 15-20 years	23,874
7,246	Maturing in 20-25 years	5,698
0	Maturing in 25-30 years	0
0	Maturing in 30-35 years	8,000
23,000	Maturing in 35-40 years	18,358
3,358	Maturing in 40-45 years	0
20	Maturing in more than 45 years	20
157,048	**Total**	153,025

The Analysis of Loans by Maturity 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. The property fund is classified at fair value through profit ot loss, meaning that all movements in price will impact on gains and losses recognised in the surplus or deficit on the provision of services. However, for a five-year period commencing the 1st April 2018, there is a statutory override to avoid such an impact.

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 2018 £000s		31 March 2019 £000s
319	Increase in interest receivable on variable rate investments (and resultant impact on the Surplus or Deficit on the Provision of Services)	323
-18,223	Decrease in fair value of fixed rate loans (no impact on Other Comprehensive Income and Expenditure)	-17,398
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 Surplus or Deficit on the Provision of Services.

63 STATEMENT OF SINGLE ENTITIY AND GROUP 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 2018/2019*.

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

- 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 Councils 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.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure in the year of repurchases/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down is spread over the life of the loan by an adjustment to the effective interest rate. This is managed by a transfer to or from the Financial Instruments Adjustment Account in Movement in Reserves Statement.

Where premiums and discounts have been charged to CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium payable or discount receivable when it was repaid.

Financial Assets

Financial assets are classified based upon a classification and measurement approach that reflects the business model for holding financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised costs
- Fair value through profit and loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The Council does not hold investments that are measured fair value through FVOCI.

Financial assets measured at amortised cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provision of a financial instrument and are initially valued at fair value. They are subsequently measured at their amortised costs. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial instrument held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to CIES is the amount receivable for the year in the loan agreement.

Financial assets measured at fair value through profit and loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provision of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

The fair value measurement is based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the accounting policy set out in section (i) Fair Value Measurement.

Credit loss model

The credit risk model allows the authority to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that instrument has increased significantly since initial recognition. To make the assessment the authority compares the risk of a default occurring on the financial instrument. This is carried out with market intelligence supplied by external treasury consultants.

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 market price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. 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:

Asset Type	Building	Roof	Services	Externals	Total
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 needed to settle any obligation are only discounted where required 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 held 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.

2017/2018 £000s	INCOME AND EXPENDITURE ACCOUNT	Note	2018/2019 Business Rates £000s	2018/2019 Council Tax £000s	2018/2019 Total £000s
	INCOME				
	Council Tax				
-141,741	Income from Council Tax Payers			-152,092	-152,092
	Transfers from the General Fund				
-129	Hardship Relief			-132	-132
	Business Rates				
-69,027	Income from Business Ratepayers		-69,755		-69,755
	Contributions				
-2,437	Contributions towards previous year's deficit	2	0	0	0
-213,334	**Total Income**		**-69,755**	**-152,224**	**-221,979**
	EXPENDITURE				
	Distribution of Resources				
138,431	Precepts and Demands - Council Tax	4		148,595	148,595
63,591	Shares of Non-domestic Rates Income	5	67,120		67,120
1,990	Transitional Protection Payments		413		413
	Transfers to the General Fund				
321	Cost of Collection Allowance		319		319
23	Council Tax Benefit			14	14
	Impairment of Debts / Appeals				
3,687	Provision for Bad and Doubtful Debts	6	1,020	2,637	3,657
-5,000	Provision for Appeals	7	1,213		1,213
	Contributions				
2,367	Contributions towards previous year's surplus	2	3,398	871	4,269
205,410	**TOTAL EXPENDITURE**		**73,483**	**152,117**	**225,600**
-7,924	**MOVEMENT ON THE FUND BALANCE**		**3,728**	**-107**	**3,621**
	COLLECTION FUND BALANCES				
1,459	Balances Brought Forward		-5,589	-876	-6,465
-7,924	Movement on the Fund Balance in Year		3,728	-107	3,621
-6,465	**BALANCES AT YEAR END**		**-1,861**	**-983**	**-2,844**
	BALANCES TO BE ALLOCATED				
608	Central Government		0	0	0
-6,893	Sefton MBC		-1,842	-845	-2,687
-86	Merseyside Police and Crime Commissioner		0	-96	-96
-94	Merseyside Fire and Rescue Authority		-19	-42	-61
-6,465			**-1,861**	**-983**	**-2,844**

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 2018/2019 (adjusted for dwellings where discounts apply) converted to a number of band D dwellings, has been calculated as follows:

Band	Number of Chargeable Dwellings After Discounts	Proportion of Band D Charge	Band D Equivalent Dwellings
A*	63.2	5/9	35.1
A	22,300.5	6/9	14,867.0
B	20,101.9	7/9	15,634.8
C	24,868.4	8/9	22,105.3
D	13,061.5	9/9	13,061.5
E	7,422.2	11/9	9,071.6
F	3,576.3	13/9	5,165.8
G	2,446.5	15/9	4,077.4
H	195.6	18/9	391.2
	94,036.1		84,409.7
Adjustment for estimated collection rate (98.25%)			-1,477.2
Adjustment for Ministry of Defence properties			7.0
Council Tax Base			82,939.5

* 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:

Council Tax	2017/2018 £000	2018/2019 £000
Sefton Council	2,022	747
Merseyside Police and Crime Commissioner	238	86
Merseyside Fire and Rescue Service	107	38
	2,367	871

Business Rates	2017/2018 £000	2018/2019 £000
Central Government	-1,219	-607
Sefton Council	-1,194	3,971
Merseyside Fire and Rescue Service	-24	34
	-2,437	3,398

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 business rate multipliers applied are shown below:

Multipliers	2017/18	2018/19
Standard Business Rate Multiplier	47.9p	49.3p
Small Business Rate Multiplier	46.6p	48.0p

The total non-domestic rateable value on Sefton's Rating List was £183,316,337 at 31 March 2019 (£183,259,872 at 31 March 2018).

