ST. HELENS COUNCIL
STATEMENT OF ACCOUNTS
2018-2019

APPROVAL OF ACCOUNTS

I confirm that these Accounts were approved by the Audit and Governance Committee at its meeting held on 29 July 2019.

Chair of meeting approving the Accounts

Date: 29 July 2019

TABLE OF CONTENTS

NARRATIVE REPORT BY THE STRATEGIC DIRECTOR OF CORPORATE SERVICES

1. Introduction to the Narrative Report

This Narrative Report provides an overview of St Helens Borough Council, including the key issues impacting on the Council and its accounts. It provides a summary of the Council's financial position as at 31 March 2019, and an outline of its wider performance, whilst going on to consider risk and the future. The Narrative Report is structured as follows:

- Introduction to St Helens
- Key facts about St Helens
- Council - political and management structure
- Council operating model – partnerships and strategic planning
- Operational environment
- Council financial summary and resource allocation 2018-2019
- Council performance summary 2018-2019
- Risk management
- Future outlook
- Conclusion

The Report also includes a brief explanation of the Financial Statements that follow.

2. Introduction to St Helens

St Helens Council is one of the 6 local Merseyside authorities that make up the Liverpool City Region. Situated strategically at the heart of the North West and central to the 'Northern Powerhouse,' the Borough also enjoys strong connections to Greater Manchester, Lancashire and Cheshire. An extensive road, rail and bus network provides excellent accessibility to and from St. Helens.

St Helens covers an area of 136 square kilometres, of which approximately half is rural, and half is urban. The Borough has a proud industrial heritage, built around its reputation as a centre for innovation in chemical production, pharmaceuticals and a world-famous glass industry. Like many northern towns, the industries on which it once thrived have now largely declined. However, in recent years regeneration has brought about the positive transformation of many parts of the Borough, with the development of new industry, businesses, housing, transport infrastructure and green spaces. The Council's aspirations for the Borough remain high and the creation of additional economic growth remains a key priority if it is to succeed in its plans and deliver its ambitious vision of a future St Helens.

3. Key Facts about St Helens

St Helens' demographics, the profile of its communities and its living environment are all critical factors that play a key role in influencing the range, shape and direction of services that the Council provides, for it to ensure that the needs of the local population are capable of being met.

Office for National Statistics (ONS) Mid-Year Population Estimates 2017 show that there are approximately 179,300 residents in St Helens, a population that is expected to grow steadily over the next 10-20 years, although at a lesser rate than that predicted for the North West and England.

St Helens' age profile is relatively old; with proportionally less people aged 0-16 and more people 65+ than there are nationally. It is also an ageing population with ONS Population Projections suggesting that numbers of residents in their 80's will nearly double, whilst numbers of residents in their 90's will nearly triple by 2037.

Relatively high levels of deprivation and inequality exist within the Borough. The Index of Multiple Deprivation ranks St. Helens as the 36th most deprived local authority in England out of 326. Nearly a quarter of all neighbourhoods within the Borough fall within the most 10% deprived of neighbourhoods nationally.

The health of the population is not as good as it should be, with Census data showing that over 8% of people describe their health as bad or very bad. Statistics show that life expectancy from birth for both males and females at 77.5 years and 80.9 years is significantly below national averages of 79.6 years (males) and 83.1 years (females).

The percentage of the population economically active has shown improvement in recent years (75.7%) but remains behind the regional (76.9%) and national average (78.7%). Economic inactivity rates remain relatively high compared to regional and national averages due to high levels of long-term sickness and disability.

Residents' average gross weekly pay of £517 is below the North West average of £530, and the national average of £575.

Housing affordability is an issue within the Borough with the average house price now 5.2 times the median gross annual earnings.

Crime rates within St Helens on the whole compare favourably to neighbouring authorities and those in its most similar family comparator group.

For a detailed picture of St Helens and its communities please visit info4.sthelens.gov.uk

4. St Helens Council

St Helens Council provides a range of local authority services to the residents, businesses, schools and visitors to the Borough, either directly or through commissioning or partnership arrangements. The services delivered include care services for older people, vulnerable adults and people with disabilities, children's centres and early years' services, school support and improvement, support for children with special educational needs, fostering and adoption services, public health, waste and recycling, street cleansing, libraries, leisure services, licensing, housing and homelessness support, planning and development permissions, environmental health and trading standards, benefits administration, maintenance of highways, footpaths, parks and open spaces, and many more.

Political Structure

St Helens has a total of 16 electoral wards and 48 ward Councillors. Following the last local elections in May 2019, the membership of St Helens Council is:

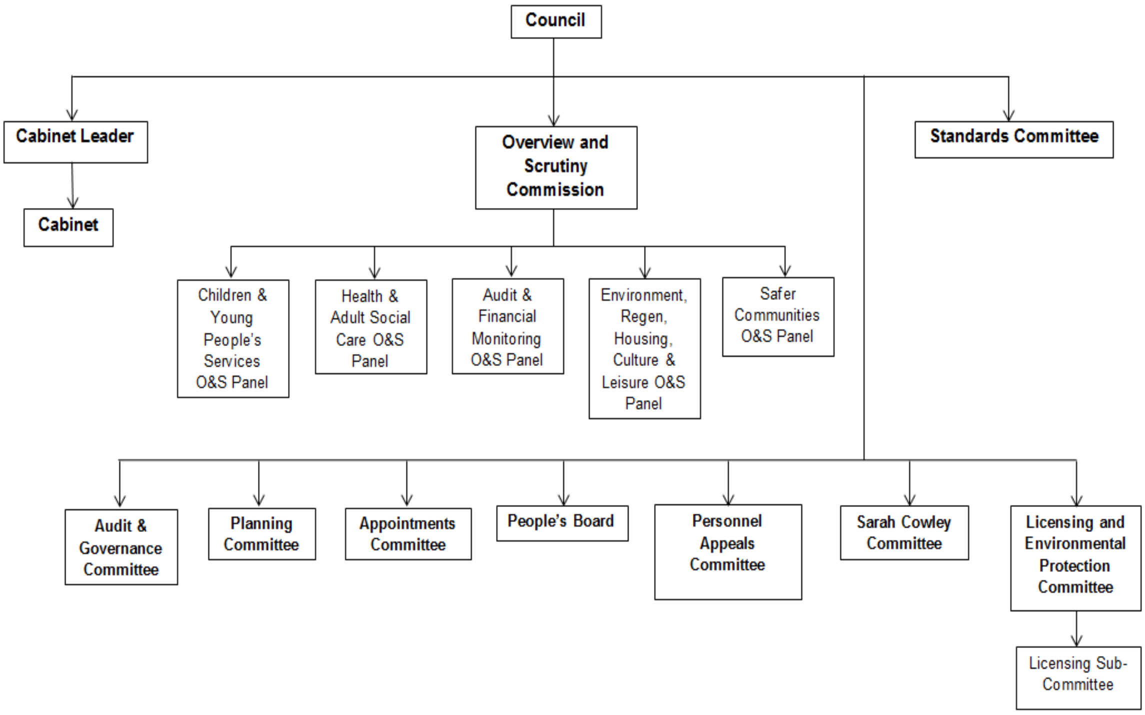
- 37 Labour Party Councillors
- 4 Liberal Democrat Party Councillors
- 3 Conservative Party Councillors
- 2 Green Party Councillors
- 2 Independent Councillors

At Full Council, all Councillors meet to debate decisions on the Council's budget, constitution and policy framework. Full Council also elects a Leader with Executive powers selected from the elected Council as a whole.

In 2008, the Council adopted a Leader and Cabinet model as its political management structure. The Cabinet is the principal decision-making body of the Council. It is made up of the Leader and up to nine Councillors whom the Leader appoints as Portfolio Holders. Each Cabinet Member has responsibility for an individual Portfolio area, each of which relates to particular services and functions of the Council.

In addition, a series of regulatory committees, also appointed by Full Council, discharge specific Council functions, which are not the responsibilities of the Cabinet.

An Overview and Scrutiny Commission and a series of dedicated Overview and Scrutiny Panels exist to hold the Cabinet to account. Their role is to examine the policies, decisions and actions taken by the Cabinet, along with the overall performance of the Council. Where necessary, the Commission and its Panels can make recommendations for improvement and have the power to call in decisions made by the Cabinet prior to implementation. Further information on the Council's political structure and processes is available within the Constitution.



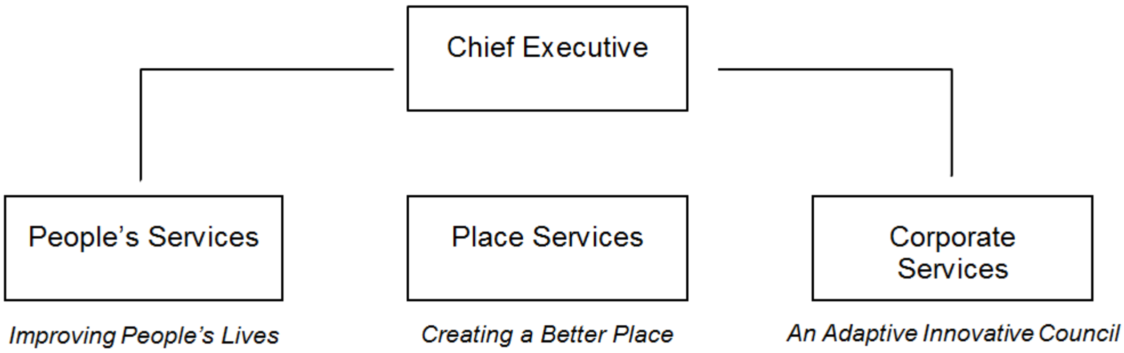
<u>Management Structure</u>

In November 2015 St Helens Council approved a new corporate organisation structure in support of its programme of transformation and vision for 2020. This structural reorganisation has continued over the course of 2018-2019 to ensure that the Council has the requisite capacity across the organisation to deliver on its agreed priorities. The Council is based around 3 departments led by a Senior Management Team comprising the Chief Executive and 3 Strategic Directors.

The People's Services Department provides a broad range of statutory and non-statutory services for children, young people and adults, covering social care, education, and public health.

The Place Services Department provides a wide range of place-based services including planning and economic development, environmental care, highways, housing, community safety, libraries and leisure services and regulatory functions such as environmental health and trading standards.

The Corporate Services Department provides a series of statutory functions, including front line services such as revenues and benefits, along with support services that add value and enable the effective running of the Council.



At April 2019, the Council had a total workforce of 2,987 people (excluding those employed by schools). As a result of the requirement to deliver significant savings and efficiencies, in the period June 2010 to March 2019, the workforce has reduced by over 32.5%, with the loss of 1,499 posts.

5. St Helens Council Operating Model

Partnerships

The Council can demonstrate a long history of successful partnership working dating back to the founding of one of the country's first ever public/private sector partnerships in 1988. A number of partnerships have since continued to bring together public services, businesses, and the voluntary and community sector to work jointly to regenerate the Borough, create safer communities, improve health and wellbeing and deliver better outcomes for children, young people and adults.

National policy, increasing financial pressures and growing demand for services have led to the redefining of partnership working and the redevelopment of partnership structures, both at a regional level and beyond, as well as locally within St Helens.

At a sub-regional level, along with 5 other local authorities, St Helens is part of the Liverpool City Region Combined Authority, which was formally established on 1 April 2014. Its purpose is to facilitate greater economic growth across greater Merseyside and provide transparent and accountable strategic decision-making in support of economic development, transport, strategic housing, and employment and skills.

In November 2015, the Liverpool City Region formally agreed a devolution deal with Central Government which, along with agreement to choose a directly elected Mayor in May 2017 and the transfer of new powers and responsibilities from Whitehall, also included confirmation of £900 million of funding over a 30-year period. The Combined Authority and the Liverpool City Region devolution agreement are likely to have a significant influence on the future ability of Merseyside and St. Helens to create sustained economic growth.
St. Helens Council will seek to maximise the opportunities that it brings both in the short and longer term.

At a district level in response to the significant challenges facing the Borough, there has also been a need to redefine ways of partnership working through a more collaborative approach and new models of integrated service delivery that are resilient and capable of delivering required outcomes.

During 2016-2017, the Council set out to lead a review of pre-existing partnership arrangements and established a new framework for collaboration, which is now well established.

The revised Council structure is now supported by a People's Board, taking on the statutory responsibilities of the Health and Wellbeing Board and the Community Safety Partnership, and an Economy Board, established to drive forward economic growth within the Borough.

Strategic Planning

There is a long and well-established approach to strategic and financial planning within St. Helens Council. During 2018, in working towards its 2020 vision, implementing its programme of change and agreeing its programme of future savings, the Council developed and agreed a revised St. Helens Council Plan 2018/2020.

The plan defines a series of key principles, which underpin everything the Council does and is structured around 3 key aims, each with a series of council objectives:

- Improving People's Lives
- Creating a Better Place
- Being an Adaptive Innovative Council

The Plan was approved as part of the Budget Strategy. It is the Plan objectives which drive the Council's service planning process, ensuring appropriate activity is undertaken to deliver its long-term vision and goals. Required outcomes are defined by robust performance indicators with challenging but deliverable targets commensurate with resources. The financial information system aligns with plans allowing close monitoring of budgets and service expenditure. An annual process of quality assurance and review of plans ensures a continued focus on the effectiveness and value for money of Council services.

Over the course of 2019-2020, the Council will undertake a wholescale review of its strategic objectives which will be articulated in a new Council Plan, linked to a priority based budget and revised Capital Investment Strategy and Medium Term Financial Strategy.

6. Operational Environment

The Council's current operational environment continues to be one of great challenge and uncertainty.

Since the Comprehensive Spending Review of 2010, ongoing cuts in government funding have resulted in significantly reduced budgets. St Helens has been disproportionately affected seeing relative annual grant reductions far higher than many more affluent areas and by 2020 over a period of ten years the Council will have lost £90 million of central government funding.

The 2019 financial settlement confirmed a £5.025 million reduction in Revenue Support Grant resources for 2019-20, resulting in a Council savings requirement of £6.2 million over the coming year. This further reduction in resources will continue to significantly impact on the Council's ability to deliver its essential statutory duties and the discretionary services most valued by residents, particularly at a time of burgeoning service demand, cost pressures and raised expectations.

Beyond the general grant reductions, several other factors have heightened the climate of uncertainty and increased the level of financial risk the Council faces; making medium-term financial planning for 2020-2021 and beyond extremely difficult:

- The certainty offered by the current four-year funding settlement will cease in 2019-2020, with no current clarity about what the financial future holds for local authorities. The Government through the Comprehensive Spending Review will undertake a full review of departmental funding in the coming year. However, the 2019 Local Government Finance Settlement ultimately contains little to provide any assurance about the long-term sustainability of local government finances and its ability to deliver services. The absence of any guarantee around existing revenue streams including the Improved Better Care Fund and New Homes Bonus further compounds the issue.

- The Government’s Fair Funding Review and needs assessment is a review of local authorities’ relative needs and resources. The outcome will result in the setting of new baseline funding allocations for local authorities. It was initially anticipated that the review would be completed during 2019, with new baseline funding allocations in place from 2020-2021. However, it is possible that the process may be delayed, and transitional arrangements applied. The impact on future levels of funding is currently wholly unknown.

- The proposal for local authorities to retain 100% of business rates brings opportunity if St. Helens can grow its economy. However, business rate retention also carries significant risk as the Council becomes almost wholly reliant on local taxation and other fees and charges to raise its own revenue, whilst bearing the budgetary implications of any business failures. From 2017-2018, the Council has participated in a Liverpool City Region Pilot, which has guaranteed no financial detriment to the Council beyond the Government’s existing revenue support grant reductions. The original intention was that all authorities would move to this system by 2020, but, the Government subsequently announced plans to move towards a 75% business rates retention system from 2020-2021. Uncertainty therefore exists as to whether the current 100% retention pilot areas will continue after 2019-2020 or revert to the new 75% system. Furthermore, the mechanics of this legislative change are also yet to be determined meaning its wider implications and financial impact are unquantifiable at present.

- The effect of the proposed Business Rates Reset within the business rates retention model is a further key element in determining the level of future resource available to the Council. Local authorities have recently been consulted on options around the reset, but again there is no certainty around the outcome at present.

- With a growing frail and elderly population there is increasing pressure on adult social care funding and a consensus that the current system is unsustainable. The continuing delay of a Green Paper on social care and a long-term vision for the sustainability of social care funding and the further integration of health and care services is of significant concern. In addition, the future of the Improved Better Care Fund and the ability for Councils to raise a social care precept beyond 2019-2020 is unknown.

- Children’s services are also facing a national funding crisis which remains largely unacknowledged in terms of a sustainable strategy to address the issue from Government. In St Helens high numbers of children in care, those needing protection and growing numbers of children with special educational needs and disabilities constitute a pressing issue and significant budget challenge for the Council. To address these demand pressures and support a programme of improvement within Children's services, the approval of significant additional financial resource has been required.

- The continuing uncertainty around the impact of Brexit exposes the Council to a number of significant financial and other risks, both directly and indirectly.

- The outcomes of the continuing review of the Council's position in relation to the national living wage and the next triennial valuation of the Local Government Pension Scheme are both yet unknown, but critical to the Council's future financial position.

The risks and uncertainties outlined above are balanced to some degree by the emergence of new opportunities. To protect its financial and operational stability the Council will have to ensure that its strategies consider and support options and opportunities in relation to:

- The potential for increased economic growth through St Helens' strategic position within an emergent Northern Powerhouse, its involvement in the Liverpool City Region and Combined Authority and the delivery of a local economic strategy.

- The opportunity for greater integration of services and collaborative working to address the challenges of cost and demand and bring about a sustainable health and care system capable of delivering improved community outcomes – St Helens Cares.

- The potential to explore increased commercialisation and investment to increase income.

- The opportunity for smarter service provision and new ways of working that will drive further efficiency and cost reduction, whilst managing demand and service delivery pressures.

- The de-prioritisation of discretionary services where necessary and/or unavoidable.

7. St. Helens Council Financial Summary and Resource Allocation

The following provides an overview of the key elements of the Council's finances over the period 2018-2019.

Revenue 2018-2019

The Government published its final local government finance settlement for 2018-2019 on 6 February 2018. Its publication confirmed that the Government's austerity plan would span a minimum of 10 years, with a reduction in the Council's general grant of £4.2m for 2018-2019 and a further indicative reduction of £4.6m in 2019-2020.

The Settlement also confirmed the Council's continued participation in the Liverpool City Region 100% Business Rates Retention Pilot scheme during 2018-2019.

The terms of the pilot scheme are such that from 1 April 2017 it provides the potential for the Council to keep 99% of its Business Rates collectable, with 1% passed to Merseyside Fire and Rescue Authority. This contrasts with the 49% retention rate prior to the existence of the pilot scheme.

The pilot operates on a basis that it is without detriment to the aggregate resources that would have been available to Liverpool City Region authorities under the ‘ordinary’ local government finance regime. Arrangements exist to ensure that no individual authority is detrimented – this could necessitate the redistribution of pilot gains experienced by one or more authority to other authorities who would otherwise suffer a loss from participation in the pilot.

As part of the mechanics of the scheme, the Government correspondingly reduces the Council’s Formula Grant allocations (Top-up and Revenue Support Grant) by a sum equivalent to their assessment of the additional Business Rates the Council would retain under the pilot.

During 2018-2019, further reductions in Formula Grant were also made to reflect the incorporation of £7.328m improved Better Care Fund allocations into the pilot and the Revenue Support Grant reduction of £4.985m previously announced as part of the Government’s continued austerity programme.

The Council once again made a Budget Simulator available to its residents as part of its budget setting and consultation process, and the original 2018-2019 budget was set on 28 February 2018, with Council Tax levels increased by 5.99% when compared to 2017-2018. This included a 3% increase permitted through a dedicated social care precept introduced by the government in an attempt to ease some of the pressures on social care.

In setting the budget it was recognised that the number and cost of Children Looked After remained very high when compared historically and to those of similar Councils, and in setting the original budget, £2m additional resource cover was approved from the Children’s Services Reserve whilst a longer term strategy solution to address the issue was being developed. The same fund provided £1m resource for an overarching approach to service delivery and significant changes in the way Children's Social Care was provided having identified the need for a revised model to deliver better outcomes. This provided resource cover for actions aimed at:

(i) creating a single point of access (The Front Door) for the receipt and management of all referrals into Children's Services;

(ii) restructuring the Level 2 Early Intervention Service Offer;

(iii) implementing an Edge of Care Service to prevent placement breakdown and prevent children entering into care; and

(iv) restructuring the Social Work Assessment and Children Looked After teams.

The budget recognised that the Council had priorities aligned with the management of cost and demand within Care Services through the integration of Health and Social Care Services and a community growth strategy based on the development of existing and new sites. These key strands of the vision for the Borough require funds to deliver them and the outturn position for 2017-2018 afforded the opportunity to create resource cover to support a number of Council priorities as outlined below:

(i) The creation of a £1.5m Business Attraction Fund to be used to attract new business into the Borough and support inward investment;

(ii) The creation of a £2.0m Community Improvement Reserve to support new community improvements, and allow for the retention of some community based services;

(iii) The creation of a £0.6m Strategic Projects Fund to support specific project initiatives; and

(iv) The creation of a £1.9m Service Investment Reserve to support wider Council priorities in respect of highway infrastructure, regeneration, supporting the local economy, creating employment opportunities and improving safety in communities.

A series of revisions to the original budget were made during the course of 2018-2019 in accordance with constitutional requirements, and regular finance and budget reports were presented to Cabinet and Council detailing the prevailing budgetary positions.

In addition to the creation of the Funds/Reserves mentioned above, the principal revisions to the budget during the year included the following:

(i) At its meeting on 12 September 2018 Cabinet approved the use of the (£0.5m) uncommitted balance of the Children's Services Reserve to support the Ofsted Action Plan for Children's Services, alongside an additional £0.4m from other funds to deliver improvements to IT capabilities and necessary workforce restructuring;

(ii) At its meeting on 24 October 2018, Cabinet agreed to a £2m re-alignment of Business Rate Pilot gains to offset some of the budgetary pressures in relation to Children Looked After in 2018-2019 and the transfer of £6 million to the Children's Services Reserve to make available resources to support these increasing demand pressures and to support the ongoing actions arising from the Ofsted Inspection Visit;

(iii) The crystallisation of £1.2m gains arising from participation in the Liverpool City Region 100% Business Rates Retention Pilot scheme during 2017-2018 and 2018-2019. In addition, as part of the Mid Mersey Business Rates pooling arrangement with Warrington and Halton Councils, St Helens received a proportionate (£122k) share of the levy savings that would otherwise have been payable in relation to Warrington Business Rates growth;

(iv) An additional £0.4m in compensation for losses incurred by the Council as a result of previous Government policy decisions relating to Business Rates;

(v) The 2019-2020 provisional local government finance settlement and accompanying ministerial statement included a proposal to distribute a balance on the national Business Rates Retention System Levy Account (excess of levies received over safety net paid) based on relative need. St Helens' one-off allocation was £698k;

(vi) Following the ruling in the case of the *London Borough of Ealing v HMRC* the Council submitted a claim to HM Revenue and Customs (HMRC) for a repayment of VAT. The claim to HMRC for the period December 2011 to March 2018 was subsequently accepted and a reimbursement of £1.75m was received;

(vii) Reductions in Treasury Management activity costs due to a combination of increased investment interest receivable, lower interest payments as a result of deferred borrowings and a reduction in the provision for principal repayment as a consequence of decisions made relating to the financing of the capital programme.

The following table provides detail of the revenue outturn position when compared to both the original and revised budgets. The table shows the position after allowing for adjustments relating to “uncontrollable” budgets (e.g. capital charges and the effect of asset revaluations) and allowing for:

(i) the carry forward of unspent budget in relation to the Councillor Improvement Fund (£129k) into 2019-2020;

(ii) the carry forward of unspent budget provision for any continuing earmarked reserve funded schemes (£978k) into future years;

(iii) the acceleration of the usage of earmarked reserves from future years (£163k);

(iv) the agreed deferred repayment of financial assistance (£800k) by the St Helens Clinical Commissioning Group, as approved by Cabinet at its meeting on 6 March 2019, and the utilisation of earmarked balances (£521k) for the establishment of the Single Care Record as approved by Cabinet at its meeting on 7 March 2018; and

(v) the use of £886k from the Town Centre Reserve to support payments in respect of backdated rent reviews and the pressures arising from the existence of vacant units.

	Original Budget £000	Revised Budget £000	Actual £000	Variance £000
Service Directorate expenditure	110,501	113,667	117,014	+3,347
Restructuring and equal pay provision costs	2,033	2,033	939	(1,094)
Levies and Parish Precepts	21,410	21,410	21,396	(14)
Treasury Management	8,480	7,619	7,254	(365)
Pensions lump sum	7,136	7,136	7,136	-
Expenditure	149,560	151,865	153,739	+1,874
Non-Domestic Rates & Top-up receipts	(70,088)	(70,575)	(70,573)	+2
Income from Council Tax	(71,776)	(71,776)	(71,776)	-
New Homes Bonus	(2,415)	(2,415)	(2,415)	-
Section 31 Grants	(4,491)	(5,179)	(5,201)	(22)
VAT Refund (net)	-	(1,481)	(1,481)	-
Income	(148,770)	(151,426)	(151,446)	(20)
Transfers to/(from) Earmarked Balances	(790)	1,198	1,208	+10
Net Contribution (to)/from General Fund Balances	-	1,637	3,501	+1,864

The breakdown of Service Directorate outturn positions is as follows:

	£000 Adjusted Outturn Variation compared to revised estimate*
People’s Services Directorate (i)	+4,372
Place Services Directorate (ii)	+757
Corporate Services Directorate (iii)	(1,782)
	+3,347

(i) Pressures in the People's Services Directorate were significant throughout the whole period, with the most challenging positions being those in relation to Children Looked After and Leaving Care Services for Younger People (+£3.8m) and Learning Disability Support Services for adults (+£1.1m). Net savings against budget were achieved in a number of Adult Social Care functions including Physical Support, Mental Health Support and Support with Memory & Cognition Services.

(ii) The challenging economic climate meant that Town Centre, market and general estates rental income continue to be significant pressures for the Place Services Directorate, alongside those arising from parking income and in delivering waste & recycling services. The largest savings against budget were made in relation to Engineering and Supporting People Services.

(iii) Significant savings against budget were recognised in the Corporate Services Directorate, with £0.3m arising from the early implementation of savings necessary to achieve a balanced budget in future years. Management of staffing, income and supplies and services budgets resulted in underspends of £0.7m, whilst the receipt of a £0.3m YPO dividend and £0.3m savings through an insurance renewal exercise also contributed to this outturn position.

Reserves and Balances

As a result of this outturn position, General Fund Balances as at 31 March 2019 stood at £17.8m.

The Council's earmarked reserves are based principally around the themes of children's social care, growth & environment, transformation and risk/insurance. A detailed list of Earmarked Reserves is shown in the Movement in Reserves Statement and the accompanying disclosure notes.

Capital 2018-2019

The Council spent £26.4m in 2018-2019 on capital items across a range of services:

Capital Programme Schemes	£m
Windle Island Junction Development	5.6
A570 St Helens Linkway	2.6
Haydock Industrial Estate Access	2.3
Other Highways & Transportation Schemes	6.8
Schools Infrastructure	2.5
Disabled Facilities Grants	2.6
Regeneration Schemes	1.7
Vehicle Replacement	0.9
Other	1.4
TOTAL CAPITAL EXPENDITURE	26.4

Type of Funding	£m
Grants & Other Contributions	19.0
Capital Receipts	1.4
Revenue Contribution	1.3
Borrowing	4.7
TOTAL FUNDING	26.4

Retirement Benefits

The net liability for retirement benefits shown in the Balance Sheet is as follows:

	31 March 2018 £m	31 March 2019 £m	Change £m
Local Government Pension Scheme (LGPS)	244.8	300.8	56.0
Teachers' Pension Scheme (TPS)	22.6	22.0	(0.6)
TOTAL	267.4	322.8	55.4

The overall net liability for retirement benefits has increased during the 12-month period to 31 March 2019. The principal factors contributing to this movement are the adverse movements in discount rates and inflation assumptions (which are a key component of the measurement of future scheme liabilities) and the potential impact of the McCloud Case ruling by the Court of Appeal, which ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended, constituted unlawful age discrimination.

The employer's contribution (rates and lump sums) for the three years commencing 1 April 2017 were determined arising from the 2016 Merseyside Pension Fund Actuarial Valuation and having regard to the Funding Strategy Statement as agreed by the Pensions Committee of 21 March 2017. For St Helens, this has resulted in:

(i) a single lump sum of £20.540m payable in April 2017. No lump sums fall as due in 2018-2019 and 2019-2020 under this arrangement; and

(ii) the following primary contribution rates required to meet the ongoing cost of benefits that will be built up:

- 2017-2018 13.8%
- 2018-2019 14.4%
- 2019-2020 14.9%

This approach supports the Administering Authority's long-term funding objective for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits as they fall due.

The Council is currently awaiting details of the upcoming 2019 Actuarial Valuation.

Borrowing

At 31 March 2019, the Council's level of borrowing was £103.336m, which is a similar level to the previous year, and remains considerably below the underlying need for borrowing, as a result of long-standing strategy decisions to use available resources to negate the need to incur additional borrowing.

The Treasury Strategy approved by Members for 2018-2019 recognised that this policy has served the Council well over a period of years and that in light of the historically low rates at which the Council is currently able to access long term PWLB loans, it would be beneficial for the Council to consider the advantages of locking in some certainty in borrowing rates. It is considered that over the longer term, the external interest payments made by the Council will be lower as a result.

No economic opportunity arose for rescheduling or repayment of existing debt during the year.

8. St. Helens Council Performance Summary 2018-2019

The Council's performance management framework in 2018-2019 has been driven by the objectives and key measures of success within the Council's key planning document, the Council Plan 2018/2020.

Critical to the achievement of the Council's desired outcomes for both the organisation and the community, is the strong link that exists between budgets, service planning and delivery and performance targets. A proportionate, but comprehensive, set of performance indicators exist to measure progress against key objectives and operational areas. A review of measures and targets is conducted annually to ensure their ongoing relevance.

Performance targets are set to be challenging, but realistic, and commensurate with the available level of resource. The process is subject to internal challenge and the range of measures and associated targets is formally approved by Cabinet and reviewed by Overview and Scrutiny.

Budget and Performance Monitoring reports to Cabinet detail analysis of spend against budgets, service delivery progress and performance against targets. Commentary on actions relative to identified budget pressures or to address any identified concerns in relation to performance or service delivery is included within the reports. Reports are also reviewed by the Audit and Financial Monitoring Overview and Scrutiny Panel, allowing the opportunity for examination of any specific areas of underperformance or concern. A review of financial and performance reporting will be undertaken in 2019 to ensure that the reports focus on areas of key importance and support effective decision making.

The Council's Performance Outturn report demonstrates areas of both strong performance against targets and progress in terms of service delivery across all portfolios. The report also highlights areas in which the Council is not yet meeting ambitious targets and delivering its high aspirations. The full report is available within the Performance section of the Council website. A brief overview of some of the key points in relation to performance and delivery of strategic objectives is set out below.

Growth and the Economy:

- The Council and St Helens Economy Board continued to successfully develop and implement a local Economic Growth Strategy. Membership of the Board was strengthened with the addition of 2 leading business professionals. Over the course of the year St Helens demonstrated strong economic growth. The latest job growth data showed that St Helens recorded the second largest growth in jobs in the country, with an additional 4,000 employee jobs created between 2016 and 2017. The rate of employment increased by nearly 3%. Investment interest in St Helens continued to grow with permissions received and granted for a number of large logistics developments.

- St Helens Ambassadors Network has gone from strength to strength with an established membership of over 100 businesses. Over the year Ambassadors were involved in several key areas to promote growth and economic development, including the promotion of arts and culture and skills and training. The inaugural Pride of St Helens Business Awards were held to celebrate and raise the profile of the Borough's innovative and enterprising business community.

- Progress continued to be made on a delivery and action plan for the Town Centre redevelopment. Financial feasibility and programme delivery planning commenced with partners on a new Arts and Culture Centre. Masterplans were also commissioned for district centres at Newton/Earlestown, Haydock and Rainhill to aid economic regeneration and act as a tool for the attraction of public sector investment.

- Work continued to secure support for the 'Glass Futures' scheme, which if successful will see the creation of a national centre of excellence for research and development into glass production within St Helens, bringing a significant boost to the local economy.

- The joint venture between developers Langtree Property Partners and the Council to transform former colliery site Parkside into a strategic employment site progressed with the Council securing £23.8 million of funding from the Liverpool City Region Combined Authority for a link road. The wider development once completed is expected to enable the creation of 3,000 new jobs within St Helens.

- St Helens demonstrated strong housing growth with a net increase of 775 dwellings during 2018-2019. A further 664 housing units were under construction as of April 2019. The Council successfully applied to participate in a national pilot that is seeking innovative ways of bringing small brownfield sites back into use for housing development. 78% of recent housing within the Borough has been on previously developed brownfield sites.

- Good progress was made on improving St Helens' transport infrastructure. The Newton-le-Willows rail interchange was completed in January 2019, providing a new station entrance and other improved passenger facilities. Several major road engineering schemes were either completed or progressed to near completion including Windle Island, Haydock Lane Junction, and St Helens Linkway with Eltonhead Roundabout.

- Work progressed on the new Local Plan which sets out the Borough's proposed future planning priorities and allocates sites for housing, employment, retail and green space development. Preparation and approval of a Local Plan Submission Draft was completed and the period for representations undertaken.

- A successful bid from the Council and St Helens R.F.C. saw the borough selected to host 3 group matches of the 2021 Rugby League World Cup, as well as being a training base for 2 of the competing nations. The tournament is set to bring strong economic and community benefits to St Helens.

People's Services:

- Work continued on the integration of health and care services across St Helens to address the challenge of rising demand and cost, and deliver better outcomes for local people. 'St Helens Cares'; our local health and care system gained national acclaim after winning the Municipal Journal Achievement Award for Care and Health Integration. Strong progress during the year saw the establishment of a fully integrated commissioning management structure, the delivery of 'Contact Cares' a single point of contact for care and support service provided by a multi-disciplinary team, the development and delivery of locality-based services, the roll out of social prescribing in GP practices and the creation of an IT solution to provide a single care record.

- Adult Social Care services maintained strong performance against the national Adult Social Care Outcomes Framework, comparing favourably to other authorities. Further reductions in the number of older people admitted to residential or nursing care and in delayed transfers of care from hospital were very encouraging.

- An Ofsted focussed visit to St Helens Children's services in July 2018 identified areas of significant weakness in relation to the authority's arrangements for children in need and Children Looked After. In response a Children's Improvement Board was established to oversee delivery of an improvement action plan and a full Peer Review by the Local Government Association was undertaken. A new leadership team was subsequently created to support the Council's post Ofsted improvement work, and significant financial investment provided to support the ongoing improvement of service delivery and better outcomes for children. Demand pressures within Children's services continue with high numbers of children in care and leaving care, children and families open to social care services, and children and young people with special educational needs and disabilities.

- Abbeyford Children's Home, the Council run respite centre which provides short breaks for children with complex health and learning needs, received an outstanding Ofsted inspection report. The report cited the exceptional level of care provided and the high levels of satisfaction and confidence shown in the service from children and their families.

- Attainment results in the Early Years, at Key Stage 2 and Key Stage 4 showed some improvement. However, local comparative performance remains below both regional and national averages. The 2018 Early Years Foundation Stage outcomes showed an increasing number of children educated in St Helens achieving a Good Level of Development. Performance continues to remain below comparable national averages, although the attainment gap has decreased. Attainment at Key Stage 2, in terms of achievement at the expected standard in reading, writing and mathematics increased in St Helens by 5% in 2018. St Helens performance remains marginally below the comparable regional and national average. However, the gap continues to close. The progress pupils made between Key Stage 2 and Key Stage 4, known as Progress 8, remains an issue of significant concern with pupils continuing, on average, to make significantly less progress than that made by other pupils nationally. In addition, pupils continue to make significantly less progress than other pupils nationally in the core academic curriculum subjects of English, Mathematics and the wider English Baccalaureate subjects.

- The percentage of secondary schools in St Helens judged in their most recent inspection by Ofsted to be good or better continues to remain below comparable regional and national averages. The percentage of primary schools in St Helens judged by Ofsted to be good or better decreased within the year and now stands below comparable national averages. All special schools in St Helens are currently judged by Ofsted to be good or outstanding. The Council has continued to support school improvement and commissioned an outstanding, out of borough Secondary Teaching School, to work with and support secondary schools in St Helens.

- Additionally, the Council worked with local National Leaders of Education and Specialist Leaders of Education from across a range of outstanding schools to build and deliver a local Continuous Professional Development training programme to support both primary and secondary schools in the Borough.

- Performance in respect of Public Health measures continues to reflect many of the challenges inherent within the health of the local population. Comparative performance across much of the Public Health Outcomes Framework remains in the lower quartile. Positively, there has been a continuation of the decreasing trend in mortality from cancer and circulatory diseases. The prevalence of smoking showed a further positive reduction during the year and there were growing numbers of people accessing Healthy Living Services reporting a positive lifestyle change following completion of the programme. Provisional data also suggests that the Falls Prevention Strategy is having a positive impact with a reduction in hospital admissions for falls. The number of teenage conceptions increased quire significantly during the year and numbers of children with excess weight in Reception and Year 6 remain very high. The rate of alcohol specific admissions to hospital for under 18s saw an in-year decrease, but under 18 admissions and all age admissions still present a significant challenge. The latest published national data shows rates in St Helens being amongst the highest nationally.

- A local multi-agency suicide prevention action plan was developed to strengthen the support to children, adolescents and their families. Several events, media campaigns and training sessions were delivered during the year to raise awareness, prevent suicide and provide support to those effected. The Stay Alive app was launched to provide support people in crisis.

- The performance of the Youth Offending Service remained strong in relation to first time entrants to the youth justice system and young people receiving custodial sentences. However, there are challenges in relation to high re-offending rates and a disproportionate number of children in care involved in the youth justice system.

Environmental and Place Services:

- To mark the Liverpool City Region's Year of the Environment in 2019, the Council established a year-long programme of events to engage the community, centred on making St Helens a greener place and promoting open spaces.

- The Council commissioned The Mersey Forest to create a vision and long-term strategy to ensure the sustainability of St Helens parks and green spaces and a collaborative working group was established to oversee delivery.

- The Council's greenhouse gas emissions showed a further in-year reduction, with emissions now 45% lower than the baseline year of 2009-2010. Emissions in council buildings are now almost 50% lower and emissions from street lighting are nearly 60% lower than the baseline year.

- Household recycling saw a marginal increase in the rate from the previous year, however the challenging target was not met. The necessity to charge for green waste collection has continued to impact on levels of recycling. A major service modernisation review of recycling and waste collection services was undertaken during the year and the Council is currently taking soundings on the right way forward, working closely with local communities and Merseyside Waste and

Recycling Authority. Further engagement work with the community is critical to meeting the Council's long-term target.

- High levels of cleanliness were maintained in the Borough with 95% of land and highways regularly assessed as having acceptable levels of littering. Incidents of fly-tipping saw a small reduction from the previous year.

- Further funding of over £1.5 million was secured to enhance more than 6km of walking and cycling corridors across the Borough. The initiative will help improve access to employment for residents without private transport, as well as bringing environmental and health benefits.

- Crime rates within St Helens generally remained below or around the average of comparator authorities. However, the results of the community safety survey showed a small fall in the number of respondents feeling safe in their local area. The Town Centre Joint Agency Group continued to operate effectively to address issues including youth disorder and safety in the night time economy. The Authority contributed to the development of a Merseyside Knife Crime Strategy bringing a common approach to understanding and tackling knife crime.

- The performance of housing support services remained generally strong. During the year a review of homelessness was undertaken, and the St Helens Homelessness Strategy was subsequently produced and approved in November 2018.

- The Council approved plans for a £4.2 million refurbishment of Selwyn Jones Sports Centre. The scheme will transform the centre into a modern, dynamic sports facility, offering the best health and fitness activities, with the aim of getting more people, more active, more often.

- Working with partners, the Council successfully delivered a programme of cultural events over 2018 to celebrate the 150th anniversary of St. Helens' incorporation as a borough.

- The profile of libraries locally in terms of membership and borrowing levels continued, as it does nationally, on a downward trend. During the year the Libraries service continued to develop and adapt; launching Borrowbox, its new e-book based service to attract new customers.