4 PRECEPTS AND DEMANDS ON THE COLLECTION FUND

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

Council Tax	2017/2018 £000	2018/2019 £000
Sefton Council (Including Parish Precepts)	118,748	127,485
Merseyside Police and Crime Commissioner	13,594	14,760
Merseyside Fire & Rescue Authority	6,089	6,350
	138,431	148,595

5 SHARES OF NON-DOMESTIC RATES INCOME

Business rates income is shared on the following basis:

Business Rates	Share %	2017/2018 £000	2018/2019 £000
Sefton Council	99%	62,955	66,449
Merseyside Fire & Rescue Authority	1%	636	671
	100%	63,591	67,120

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. The pilot agreement is due to end on 31 March 2020.

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	2017/2018 £000	2018/2019 £000
Balance at 1 April	-6,264	-7,995
Write-offs in year	636	419
Increase / Decrease in Year	-2,367	-2,637
Balance at 31 March	-7,995	-10,213

Business Rates	2017/2018 £000	2018/2019 £000
Balance at 1 April	-1,276	-2,011
Written-off in year	585	611
Increase / Decrease in Year	-1,320	-1,020
Balance at 31 March	-2,011	-2,420

7 PROVISION FOR CHECKS, CHALLENGES AND APPEALS

The Collection Fund also makes a provision for checks, challenges, and appeals against rateable values set by the Valuation Office Agency (VOA). The table below shows the movements on the provision in the year:

Business Rates	2017/2018 £000	2018/2019 £000
Balance at 1 April	-20,106	-15,106
Movement in the Year	5,000	-1,213
Balance at 31 March	-15,106	-16,319

10 GROUP ACCOUNTS

The standard financial statements consider the Council only as a single entity. Sefton Council 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 £1.148m (£1.607m increase as at 31 March 2018), representing the Authority's 100% share of accumulated net surplus in the Company.

The Group Comprehensive Income and Expenditure Statement records a deficit for Sefton New Directions Limited of £1.184m in 2018/2019 (a £1.766m surplus in 2017/2018).

After adjusting for Movements on Reserves the deficit recorded by Sefton New Directions Limited was £0.459m in 2018/2019 (a £0.349m surplus in 2017/2018).

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

Copies of the Company's accounts for 2018/2019 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.

Sandway Homes

On 19 July 2018 Sefton (ACS) Development Company Limited, a company limited by shares and wholly owned by Sefton MBC, was incorporated. On 29 October 2018 Sandway Homes Limited, a company limited by share and wholly owned by Sefton (ACS) Developments Limited, was incorporated. The nature of business of Sandway Homes Limited is registered as development of building projects. The year-end of both companies is the same as that of Sefton MBC, and as at 31 March 2019 transactions of £0.4m had been transacted by the Sefton (SCS) Developments Limited group. Filing of accounts of both companies is required by Companies House by 31 December 2019. For 2018/2019 the accounts of the group will not be consolidated into the accounts of Sefton MBC on the grounds of materiality. However, from 2019/2020 the activities of the companies will be material enough to be consolidated in Sefton's Group Accounts.

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.

2017/2018			Note	2018/2019		
Gross Expenditure	Gross Income	Net Expenditure / Income (-)		Gross Expenditure	Gross Income	Net Expenditure / Income (-)
£000s	£000s	£000s	Continuing Operations			
907	0	907	Strategic Management	1,205	-200	1,005
4,266	-97	4,169	Strategic Support Unit	3,559	-153	3,406
121,948	-40,113	81,835	Adult Social Care	129,259	-37,105	92,154
29,624	-1,051	28,573	Children's Social Care	34,303	-1,840	32,463
12,293	-2,977	9,316	Communities	9,963	-2,537	7,426
124,778	-98,661	26,117	Corporate Resources	114,804	-88,205	26,599
27,638	-29,244	-1,606	Health and Wellbeing	27,078	-29,399	-2,321
7,354	-3,730	3,624	Inward Investment & Employment	6,776	-3,360	3,416
21,174	-3,316	17,858	Locality Services - Commissioned	22,721	-4,269	18,452
19,049	-8,107	10,942	Locality Services - Provision	19,293	-8,789	10,504
8,311	-4,639	3,672	Regeneration and Housing	8,391	-5,196	3,195
11,707	-7,861	3,846	Regulation and Compliance	11,326	-7,498	3,828
27,752	-4,705	23,047	Schools and Families	49,923	-4,864	45,059
180,811	-180,171	640	Schools and Families - Schools	182,626	-179,405	3,221
12,696	-9,039	3,657	Corporate Unallocated Costs	17,199	-4,901	12,298
-34	178	144	Sefton New Directions - Net	947	-445	502
610,274	**-393,533**	**216,741**	**Net Cost of Services**	**639,373**	**-378,166**	**261,207**
			Other Operating Income and Expenditure			
		921	Precepts paid to Parish Councils			1,026
		31,568	Levies			33,269
		12	Contribution to Housing Pooled Capital Receipts			0
		10,180	Loss on the disposal of non-current assets			11,729
		-7	Gain (-) / Loss on Disposal of Assets Held for Sale			0
		-1,045	Other Operating Income			-1,097
		41,629				44,927
			Financing and Investment Income & Expenditure			
		6,662	Interest payable and similar charges			6,795
		9,805	Net Interest on the Net Pension Defined Benefit Liability			9,754
		-435	Interest Receivable			-521
		-2,060	Income and Expenditure on Investment Properties			-1,616
		-2,154	Changes in the Fair Value of Investment Properties			-1,415
		673	Loss on the disposal of Investment Properties			235
		0	Changes in the Fair Value of Financial Instruments			-86
		-32,500	Receipt of Dividend in Specie relating to Regeneration Asset			0
		32,500	Impairment of Equity relating to Regeneration Asset			0
		12,491				13,146
			Taxation and Non-specific Grant Income			
		101	Taxation			-120
		-119,648	Income from Council Tax			-128,324
		-69,691	Non-Domestic Rates Income			-66,122
		-38,155	Non-Ringfenced Government Grants			-40,858
		-12,806	Capital Grants and Contributions			-13,802
		-240,199				-249,226
		30,662	**Deficit on Provision of Services**			**70,054**

2017/2018			Continued from previous page	2018/2019		
Gross Expenditure	Gross Income	Net Expenditure / Income (-)		Gross Expenditure	Gross Income	Net Expenditure / Income (-)
		-718	Surplus (-) / Deficit on Revaluation of non-current assets			-2,712
		-251	Surplus (-) / Deficit on Revaluation of Available for Sale Financial Assets			0
		-49,244	Re-measurement of the Net Defined Benefit Liability			50,274
		290	Deferred Tax re. Actuarial losses/gains on pension fund assets and liabilities for Sefton New Directions Limited			-148
		0	Net Defined Benefit Liability –Business Combinations			8,328
		-49,923	**Other Comprehensive Income and Expenditure**			55,742
		-19,261	**Total Comprehensive Income and Expenditure**			**125,796**

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

2017/2018 £000s		2018/2019 £000s
30,311	Deficit for the year on Provision of Services on the Authority Income and Expenditure Statement	69,595
-349	Surplus (-) / Deficit in the Group Income and Expenditure Statement Attributable to Group Entities (adjusted for Intra-Group Transactions)	459
700	Payment of Dividend	0
30,662	**Deficit for the year on Provision of Services on the Group Income and Expenditure Statement**	**70,054**

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.

Movements in Reserves in 2018/2019	Council Usable Reserves £000	New Directions Surplus £000	**Total Usable Reserves £000**	New Directions Pensions Reserve £000	Council Unusable Reserves £000	**Total Authority Reserves £000**
Balance at 1 April 2018	-65,238	-1,607	-66,845	674	20,772	-45,399
Movements in Year						
Total Comprehensive Income and Expenditure	69,595	459	70,054	725	55,017	125,796
Adjustments between accounting basis and funding basis under regulations (Note 7 of single entity accounts)	-71,146	0	-71,146	0	71,146	0
Net Increase (-) / Decrease before Transfers to Earmarked Reserves	-1,551	459	-1,092	725	126,163	125,796
Transfers to / from Earmarked Reserves (Note 39 of single entity accounts)	0	0	0	0	0	0
Increase in Year	-1,551	459	-1,092	725	126,163	125,796
Balance at 31 March 2019	-66,789	-1,148	-67,937	1,399	146,935	80,397

Movements in Reserves in 2017/2018	Council Usable Reserves £000	New Directions Surplus £000	**Total Usable Reserves £000**	New Directions Pensions Reserve £000	Council Unusable Reserves £000	**Total Authority Reserves £000**
Balance at 1 April 2017	-96,986	-2,082	-99,068	2,091	70,715	-26,262
Movements in Year						
Total Comprehensive Income and Expenditure	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
Net Increase (-) / Decrease before Transfers to Earmarked Reserves	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
Increase in Year	31,748	475	32,223	-1,417	-49,943	-19,137
Balance at 31 March 2018	-65,238	-1,607	-66,845	674	20,772	-45,399

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 2018 £000s		Note	31 March 2019 £000s
515,873	Property, Plant and Equipment		479,401
11,225	Heritage Assets		11,532
60,514	Investment Property		61,836
704	Intangible Assets		85
5,531	Long Term Investments		5,615
4,326	Long Term Receivables		4,466
598,173	**Long-Term Assets**		562,935
60	Short Term Investments		62
212	Assets Held for Sale		0
614	Inventories		716
38,183	Short Term Receivables		36,022
5,231	Prepayments		4,400
20,239	Cash and Cash Equivalents		15,451
64,539	**Current Assets**		56,651
-8,336	Short Term Borrowing		-10,332
-34,745	Short Term Payables		-30,145
-10,391	Receipts in Advance		-14,376
-102	Provisions		-121
-3,499	Deferred Liabilities		-884
-57,073	**Current Liabilities**		-55,858
-20,361	Provisions		-21,600
-148,712	Long Term Borrowing		-142,693
-10,159	Deferred Liabilities		-9,275
-381,008	Pensions Liability		-470,557
-560,240	**Long Term Liabilities**		-644,125
45,399	**Net Assets**		**-80,397**