Council-wide Services

- In early 2019 the Council voluntarily undertook a Local Government Association (LGA) Corporate Peer Review. The Peer Review process provides the opportunity to gain an external perspective on the Council's ambitions, programmes of work, capacity to deliver, and progress made to date. At the time of writing a formal report on the LGA's findings is yet to be published. Upon publication the Council will consider any recommendations and develop a programme of work to address any areas requiring development.

- The Council's Investors in People (IIP) reassessment was completed in January 2019, following a series of interviews and focus groups with selected staff members. The feedback report from the assessor identified many strengths and concluded that the Council had met the required standard in eight of the nine areas assessed. An action plan was subsequently developed to address the one remaining area and the Council will be reassessed later in 2019.

- A draft Organisational Development and People Strategy was completed which will be embedded over the course of 2019-2020. The aim of the strategy is to enable our combined workforce to become more adaptive and innovative by creating an environment where managers and staff are led well, valued, empowered and developed. This will be achieved by focussing strongly on improving staff engagement and communications and the health and well-being of staff, creating a more resilient workforce.

- The Council developed its Internal Communications Plan, covering a number of communication channels. The Plan will provide increased clarity around how communications are structured and will promote effective and regular two-way communication between senior management and all staff.

- Significant development support continued from IT services in relation to the Council's transformation agenda. Good progress was made in delivering the Cloud strategy, the deployment of Office 365, the new telephony system and several important service specific modernisation projects.

9. Risk Management

The Council's approach to risk management is fully embedded within its culture, being an integral part of the Council's Governance Framework. A Risk Management Policy exists along with strong arrangements and processes for identifying, evaluating and managing risks to the delivery of the Council's strategic objectives. Strategic Directors lead on identifying risks in their respective areas and an electronic Corporate Risk Register exists to report the likelihood, potential impact and means of mitigation. Each risk has a mandatory review timeline linked to severity and likelihood and all risks are reviewed at least annually. There is a detailed process for continual reassessment of risk. The process is overseen by the Safety and Risk Management Group which meets quarterly and is chaired by the Strategic Director of Corporate Services. The Risk Register is reported to Members via the Audit and Governance Committee and the Corporate Financial Report on a periodic basis. Key strategic risks within the Corporate Risk Register include:

- Failure to manage budget pressures
- Failure of information governance
- Failure of key IT systems and services
- Failure of cyber security
- Impact of a 'No Deal' EU exit
- Failure to undertake effective workforce planning
- Failure of health and care integration
- Failure to safeguard children and adults from significant harm
- Failure to effectively manage school improvement
- Failure to ensure the effectiveness of business continuity planning
- Failure to respond to emergency events

10. Future Outlook

The outlook continues to appear enormously challenging. 2019-2020 sees the Council again facing further significant funding cuts; therefore, resulting in the requirement to deliver a significant programme of savings, whilst striving to maintain the range and quality of vital local services.

Beyond 2020 the Council's financial position is at present one of great uncertainty. The unpredictability of the impact of future government policy in key areas such as the Comprehensive Spending Review, the Fair Funding Review, the reset and retention of Business Rates and future funding arrangements for social care, brings enormous financial risk.

This challenging position is heightened by the growing demand pressure on already strained local care services for children and adults and the unknown economic impact of Brexit.

Despite the inherent difficulties this level of uncertainty inevitably brings to the financial planning process, over the course of the coming year the Council will seek to develop and agree a Priority-Based Budget, Medium Term Financial Strategy and a revised Capital Investment Strategy. Integral to this process will be a fundamental review of the Authority's overarching strategy, objectives and associated work programmes, which will be articulated within a revised Council Plan. Key elements of the strategic approach undertaken in recent years remain valid.

Growth in the local economy remains essential to increasing local prosperity and the employment prospects of residents. Equally, if the Council is to grow its tax base and revenue to compensate for the huge financial losses in central government funding, then furthering economic growth within the borough and the pursuit of prudent commercial investment remain critical to ensuring the sustainability of vital local services. The Council, together with the St Helens Economy Board, will continue to develop and deliver a Growth Strategy that will seek to promote the borough, attract new business, and reinvigorate the Town Centre and district centres across St Helens. A Growth Reserve has been created by the Council to support the revenue implications of delivering the strategy and further investment using Capital Receipts/borrowing and external grant funding to assist delivery remain options.

Local modelling has projected a significant budget deficit within St Helens health and care system by 2020. To address the challenges of cost and demand and ensure the future sustainability of local health and care services, the ongoing development of St Helens Cares will remain a key priority for the Council and partners. Further redesign and integration of services based upon the 4 workstreams will continue with delivery supported, as appropriate, through the Transformation Reserve.

High numbers of children in care and leaving care, children and families open to social care services and children and young people with special educational needs and disabilities also represent a significant financial pressure. Effective delivery of the Children's Improvement Plan stemming from the Ofsted focussed visit in 2018 and responding effectively to the outcome of an imminent full Ofsted Inspection of Children's Services (ILACS) have become key priorities for the Council. To support the process of required improvement and ensure a sustainable model of social care and education services that deliver the best possible outcomes for children, young people and their families, the Council has reviewed the level of its reserves and subsequently invested significant additional resources in a dedicated Children's Services Reserve.

Over the coming year and beyond the Council will look to progress on its journey of modernisation and transformation. Strategic reviews of specific service areas will continue to be conducted in support of the ongoing commitment service improvement, value for money and delivery of a balanced budget.

During 2018-2019, the Council identified a number of areas where development and cultural change as an organisation was required and in response began to implement new strategies and approaches. The Self-Assessment Action Plan accompanying the Annual Governance Statement 2018-2019 lists many of the areas identified which include:

- Organisational Development Strategy
- Workforce Capacity
- Commercialisation
- Internal Communication Strategy
- The Customer Service/Customer Experience
- External Consultation and Engagement Activity
- Financial and Performance Reporting

Over the course of 2019-2020, we will look to develop and embed the required strategies and approaches to improve against the areas identified. In addition, the Council will ensure that any recommendations stemming from the LGA Peer Review report, once published, are considered and addressed through an Improvement Plan.

11. Conclusion

During 2018-2019, despite significant further reductions in Government funding and the specific challenges in relation to the growing demand for services and increased costs, the Council has continued to effectively implement a clear budget strategy, resulting in a balanced budget and the delivery of required savings targets.

The strength of this approach was again acknowledged by our latest External Audit report, which provided an unqualified opinion on our financial statements, whilst finding in all significant respects the Council had proper arrangements in place to secure economy, efficiency and effectiveness in the use of its resources.

Sound financial management over a sustained period has to date largely allowed the Council to minimise the impact of government funding reductions on front line services, whilst affording the Council the ability to invest in the delivery of its strategic priorities.

However, with a further £6.2 million of savings to be delivered over the coming year and the financial uncertainty councils face beyond 2020, it has never been clearer that if we are to operate within our resources and deliver a balanced budget, we can no longer afford to deliver all the discretionary services that have traditionally been provided.

Further difficult decisions are inevitable, but our future budget planning must be decided based on identified Council priorities, focussing on the protection of our most vulnerable residents and the delivery of our legal duties. Our aim is to establish a long-term sustainable budget that will allow us to effectively meet the ongoing needs of the community and if we are to do so we must continue to look to make the most of the opportunities before us; furthering economic growth within the borough, pursuing prudent commercial investment and prioritising the greater integration of health and care services to manage cost and demand pressures.

I would like to thank all Members and Officers for the strong commitment shown during 2018-2019 and express my gratitude to all colleagues who have contributed to the preparation of this document and for their support and dedication during the financial year.

Cath Fogarty
Strategic Director of Corporate Services

Date: 24 May 2019

Explanation of the Financial Statements

The Statement of Accounts is prepared to demonstrate the Council's financial performance for the year ended 31 March 2019 and present its overall financial position at the end of that period. The core financial statements are included on pages 69 to 72 and are prepared to comply with the requirements of International Financial Reporting Standards. The statements are supplemented by a number of notes providing relevant additional information. The core financial statements are:

Movement in Reserves Statement
This statement shows the changes in reserves held by the Authority and splits them between those reserves which are available for the Council to spend or to reduce the Council Tax (usable reserves) and those created to reconcile the technical and statutory aspects of accounting (unusable reserves).

Comprehensive Income and Expenditure Statement (CIES)
This statement is fundamental to the understanding of the Authority's activities, in that it reports the net cost for the year of all the functions for which the Authority is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers.

Balance Sheet
This shows the Authority's financial position at the financial year-end, including the assets and liabilities employed in carrying out the Authority's functions and its balances and reserves.

Cash Flow Statement
This statement summarises the flows of cash arising from transactions with third parties for both revenue and capital purposes during the year and shows the changes to the Council's cash and 'cash equivalents' during the financial year.

In addition to the core financial statements, the Statement of Accounts includes the *Annual Governance Statement,* that serves to explain the effectiveness of the governance framework operating during the financial year and the statutory *Collection Fund Statement,* which shows the income received from Council Taxpayers and Non-Domestic Ratepayers and how this is distributed between St Helens Council, the Police & Crime Commissioner for Merseyside, Merseyside Fire & Rescue Authority and Central Government.

It is important to note that the detail included in the Statement of Accounts will differ from the Council's internal management reports (e.g. Corporate Financial Report). However, the Council's overall financial position e.g. balances and reserves will be the same.

Independent auditor’s report to the members of St Helens Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of St Helens Council (the ‘Authority’) for the year ended 31 March 2019 which comprise the Statement of Main Principles, Accounting Policies and Estimation Techniques, the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the notes to the core financial statements and the Collection Fund Statement and notes. 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 the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

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 Strategic Director of Corporate Services use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Strategic Director of Corporate Services 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 Strategic Director of Corporate Services is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out in the Narrative Report, the Annual Governance Statement and the Annual Report other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.
- We have nothing to report in respect of the above matters**.**

Responsibilities of the Authority, the Strategic Director of Corporate Services and Those Charged with Governance for the financial statements

As explained more fully in the Statement of 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 this authority, that officer is the Strategic Director of Corporate Services. The Strategic Director of Corporate Services 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, for being satisfied that they give a true and fair view, and for such internal control as the Strategic Director of Corporate Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit and Governance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Mark Heap

Mark Heap, Director
for and on behalf of Grant Thornton UK LLP, Local Auditor

4 Hardman Square

Spinningfields

Manchester M3 3EB

31 July 2019

STATEMENT OF MAIN PRINCIPLES, ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

GENERAL

The Statement of Accounts summarise the Authority's transactions for the financial year 2018-2019 and the position at the year-end 31 March 2019. The Authority is required to prepare an annual Statement of Account by *the Accounts and Audit Regulations 2015*, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19*, supported by International Financial Reporting Standards (IFRS).

The following accounting policies and estimation techniques have been adopted and they are consistent with the Council's overarching accounting concepts and, where appropriate, the relevant accounting standards.

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:

- Council Tax and Non-Domestic Rates income is accrued in accordance with the assessed liability for the period to 31 March;
- fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services;
- 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 are recorded as expenditure when the services are received rather than when the payments are made;
- interest payable on borrowings and receivable on investments are accounted for 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 debtors is written down and a charge made to revenue for the income that might not be collected;
- Capital Receipts from non-current asset disposals are recorded on completion of the asset sale.

The one exception which merits comment occurs where no apportionment of wages' costs is made at 31 March where that date does not coincide with the end of the 'wages week'.

In accordance with IAS18 *Revenue Recognition*, revenue should be measured at the fair value of the amount payable or receivable. In practice, this is the amount that the Council has invoiced, or for which it has been invoiced.

ASSETS HELD FOR SALE – see Property, Plant and Equipment

CAPITAL RECEIPTS

Capital Receipts on non-current asset disposals are initially credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal, with a subsequent appropriation to the Usable Capital Receipts Reserve made via the Movement in Reserves Statement.

Usable Capital Receipts are classed as a Usable Reserve in the Balance Sheet.

CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents are represented by:

(i) cash-in-hand/cash overdrawn;
(ii) unpresented cheques or other unpresented methods of payment;
(iii) investments repayable on demand without penalty or change in value.

CHANGES IN ACCOUNTING POLICIES, ESTIMATIONS, ERRORS AND PRIOR PERIOD ADJUSTMENTS

Prior period adjustments may arise as a result of changes in accounting policies, to correct material errors or to provide a consistent representation of current and prior period activity/positions.

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

Material errors discovered in prior period figures are corrected retrospectively by amending the opening balances and comparative amounts for the prior period.

CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:-

(i) depreciation attributable to the assets used by the relevant service;

(ii) revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve (specific to the individual asset) against which they can be written off;

(iii) amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to cover these items. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (see "Redemption of Debt"). The items detailed above are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

CONTINGENT LIABILITIES – see Provisions and Contingent Liabilities

DEPRECIATION – see Property, Plant and Equipment

EMPLOYEE BENEFITS

(i) 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 and salaries, and paid annual leave for employees, and, in accordance with IAS 19 *Employee Benefits* and the provisions of the Code, are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of accumulating compensated absences earned by employees but not taken before the year end, which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but reversed out through the Movement in Reserves Statement to the Accumulating Compensated Absences Adjustment Account.

The Authority undertakes an annual high level review of the variables and inputs that give rise to this accrual. Where this review indicates that the previous year accrual provides a materially correct position of the current benefits then a full exercise is not undertaken and no increase or reduction to that sum is made.

(ii) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the appropriate service 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.

(iii) Post-Employment Benefits

As part of the terms and conditions of employment of its Officers and other employees, the Authority offers retirement benefits to those individuals and participates in three Pension Plans:-

(i) the Local Government Pension Scheme (LGPS) for staff employed under NJC terms and conditions – this is a defined benefit plan where the Authority and the employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities and investment assets. This plan is administered by the Merseyside Pension Fund;

(ii) the Teachers' Pension Scheme (TPS) for those employed under Teachers' terms and conditions, administered by Teachers' Pensions on behalf of the Department for Education. The TPS is a statutory scheme subject to the *Teachers' Pensions Regulations 1997 (as amended)*. It provides Teachers with defined benefits upon their retirement, and the Authority contributes towards the cost by making contributions based on a percentage of members' pensionable salaries;

(iii) the NHS Pension Scheme (NHSPS) for those Council staff who were compulsorily transferred from Primary Care Trusts and other NHS bodies, and retained access to the NHSPS, and Council staff who have access to the NHSPS as a result of their terms of employment. The NHSPS is a statutory scheme administered by NHS pensions and provides its members with defined benefits upon retirement, with the Authority contributing based on specified percentages of members' pensionable pay.

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work/worked for the Authority. These benefits are related to a combination of pay and service.

However, the arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. In accordance with IAS 19 *Employee Benefits*, the schemes are therefore accounted for as if they were defined contribution schemes and, consequently, no liability for future payments of benefits is recognised in the Balance Sheet. The People's Services Directorate line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year and payments relating to the NHS scheme members.

<u>The LGPS</u>

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Merseyside Pension Fund attributable to the Authority are included in the Balance Sheet using the Projected Unit Credit actuarial cost method – an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees;

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds of currency and term appropriate to the currency and term of the scheme's liabilities;

- The assets of Merseyside Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value;

- The change in the net pensions liability is analysed into the following components:

  - current service cost;
  - past service cost (including curtailments);
  - pensions administration expenses;
  - net interest expense (interest on plan assets and plan liabilities);
  - remeasurement gains and losses;
  - contributions paid to the Merseyside Pension Fund.

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. This is achieved via the Movement in Reserves Statement, by way of appropriations to/from the Pensions Reserve to remove the notional debits and credits for retirement benefits and to replace them with debits for the cash paid to the pension fund and pensioners (and any such amounts payable but unpaid at the balance sheet date).

Discretionary Benefits

The Authority 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. No such awards have been made for a number of years.

Pensions Reserve

The cost of providing pensions for employees is funded in accordance with the statutory requirements governing the particular pension plans in which the Authority participates. However, accounting for employees' pensions is in accordance with prevailing accounting standards, subject to any interpretations set out in the Code.

Where the payments made for the year in accordance with the Plan requirements do not match the Authority's recognised operating and finance costs for the same period, the recognised cost of pensions will not match the amount required to be raised in taxation. An appropriation to or from the pensions reserve, which equals the net difference is recognised through the Movement in Reserves Statement.

Remeasurement gains and losses during the year, which impact on the net surplus or deficit of the Fund, will also be subject to a corresponding appropriation to/from the Pensions Reserve.

FAIR VALUES

The Council measures some of its non-financial assets, such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability;
- Or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interests).

When measuring the fair value of a non-financial asset, the Council takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council or their appointed valuer uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 – inputs that are observable quoted prices in active markets. The most reliable fair value measurement;
- Level 2 – inputs that are observable either directly or indirectly and are traded in active markets (but do not qualify as Level 1);
- Level 3 – unobservable inputs (no observable input exists), where there is little, if any, active market.

FINANCIAL INSTRUMENTS – ASSETS

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

- Amortised cost;
- Fair value through profit and loss; and
- Fair value through other comprehensive income.

The Council's business model is to hold investments to collect contractual cash flows, ie. payments of interest and principal. All of the Council's financial assets are therefore classified as amortised cost and are recognised on the Balance Sheet on the basis of Fair Value, and subsequently accounted for using the Amortised Cost basis. In doing so, annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset, multiplied by the effective interest rate of the instrument. The interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

FINANCIAL INSTRUMENTS – LIABILITIES

The provisions within the Code are derived from the same Accounting Standards as detailed in the policy on Financial Assets.

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure part of the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For all of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (adjusted for accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Where premiums and discounts on the repurchase or early settlement of borrowing have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

It is the Council's policy to treat LOBO (Lender Option/Borrower Option) loans as long-term liabilities, unless there is an expectation that they will be repaid in full within the next 12 months.

GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments, or in arrears, government grants and third party contributions are recognised as due when there is reasonable assurance that the Council will comply with the conditions attached to the payments (if any) and that 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 acquired, using the grant or contribution, are required to be consumed by the recipient as specified or must otherwise 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 Revenue or Capital Grants Receipts in Advance. When conditions are satisfied, the grant or contribution is credited to the relevant line 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 Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

HERITAGE ASSETS

Heritage Assets are recognised and measured, including treatment of revaluation gains and losses, broadly in line with the Council's accounting policies on Property Plant and Equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets and these are detailed below.

The Council's Heritage Assets can be categorised into three different sub-groups:

- Fine art and museum collection;
- Civic regalia; and
- Statues and monuments.

<u>Fine Art and Museum Collection</u>

The Council's art collection is comprised of the paintings held by the Council on display within the Town Hall, those paintings held on display in the World of Glass, a number of sculptures that are displayed on various Council buildings and a collection of small value artefacts held as a museum collection at the World of Glass. The collection of artefacts, paintings and sculptures, which are located in a number of premises across the Borough, have been accessioned to, or acquired by, the Council and its predecessor Authorities.

The fine art collection held at the World of Glass and that held within the Council comprises of various types of paintings (oil, watercolour and pen and ink). Records of all paintings are stored on a database, a copy of which is held by the Council's Insurance Section. The paintings held within the Council's collection are included on the Balance Sheet and have been valued based on their insurance valuations. External valuations for the Council's fine art collection were carried out by Bonham and these have been used as the basis upon which to establish the value of individual items within the collection. There are over 300 items within the fine art collection.

The collection held at the World of Glass comprises of around 2,500 artefacts. The collection comprises of diverse items that have been deemed to be of historical interest. External valuations for these items have not been obtained for this collection on the grounds of materiality: as no individual items within the collection are deemed to have significant values it is believed that the cost of obtaining valuations would outweigh the benefit gained. An inventory of all items within the collection is maintained by the museum curator and a hard copy of this is retained within the Insurance Section.

The Council has a local history and archives library which contains a number of public records relating to local institutions which the National Archives deems to be records of national significance. In addition, the library houses a number of collections relating to St. Helens which includes correspondences, deeds and plans that are unique and are of historical importance. Whilst these collections are recognised to have local historical significance, they do not have a material value and, for this reason, have not been valued or included on the Balance Sheet.

Civic Regalia

The Council's civic regalia comprises of various mayoral chains and jewels, a mace and a variety of pieces of civic silverware. The value at which the civic regalia has been recognised in the Balance Sheet is based on the valuations obtained by the Insurance Section. The most recent insurance valuations for these items were provided by Lyon & Turnbull Limited.

Statues and Monuments

The Council has a number of statues and monuments located across the Borough which fall to be recognised in the accounts as Heritage Assets. The most valuable items within this sub-category of Heritage Assets are the Saints Tribute statue and the Big Art Project: Dream. All material items classified as statues and monuments have been recognised at historic cost. This is deemed to be appropriate as this reflects the amount that has been spent on these assets since their construction.

No depreciation is charged on the Council's Heritage Assets, since the Council believes that the assets it currently holds as Heritage Assets will have infinite lives and as such any depreciation charge calculated would be immaterial.

INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority. Intangible assets are measured at cost and the balance is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement on a straight-line basis typically over a period of 5 years. These amortisation charges are not permitted to have an impact on the General Fund Balance and are reversed to the Capital Adjustment Account via the Movement in Reserves Statement.

INVENTORIES

Inventories are included in the Balance Sheet at the lower of actual cost and net realisable value. The cost of inventories is assigned using an average costing formula.

INVESTMENT PROPERTIES

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, for the production of goods or for regeneration purposes.

Investment properties are measured, initially, at cost and, subsequently, at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms length. Properties are not depreciated but are re-valued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain 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. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

JOINT ARRANGEMENTS

Joint Arrangements are arrangements in which two or more parties have joint control bound by a contract. A Joint Arrangement can be classified as:

(i) A Joint Venture

This is an arrangement under which two or more parties contractually agree to share control, such that decisions about activities of the entity require consent from all parties. Material interests in Joint Ventures would ordinarily necessitate the completion of group accounts using the equity method of consolidation.

(ii) A Joint Operation

This is an arrangement under which parties that have joint control have the rights to the assets and obligations for the liabilities relating to the arrangement. Under such arrangements the Council recognises the assets and liabilities it controls on the Balance Sheet and debits/credits the Comprehensive Income and Expenditure Statement for its proportion of any expenditure incurred/income received.

LEASES

Under the requirements of IAS 17 *Leases*, the Council is required to consider/review all of its lease arrangements and apply the primary and secondary tests detailed in the standard to determine the extent to which the risks and rewards incidental to ownership lie with the lessor or lessee and therefore whether leases should be classified as operating or finance leases, with the subsequent accounting treatment being in accordance with the standard.

Authority as Lessee – operating leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service(s) benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

Authority as Lessor – operating leases

Where the Authority grants an operating lease over an item of Property, Plant or Equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement on a straight-line basis over the life of the lease.

OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to service segments in accordance with the Authority's arrangements for accountability and financial performance. In practice, the Authority operates and manages its corporate and support services separately under the control of the Strategic Director of Corporate Services, and therefore these are shown separately as 'Corporate Services Directorate' on the face of the Comprehensive Income and Expenditure Statement.

PENSIONS – see Employee Benefits

PRIVATE FINANCE INITIATIVE (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the assets needed to provide those services passes to the PFI contractor. The Council has one PFI scheme for Rainford High School, part of Rainford Academies Trust. As the assets will pass to the Academy Trust at the end of the contract, the Council does not carry the assets used under the contract on its Balance Sheet.

The Council recognises a liability for amounts due to the operator to pay for the capital investment.

The amounts payable to the PFI operator each year are analysed into five elements:

- Fair value of services received during the year – debited to the relevant services in the Comprehensive Income and Expenditure Statement;
- Finance cost – an interest charge is raised on the outstanding Balance Sheet liability and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The interest rate is calculated

for the scheme so that the Balance Sheet liability is zero at the end of the contract. The interest rate applicable for the Authority's PFI scheme is 9.8897%;

- Contingent rent – increases in the amount to be paid for the property arising during the contract;
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI;
- Lifecycle replacement costs – are split between revenue and capital costs. Revenue lifecycle costs are debited to the relevant service in the Comprehensive Income and Expenditure Statement in the year in which they are incurred. Any capital lifecycle costs are debited to Property, Plant and Equipment to reflect enhancements to the PFI asset. In the early years of the scheme no lifecycle costs are incurred.

PROPERTY, PLANT AND EQUIPMENT

Recognition

Assets that have a physical substance and are held for use in the production or supply of goods or services, for administrative purposes or for regeneration purposes, and that are expected to be used during more than one financial year, are classified as Property, Plant and Equipment.

In line with the requirements of IAS 16 *Property Plant and Equipment*, the Council recognises and accounts separately for any components where the value of the asset is of sufficient materiality and the component costs are significant in relation to the total cost of the asset.

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 Council and the cost of the item can be measured reliably. Expenditure that maintains, but that does not add to, an asset's potential to deliver future economic benefits (repair and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, which includes:

- the purchase price; and
- 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 Council does not capitalise borrowing costs incurred while the asset is under construction.

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

- infrastructure, community assets and assets under construction – depreciated historical cost;
- school buildings – current value but due to their specialist nature depreciated replacement cost is used as an estimate of current value;
- surplus assets – the current value measurement is fair value which is estimated as the highest and best use from a market participant's perspective; and

- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost is used as a proxy for current 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 current value at the year end, which is, as a minimum, every 5 years. Assets with a gross book value of £3m or more are valued every year. Revaluations are carried out as part of a rolling programme by a qualified Valuer, in accordance with guidance issued by the Royal Institute of Chartered Surveyors (R.I.C.S.). For 2018-2019, the Council used external valuers, Wilkes, Head and Eve to value Property, Plant and Equipment. Investment property was revalued by the Council's in-house Estates Section, with the exception of the Hardshaw Centre and a caretaker's property attached to an educational establishment, for which Wilkes, Head and Eve LLP provided valuations. The effective date of the revaluation is the date upon which the revaluation was produced.

Key assumptions used in revaluing the assets include:

- good title can be shown and the properties are not subject to any unusual or onerous restrictions, encumbrances or outgoings;
- the land and properties are not contaminated;
- there are no prevailing environmental factors that would alter the valuations provided.

Increases in valuations are generally matched by credits to the Revaluation Reserve to recognise unrealised gains. In some circumstances, gains may 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, the appropriate accounting treatment is dependent on whether the asset has been previously revalued upwards and there is a corresponding gain on the Revaluation Reserve. Where there is a balance of revaluation gain for the asset in the Revaluation Reserve, then the carrying amount of the asset is written down against that balance (up to the amount of accumulated gains). Where there is no balance on the Revaluation Reserve or 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 revaluation 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.

<u>Impairment</u>

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 an impairment loss is identified, the appropriate accounting treatment is dependent upon whether the asset has been previously revalued upwards and there is a corresponding gain on the Revaluation Reserve. Where there is a balance of revaluation gain for the asset in the Revaluation Reserve, then the carrying amount of the asset is written down against that balance (up to the amount of accumulated gains). Where there is no balance on the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Any subsequent reversal of impairment loss 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 life (e.g. freehold land and certain Community Assets) and assets that are not yet available for use (assets under construction).

Depreciation on all Property, Plant and Equipment assets is calculated by allocating the asset value over the period expected to benefit from their use on a straight-line basis. All assets are assessed individually in relation to their asset lives for the purpose of calculating depreciation. Conditions relative to each asset are considered in arriving at this determination.

Depreciation is calculated on the following bases:

- Buildings – straight-line allocation over the useful life of the property as estimated by the valuer, which can range from 10 to 60 years;
- Vehicles, plant and equipment – straight line allocation over the lifetime of the asset as advised by a suitably qualified officer which range from 2 to 30 years; and
- Infrastructure – straight-line allocation over 30 to 40 years.

The Authority will apply component accounting (i.e. major components of the asset are depreciated over their respective estimated economic lives) to assets with a book value in excess of £5m where the impact of component accounting is considered material to the Financial Statements. The Council has adopted a policy in which assets are split into component parts. The assets are split using standard percentages of the building. Each of the component categories have standard average lives, which are then used for the purpose of calculating the depreciation charge.

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

Assets Disposal and Non-Current Assets held for Sale

When it becomes probable 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 and 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 Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets held for Sale.

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 their 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.

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 gains or loss on disposal. Receipts from disposal (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.

Amounts received for a disposal of a non-current asset are categorised as capital receipts and credited to the Capital Receipts Reserve and then can be set aside either for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to this Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

PROVISIONS AND CONTINGENT LIABILITIES

The Council sets aside provisions for any liabilities of uncertain timing or amount that have been incurred in accordance with the requirements of the Code and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Provisions are disclosed as separate balance sheet items, whilst provisions for bad and doubtful debts are netted off the carrying amount of debtors.

Provisions are recognised when:

(i) the Authority has a legal or constructive obligation as a result of a past event;

(ii) it is probable that a transfer of economic benefits will be required to settle the obligation; and

(iii) a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority 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. Where it is considered that an individual provision is of sufficient materiality or interest, then it will be shown quite separately on the face of the Comprehensive Income and Expenditure Statement.

Where payments for expenditure are incurred to which the provision relates, they are charged direct to the provision carried in the Balance Sheet.

Provisions are reviewed at each Balance Sheet date to reflect the current best estimate, taking into account the risks and uncertainties surrounding the events. Where it is subsequently assessed that it becomes less than probable that a transfer of economic benefits will now be required (or a lower provision is required), the provision is reversed and credited back to the relevant service.

In contrast, Contingent Liabilities are not accrued in the accounting statements. They are disclosed by way of notes if there is:

(i) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority; or

(ii) a present obligation that arises from past events, but where it is not certain that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

REDEMPTION OF DEBT

Provision for the redemption of debt is made in accordance with the requirements contained in the *Local Authorities (Capital Finance and Accounting) Regulations 2008*. The Council calculates its annual revenue provision with reference to assumed lives of its assets. For borrowing incurred under the prudential arrangements (i.e. unsupported by Government funding), the charge is calculated on a straight line basis over the estimated life of the asset; the only exception to this is when a scheme is of a regeneration and/or infrastructure nature for which there has been no Government support, where the provision will be made using the Annuity Method Approach. For its PFI scheme and that element of the CFR that was prior to the prudential regime supported by Central Government, the Authority calculates a revenue provision using the annuity method. Whilst this calculation is still broadly based on a charge over the asset’s life, the resultant profile for revenue provision is more closely aligned with the flow of economic benefit which, it is felt, is more appropriate for PFI schemes.

RESERVES

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Earmarked reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When 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 in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority.

The purpose and usage of each reserve is disclosed in notes accompanying the Core Statements.

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 Authority has determined to meet the cost of this expenditure from existing capital resources or by 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.

These items are generally grants and expenditure on assets not owned by the Authority.

SCHOOLS

The *Code of Practice on Local Authority Accounting the United Kingdom* confirms that the balance of control for local authority maintained schools (those categories of schools identified in the *Schools Standards and Framework Act 1998*) lies with the local authority. The Code stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority single entity financial statements. Therefore these schools' transactions, cash flows and balances are recognised in the financial statements as if they were transactions of the local authority.

School assets are recognised as a disposal from the Council's Balance Sheet on the date on which a relevant school converts to academy status, not on the date of any related announcement. Nor is any impairment recognised prior to the date of conversion.

TAX INCOME (COUNCIL TAX, NON-DOMESTIC RATES)

<u>Non-Domestic Rates</u>

The Council acts both as an agent (collecting Non-Domestic Rates on behalf of the Merseyside Fire & Rescue Authority) and as a principal (collecting Non-Domestic Rates for itself). Non-Domestic Rates transactions and balances are therefore allocated between the Council and Merseyside Fire & Rescue Authority, applying accepted agent and principal treatments as appropriate. Under the legislative framework for the Collection Fund, both parties share proportionately the risks and rewards that the amount of Non-Domestic Rates collected could be more or less than predicted.

The Council participates in a Non-Domestic Rates pool with Warrington and Halton Borough Councils. Under the arrangements of this 'Mid-Mersey Pool' the Authority may benefit from the redistribution of levy savings that accrue to Warrington Borough Council as a result of the pools existence. Any sums received are recorded as part of the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement.

<u>Council Tax</u>

Similarly, the Council acts both as an agent (collecting Council Tax on behalf of the Police and Crime Commissioner for Merseyside and the Merseyside Fire & Rescue Authority) and as a principal (collecting Council Tax for itself). Council Tax transactions and balances are therefore allocated between the Council and the major preceptors, applying accepted agent and principal treatments as appropriate. Under the legislative framework for the Collection Fund, all three parties share proportionately the risks and rewards that the amount of Council Tax collected could be more or less than predicted.

The Council's proportionate share of both Non-Domestic Rates and Council Tax will be recognised in the Comprehensive Income and Expenditure Statement in the line Taxation & Non-Specific Grant Income. As a billing authority, the difference between the Non-Domestic Rates and Council Tax income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund, shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

For both Council Tax and Non-Domestic Rates, the Council's proportionate share of assets and liabilities (debtors, receipts in advance, provision for doubtful debt, etc.) are recognised individually within the Balance Sheet. The net asset/liability in relation to the other parties is shown as a single debtor/creditor figure, as appropriate.

VALUE ADDED TAX (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.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

(i) to make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this Authority, that Officer is the Strategic Director of Corporate Services;
(ii) to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
(iii) to approve the Statement of Accounts.

RESPONSIBILITIES OF THE STRATEGIC DIRECTOR OF CORPORATE SERVICES

The Strategic Director of Corporate Services 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 of Practice').

In preparing this Statement of Accounts, the Strategic Director of Corporate Services has:

(i) selected suitable accounting policies and then applied them consistently;

(ii) made judgements and estimates that were reasonable and prudent;

(iii) complied with the Code of Practice.

The Strategic Director of Corporate Services has also:

(i) kept proper accounting records which were up-to-date;

(ii) taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATE

I certify that this Statement of Accounts gives a true and fair view of the financial position of St. Helens Council at 31 March 2019 and its income and expenditure for the year then ended. In doing so, I authorise the Statement for issue and confirm that it is this date up to which events after the Balance Sheet date have been considered in preparing the Statement.

Cath Fogarty
Strategic Director of Corporate Services

Date: 29 July 2019

ANNUAL GOVERNANCE STATEMENT

2018-2019

1.0 Scope of Responsibility

1.1 St. Helens 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, and used economically, efficiently and effectively. The 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.

1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

1.3 The Council approved and adopted a Code of Corporate Governance in April 2017 based on the principles in the CIPFA /SOLACE Delivering Good Governance Framework 2016. A copy of the Code of Corporate Governance is held on the Council's website.

1.4 This statement explains how St. Helens Council complies with the Code and meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2015.

2.0 The Purpose of the Governance Framework

2.1 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and its activities through which it accounts to, engages with and leads our communities. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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

2.3 The governance framework at St. Helens Council has continued to operate and will remain subject to ongoing review to ensure its operational effectiveness in the future.

3.0 The Governance Framework

3.1 Overview

3.1.1 The following are the key strategic elements of the systems and processes that the Council has put in place which underpin the governance arrangements and how they meet the seven principles of effective governance as outlined in the CIPFA / SOLACE Delivering Good Governance in Local Government Framework.

3.2 Strategic Planning

3.2.1 The Council vision is articulated in the St Helens Council Plan 2018-20. The Plan has three primary aims and these are:

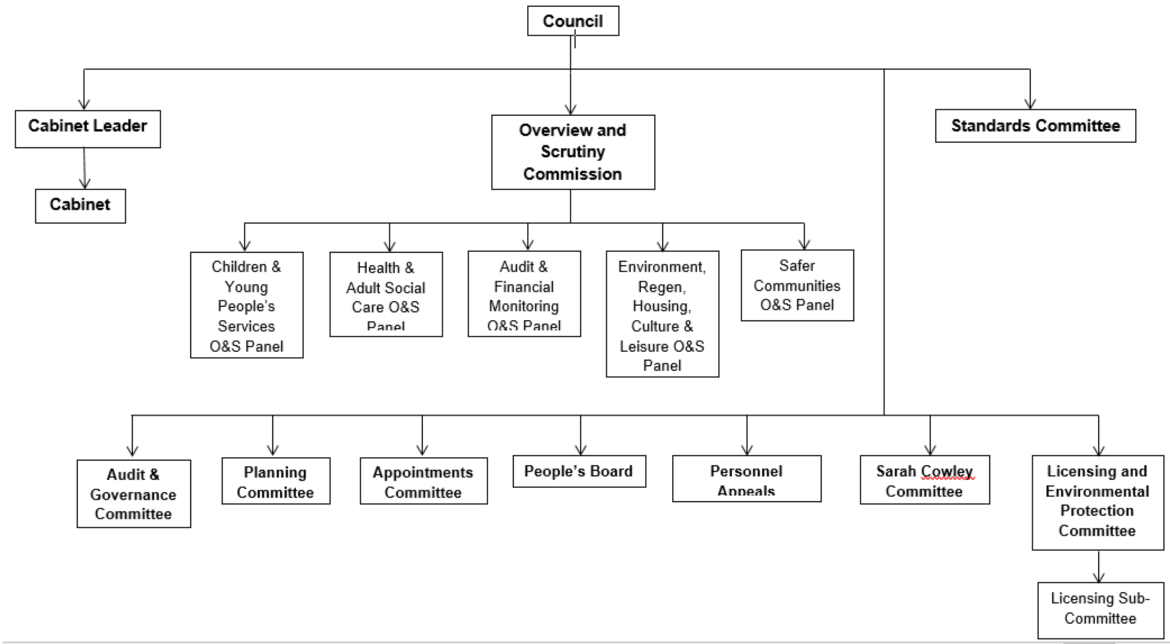
i. Improving People's Lives
ii. Creating a Better Place
iii. Becoming an Adaptive Innovative Council

3.2.2 Each of the above aims contain a small number of objectives and a summary of the key programmes of activity that will be undertaken to achieve them. The Plan is supported by a suite of performance indicators and agreed targets against which the Council will measure the progress of its delivery. It is the objectives of the Council Plan which form the basis of the Council's approach to departmental service planning, with each service plan containing a series of actions specified against objectives of the Council Plan.

3.3 Decision Making

3.3.1 The Council has adopted and approved a Constitution that establishes an efficient, transparent and accountable decision-making structure. Member and Officer roles are clearly defined within the Constitution.

Democratic Structure



3.3.2 The Cabinet is the main decision-making Body. Meetings are open to the public except where personal or confidential matters are being discussed. It comprises the Leader of the Council and Cabinet which consists of 8 portfolios that hold responsibility for the delivery of the Council Plan and its objectives.

3.3.3 This is supported by an effective scheme of delegation which is well understood and adhered to. These arrangements are clearly established in the Constitution and supporting documents, including financial and contract procedure rules.

3.3.4 The Council has an appointed Monitoring Officer and Deputy Monitoring Officer whose primary function is to ensure that the Council operates in a lawful manner.

3.3.5 The Council has established consultation and engagement mechanisms which enable the Council to understand the views, needs and preferences of all its stakeholders.

3.4 Scrutiny

3.4.1 The Council has an Overview and Scrutiny Commission and 5 Scrutiny Panels which are:

i. Audit and Financial Monitoring;
ii. Children and Young People's Services;
iii. Health and Adult Social Care;
iv. Environment, Regeneration, Housing, Culture and Leisure;
v. Safer Communities.

3.4.2 The Commission and Panels undertake an annual programme of reviews of services and performance and have the authority to request Cabinet Members and officers to attend meetings. Health and other partners are also invited to attend to review performance. Scrutiny reports and recommendations are presented to Cabinet. The scrutiny function is supported by dedicated staff resources.

3.5 Financial Management

3.5.1 The Strategic Director of Corporate Services is the responsible Officer to the Council for the proper management of its financial affairs to meet the statutory requirements of Section 151 of the Local Government Act 1972, and complies with the requirements of the CIPFA 'Statement on the Role of the Chief Financial Officer in Local Government'.

3.5.2 Financial management has always been recognised as a strength in St. Helens and the Council's medium term financial strategy is aimed at maximising resources for priority areas, and promoting value for money to reduce in so far as possible the burden on local taxpayers.

3.6 Codes of Conduct and Policies

3.6.1 The Council has a Code of Conduct for both Officers and Members together with a range of supporting policies and procedures including:-

- Risk Management Strategy;
- Health and Safety;
- Equalities and Diversity;
- Finance;
- ICT and Information Management;
- Procurement;
- Declarations of Interests;
- Member / Officer relationships;
- Confidential Reporting (Whistleblowing)
- Code of Recommended Practice on Local Authority Publicity;
- Anti-fraud, Bribery and Corruption.