31 March 2018 £000s	Balance Sheet (Continued)	Note	31 March 2019 £000s
	Reserves		
	Usable Reserves		
-15,411	General Fund - Delegated Schools		-13,596
-9,132	General Fund - Non-Delegated Services		-7,539
-1,607	New Directions - Profit and Loss Account		-1,148
-25,687	Earmarked Reserves		-29,591
-5,675	Capital Receipts Reserve		-2,134
-9,333	Capital Grants and Contributions Unapplied		-13,929
-66,845			-67,937
	Unusable Reserves		
-70,419	Revaluation Reserve		-71,389
-283,120	Capital Adjustment Account		-249,225
488	Financial Instruments Adjustment Account		429
-529	Available for Sale Financial Instruments Reserve		0
0	Pooled Investment Funds Adjustment Account		-615
-94	Deferred Capital Receipts		-16
378,740	Pensions Reserve		467,621
-6,893	Collection Fund Adjustment Account		-2,687
3,273	Accumulated Absences Account		4,216
21,446			148,334
-45,399	**Total Group Reserves**		**80,397**

The Notes to the single entity accounts on pages 33 to 114, and to the Group Accounts on pages 125 to 130 form part of the financial statements (note that the disclosures on pages 131 to 132 are for information only and do not 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.

2017/2018 £000s		Note	2018/2019 £000s
	Operating Activities		
30,662	Net Deficit on the provision of services		70,054
-22,824	Adjustments to net surplus or deficit on the provision of services for non-cash movements		-81,978
1,277	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		2,885
9,115	Net cash flows from Operating Activities		-9,039
	Investing Activities		
52,096	Purchase of property, plant and equipment, investment property and intangible assets		21,390
0	Purchase of short-term and long-term investments		0
0	Other payments for investing activities		0
-1,068	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		-1,084
-4,000	Proceeds from short-term and long-term investments		0
-13,167	Other receipts from investing activities		-14,027
33,861	Net cash flows from Investing Activities		6,279
	Financing Activities		
-57,500	Cash receipts of short- and long-term borrowing		-2,000
0	Other receipts from financing activities		-163
1,614	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		3,062
3,427	Repayments of short- and long-term borrowing		6,433
9,251	Other payments for financing activities		216
-43,208	Net cash flows from Financing Activities		7,548
-232	**Net decrease / increase (-) in cash and cash equivalents**		**4,788**
-20,007	Cash and cash equivalents at the beginning of the reporting period		-20,239
-20,239	**Cash and cash equivalents at the end of the reporting period**		**-15,451**

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 PRIOR PERIOD ADJUSTMENTS

The final audited 2017/2018 accounts for Sefton New Directions included a late adjustment that wasn't amended for in Sefton's Group Accounts. The 2017/2018 comparator information has been amended to reflect the changes, as follows:

Surplus on the Income Expenditure Account relating to New Directions has increased from £0.225m to £0.349m.

Provisions have reduced from £0.256m to £0.102m with Short Term Payables increasing from £0.424m to £0.454m.

The New Directions Surplus has increased from £1.483m to £1.607m.

3 DISCLOSURE OF AUDIT COSTS

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

2017/2018 £000		2018/2019 £000
14	Fees payable to Hazlewoods LLP for external audit services	15
14	**Total**	**15**

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

4 ASSETS ON OPERATING LEASES

Sefton New Directions Limited made no operating lease payments in 2018/2019 relating to Land and Buildings and other assets (also nil in 2017/2018). Sefton New Directions has no commitments to making payments for operating leases in 2019/2020.

Sefton's expenditure on operating leases is shown in Note 55 to the single entity accounts.

5 EMPLOYEES' EMOLUMENTS IN EXCESS OF £50,000

Sefton New Directions had 345 employees during 2018/2019 (326 during 2017/2018). The number of employees whose remuneration was over £50,000 is shown in the table below:

Sefton New Directions (Only)				
2017/2018		Remuneration Band	2018/2019	
Employed on 31/03/17	Left during the year		Employed on 31/03/18	Left during the year
0	0	£60,000 - £64,999	0	0

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

6 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:

2017/2018		**Comprehensive Income and Expenditure Statement**	2018/2019	
Sefton Council £000s	Sefton New Directions Limited £000s		Sefton Council £000s	Sefton New Directions Limited £000s
		Cost of Services:		
32,957	1,062	Current Service Cost	31,042	1,031
3,220	0	Curtailment Cost	1,449	182
482	0	Administration Expenses	486	15
0	0	Effect of Settlements	-4,187	0
0	0	Past Service Cost	9,254	0
		Financing and Investment Income & Expenditure:		
9,697	108	Net Interest Cost	9,668	86
46,356	1,170	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	47,712	1,314
-47,537	-1,707	Actuarial Losses / Gains (-) on Pension Assets and Liabilities	49,401	873
	0	Effect of Business Combinations	8,328	
0	290	Deferred Tax re. Actuarial losses on pension fund assets and liabilities for Sefton New Directions Limited	0	-148
-1,181	-247	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	105,441	2,039

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:

2017/2018			2018/2019	
Sefton Council £000s	Sefton New Directions Limited £000s		Sefton Council £000s	Sefton New Directions Limited £000s
-1,232,363	-43,252	Present Value of the Defined Benefit Obligation	-1,410,869	-46,713
854,297	39,708	Fair Value of Plan Assets	944,647	41,490
0	602	Related Deferred Tax Assets	0	888
-378,066	-2,942	Net Liability arising from defined benefit obligation	-466,222	-4,335

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of scheme liabilities

2017/2018			2018/2019	
Sefton Council £000s	Sefton New Directions Limited £000s		Sefton Council £000s	Sefton New Directions Limited £000s
1,241,498	43,841	1 April	1,232,363	43,252
32,957	1,062	Current Service Cost	31,042	1,031
30,681	1,084	Interest Cost on Pension Liabilities	32,538	1,110
6,079	179	Contributions by scheme participants	6,123	186
-47,495	-1,705	Remeasurement Gains (-) and Losses	75,727	2,319
-34,577	-1,209	Benefits paid	-37,248	-1,367
3,220	0	Curtailment Cost	1,449	182
0	0	Settlements	-16,322	0
0	0	Past Service Cost	9,254	0
0	0	Business Combinations	75,943	0
1,232,363	43,252	31 March	1,410,869	46,713

Reconciliation of fair value of scheme assets:

2017/2018			2018/2019	
Sefton Council £000s	Sefton New Directions Limited Restated £000s		Sefton Council £000s	Sefton New Directions Limited £000s
814,521	39,313	1 April	854,297	39,708
20,984	976	Interest Income	22,870	1,024
42	2	Remeasurement Gains / Losses (-)	26,326	1,446
0	0	Settlements	-12,135	0
0	0	Business Combinations	67,615	0
47,730	462	Employer contributions	17,285	508
6,079	179	Contributions by scheme participants	6,123	186
-34,577	-1,209	Benefits paid	-37,248	-1,367
-482	-15	Administration Expenses	-486	-15
854,297	39,708	31 March	944,647	41,490

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 £471m has a substantial impact on the net worth of the Group as recorded in the Balance Sheet, resulting in an overall balance of -£80m.

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

The principal assumptions used by the actuary for Sefton New Directions have been:

2017/2018		2018/2019
	Mortality assumptions (years):	
	Local Government Pension Scheme:	
22.0	Longevity at 65 for current pensioners: Men	22.0
25.0	Longevity at 65 for current pensioners: Women	25.0
25.0	Longevity at 65 for future pensioners: Men	25.0
28.0	Longevity at 65 for future pensioners: Women	28.0
	Other assumptions	
2.2%	Rate of Inflation - CPI	2.3%
3.6%	Rate of increase in salaries	3.7%
2.1%	Rate of increase in pensions	2.2%
2.6%	Rate for discounting scheme liabilities	2.4%

The assumptions used by the actuary for Sefton Council are shown in Note 58 to the single entity accounts.

7 PROPERTY, PLANT AND EQUIPMENT

The Property, Plant and Equipment (PP&E) figure in the Group Balance Sheet includes £0.402m for Vehicles, Plant and Equipment of Sefton New Directions Limited at 31 March 2019 (£0.413m at 31 March 2018) and £0.076m for Land and Buildings (£0.089m at 31 March 2018). Details of Sefton's PP&E are shown in Note 21 to the single entity accounts.

8 CURRENT ASSETS

The Current Assets figure in the Group Balance Sheet includes £0.997m for Receivables of Sefton New Directions Limited at 31 March 2019 (£0.234m at 31 March 2018). Details of Sefton's Receivables are shown in Note 31 to the single entity accounts.

9 CASH AND CASH EQUIVALENTS

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

31 March 2018 £000s		31 March 2019 £000s
16,543	Sefton MBC - Cash and Cash Equivalents	12,280
3,696	Sefton New Directions Limited - Bank Deposits	3,171
20,239	**Total Cash and Cash Equivalents**	**15,451**

10 CURRENT LIABILITIES

The Current Liabilities figure in the Group Balance Sheet includes £0.440m for Payables of Sefton New Directions Limited at 31 March 2019 (£0.454m at 31 March 2018). Details of Sefton's Payables are shown in Note 33 to the single entity accounts.

11 PROVISIONS

The Current Liabilities figure in the Group Balance Sheet includes £0.121m for Short Term Provisions of Sefton New Directions Limited at 31 March 2019 (£0.102m at 31 March 2018). 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:

	2018/19	1 April 2018 £000s	Additions in Year £000s	Applied In Year £000s	Released In Year £000s	31 March 2019 £000s
	Short-term					
(a)	Restructuring Costs / Employee Settlement Costs/ Pay Protection	-80	-103	80	0	-103
(b)	Deferred Tax	-22	0	4	0	-18
		-102	**-103**	**84**	**0**	**-121**

Comparable figures for the previous year are shown below:

	2017/18	1 April 2017 £000s	Additions in Year £000s	Applied In Year £000s	Released In Year £000s	31 March 2018 £000s
	Short-term					
(a)	Restructuring Costs / Employee Settlement Costs / Pay Protection	-79	-155	154	0	-80
(b)	Deferred Tax	-25	0	3	0	-22
		-104	**-155**	**157**	**0**	**-102**

(a) Restructuring Costs / Employee Settlement Costs / Pay Protection Provision

Restructuring Costs

Restructuring costs reflect a provision for severance payments as management made and communicated a formal decision prior to 31 March 2019 to eliminate certain positions.