3.6.2 These policies and procedures are supported with an ongoing programme of training for Officers and Members providing coverage on a wide range of topics ensuring awareness on new and developing issues.

3.6.3 The Council's Standards Committee seeks to promote and maintain high standards of conduct of Council Members, and meets to discuss matters of ethical standards. The Monitoring Officer provides reports to the Standards Committee in relation to the operation of the Code of Conduct and the maintenance of high ethical standards.

3.6.4 The Council has effective arrangements in place to ensure it is able to meet its duties in relation to the Equality Act 2010 and the Council's Comprehensive Equality Policy through the impact assessment of decisions, services and employment.

3.7 **Performance Management**

3.7.1 The Council's performance management systems ensure strong links between budgets, service delivery and performance targets. Performance indicators exist to cover organisational objectives and are regularly reviewed for relevance. Three-year targets, linked to the medium-term Budget Strategy, are set annually and are approved by Cabinet.

3.7.2 Financial and service planning are integrated and joint financial and performance reporting ensures that resources are concentrated on achieving priority outcomes. Monthly meetings between the Strategic Director of Corporate Services and Strategic Directors of Departments are held to discuss budgets, progress against key performance measures, significant issues of service delivery and action required to address any identified concerns. Monthly Budget and Performance Monitoring Reports are presented to Cabinet and individual monthly performance briefings are provided for Cabinet Portfolio holders.

3.8 **Risk Management**

3.8.1 The Council has effective risk management arrangements with commitment from Members and Officers supported by staff training. Risk management is embedded in the culture and operation of the Council. The Corporate Risk Register identifies threats and risks to the achievement of strategic priorities. Service Plans also contain an assessment of the likelihood and impact of service level risk, along with control measures. The business continuity and disaster recovery arrangements are subject to periodic review to ensure they remain current and fit for purpose.

3.8.2 The Safety and Risk Management Forum is a strategic group chaired by the Strategic Director of Corporate Services and attended by the Strategic Directors of Services or their nominated deputies and Senior Officers together with Trade Union and Human Resources representation, to consider occupational health, organisational safety and risk management issues.

3.9 **Information Management**

3.9.1 The Council takes its Data Protection and Information Management responsibilities very seriously and has a corporate Information Management Group in place to ensure that standards, training and monitoring arrangements are robust and effective.

3.9.2 Information management policies governing how data is accessed and protected are regularly reviewed, and subject to consultation prior to amendments to reflect current and emerging practice. Policies have been reviewed and updated e to reflect the Data Protection Act 2018 and General Data Protection Regulations (GDPR).

3.9.3 Transparency guidelines are monitored for levels of compliance and the information provided on the website on standard data sets is subject to regular review.

3.9.4 Agendas and minutes are published on the website together with Delegated Executive Decisions and Administrative Decisions in accordance with the Council's Constitution.

3.10 **Workforce Planning**

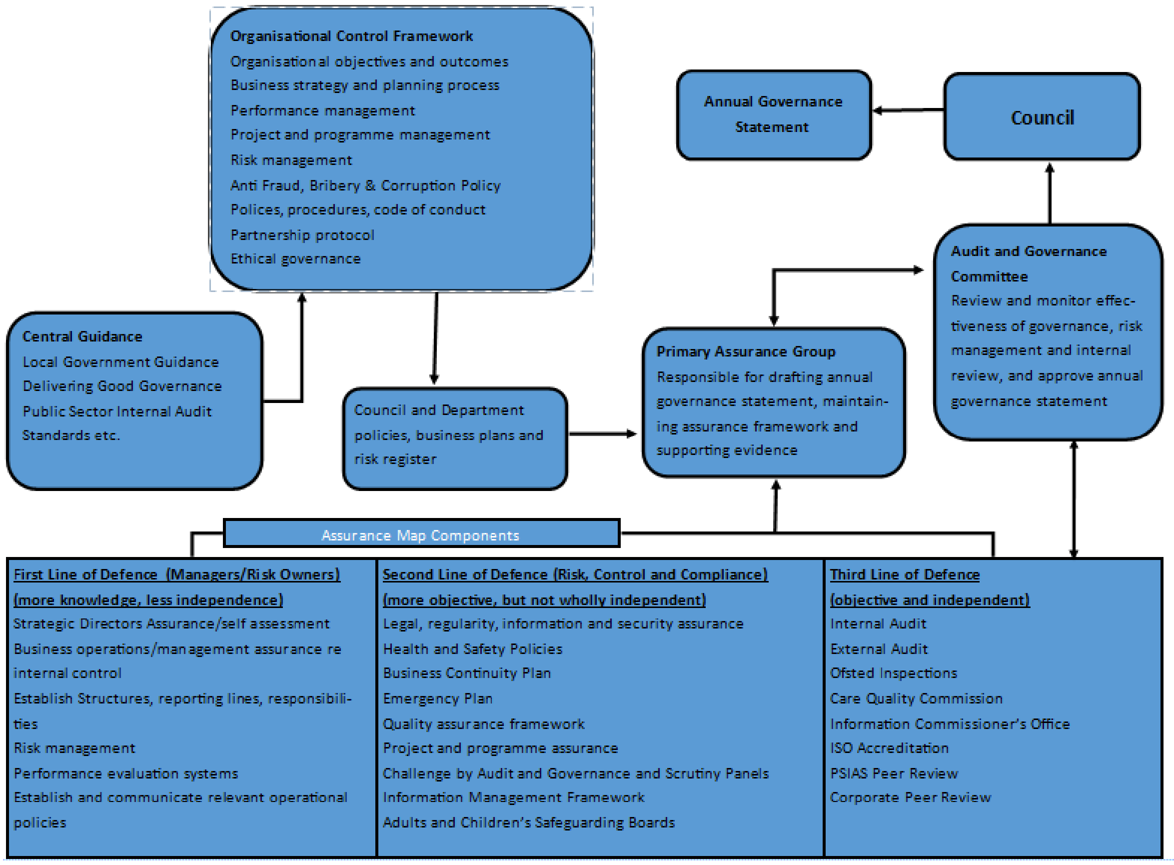
3.10.1 The Council recognises the benefits of having a committed, capable, skilled and diverse workforce. There is a requirement for workforce planning and the implications to be considered within departmental service plans.

3.10.2 The Council's appraisal system links individual targets and performance to corporate priorities and informs the corporate training programme.

4.0 Assurance

4.1 The Audit and Governance Committee has a key role as the "body charged with governance" and its Terms of Reference set out the requirement to gain and monitor the necessary assurances in respect of the Council's control, governance, financial management and reporting framework.

Assurance Mapping



4.2 The Assurance map above identifies the elements of the control framework and how they relate to the organisation and each of the Assurance map components.

4.3 The Strategic Directors of the Council are required, on an annual basis, to provide documented assurance as to the adequacy and effectiveness of departmental management arrangements and controls, and identify any areas for improvement.

4.4 The Council's complaints procedure is available to the community and complaints responses are closely monitored for quality and handling processes. The Council periodically conducts surveys to assess the levels of satisfaction with its services and their accessibility, and feeds these into service reviews.

5.0 The Primary Assurance Group

5.1 The Council has an established Primary Assurance Group chaired by the Strategic Director of Corporate Services, and includes senior representatives with responsibilities covering all elements of the governance framework.

5.2 A detailed annual self-assessment of the governance arrangements based on the CIPFA/SOLACE guidance identifies any risks to the Council's ability to meet its objectives and drafts the Annual Governance Statement and Action Plan for approval by the Audit and Governance Committee.

5.3 The remit of the Primary Assurance Group includes:

- Evaluating the Council's internal control and governance framework using a robust evidence-based methodology;
- Consideration of assurances received from Strategic Directors;
- Review the internal audit outturn and identification of any significant internal control issues that have implications for the Annual Governance Statement;
- Identification of actions for improvement and monitoring of previous years' recommendations.

5.4 The self-assessment for 2018/19 incorporates all aspects of the CIPFA / SOLACE guidance.

6.0 Review of Effectiveness of Governance

6.1 Governance Principles

6.1.1 The annual review of the effectiveness of governance has been undertaken against the seven principles within the CIPFA/SOLACE framework. A detailed body of evidence is contained within a database which identifies the Core Principles, expected and actual assurance mechanisms and actions for improvement.

The core principles of good governance 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 the 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.

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

6.1.2 During 2018/19 the Council has continued with its programme of organisational change and transformation to meet its future needs and aspirations and deliver its 2020 Vision. This process is continually reviewed and any impact on the governance arrangements is considered as part of decision making.

6.2 Core Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

6.2.1 The Council's Constitution has been reviewed and updated during 2018/19 to ensure it is relevant and appropriate, and revisions have been approved by Council.

6.2.2 The Standards Committee has met as necessary throughout the year and continues to monitor the behaviour of elected members and address any areas for improvement.

6.2.3 Training on the Code of Conduct and Induction has been delivered to members and employees.

6.2.4 The Scrutiny Panels have delivered their programme of work including scrutiny of the budget process and all findings have been considered by Cabinet and responded to.

6.3 Core Principle B – Ensuring openness and comprehensive stakeholder engagement.

6.3.1 Council plans and publications have been reviewed and the Council Plan for 2018-20 has established the organisational priorities and objectives which have been communicated to stakeholders.

6.3.2 Following the review of communications a comprehensive Communications Strategy has been produced which seeks to enhance all aspects of internal and external communications. Further development of our existing consultation and engagement processes has been identified and a review of this has also been planned.

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

6.4.1 The Council Plan defines its 2020 Vision, objectives and the outcomes it is seeking in relation to economic, social and environmental developments. Four longer term strategic objectives for the Borough have been agreed and are being developed through a St Helens 2030 Vision document. These are:

- Growing the Economy
- Sustainable Health and Social care
- Raising Aspiration and Ambition
- Being better connected

6.4.2 Increased financial pressures and rising demand for services, particularly to protect and care for vulnerable adults and children and young people has led to existing partnership models of delivery being expanded to introduce new models of integrated service delivery that are resilient and capable of delivering outcomes.

6.4.3 The integration of the Council and St Helens Clinical Commissioning Group (CCG) was formalised in May 2018 when the Clinical Chief Executive of the CCG was appointed Strategic Director People's Services. The governance underpinning this arrangement is contained within a Section 75 Agreement which was approved via Cabinet in January 2019.

6.5 Core Principle D - Determining the interventions necessary to optimize the achievement of the intended outcomes.

6.5.1 The Budget Strategy and approved programme of budget savings have been developed to deliver a forward programme of further savings of £20.6m over the 3 year period 2017-2020. Increasing financial pressures on the Health and Care system for the Borough affirm that a wider collective response is needed to overcome the challenges and meet community needs.

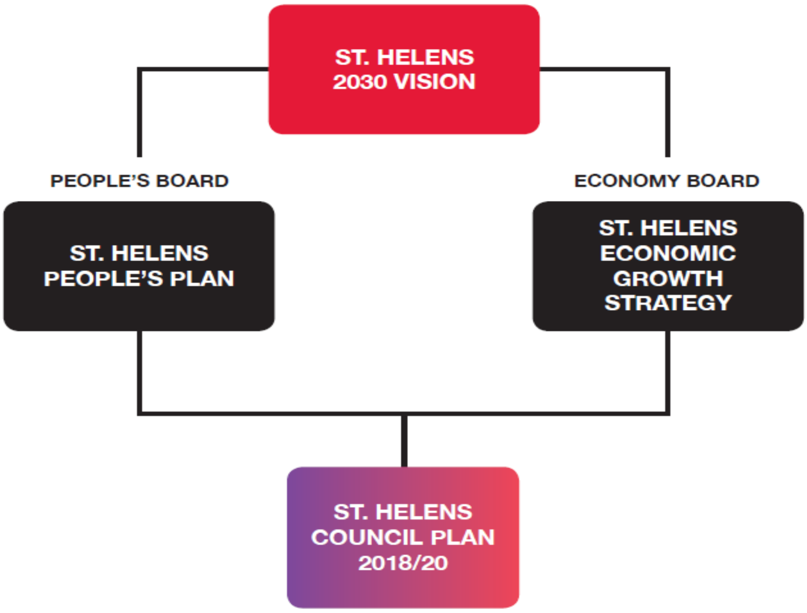
6.5.2 The 3 key elements of the work programmes to deliver this are:

- Delivering a balanced budget whilst maintaining effectiveness
- Development of the local health and care system, St Helens Cares
- Growing the economy

6.5.3 The consultation programme and forward decision-making processes have been further enhanced to develop and monitor proposals for change.

6.6 Core Principle E – Developing the entity's capacity, including the capability of its leadership and the individuals within it.

6.6.1 The new Council structure that was established during 2016/17 is supported by the new People's Board which has taken on the statutory responsibilities of the Health and Wellbeing Board and the Community Safety Partnership, and a new Economy Board has been established which will drive economic growth within St. Helens.



6.6.2 The capacity to deliver this ambitious work programme whilst maintaining existing strengths in governance and financial management has been considered and further revisions to the organisational structure have been implemented to mitigate the risks of failure due to capacity.

6.6.3 A recent Corporate Peer Review identified challenges in the Senior Leadership capacity to deliver this ambitious modernisation programme and further amendments to strengthen the Senior Leadership team are currently being proposed.

6.7 Core Principle F –Managing risks and performance through robust internal control and strong public financial management.

6.7.1 Risk management arrangements have been enhanced during the year with more dynamic updates and reporting to Officers and Members introduced to support the changing organisational needs.

6.7.2 The Internal Audit annual outturn report has confirmed that the internal control environment was operating effectively and that there were no significant issues of concern within the Internal Audit process itself. A programme of audit recommendations to address system and operational weaknesses has been agreed and progress is monitored by the Audit and Governance Committee and Scrutiny panel. During the year there have been some issues identified with unsatisfactory progress being made, and these issues have been highlighted, and assurances sought from senior management on a robust process to implement outstanding recommendations.

6.7.3 The Council's Internal Audit Service has been subject to an external assessment and validation against the Public Sector Internal Audit Standards (PSIAs). A number of improvement actions were identified and these have been addressed during 2018/19.

6.8 Core Principle G – Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

6.8.1 The Audit and Governance Committee has also considered the Statement of Accounts, matters raised by the external auditor, risk management, and the arrangements for fraud, bribery and corruption.

6.8.2 The cycle of formal reporting of portfolio financial and performance information to Cabinet and Scrutiny was met, and all documents were published on the Council's website.

6.8.3 The Council's external auditors, Grant Thornton, concluded in their Annual Audit Management Letter that for the financial year 2017/18:

i. an unqualified opinion on our financial statements;
ii. an unqualified conclusion in respect of our arrangements for securing economy, efficiency and effectiveness in our use of resources;
iii. an unqualified opinion on our Whole of Government Accounts submission.

6.8.4 The Council was subject to an external focused visit in July 2018 from Ofsted. The focused visit considered the Council's arrangements for children in need and children subject to a child protection plan. During this focused visit, areas of considerable weakness were identified that are placing children at risk of inadequate protection and significant harm. A number of priority actions were identified.

6.8.5 An immediate and robust Action Plan was developed, overseen by a newly created Children's Improvement Board.

A subsequent focused visit in November 2018 looked at the 'Front Door' arrangements where contacts and referrals regarding concerns about children are received and actioned. Although this second focused visit raised a number of areas for development, it found that the Local Authority had taken swift action following the July visit, and the majority of children whose cases were reviewed as part of this visit receive a timely and proportionate response when they need help and support. No priority actions were identified.

The Council has committed significant additional resources to increase capacity within Children's Services and will continue to prioritise improvements to Children's Services.

6.9 Joint Venture Partnership

6.9.1 The Council is one of two equal partners in Parkside Regeneration Limited Liability Partnership (Parkside LLP). Parkside LLP was set up in 2013 with a private sector partner with the aim of regenerating the former Parkside Colliery site.

6.9.2 Parkside LLP is run by a Board comprising of 6 persons of which 3 board members are nominated by the Council. Parkside LLP appoints its own independent auditors to review its annual accounts.

6.9.3 Whilst the board minutes of Parkside LLP remain private owing to the commercial sensitive information contained therein, questions may be submitted to the Council relating to its involvement in Parkside LLP under the Freedom of Information Act 2000.

7.0 Conclusion

7.1 It is our opinion, based on the self-assessment undertaken and the assurances provided above, that our systems of internal control and governance are fit for purpose and are in accordance with the framework.

7.2 The Council has identified significant governance issues within Children's Services. A number of recent Internal Audit reports have reported limited or minimal assurance. The two focused Ofsted reviews have brought these governance issues, as well as service delivery issues and keeping children safe, to significant local prominence and improvements to Children's Services is now a Council priority. Enhancements to existing arrangements necessary to ensure full compliance and mitigate exposure of the Council have been identified and are documented in the Children's Improvement Plan, Internal Audit reports and other associated documents.

7.3 Actions from the 2017/18 Annual Governance Statement Self-Assessment Action Plan in the main have been implemented with a small number of actions carried forward, where further improvement is still needed, and these have been incorporated into the 2018/19 Action Plan. This is attached at Appendix 1.

7.4 The Council continues to face extreme financial challenges, risks and pressures from continual grant reductions, and rising cost and demand for services. The latest financial settlement sees a further £6.2m during 19/20, with the cumulative loss of grant since 2010, over a ten-year period to 2020 of £90m.

7.5 The increasing demand pressures on our social care system which is already stretched means that it is increasingly difficult to meet the demands on our services. The protection of our most vulnerable, elderly persons and vulnerable children including those in care has necessitated a different approach to delivery across the locality, and for greater partnership working. This in turn demands that our governance arrangements need to be robust with clear accountabilities to our residents.

7.6 Our ambition around Growing the Economy is fundamental to our future financial resilience, and this approach brings new and emerging risks which need to be considered and assessed with a more commercial approach. Investment decisions for the future sustainability of the Council require robust, considered assessments, working in collaboration with our partners, and our governance arrangements will need to be transparent in this respect.

7.7 The completion of our assessment against the Governance framework provides a formal mechanism by which we can constantly review and plan to improve our operating arrangements for enhanced partnership working, mitigation of financial risks, and support service redesign and economic growth.

7.8 The Council has a strong track record of promoting and maintaining high standards of behaviour and remains committed to seeking continuous improvement to review and strengthen the control, risk and governance environment wherever appropriate. In relation to the governance weaknesses identified in Children's Services, a separate response with associated Action Plan has been provided. We are confident that the steps that we are taking to improve Children's Services will address the current failings in this area. We will monitor their operation and implementation as part of our next annual review.

Signed: ______________________ **Date: 30 May 2019**
Chief Executive

Signed: ______________________
Leader of the Council

Date: 30 May 2019

APPENDIX 1

Self-Assessment Action Plan 2018/19

Assurance Ref.	Assurance	Action	Lead Officer	Target Completion Date
Core Principle - Behaving with Integrity, demonstrating strong commitment to ethical values and respecting the rule of the law				
A1.1	Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation	To review the Members' Code of Conduct and Member/Officer Protocol for consideration by the Standards Committee and approval by Annual Council. A further review of 'Welcome to St Helens' to take place to emphasise culture and values and also strengthen link to Council vision aims and objectives.	Deputy Director – Legal and Governance Deputy Director – Finance and HR	30th September 2019
A1.2	Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood	To review the Member induction Programme for newly elected members.	Deputy Director – Legal and Governance	31st December 2019
A1.4	Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they operate effectively	To revise the Complaints Policy.	Assistant Director – Service Delivery	30th September 2019
A2.2	Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation	Review Employee Code of Conduct training (E-learning and briefings) for completion rates.	Deputy Director – Finance and HR/Senior Human Resources Manager	31st December 2019

Assurance Ref.	Assurance	Action	Lead Officer	Target Completion Date
		To establish focus groups to help determine Council values. To embed within all aspects of the organisation.		
A2.3	Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values	To review the Employee Code of Conduct Policy and the Recruitment Policy as part of the HR policy review schedule.	Senior Human Resources Manager	30th September 2019
A2.4	Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation	A strategy document for partnership arrangements to be produced.	Strategic Director, Corporate Services	31st March 2020
Core Principle - Ensuring openness and comprehensive stakeholder engagement				
B1.1	Ensuring an open culture through demonstrating, documenting and communicating the Council's commitment to openness	To refresh the Authority's goals and values. To improve the website.	Deputy Director – Finance and HR	31st December 2019
B1.4	Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/course of action	An LGA resident survey has been commissioned and further engagement to be developed throughout the year.	Head of Corporate Communications	31st December 2019
B2.1	Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear	The consultation and engagement activity to include a general stakeholder mapping exercise.	Head of Corporate Communications	31st December 2019

Assurance Ref.	Assurance	Action	Lead Officer	Target Completion Date
	so that outcomes are achieved successfully and sustainably			
B3.2	Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement	Internal Communications Strategy to be implemented in 2019/20.	Head of Corporate Communications	31st March 2020
Core Principle - Defining Outcomes in terms of sustainable economic, social and environmental benefits				
C1.1	Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes, containing appropriate performance indicators which provide the basis for the organisation's overall strategy, planning and other decisions	To develop a new Council Plan, setting out a series of re-defined objectives and clear measures of success.	Strategic Director, Corporate Services	31st December 2019
C1.3	Delivering defined outcomes on a sustainable basis within the resources that will be available	A review of financial and performance reporting will be undertaken to ensure the provision of clear, transparent information.	Strategic Director, Corporate Services	30th June 2019
Core Principal - Determining the interventions necessary to optimise the achievement of the intended outcomes				
D2.1	Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets	To review the Council's Corporate Planning timetable linked to the review of performance reporting which will be undertaken to ensure the provision of clearer information.	Strategic Director, Corporate Services	30th June 2019
D2.2	Engaging with internal and external stakeholders in determining how	Focus Groups and Surveys to take place with Internal Stakeholders during 2019/20.	Deputy Director – Finance and HR	31st December 2019

Assurance Ref.	Assurance	Action	Lead Officer	Target Completion Date
	services and other courses of action should be planned and delivered	Working group ongoing on Customer Experience.		
D2.3	Considering and monitoring risks facing each partner when working collaboratively, including shared risk	A formal review of Risk profile to be undertaken	Deputy Director – Finance and HR	30th September 2019
D2.6	Ensuring capacity exists to generate the information required to review service quality regularly	To implement the Corporate Peer Review Improvement Plan. In particular to undertake a review and produce a new Council Plan, review of financial and performance reporting, and delivery of an agreed proportionate set of service plans across the Council's Directorates. Improvement issues identified as part of the Reviews (Focussed visits) within Children's services to be monitored via the Children's Improvement Board.	Strategic Director, Corporate Services	30th September 2019
D2.7	Preparing budgets in accordance with organisational objectives, strategies and the medium-term financial plan	To undertake a full review of the 3-year Budget Strategy during 2019-2020, linked to redefined objectives/ emerging Council priorities.	Strategic Director, Corporate Services	30th September 2019
D3.1	Ensuring the medium-term financial strategy integrates and balances service priorities, affordability and other resource constraints	Budget setting and priorities to be reviewed for 2020/21 onwards.	Strategic Director, Corporate Services	30th September 2019
Core Principle - Developing the entity's capacity, including the capability of its leadership and the individuals within it				
E1.1	Reviewing operations, performance use of assets on a regular basis to ensure	Asset utilisation to be considered as part of One Public Estate outputs.	Strategic Director, Place Services	31st December 2019

Assurance Ref.	Assurance	Action	Lead Officer	Target Completion Date
	their continuing effectiveness			
E1.2	Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently	To be reviewed, as CIPFA benchmarking outputs are increasingly limited due to low participation.	Senior Assistant Director – Accountancy and Financial Management	30th September 2019
E1.4	Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources	To develop an Organisational Development and Workforce Strategy. To review the Social Worker progression process and grading structure.	Deputy Director - Finance and HR Senior Human Resources Manager	30th September 2019
E2.4	Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks	To implement the action plan from the Investors in People Assessment.	Senior Human Resources Manager	30th September 2019
E2.8	Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing	To develop a Health and Wellbeing Strategy, with the establishment of a strategic group to oversee its implementation.	Deputy Director – Finance and HR	30th June 2019

Assurance Ref.	Assurance	Action	Lead Officer	Target Completion Date
Core Principle - Implementing good practices in transparency, reporting and audit to deliver effective accountability				
G3.3	Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations	Monitoring processes to be developed and reviewed in relation to Improvement Plans in response to Children's Inspections and Corporate Peer review.	Strategic Director, Corporate Services	31st March 2020
G3.5	Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met	New governance arrangements to be subject to monitoring and review.	Deputy Director – Legal and Governance	30th September 2019
	Improved service and performance for Children's Services	Monitoring delivery of separate detailed action plan for Ofsted improvements and governance arrangements.	Strategic Director of People's Services	31st March 2020
	Improved governance awareness in Children's Services	Training of managers in Children's Services and on-going support to understand and embed good governance arrangements.	Strategic Director of People's Services/ Deputy Director – Legal and Governance	30th September 2019

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 other reserves. The Statement shows how the movements in year 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 statutorily chargeable against council tax for the year.

NOTES		General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000
	Notes	7	8	9		6	
	Balance at 31 March 2017	70,935	28,976	8,399	108,310	(15,046)	93,264
Movement in Reserves during 2017-2018							
CIES	Total Comprehensive Income and Expenditure	(45,471)	-	-	(45,471)	74,744	29,273
5	Adjustments between accounting basis and funding basis under Regulations	37,282	850	785	38,917	(38,917)	-
	Net Increase/(Decrease)	(8,189)	850	785	(6,554)	35,827	29,273
	Balance at 31 March 2018 carried forward	62,746	29,826	9,184	101,756	20,781	122,537
Movement in Reserves during 2018-2019							
CIES	Total Comprehensive Income and Expenditure	(28,155)	-	-	(28,155)	(5,629)	(33,784)
5	Adjustments between accounting basis and funding basis under Regulations	31,235	252	279	31,766	(31,766)	-
	Net Increase/(Decrease)	3,080	252	279	3,611	(37,395)	(33,784)
	Balance at 31 March 2019 carried forward	65,826	30,078	9,463	105,367	(16,614)	88,753

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.

NOTES	2017-2018 Restated* Gross Expenditure £000	2017-2018 Restated* Gross Income £000	2017-2018 Restated* Net Expenditure £000		2018-2019 Gross Expenditure £000	2018-2019 Gross Income £000	2018-2019 Net Expenditure £000
	262,527	(186,913)	75,614	People's Services Directorate	277,534	(184,676)	92,858
	76,903	(25,133)	51,770	Place Services Directorate	81,523	(26,569)	54,954
	80,004	(66,732)	13,272	Corporate Services Directorate	77,372	(62,084)	15,288
3,37	(425)	-	(425)	Provision for Equal Pay	-	-	-
15, 16	419,009	(278,778)	140,231	**COST OF SERVICES**	436,429	(273,329)	163,100
12			48,282	Other Operating Expenditure			21,227
13			9,350	Financing and Investment Income and Expenditure			10,196
14			(152,392)	Taxation and Non-Specific Grant Income			(166,368)
15			45,471	**(SURPLUS) OR DEFICIT ON PROVISION OF SERVICES**			28,155
			(35,452)	(Surplus) or Deficit on Revaluation of Non-current Assets			(25,559)
11			(39,292)	Remeasurement (Gains)/Losses on Pension Assets/Liabilities			31,188
			(74,744)	**OTHER COMPREHENSIVE INCOME AND EXPENDITURE**			5,629
			(29,273)	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**			33,784

This Statement was prepared on the basis of the Council's Directorate Structure per the reporting requirements contained in *The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19*.

* For further details of the 2017-2018 Restatement, refer to Note 4(b)(i)

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 is 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 is those that the Authority is not able to use to provide services (unusable reserves). Unusable reserves include:

(i) reserves that hold unrealised gains and losses, particularly in relation to the revaluation of Property, Plant and Equipment;

(ii) adjustment accounts that absorb the difference between proper accounting practices and the requirements of statutory arrangements for funding expenditure.

NOTES	31 March 2018 £000		31 March 2019 £000
25	440,057	Property, Plant and Equipment	460,505
27	3,191	Heritage Assets	3,283
28	11,403	Investment Property	11,273
29	979	Intangible Assets	495
30	5,050	Long Term Investments	7,347
31	13,554	Long Term Debtors	13,909
	474,234	**Long Term Assets**	496,812
30	55,279	Short Term Investments	85,123
33	770	Assets held for Sale	770
34	37,132	Short Term Debtors	24,734
	586	Inventories	657
39	13,181	Cash and Cash Equivalents	11,177
	106,948	**Current Assets**	122,461
35	(1,308)	Short Term Borrowing	(4,952)
36	(32,191)	Short Term Creditors	(38,240)
16	(868)	Capital Grants Receipts in Advance	(2,596)
16	(3,365)	Revenue Grants Receipts in Advance	(4,287)
37	(13,709)	Provisions	(14,247)
	(51,441)	**Current Liabilities**	(64,322)
11	(267,380)	Pensions Liability	(322,847)
16	-	Capital Grants Receipts in Advance	-
16	(5,526)	Revenue Grants Receipts in Advance	(6,831)
35	(103,336)	Long Term Borrowing	(99,665)
37	(4,348)	Provisions	(4,921)
38	(26,614)	Other Long Term Liabilities	(31,934)
	(407,204)	**Long Term Liabilities**	(466,198)
	122,537	**Net Assets**	88,753

		Financed by:	
MIRS	101,756	Usable Reserves	105,367
6	20,781	Unusable Reserves	(16,614)
	122,537	**Total Reserves**	88,753

In preparing this Statement, events up to 29 July 2019 have been considered. This is the date when the Strategic Director of Corporate Services authorised the Statement for issue.

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period.

NOTES	2017-2018 £000		2018-2019 £000
CIES	(45,471)	Net Surplus or (Deficit) on the Provision of Services	(28,155)
42	20,947	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	38,879
43	2,186	Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	2,679
44	(22,338)	Net Cash Flows from Operating Activities	13,403
45	(10,293)	Investing Activities	(13,933)
46	29,628	Financing Activities	(1,474)
	(3,003)	Net Increase or (Decrease) in Cash and Cash Equivalents	(2,004)
	16,184	Cash and Cash Equivalents at the start of the Reporting Period	13,181
39(d)	13,181	Cash and Cash Equivalents at the end of the Reporting Period	11,177

INDEX OF NOTES TO THE 'CORE' FINANCIAL STATEMENTS 2018-2019

NOTE A

EXPENDITURE AND FUNDING ANALYSIS (EFA)

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax, Non-Domestic Rates and other income) by the Authority in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's Directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2017-2018 Restated**				2018-2019		
Net Expenditure chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis* £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis* £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
62,599	13,015	75,614	People's Services Directorate	76,815	16,043	92,858
28,462	23,308	51,770	Place Services Directorate	29,157	25,797	54,954
11,874	1,398	13,272	Corporate Services Directorate	13,169	2,119	15,288
(425)	-	(425)	Provision for Equal Pay	-	-	-
102,510	37,721	140,231	Net Cost of Services	119,141	43,959	163,100
(94,321)	(439)	(94,760)	Other Income and Expenditure	(122,221)	(12,724)	(134,945)
8,189	37,282	45,471	(Surplus) or Deficit on Provision of Services	(3,080)	31,235	28,155

(70,935)	-	-	Opening General Fund Reserves at 1 April	(62,746)	-	-
8,189	-	-	Less/Plus Surplus or (Deficit) on General Fund in Year	(3,080)	-	-
(62,746)	-	-	Closing General Fund Reserves at 31 March	(65,826)	-	-

* See accompanying note for further detail relating to these adjustments
** For further details of the 2017-2018 Restatement, refer to Note 4(b)(ii)

Details of the Council's expenditure and income analysed by nature are provided in Note 15.

NOTE B

NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS (EFA)

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts:

2017-2018 Restated*					2018-2019			
Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other Differences £000	Total Adjustments £000		Adjustments for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
7,807	6,079	(871)	13,015	People's Services Directorate	5,734	10,189	120	16,043
19,872	3,436	-	23,308	Place Services Directorate	20,528	5,241	28	25,797
297	1,101	-	1,398	Corporate Services Directorate	407	1,710	2	2,119
27,976	10,616	(871)	37,721	Net Cost of Services	26,669	17,140	150	43,959
13,899	(13,145)	(1,193)	(439)	Other Income and Expenditure	(19,862)	7,139	(1)	(12,724)
41,875	(2,529)	(2,064)	37,282	Difference between General Fund Surplus and Comprehensive Income and Expenditure Statement Deficit on the Provision of Services	6,807	24,279	149	31,235

This analysis provides further detail of those items that are chargeable to the General Fund that are not chargeable to the Comprehensive Income and Expenditure Statement and vice versa (such as depreciation and the current service cost in relation to pensions) and the removal of transactions which are only chargeable under statutory provisions (such as charges to services for the financing of capital investment and employer's pensions contributions).

These adjustments will include a number of those included in the Adjustments between Accounting Basis and Funding Basis in the Movement in Reserves Statement, which are further explained in Note 5.

* For further details of the 2017-2018 Restatement, refer to Note 4(b)(iii)

OTHER NOTES TO THE 'CORE' FINANCIAL STATEMENTS

1. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The *CIPFA Code of Practice on Local Authority Accounting* (the Code) requires disclosure of information related to the anticipated impact of changes in accounting standards that have been issued, but not yet adopted. The 2019/20 Code incorporates several changes to accounting standards which will apply from 1 April 2019. The standards that have changed are listed below. It is considered that if these standards had been adopted for the financial year 2018-2019, they would not have had any significant impact on the Financial Statements as presented.

IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation;
IAS 40 Investment Property: Transfers of Investment Property;
IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement;
IFRIC 22 Foreign Currency Transactions and Advance Consideration; and
IFRIC 23 Uncertainty Over Income Tax Treatments.

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies, 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 detailed below. Critical estimation uncertainties are described in Note 3.

Funding

The Government has taken an unprecedented step of offering a 'guaranteed' minimum four-year financial settlement up to 2019-2020 for any Council that wished to accept. The Government stated intent of the offer includes its assessment that this would help local authorities prepare for the move to a more self-sufficient resource base by 2020 and provide better funding certainty and stability for the sector, to enable more proactive planning of service delivery and support strategic collaboration with local partners. In making the offer the government also provided confirmation that the new burdens doctrine operates outside of the settlement process.

The Council resolved to accept the offer on the basis that it would appear to provide some previously absent certainty, in that the funding received would not be less than outlined previously and would not be subject to the yearly process determining the local government finance settlement. The Council submitted an Efficiency Plan to government in support of its acceptance and on 16 November 2016, received confirmation that the Authority is now formally on the multi-year settlement and can expect to receive the allocations published as part of the 2016-2017 local government finance settlement in the financial years through to 2019-2020.

Notwithstanding this, other significant items of funding uncertainty continue to exist – arising principally from the nationwide increase in Business Rate retention (and how this applies to/impacts on authorities currently piloting 100% Business Rates Retention); the Government Comprehensive Spending Review and Fair Funding Review; the impact of future and more frequent Business Rates revaluations; the impact of the exit from the European Union; the future existence and levels of vital grant funding (e.g. improved Better Care Fund allocations have not been provided beyond 2019-2020); and the general policy direction of the government.

However, having regard to all these matters, the Authority has determined that this uncertainty does not present a significant risk to the Council's ability to operate as a going concern.

Leases

The Council has examined its significant leases to determine whether they should be classified as operational or finance leases. In certain instances the application of IAS17 tests for the assessment of lease transactions are not conclusive and the Council has used its judgement in determining whether or not the lease is a finance or operating lease.

As part of the review of leases and arrangements that may be deemed to contain a lease, the Council’s PFI arrangement has been considered and deemed to have an implied finance lease within the agreement. In calculating the finance lease, the Council has estimated the interest rate implicit within the lease to calculate the interest and principal repayment schedule.

Investment Properties

Investment properties have been categorised as such, based on consideration of the criteria for recognition identified in *IAS40 Investment Property*. As a result, the Council has determined that it holds assets with a value of £11.3m that it judges are held for capital appreciation or for the generation of investment income, or both.

Schools

In determining the accounting treatment to be applied to the various types of school within the Borough, the Council has had due regard to the application of IFRS 10, which means that for the purposes of the accounts, maintained schools (all schools excluding academies and free schools) are treated as entities for the purpose of assessing control. This assessment has indicated that the balance of control of these entities lies with the local authority and that, therefore, the income and expenditure assets and liabilities and reserves of these schools are recognised within the single entity accounts of the local authority.

In respect of the recognition of schools’ land and buildings and equipment assets, these should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for that type of property. To this end, the Council recognises schools’ land and buildings on its Balance Sheet. Where it has direct ownership of the assets, there is formal agreement or evidence that the rights of ownership have been transferred, or that these are no longer substantive.

The Council has undertaken an assessment of the different types of maintained schools within the Borough to determine the arrangements in place and the appropriate accounting treatment to be applied to the schools’ land and buildings. The assessment has been based on a composition of information obtained in respect of legal title and information provided by the relevant dioceses. On the basis of this assessment, a judgement has been formed on each of the schools and a conclusion reached that only those land and building assets in respect of community schools should be included on the Council’s Balance Sheet. For all of the voluntary controlled and aided schools within the Borough, legal title for the schools rests with the relevant diocese and in all instances no formal agreements exist between the school and the diocese which would indicate a transfer of rights and obligations. As such, all schools are occupied under a ‘mere licence’ and therefore it is judged that the land and building should not be included on the Council’s Balance Sheet.

Joint Arrangements

During 2013-2014, the Council entered into an arrangement with Langtree Group to regenerate the former Parkside Colliery site. A limited liability partnership was established as the vehicle through which the site would be acquired, developed and the necessary planning permissions obtained to allow the site to be used for business, thus achieving the Council’s aim of economic development and job creation.

This arrangement has been assessed under the relevant accounting standards to determine how this should be accounted for within the Council’s accounts. Based on this assessment it has been determined that this arrangement falls to be classified as a joint venture which would ordinarily necessitate the completion of group accounting statements. Having reviewed the companies’ financial statements, it has been determined that, on the grounds of materiality, group accounting statements are not required for 2018-2019. To this end, the Council’s interest in the company continues to be reflected within the Council’s single entity accounts as a long-term debtor (see Note 31). Further detail about the Council’s interest in the joint venture is included with the Related Parties (see Note 22).

The Council is party to two Section 75 Arrangements with the St Helens Clinical Commissioning Group (CCG); a pooled budget in respect of Continuing Health Care assessments and a pooled budget covering the Better Care Fund. Both arrangements have been assessed under the relevant accounting standards and it has been determined that they fall to be classified as joint operations, which require that the Council account for the assets and liabilities it controls on its Balance Sheet, together with its elements of income and expenditure within the Comprehensive Income and Expenditure Statement.

3. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Balance Sheet, where there is a risk of material adjustment in the forthcoming financial year, are as follows:

Debtors

The Council makes provision for bad and doubtful debts on the basis of historic collection rates, experience and any specific circumstances that may apply to any of its individual material sums due. However, pressures arising from the current economic climate and changes to benefits may result in a deterioration in collection rates. Should that be the case, additional impairment of the doubtful debts may be required.

Pensions Liability

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts 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 Council with expert advice about the assumptions to be applied. Further detail on the assumptions used is provided in Note 11 to the Core Financial Statements.

Insurance Provision
Notwithstanding the fact that the Insurance provision is based on a consultancy opinion, which combines a scientific modelling process and expert advice, it may be that the prevailing economic, environmental or physical conditions give rise to more claims against the Authority than have been built into the assumption model. It is widely accepted that the risk profile of Local Authorities is such that there may be exposure to long tail claims (claims that are as yet unreported that arise from previous year events), and the potential for these to be of a material value. If this should occur, then increases to future provisions will be required.

Public Finance Initiative (PFI)
In estimating the future payments to be made to the PFI contractor through the unitary charge, the Council has assumed that increases in RPI over the life of the contract will remain constant at 2.5%. It is believed that it is appropriate to maintain this rate of inflation over the long term, as this is broadly in line with the level of inflation that the Bank of England seeks to maintain over the longer term and which it seeks to achieve through its powers to set interest rates.

Non-Domestic Rates
On 1 April 2013, the Government introduced the Business Rates Retention Scheme, whereby the Council retains a specified percentage of the business rates income it collects (99% for 2017-2018 and 2018-2019, and 49% for all previous years). Following the 2010 revaluation of business hereditaments, there were unprecedented levels of appeals – the success of which negatively impact on the business rates yield. Many of the appeal settlements are backdated to 2010. As at the end of March 2019, 181 appeals remained outstanding with the Valuation Office Agency (VOA), with a combined Rateable Value of £28.0m.