Employee Settlement Costs

During 2018, employees brought about a potential National Minimum Wage claim against the company and provisions were made in anticipation of the payouts. During the year ended 31 March 2019, the full amount of this provision was released to the profit and loss account due to the necessary settlement being made.

Pay protection

During the year, management made a formal decision prior to 31 March 2019 to eliminate certain positions within the business. Six employees were offered positions within the company at a lower rate of pay and management decided to protect the shortfall in pay for these employees.

(b) Deferred Tax – This relates to the difference between accumulated depreciation and amortisation and capital allowances (-£0.018m).

12 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2017/2018 £000s		2018/2019 £000s
-453	Interest received	-519
5,070	Interest paid	6,822

13 STATEMENT OF ACCOUNTING POLICIES

The Accounting Policies for the Group are described in Note 63 to the single entity accounts.

OTHER INFORMATION:
The following disclosures are for information only and do not form part of the financial statements.

SEFTON NEW DIRECTIONS SUMMARY FINANCIAL INFORMATION

Profit and Loss Account

2017/2018 £000		2018/2019 £000
9,305	Turnover	11,367
-7,384	Cost of Sales	-9,879
1,921	Gross Profit	1,488
-1,216	Administrative Expenses	-1,424
705	Gross Profit	64
-149	Costs of reorganisation and restructuring	-566
-106	Other interest receivable and similar income	-77
0	Interest payable and similar charges	0
450	Profit before Tax	-579
-101	Taxation	120
349	**Profit / Loss (-) for the financial year**	**-459**

Statement of Comprehensive Income

2017/2018 £000		2018/2019 £000
349	**Profit for the financial year**	-459
1,707	Actuarial gain / loss (-) recognised on defined benefit pension scheme	-873
-290	Deferred tax actuarial gain / loss (-) recognised on defined benefit pension scheme	148
1,417		-725
1,766	**Comprehensive Income for the financial year**	-1,184

Balance Sheet

2017/2018 £000		2018/2019 £000
	Fixed Assets	
502	Tangible Assets	478
	Current Assets	
234	Debtors	997
3,696	Cash at bank and in hand	3,171
3,930		4,168
-454	**Creditors: Amounts falling due within one year**	-440
3,476	**Net Current Assets**	3,728
3,978	**Total assets less current liabilities**	**4,206**
	Long-Term Liabilities	
-102	Provision for liabilities	-121
-2,942	Net pension liability	-4,335
-3,044		-4,456
	Capital and reserves	
-1	Called up share capital	-1
-933	Retained earnings	251
-934		250
-3,978	**Total capital, reserves and long-term liabilities**	**-4,206**

Expenditure and Income by Nature

2017/2018 £000s		2018/2019 £000s
	Expenditure	
7,300	Employee benefit expenses	9,776
1,244	Other service expenses	1,425
149	Exceptional Items	566
56	Depreciation, amortisation and impairment	102
0	Interest Payments	0
108	Net Interest on the Net Pension Defined Benefit Liability	86
101	Taxation	-120
8,958	**Total Expenditure**	11,835
	Income	
-9,305	Fees, charges and other service income	-11,367
-2	Interest and Investment Income	-9
-9,307	**Total Income**	-11,376
-349	**Surplus (-) / Deficit on the Provision of Services**	**459**

Annual Governance Statement 2018/19

Year Ended 31st March 2019

Sefton Council

www.sefton.gov.uk

Contents Page

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.

It also meets the requirements of the Accounts and Audit Regulations 2015 which requires the Council to publish an Annual Governance Statement (AGS) in accordance with proper practice in relation to internal control.

The Council has reviewed its existing governance arrangements and has subsequently approved and adopted in June 2018 a local Code of Corporate Governance, which is consistent with the seven principles of Corporate Governance as set out in the CIPFA / SOLACE publication 'Delivering Good Governance in Local Government Framework 2016'.

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 Annual Governance Statement

The AGS is a public document that reports on the extent to which the Council complies with its own Code of Corporate Governance, demonstrating the monitoring and evaluation of the effectiveness of governance arrangements. The AGS is a valuable means of communication and reflects the Council's features, challenges and any planned changes in the coming period.

The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled; and through which it engages with and leads its communities. This framework enables the authority to develop and achieve its strategic objectives and core purpose in delivering the 2030 vision. The Council's 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 AGS.

i. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot remove all risk of failing to achieve the Council's 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:-identify and prioritise the risks that could prevent the Council from achieving its aims and objectives;

ii. assess how likely it is that identified risks will happen and what the potential impact would be if they did; and

iii. manage the risks effectively.

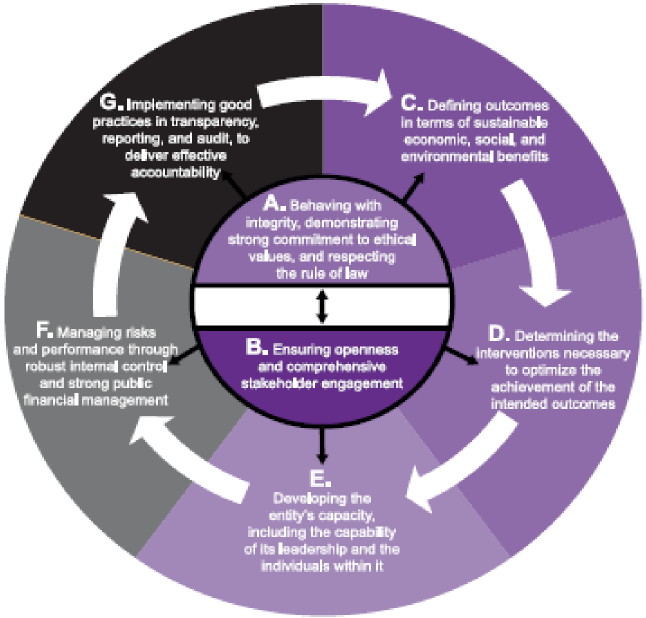
For the purposes of this statement, the governance framework has been in place at Sefton Council from 1 April 2018 and up to the date of the approval of the statement of accounts.

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:

- Senior managers who have responsibility for the development and maintenance of the governance environment within their service areas;
- The Chief Internal Auditor's annual report, which includes a report on the effectiveness of internal audit; and
- Feedback, recommendations and 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

The Council approved the overall policy and budgetary framework for the financial year 2018/19. Cabinet subsequently made decisions at various points throughout the year 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 by the Chief Legal and Democratic Officer as part of the Constitution review 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 political parties are represented on the Audit and Governance Committee.

The Committee met regularly during 2018/19, considering reports, from the Monitoring Officer, the Section 151 (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 and Head of Corporate Resources (S151 Officer). ELT meet every fortnight to consider and provide leadership on all business matters of the Council.

As part of the corporate governance review for 2018/19 members of the ELT have provided formal assurance in respect of their role and responsibilities, by their responses to the Governance Assurance Statement (GAS) questionnaires.

Strategic Leadership Board

The Strategic Leadership Board consists of the Chief Executive, Executive Directors and Heads of Service. It provides senior management and leadership in the development, delivery and communication of Council and borough-wide policy and performance. It has a key responsibility for the development and maintenance of the governance environment.

As part of the corporate governance review for 2018/19 members of the SLB have provided formal assurance in respect of their service area, by their responses to the GAS questionnaires.

External Audit

Ernst & Young LLB is the Council's appointed External Auditor for 2018/19. 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 2018/19, 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.

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 to a review during 2017/18 which was assessed as being generally compliant with the Public Sector Internal Audit Standards 2017. During 2018/19 work has been on-going in respect of the delivering the review recommendations through the Internal Audit Action Plan.

Other External Inspections

During the year a number of external inspections took place within the Council. Appropriate action plans have been developed and processes are in place to track delivery. Notable inspections include:-

- LGA Peer Review
- Ofsted Children Social Care Focused Visit
- Environmental Health Inspections
- National Security Inspectorate Audits
- VOSA Inspections
- City Region Waste Review

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
Behaving with integrity. Demonstrating strong commitment to ethical values. Respecting the rule of law.	◊ 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. ◊ All reports to Council, Cabinet and committees are checked by the Legal and Financial Services to ensure the decisions to be made are lawful and comply with financial requirements. ◊ 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. ◊ 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. ◊ The Council's Vision (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.

B - Ensuring openness and comprehensive stakeholder engagement.

Sub – Principle	How Sefton Council Achieves the Principle
Openness. Engaging comprehensively with institutional stakeholders. Engaging stakeholders effectively, including individual citizens and service users.	◊ The Council publishes all relevant information (as required by the Local Government Transparency Code 2015) on its website. ◊ The Council's website contains comprehensive information pertaining to the services provided by Sefton. ◊ The Council's decision making information, including committee agendas and minutes (not restricted) is available via the council's website and intranet.

	◊ The Council undertakes consultation exercises regularly including on all budget proposals. ◊ All reports to Council, Cabinet and committees are checked by the Legal and Financial Services to ensure the decisions to be made are lawful and comply with financial requirements.

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

Sub – Principle	How Sefton Council Achieves the Principle
Defining Outcomes Sustainable economic, social and environmental benefits.	◊ The Council is committed to community engagement and involvement. ◊ The Council has a clear vision for the future as set out in Sefton 2030 and Framework for Change Programme which takes into account all relevant economic, social and environmental factors. ◊ 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. ◊ The Council has structured budget and treasury management processes in place.

D - Determining the interventions necessary to optimise the achievement of the intended outcomes.

Sub – Principle	How Sefton Council Achieves the Principle
Determining interventions. Planning interventions. Optimising achievement of intended outcomes.	◊ The Council operates a Scrutiny and Review Committee system and the decision making process allows for challenge where necessary. ◊ The Council has a robust financial strategy with financial planning protocols in place (Framework for Change, Medium Term Financial Plan, annual budget monitoring and Forward Plans.) ◊ Cabinet receives regular reports on the Revenue and Capital Budgets and the Audit and Governance Committee receives regular reports on Treasury Management. ◊ The Council engages and undertakes consultation exercises with its stakeholders in relation to service provision changes and new initiatives.

	◊ 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.