Following the 2017 revaluation, a new check, challenge, appeal process has been introduced, the impact of which is highly uncertain with only 22 challenges lodged to date. None of these challenges have yet progressed to the formal appeal stage.

A provision has been made for the estimated success of appeals for losses for the period to the end of March 2019. The estimate has been calculated based on an analysis of information provided by the VOA detailing all appeal transactions (settled and outstanding) relating to the 2005 and 2010 lists. Utilising the data on settled appeals, average success and rateable value reductions have been calculated and applied to the appeals outstanding to arrive at an annual reduction in rateable value, which has been converted into a cash figure for the provision. In regards to the 2017 list, in the absence of any meaningful data, an estimate has been made based on the Government's implicit rate for successful appeals that is built into each year's multiplier.

Fair Value Measurement
Where the fair values of assets and liabilities cannot be measured using Level 1 inputs, fair value must be calculated using valuation techniques. Where possible the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. Changes in the assumptions used could affect the fair values of the Authority's assets and liabilities. Where Level 1 inputs are not available, the Authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value.

4. CHANGES IN ACCOUNTING AND OPERATIONAL POLICY AND OTHER SIGNIFICANT MATTERS CONSIDERED IN PRODUCING THE 2018-2019 STATEMENT OF ACCOUNTS

(a) Changes in Accounting Policy

When compared to 2017-2018, there have been no changes in accounting policy applied in the production of these financial statements.

(b) Revision to Directorate Functions

During the course of 2018-2019, the Council reviewed the corporate structure, which resulted in the community safety and housing services, and the arts services transferring from People's Services Directorate to Place Services Directorate. Further details are provided in the following tables.

(i) Comprehensive Income and Expenditure Statement

	2017-2018 original			2017-2018 restated		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000	£000	£000	£000
People's Services Directorate	271,432	(188,342)	83,090	262,527	(186,913)	75,614
Place Services Directorate	67,998	(23,704)	44,294	76,903	(25,133)	51,770
Corporate Services Directorate	80,004	(66,732)	13,272	80,004	(66,732)	13,272
Provision for Equal Pay	(425)	-	(425)	(425)	-	(425)
NET COST OF SERVICES	**419,009**	**(278,778)**	**(140,231)**	**419,009**	**(278,778)**	**(140,231)**

(ii) Expenditure and Funding Analysis (EFA) Note

	2017-2018 original			2017-2018 restated		
	Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000	£000
People's Services Directorate	68,894	14,196	83,090	62,599	13,015	75,614
Place Services Directorate	22,167	22,127	44,294	28,462	23,308	51,770
Corporate Services Directorate	11,874	1,398	13,272	11,874	1,398	13,272
Provision for Equal Pay	(425)	-	(425)	(425)	-	(425)
Net Cost of Services	102,510	37,721	140,231	102,510	37,721	140,231

(iii) Note to The Expenditure and Funding Analysis (EFA)

	2017-2018 original				2017-2018 restated			
	Adjustment for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Adjustments	Adjustment for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000	£000	£000	£000
People's Services Directorate	8,770	6,297	(871)	14,196	7,807	6,079	(871)	13,015
Place Services Directorate	18,909	3,218	-	22,127	19,872	3,436	-	23,308
Corporate Services Directorate	297	1,101	-	1,398	297	1,101	-	1,398
Net Cost of Services	27,976	10,616	(871)	37,721	27,976	10,616	(871)	37,721

5. 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.

2018-2019	Usable Reserves General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account (Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement):				
Charges for Depreciation and Impairment of Non-Current Assets	13,950	-	-	(13,950)
Revaluation losses on Property, Plant and Equipment	12,222	-	-	(12,222)
Movement in the fair value of Assets held for Sale	-	-	-	-
Movements in the fair value of Investment Properties	124	-	-	(124)
Amortisation of Intangible Assets	489	-	-	(489)
Capital Grants and Contributions applied credited to the Comprehensive Income and Expenditure Statement	(15,787)	-	-	15,787
Revenue expenditure funded from capital under Statute	3,821	-	-	(3,821)
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	88	-	-	(88)
Other items debited or credited to the Comprehensive Income and Expenditure Statement	8	-	-	(8)
Adjustments involving the Capital Adjustment Account (Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement):				
Provision for the repayment of debt	(2,888)	-	-	2,888
Capital expenditure charged against the General Fund balance	(1,287)	-	-	1,287
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital Grants and Contributions unapplied credited/debited to the Comprehensive Income and Expenditure Statement	(3,470)	-	3,470	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(3,191)	3,191
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(339)	339	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(1,370)	-	1,370
Amount of Deferred Capital Receipts and Long Term Debtors received	-	1,283	-	(1,283)

2018-2019	Usable Reserves General Fund Balance £000	 Capital Receipts Reserve £000	 Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments 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	(51)	-	-	51
Adjustments involving the Pensions Reserve: Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	24,279	-	-	(24,279)
Adjustments involving the Collection Fund Adjustment Account: Amount by which Council Tax income and Non-Domestic Rates credited to the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulations	(74)	-	-	74
Adjustment involving the Accumulating Compensated Absence Adjustment 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	150	-	-	(150)
Total Adjustments 2018-2019	31,235	252	279	(31,766)

2017-2018	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account (Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement):				
Charges for Depreciation and Impairment of Non-Current Assets	13,976	-	-	(13,976)
Revaluation losses on Property, Plant and Equipment	13,531	-	-	(13,531)
Movement in the fair value of Assets held for Sale	-	-	-	-
Movements in the fair value of Investment Properties	(850)	-	-	850
Amortisation of Intangible Assets	469	-	-	(469)
Capital Grants and Contributions applied credited to the Comprehensive Income and Expenditure Statement	(9,280)	-	-	9,280
Revenue expenditure funded from capital under Statute	3,980	-	-	(3,980)
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	- 28,690	-	-	- (28,690)
Other items debited or credited to the Comprehensive Income and Expenditure Statement	-	-	-	-
Adjustments involving the Capital Adjustment Account (Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement):				
Provision for the repayment of debt	(2,353)	-	-	2,353
Capital expenditure charged against the General Fund balance	(1,292)	-	-	1,292
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(4,873)	-	4,873	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(4,088)	4,088
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(972)	826	-	146
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(518)	-	518
Amount of Deferred Capital Receipts and Long Term Debtors received	-	542	-	(542)
Adjustments 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	-	-	-	-

2017-2018	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments involving the Pensions Reserve: Amount by which pension costs calculated in accordance with the Code are different from contributions due under the pension scheme regulations	(2,529)	-	-	2,529
Adjustments involving the Collection Fund Adjustment Account: Amount by which Council Tax income and Non-Domestic Rates credited to the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulations	(343)	-	-	343
Adjustments involving the Accumulation Compensated Absence Adjustment Account: Amount by which officer remuneration charged to the Compensative Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(872)	-	-	872
Total Adjustments 2017-2018	37,282	850	785	(38,917)

6. UNUSABLE RESERVES

31 March 2018 £000		Movements in year 2018-2019 £000	31 March 2019 £000
113,721	Revaluation Reserve (a)	22,440	136,161
176,191	Capital Adjustment Account (b)	(4,198)	171,993
(839)	Financial Instruments Adjustment Account (c)	52	(787)
(267,380)	Pensions Reserve (d)	(55,467)	(322,847)
1,780	Collection Fund Adjustment Account (e)	74	1,854
146	Deferred Capital Receipts (f)	(146)	-
(2,838)	Accumulating Compensated Absences Adjustment Account (g)	(150)	(2,988)
20,781	TOTAL	(37,395)	(16,614)

(a) Revaluation Reserve

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

- re-valued 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/lost.

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			2018-2019	
£000	£000		£000	£000
	85,159	Balance brought forward at 1 April		113,721
		Upward Revaluation of Assets		
38,489		- Property, Plant and Equipment	35,310	
-		- Heritage Assets	142	
		Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/ Deficit on the Provision of Services		
(3,037)		- Property, Plant and Equipment	(9,843)	
-		- Heritage Assets	(50)	
	35,452	Surplus or Deficit on Revaluation of Non-Current Assets not posted to the Surplus or Deficit on the Provision of Services		25,559
(1,701)		Difference between Fair Value Depreciation and Historical Cost Depreciation	(2,622)	
(4,785)		Accumulated Gains on Assets derecognised upon Academisation of Schools	(17)	
(404)		Accumulated Gains on other Assets Sold, Disposed or Decommissioned	-	
-		Other Adjustments	(480)	
	(6,890)	Amount written off to the Capital Adjustment Account		(3,119)
	113,721	Balance carried forward at 31 March		136,161

(b) 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 also contains accumulated gains and losses on Investment Properties and revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2017-2018 £000		2018-2019 £000
211,700	Balance brought forward at 1 April	176,191
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(13,976)	- Charges for Depreciation and Impairment of Non-Current Assets	(13,950)
(13,531)	- Revaluation losses on Property, Plant and Equipment	(12,222)
(469)	- Amortisation of Intangible Assets	(489)
(3,980)	- Revenue expenditure funded from capital under Statute	(3,821)
(28,690)	- 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	(88)
1	- Other Items	(8)
	Adjusting amounts written out of the Revaluation Reserve	
4,785	- School Academisation	17
404	- Other Disposals and Derecognitions	-
1,701	- Difference between Fair Value Depreciation and Historical Cost Depreciation	2,622
-	- Other Items	480
	Capital financing applied in the Year	
518	- Use of the Capital Receipts Reserve to finance new capital expenditure	1,370
6,347	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	12,803
2,933	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to finance Revenue expenditure financed by capital under statute	2,983
4,088	- Application of grants to capital financing from the Capital Grants Unapplied Account	3,191
2,353	- Provision for the financing of capital investment charged against General Fund balances	2,888
1,292	- Capital expenditure charged against General Fund balances	1,287
850	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(124)
(135)	Long Term Debtors and Loan Repayments	(1,137)
176,191	Balance carried forward at 31 March	171,993

(c) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing difference 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. Similar principles apply to the credits relating to discounts earned on the early redemption of loans.

2017-2018			2018-2019	
£000	£000		£000	£000
		Premiums on Early Debt Redemption		
(909)		Balance brought forward at 1 April	(848)	
61		Proportion of premiums incurred in previous years charged against the General Fund balance in accordance with statutory requirements	61	
	(848)			(787)
		Discounts on Early Debt Redemption		
70		Balance brought forward at 1 April	9	
(61)		Proportion of discounts incurred in previous years credited against the General Fund balance in accordance with statutory requirements	(9)	
	9			-
	(839)	Balance carried forward at 31 March		(787)

(d) 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 £000		2018-2019 £000
(309,200)	Balance brought forward at 1 April	(267,380)
39,292	Re-measurement Gains/(Losses) on Pension Assets/ Liabilities	(31,188)
(31,909)	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	(38,901)
34,437	Employer's pensions contributions and direct payments to pensioners payable in year	14,622
(267,380)	Balance carried forward at 31 March	(322,847)

(e) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2017-2018 £000		2018-2019 £000
1,437	Balance brought forward at 1 April	1,780
(284)	Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(95)
627	Amount by which Non-Domestic Rates income credited to the Comprehensive Income and Expenditure Statement is different from Non-Domestic Rates income calculated for the year in accordance with statutory requirements	169
1,780	Balance carried forward at 31 March	1,854

(f) Deferred Capital Receipts

These represent capital income to be received in the future, when disposals have taken place, and deferred payments have been agreed. They relate exclusively to receipts due under the Preserved Right to Buy agreement.

(g) Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment 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 £000		2018-2019 £000
(3,710)	Balance brought forward at 1 April	(2,838)
872	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	(150)
(2,838)	Balance carried forward at 31 March	(2,988)

7. GENERAL FUND RESERVES

31 March 2018 £000		Movements in Year 2018-2019 £000	31 March 2019 £000
6,932	Insurance & Contingent Liability Reserve (a)	-	6,932
6,914	Transformation Reserve (b)	(584)	6,330
6,367	Children's Services Reserve (c)	2,078	8,445
2,085	Growth Reserve (d)	346	2,431
2,489	Essential Equipment Fund (e)	(309)	2,180
637	Councillor Improvement Fund (f)	129	766
3,544	Waste Management Development Fund (g)	-	3,544
1,000	Inflationary Reserve (h)	2,000	3,000
425	Equal Pay Reserve (i)	-	425
1,349	Town Centre Reserve (j)	(886)	463
-	Community Improvement Reserve (k)	1,831	1,831
-	Strategic Priorities Fund (l)	600	600
-	Service Investment Reserve (m)	1,876	1,876
31,742	Sub-Total	7,081	38,823
909	NW Regional Leaders Board (n)	(30)	879
8,787	Schools Balances (o)	(470)	8,317
21,308	Unallocated General Fund Balances (p)	(3,501)	17,807
62,746	TOTAL	3,080	65,826

(a) The Insurance & Contingent Liability Reserve has been established to be used to offset any uninsured losses that may occur, including those resulting from exposure to long tail claims and any additional liabilities arising from the run-off of Municipal Mutual Insurance (MMI). The use of the reserve also provides some resource cover for additional financial risks that the Council may face in the form of current contingent liabilities (see Note 41).

(b) The Transformation Reserve can be accessed by services undergoing fundamental change in service delivery and requiring project management and/or specialist activities to achieve new operating models, improved performance or enhanced outcomes.

During 2017-2018, the reserve was utilised to enable a distribution of £20.540m lump sum payable to Merseyside Pension Fund over the three-year period to 2019-2020. In 2018-2019, £7.136m was repaid to the reserve, and a further sum will be repaid in 2019-2020. Furthermore, £6m was realigned to the Children's Services Reserve during 2018-2019 to make available resources to support the increasing demand pressures and to support the ongoing actions arising from the Ofsted Inspection visit.

(c) The Children's Services Reserve is to support changes in the delivery of Children's Services in the Borough, promoting a model of Social Care and Education which will seek to ensure the sustainability of Children's Services and the safety of children, whilst ensuring the desired outcomes for Children and Families. An additional £6m to the Children's Services Reserve was aligned during 2018-2019 – see (b) above.

(d) The Growth Reserve is to support the delivery of developments which would enhance the economic growth of the Borough, attract new business and create employment opportunities.

(e) The Essential Equipment Fund is to provide for new or replacement equipment where the cost to acquire or the failure to replace would have a direct impact of the delivery of essential services. In addition, the fund can also be utilised to ensure equipment supports the latest advancements in technology and the vision of an adaptive innovative Council fit for modern day working.

(f) The Councillor Improvement Fund allows local Councillors to respond to local needs and provides funding for eligible projects within local communities proposed by local residents.

(g) The Waste Management Development Fund has been established subsequent to the receipt of monies from Merseyside Recycling and Waste Authority and will be used to deliver actions in support of the Joint Recycling and Waste Management Strategy.

(h) The Inflationary Reserve has been established to be used to offset short-term costs arising from inflation.

(i) The Equal Pay Reserve has been established to provide resource cover in the event that ultimate settled values exceed the level of current provision.

(j) The Town Centre Reserve was established to support the medium-term budget position following purchase of Church Square Shopping Centre.

(k) The Community Improvement Reserve was created during 2018-2019 to support new community improvements and the retention of some community based services.

(l) The Strategic Priorities Fund was created during 2018-2019 to support specific priority project initiatives.

(m) The Service Investment Reserve was created during 2018-2019 to support the wider Council priorities in respect of highways infrastructure, regeneration, supporting the local economy, creating employment opportunities and improving safety in communities.

(n) Balances held as Accountable Body to the North West Regional Leaders Board.

(o) Balances held by Governors under delegated scheme arrangements, whereby such balances are committed to be spent on the Education service.

(p) General balances are held to protect the Council’s financial position from unforeseen events. The Council undertakes frequent risk assessments to determine the adequacy of levels.

8. CAPITAL RECEIPTS RESERVE

Useable capital receipts are generally available to finance capital investment or to repay borrowing in future years. The Reserve may be analysed as follows:-

2017-2018 £000		2018-2019 £000
28,976	Balance brought forward at 1 April	29,826
	Amounts received in Year	
827	- Asset Sales and Grant Repayment	339
406	- Preserved Right to Buy Receipts	146
135	- Repaid loans and advances	1,137
(518)	Amounts applied to finance new capital investment in year	(1,370)
29,826	Balance carried forward at 31 March	30,078

9. UNAPPLIED CAPITAL GRANTS

These are capital grants and contributions that have not been used to finance capital expenditure, and for which there are no conditions attached to their usage.

31 March 2018 £000		31 March 2019 £000
7,520	Department for Education Grants	7,720
232	Department of Health and Social Care Grants	253
1,043	Merseytravel	1,108
389	Other Grants and Contributions	382
9,184	TOTAL	9,463

10. SCHOOLS BUDGET FUNDED BY DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the *School Finance and Early Years (England) Regulations 2017*. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

2017-2018				2018-2019		
Central Expenditure £000	Individual Schools Budget £000	Total £000		Central Expenditure £000	Individual Schools Budget £000	Total £000
20,317	113,604	133,921	Final DSG before Academy recoupment	25,037	117,038	142,075
(24)	(22,188)	(22,212)	Academy figure recouped	(8)	(27,947)	(27,955)
20,293	91,416	111,709	Total DSG after Academy recoupment	25,029	89,091	114,120
2,489	53	2,542	Brought forward at 1 April	1,431	101	1,532
22,782	91,469	114,251	Agreed budgeted distribution	26,460	89,192	115,652
(1,184)	-	(1,184)	In-year adjustments	(1,364)	-	(1,364)
21,598	91,469	113,067	Final budgeted distribution	25,096	89,192	114,288
20,167	91,368	111,535	Actual expenditure	22,817	88,561	111,378
1,431	101	1,532	Carry forward at 31 March	2,279	631	2,910

11. PENSIONS

(a) Transactions Accounted for Under Defined Contribution Plan Arrangements

The pensions cost reported in the Cost of Services in relation to:

(i) the Teachers Pension Scheme (TPS); and

(ii) those Council staff who were compulsorily transferred from Primary Care Trusts and other NHS bodies and retained access to the NHS Pension Scheme (NHSPS) and Council staff who have access to the NHSPS as a result of their terms of employment.

are equal to the employer's contribution payable to the Scheme in the accounting period as summarised below:

2017-2018			2018-2019	
TPS	NHSPS		TPS	NHSPS
7.05	0.07	Employer Contribution (£m)	6.82	0.06
16.48%	14.3%	Employer Contribution Rate	16.48%	14.3%

Any surplus or deficit in these Plans may affect the amount of future contributions payable.

Sums payable in 2019-2020 for the TPS will increase, following a decision by Government to increase the employer's contribution rate to 23.6% from September 2019. The estimated cost of employer contribution for 2019-2020 is £8.5m.

Sums payable in 2019-2020 for the NHSPS are expected to be similar to those of 2018-2019.

(b) Transactions relating to Retirement Benefits

The following transactions have been made in the Surplus or Deficit on Provision of Services (Comprehensive Income and Expenditure Statement) during the year to comply with the reporting requirements relating to defined benefits:-

2017-2018			2018-2019	
TPS £000	LGPS £000		TPS £000	LGPS £000
		Cost of Services		
-	25,829	Current service cost	-	24,440
-	(1,315)	(Gains)/losses on settlements & curtailments	-	(169)
-	-	Past Service Cost	-	7,491
		Other Operating Expenditure		
-	380	Pension Administration Expenses	-	387
		Financing and Investment Income and Expenditure		
586	6,429	Net interest expense	562	6,190
586	31,323	Total Post-Employment Benefits charged to Surplus or Deficit on Provision of Services	562	38,339

The following transactions are then recognised in the Movement in Reserves Statement as adjustments between the accounting basis and funding basis under Regulations:

TPS £000	LGPS £000		TPS £000	LGPS £000
(586)	(31,323)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(562)	(38,339)
-	32,462	Employers contributions payable to scheme	-	12,645
1,976	-	Retirement benefits payable to pensioners	1,977	-
1,976	32,462	Total Charged to the General Fund Balance	1,977	12,645

(c) Pension Assets and Liabilities recognised in the Balance Sheet

2017-2018			2018-2019	
TPS £000	LGPS £000		TPS £000	LGPS £000
22,621	945,554	Benefit obligation at end of the period	21,963	1,030,267
-	(700,795)	Fair Value of plan assets at end of the period	-	(729,383)
22,621	244,759	Deficit as at 31 March	21,963	300,884

The overall net liability for retirement benefits has increased significantly during the 12-month period to 31 March 2019. The principal factors contributing to this movement are:

(i) the adverse movement in discount rate (which is a key component of the measurement of future scheme liabilities). This contrasts with the favourable movement experienced in 2017-2018;

(ii) an increase in the salary assumptions which are used to calculate the level of future scheme liabilities;

(iii) an assumed increase in CPI inflation; and

(iv) the potential impact of the McCloud Case ruling by the Court of Appeal, which ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination.