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
Developing the entity's capacity. Developing the capability of the entity's leadership and other individuals.	◊ The Council has an agreed constitution which details roles and responsibilities of councillors and key officers of the Council. ◊ The Council requires all new employees and councillors to undertake an induction process. ◊ The Council has a number of human resource policies in place. ◊ The Council has a personal development review process in place for councillors and employees. ◊ There is a training programme for members and employees. Employee training needs are identified through the annual appraisal process. ◊ Financial Regulations are contained within the Council's Constitution and all employees are required to operate within them. ◊ 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. ◊ The Council works with a number of partners in order to deliver services throughout the borough. ◊ Areas of the Council have been or are under review to ensure that they are operating efficiently and effectively within resources available.

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

Sub – Principle	How Sefton Council Achieves the Principle
Managing risk. Managing performance. Robust internal control. Managing data. Strong public financial management.	◊ The Council has a Risk Management Framework in place. ◊ The Council's Performance Management of new projects is linked to the Framework for Change. ◊ A system of scrutiny and review is in place as part of the Council's decision making progress. ◊ The Council has an Audit and Governance Committee who meet quarterly and provide independent assurance of the adequacy of the Council's Risk Management Framework and the associated control environment. ◊ The Council has a Risk Management Handbook and the Audit and Governance Committee review the Corporate Risk Register at each meeting. ◊ An internal audit function is maintained and reports quarterly to the Audit and Governance Committee. ◊ A data management framework and procedures are in place and are readily available to all members of staff. The Council has appointed a Data Protection Officer, Senior and Deputy Senior Information Risk Officers. ◊ The Council has a robust financial strategy with Financial Planning protocols in place (Framework for Change, annual budget monitoring, Medium Term Financial Plan and Forward Plans.) ◊ The Council's Financial Statements are available to the Public on the Council's website.

G - Implementing good practices in transparency, reporting, and audit to deliver accountability.

Sub – Principle	How Sefton Council Achieves the Principle
Implementing good practice in transparency. Implementing good practices in reporting.	◊ The Council adheres to the Local Government Transparency Code 2015, with relevant information accessible via the council's website. ◊ The Council's website is designed for ease of navigation and includes "Browse aloud" function.

Assurance and effective accountability.	◊ The Council has an Accessible Communications Policy in place. ◊ The Council's Financial Statements, Auditors letter and LGA Peer Review Action Plan is available on the Council's website. ◊ 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. ◊ An Annual Governance Statement is produced and incorporated into the Council's approved Financial Statements.

5. Significant Governance Issues

In addition to identifying those areas where the Council meets the principles of Corporate Governance, it is also appropriate to identify areas of improvement that can be undertaken during the next financial 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.

The 2018/19 governance review has identified the following issues:

	Governance Issue	Source	Action to Address the issue	Timescale	Lead
1	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 2018/19 the Corporate Performance Framework has been developed and is expected to be implemented in the financial year 2019/20.	Senior Leadership Board	Final Corporate Performance Framework to be completed and implemented	30 September 2019	Senior Leadership Board
2	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.	30 September 2019	Chief Internal Auditor
3	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 review is currently being undertaken and will be presented to Council for approval on 18 July 2019. In the event that key changes arise outside of this they will be reported as required through Audit and Governance Committee and Council.	Throughout 2019/20	Chief Legal and Democratic Officer

Conclusion and Declaration

The review provides good overall assurance that Council's arrangements continue to be regarded as fit for purpose in accordance with the Governance Framework.

During the next twelve months there will be improvements to address the above matters and further enhance governance arrangements. The effectiveness of measures implemented in 2019/20 will be monitored and reported as part of the next annual review.

Signed on behalf of Sefton Council:

Dwayne Johnson	*25/07/2019*
……………………………………………………….	……………………………..
Dwayne Johnson	**Date**
Chief Executive	
Ian Maher	*25/07/2019*
……………………………………………………….	……………………………..
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 2019 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,
- Related notes 1 to 63,
- Group accounts related notes 1 to 13,
- Collection Fund and the 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 2018/19.

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 2019 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 2018/19.

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 Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Corporate Resources 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 - 23, 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 2018, 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 2019.

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 23, 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 2018/19, 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 Sefton Metropolitan Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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 [name of body] 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.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

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.

Ernst & Young LLP

Hassan Rohimun (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Manchester
31 July 2019

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEFTON METROPOLITAN BOROUGH COUNCIL

Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2019 issued on 31 July 2019 we reported that, in our opinion, the financial statements:

- gave a true and fair view of the financial position of Sefton Metropolitan Borough Council as at 31 March 2019 and of its expenditure and income for the year then ended;
- gave a true and fair view of the financial position of the Group as at 31 March 2019 and of its expenditure and income for the year then ended; and
- had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Issue of value for money conclusion on Sefton Metropolitan Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

In our audit report for the year ended 31 March 2019 issued on 31 July 2019 we reported that, in our opinion, in all significant respects, Sefton Metropolitan Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.

Certificate

In our report dated 31 July 2019, we explained that we could not formally conclude the audit on that date until we had completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We have now completed this work.

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and value for money conclusion.

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.

ERNST & YOUNG LLP

Hassan Rohimun (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Manchester
27 September 2019

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 MHCLG guidance on the minimum revenue provision (published in February 2018).

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
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
HRA	Housing Revenue Account
IAS	International Accounting Standards
ICT	Information and Communication Technology
IBCF	Improved Better Care Fund
IFRS	International Financial Reporting Standard
IMD	Index of Multiple Deprivation
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
PWLB	Public Works and Loans Board
REFCUS	Revenue Expenditure Funded from Capital Under Statute
SCIG	Strategic Capital Investment Group
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). 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,
7th 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.