(d) Reconciliation of the Movement in the Fair Value of Scheme (Plan) Assets

As disclosed in the Accounting Policies, there are no assets to cover the Teachers' added years' liabilities. The movement in assets relating to the LGPS is provided in the following table:

2017-2018 £000		2018-2019 £000
672,571	Balance brought forward at 1 April	700,795
17,211	Interest on plan assets	18,076
(380)	Pension administration expenses	(387)
55	Remeasurement gains and (losses)	22,034
(858)	Settlements	-
32,462	Employer contributions	12,645
4,781	Member contributions	4,844
(25,047)	Benefits paid	(28,624)
700,795	Balance carried forward at 31 March	729,383

The assets as at 31 March comprised:

2017-2018					2018-2019			
Quoted £000	Unquoted £000	Total £000	% of Total		Quoted £000	Unquoted £000	Total £000	% of Total
				Equities				
147,656	-	147,656	21%	UK	111,967	19,262	131,229	18%
221,802	-	221,802	32%	Global	152,325	74,624	226,949	31%
				Bonds				
25,159	-	25,159	3%	UK Government	26,440	-	26,440	4%
30,344	-	30,344	4%	UK Corporate	31,434	-	31,434	4%
56,834	-	56,834	8%	UK Index Linked	57,807	-	57,807	8%
				Property				
-	40,716	40,716	6%	UK Direct Property	-	44,523	44,523	6%
1,332	10,582	11,914	2%	UK Managed Property	1,443	13,289	14,732	2%
-	9,811	9,811	1%	Global Managed Property	-	10,378	10,378	1%
				Private Equity				
70	23,056	23,126	3%	UK	1	23,167	23,168	3%
-	21,935	21,935	3%	Global	-	25,861	25,861	4%
				Cash				
18,711	-	18,711	3%	All	21,253	-	21,253	3%
				Other				
-	3,574	3,574	1%	Hedge Funds UK	633	2,985	3,618	1%
-	18,361	18,361	3%	Hedge Funds Global	-	18,441	18,441	2%
771	16,539	17,310	2%	Infrastructure UK	1,266	26,901	28,167	4%
-	13,806	13,806	2%	Infrastructure Global	-	17,790	17,790	2%
9,391	17,800	27,191	4%	Opportunities UK	6,720	22,377	29,097	4%
3,995	8,550	12,545	2%	Opportunities Global	6,337	12,159	18,496	3%
516,065	184,730	700,795	100%	TOTAL	417,626	311,757	729,383	

(e) Reconciliation of Present Value of Scheme Liabilities (Defined Benefits Obligations)

The liabilities show the commitments that the Authority, in the long run, is estimated to have to pay to cover its pensions-related obligations:

2017-2018				2018-2019		
TPS £000	LGPS Funded £000	LGPS Unfunded £000		TPS £000	LGPS Funded £000	LGPS Unfunded £000
24,411	946,158	11,203	Balance brought forward at 1 April	22,621	935,184	10,370
-	25,829	-	Current service cost	-	24,440	-
586	23,370	270	Interest on pension liabilities	562	24,008	258
-	582	-	Curtailments	-	373	-
-	(2,755)	-	Settlements	-	(542)	-
-	4,781	-	Member contributions	-	4,844	-
-	-	-	Past Service Cost	-	7,491	-
(1,976)	(24,182)	(865)	Benefits paid	(1,977)	(27,775)	(849)
(400)	(38,599)	(238)	Re-measurement (gains) and losses arising from changes in financial assumptions	757	52,127	338
22,621	935,184	10,370	Balance carried forward at 31 March	21,963	1,020,150	10,117

The LGPS unfunded obligations represent additional benefits awarded upon early retirement. No such awards have been made for a number of years and the sums disclosed represent historic decisions.

(f) Actuarial Assumptions

Defined benefit obligations have been assessed on an actuarial basis using the Projected Unit Credit actuarial cost method, an estimate of the pensions that will be payable in future years, dependent on assumptions about mortality rates, salary levels, etc. This assessment, along with an assessment of the return on plan assets, has been undertaken by Mercer Limited, an independent firm of actuaries based on the latest full valuation of the scheme. The main assumptions used in their calculations are:-

31 March 2018		31 March 2019
	Base Assumptions:	
2.1%	Rate of CPI inflation	2.2%
3.6%	Rate of increase in salaries	3.7%
2.2%	Rate of increase in pensions	2.3%
2.6%	Rate of discounting plan liabilities	2.4%
50%	Proportion of employees opting to take a commuted lump sum	50%
	Mortality Assumptions:	
25.0 years	Life expectancy of male future pensioner aged 65 in 20 years time	25.2 years
27.8 years	Life expectancy of female future pensioner aged 65 in 20 years time	27.9 years
22.0 years	Life expectancy of male current pensioner aged 65	22.2 years
24.8 years	Life expectancy of female current pensioner aged 65	25.0 years

The sensitivity analysis below has been provided by Mercer Limited, and shows the illustrative impact of marginal changes to the assumptions used in relation to the long-term discount rate, inflation and life expectancy.

	Using assumptions above £000	Illustrative +0.1 p.a. discount rate £000	Illustrative +0.1% p.a. inflation £000	Illustrative + 1 year life expectancy £000
Liabilities – TPS	21,963	21,771	22,156	22,803
Liabilities – LGPS	1,030,267	1,012,165	1,048,692	1,050,713
Assets – LGPS	(729,383)	(729,383)	(729,383)	(729,393)
Deficit/(Surplus)	322,847	304,553	341,465	344,123

(g) Additional Pensions Information

The net liability of £322.847m has a significant impact on the net worth of the Authority as recorded in the Balance Sheet.

In the June 2010 Budget, the Government announced that it had created a Public Services Pension Commission to undertake a “fundamental structural review of public service pensions”, including the LGPS. The Commission, headed by Lord Hutton, issued a report which included recommendations to the Government for the future design of public service pension schemes.

Legislation introduced in the form of the *Public Service Pensions Act 2013* provided the framework for redesign/reform. Revisions to schemes included the introduction of tiered member contributions; pension benefits linked to scheme participants’ career average earnings rather than to final salary; linkage of the retirement age to the State Pension Age; and increasing the average contributions to be made by scheme members.

LGPS2014 was launched on 1 April 2014, whilst changes to the Teachers’ and NHS Pension Schemes came into effect in April 2015.

During 2015, the Government invited LGPS administering authorities to come forward with proposals to invest their assets through pools of at least £25bn to achieve cost savings and benefits of scale. On 15 July 2016, the Greater Manchester Pension Fund, West Yorkshire Pension Fund and Merseyside Pension Fund submitted to Government the progress they had made in forming a Collective Asset Pool, known as the Northern Pool. Negotiations were subsequently had with the Government and implementation followed.

During 2017, the Merseyside Pension Fund provided details of the outcome of the Triennial Valuation 2016, including those employer contribution rates and lump sum payments required for the three years commencing 1 April 2017. These rates were calculated having regard to the revised Funding Strategy Statement, as agreed by the Pensions Committee at its meeting held in March 2017.

These rates support the Administering Authority’s long-term funding objective for the Fund to achieve, and then maintain, sufficient assets to cover 100% of projected accrued liabilities (the “funding target”), with a maximum deficit recovery period of 19 years for scheme employers.

Arising from the Merseyside Pension Fund Triennial Valuation 2016, the Fund issued a valuation schedule requiring the Council to pay a sum of £20.540m in 2017-2018 in relation to deficit contributions. Under this arrangement, no deficit contributions are required in 2018-2019 or 2019-2020.

The Fund did provide the Council with an alternative option of continuing to pay deficit contributions on an annual basis. However, the Council opted to make a single payment on the basis that it would offer the Council better value for money and reduce its exposure to credit risk. The indicative sum that would have been payable over three years was £21.8m, £1.26m higher than the cost of the single payment.

The Funding Strategy applies to the whole of the fund, with the stated objective of achieving investment returns of 2.0% in excess of its liabilities being achieved by:-

- (i) strategic asset allocation;
- (ii) medium term allocation; and
- (iii) active investment management

However, the fund needs to allow for a level of volatility and risk over the short, medium and long-term from the liability matching return.

At an individual employer level, this approach is effectively one of applying a notional individual employer investment strategy identical to the one adopted by the fund as a whole with the employer's split between the various asset categories taken to be the same as for the whole fund. Notwithstanding this, a no cross-subsidy principle is applied across employers which results in the actuarial calculations establishing notional sub-funds (assets and liabilities) for each employer which are tracked at each triennial valuation.

The relative allocation of assets and liabilities within the fund to each employer reflects the specific membership, experience and past history of each employer. This bespoke strategic benchmark is subject to formal review every three years through the triennial valuation. However, it can be subject to interim review if there are significant changes to the investment environment or liability profile. The next triennial valuation is scheduled for 2019.

Employer pension contributions forecast for 2019-2020 are:

- (i) LGPS funded – £11.5m in relation to the future service funding rate – a contribution rate applied to future pensionable pay and which has been set at 14.9% for 2019-2020;
- (ii) LGPS unfunded – similar sums to those incurred in 2018-2019;
- (iii) TPS unfunded – from 1 September 2019, the employer contribution rate of the TPS will increase from 16.48% to 23.6%. The estimated cost of employer contributions for 2019-2020 is £8.5m. The Government has confirmed that funding will be provided to cover the additional cost in 2019-2020.

The weighted average duration of the defined benefit obligation for scheme members is 18 years.

The potential impact of the McCloud Case ruling by the Court of Appeal, which ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination, has been accounted for in calculating the Pension Fund Liability and the charges to the Net Costs of Services within the CIES. In broad terms, additional costs have been quantified by calculating the cost of applying a 'final salary underpin' (on a member by member basis) to those active members who joined the fund before 1 April 2012 and would not otherwise have benefited from the underpin.

12. OTHER OPERATING EXPENDITURE

2017-2018 £000		2018-2019 £000
311	Parish Council Precepts	319
12,120	Liverpool City Region Combined Authority Levy	12,107
93	Environment Agency Levy	94
7,661	Merseyside Recycling and Waste Authority Levy	8,571
27,936	Loss on Academisation of Rainford High School	-
-	Loss on Academisation of Other Schools	41
(219)	(Gains)/Losses on the Disposal of Other Non-Current Assets	(292)
380	Pension Administration Expenses	387
48,282	TOTAL	21,227

13. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2017-2018 £000		2018-2019 £000
5,099	Interest Payable and Similar Charges	5,569
2,417	PFI Interest Payable	2,363
(2,417)	PFI Grant Applied	(2,363)
(17,211)	Pensions Interest on plan assets (see Note 11d)	(18,076)
24,226	Interest on pensions liabilities (see Note 11e)	24,828
(1,092)	Interest Receivable and Similar Income	(1,446)
(1,672)	Income and Expenditure in relation to Investment Properties and changes in their fair value (see Note 28)	(679)
9,350	TOTAL	10,196

14. TAXATION AND NON-SPECIFIC GRANT INCOME

2017-2018 £000		2018-2019 £000
(66,834)	Council Tax Income	(71,681)
(45,349)	Retained Non-Domestic Rates	(47,533)
(40,209)	Grants and Contributions (see Note 16)	(47,154)
(152,392)	TOTAL	(166,368)

15. EXPENDITURE AND INCOME ANALYSED BY NATURE

The Council's Income and Expenditure is analysed as follows:

	2017-2018 £000	2018-2019 £000
Expenditure		
Employee Expenses	175,812	184,085
Other Service Expenses	215,641	226,113
Support Service Recharges	68,025	68,494
Depreciation, Amortisation, Impairment & Revaluation (i) & (ii)	27,127	26,794
Interest Payments	31,742	32,760
Precepts and Levies	20,185	21,091
(Gain)/Loss on Disposals of Non-Current Assets	27,717	(251)
Total Expenditure	566,249	559,086
Income		
Fees, Charges and Other Service Income (iii)	(62,478)	(65,853)
Support Service Recharge Income	(68,025)	(68,494)
Interest and Investment Income	(20,720)	(21,885)
Income from Council Tax and Retained Non-Domestic Rates	(112,183)	(119,214)
Government Grants	(257,372)	(255,485)
Total Income	(520,778)	(530,931)
(Surplus) or Deficit on the Provision of Services	45,471	28,155

(i) Segmental Split of Depreciation of Non-Current Assets and Amortisation of Intangible Assets

	2017-2018 Original £000	2017-2018 Restated* £000	2018-2019 £000
Corporate Services Directorate	297	297	407
People's Services Directorate	5,998	5,936	5,043
Place Services Directorate	8,151	8,213	8,989
Total	14,446	14,446	14,439

(ii) Segmental Split of Impairment and Revaluation

	2017-2018 Original £000	2017-2018 Restated* £000	2018-2019 £000
Corporate Services Directorate	-	-	-
People's Services Directorate	2,773	1,872	691
Place Services Directorate	10,758	11,659	11,540
Other Non-Service	(850)	(850)	124
Total	12,681	12,681	12,355

(iii) Segmental Split of Fees, Charges and Other Service Income

	2017-2018 Original £000	2017-2018 Restated* £000	2018-2019 £000
Corporate Services Directorate	(2,245)	(2,245)	(1,645)
People's Services Directorate	(38,065)	(37,000)	(38,411)
Place Services Directorate	(22,168)	(23,233)	(25,797)
Total	(62,478)	(62,478)	(65,853)

* For further details of the 2017-2018 Restatement, refer to note 4(b)

16. GRANT INCOME

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement during the period:

2017-2018 £000	**Credited to Taxation and Non-Specific Grant Income**	2018-2019 £000
	Total Formula Grant	
20,888	Non-Domestic Rates Top Up Grant	22,389
	General Government Grants	
3,307	New Homes Bonus (including returned funding)	2,415
4,586	Section 31 Grant	5,201
	Capital Grants and Contributions	
4,810	Department for Education	2,647
170	Department for Transport	1,204
6,051	Liverpool City Region Combined Authority	11,699
191	Other Grants and Contributions	779
	Other Contributions	
206	Business Rates Mid-Mersey Pool	122
-	Government Business Rates Levy Account Distribution	698
40,209	TOTAL	47,154

2017-2018 £000	**Credited to Services**	2018-2019 £000
111,234	Dedicated Schools Grant	112,017
62,273	Housing Benefit Subsidy Grant	58,154
1,069	Housing Benefit/Localised Council Tax Support Admin Subsidy	961
1,863	Universal Free School Meals for Infants Grant	1,860
2,277	School Sixth Form Funding	1,935
8,477	Pupil Premium Grant	8,200
636	Education Services Grant	10
14,683	Public Health Grant	14,295
967	Adult Social Care Support Grant	602
11,414	Better Care Fund	11,811
4,480	Improved Better Care Fund	-
4,068	Health Authority Contributions	4,357
1,094	Merseyside Recycling & Waste Authority – Recycling Credits	1,189
863	PFI Credits	927
2,286	Disabled Facilities Grant	2,870
587	Discretionary Housing Payments Contribution	590
617	Troubled Families Grant	1,061

1,152	Independent Living Fund Grant	1,116
1,485	European Structural Fund	610
778	PE and Sports Grant	957
-	Winter Pressures Grant	963
97	Liverpool City Region Combined Authority	510
6,619	Other Grants and Contributions	6,185
239,019	TOTAL	231,180

The Council has received a number of grants and contributions that have conditions attached to them. These have not yet been recognised as income and will only be credited to the Comprehensive Income and Expenditure Statement once all conditions are met. The balances at the year-end are as follows:

31 March 2018 £000	**Capital Grants Receipts in Advance**	31 March 2019 £000
335	Schools Capital Grants	912
290	Better Bus Fund	4
-	Safer Roads Fund	1,040
243	Other Grants and Contributions	640
868	TOTAL	2,596

31 March 2018			31 March 2019	
Short Term £000	Long Term £000	**Revenue Grants Receipts in Advance**	Short Term £000	Long Term £000
734	798	Dedicated Schools Grant	663	2,247
200	505	Public Health Grant	340	332
1,004	-	Troubled Families Grant	659	-
263	-	Pupil Premium Grant	218	-
266	3,217	Section 38/106 Contributions	674	4,002
100	147	Youth Employment Gateway Grant	142	-
150	859	Registered Providers	741	177
648	-	Other Grants and Contributions	850	73
3,365	5,526	TOTAL	4,287	6,831

17. TRADING ACCOUNTS

There are a number of services that the Authority undertakes with the public or with other third parties and may, accordingly, be assessed as being 'trading operations'. For the purposes of this note, activity undertaken on behalf of schools (who have a choice as to which service provider they will use) is included. The most significant of these being:-

2017-2018 Internal Turnover £000	2017-2018 School Turnover £000	2017-2018 Other 'External Parties' Turnover £000	2017-2018 Surplus/ (Deficit) £000		2018-2019 Internal Turnover £000	2018-2019 School Turnover £000	2018-2019 Other 'External Parties' Turnover £000	2018-2019 Surplus/ (Deficit) £000
-	5,786	107	-	Catering	-	5,753	97	-
316	1,390	264	-	Cleaning	339	1,504	297	-
191	1,249	3	-	Caretaking	197	1,287	30	-
2,375	285	105	-	Grounds Maintenance	2,092	308	173	-
620	195	29	-	Security Services	661	199	30	-
-	-	634	(67)	Markets	-	-	556	(125)

18. NATIONAL HEALTH SERVICE ACT 2006 POOLED FUNDS

The Council has entered into a pooled budget arrangement with St. Helens Clinical Commissioning Group (CCG). The pooled budget was established to make Continuing Health Care (CHC) assessments and the payment process more efficient and effective. Practically, this has been achieved by establishing a joint CHC team consisting of officers from both the Council and the CCG, and through utilising the Adult Social Care and Health Contracts Team to formulate all contracts for providers of CHC and joint funded care.

The Council is the host of this arrangement, which is governed by a Section 75 agreement which was approved by the People's Board. The pool was introduced on 1 July 2014 with the partners' current contributions being split 28% from the Council and 72% from the CCG. With effect from 2015-2016, the arrangement became a true pool arrangement with the year-end being split in line with the partners' contributions.

The table summarises the income and expenditure of the pooled budget.

2017-2018				2018-2019		
St. Helens Council £000	St. Helens CCG £000	Total Pool £000		St. Helens Council £000	St. Helens CCG £000	Total Pool £000
(8,272)	(20,870)	(29,142)	Funding Provided	(8,928)	(22,885)	(31,813)
8,623	21,439	30,062	Expenditure	9,055	23,286	32,341
351	569	920	Net (surplus)/deficit arising	127	401	528

In addition, the Council operates a Better Care Fund (BCF) in partnership with the CCG, which creates a local single pooled budget to incentivise the NHS and local government to work more closely together around people, placing their well-being as the focus of health and care services. Locally, the primary aims of the fund are:-

- Supporting independence in the community by place-based activity;
- Reducing non-elective admissions and reducing residential admissions by providing the right care and support within the community; and
- Facilitating earlier hospital discharge.

Joint arrangements of this type are permitted under Section 75 of the National Health Service Act 2006.

BCF expenditure for 2018-2019 is detailed below:

2017-2018				2018-2019		
St Helens Council £000	St Helens CCG £000	Total £000	Source of Funding	St Helens Council £000	St Helens CCG £000	Total £000
(5,305)	-	(5,305)	Local Authority	(7,328)	-	(7,328)
-	(14,566)	(14,566)	CCG	-	(14,841)	(14,841)
(5,305)	(14,566)	(19,871)	Total Fund	(7,328)	(14,841)	(22,169)
			Expenditure by Scheme			
949	-	949	Personalised Health Care at	949	-	949
1,736	-	1,736	Home	1,861	-	1,861
391	22	413	Carers Services	391	22	413
609	127	736	Assistive Technologies	609	127	736

410	1,194	1,604	Care Navigation and Co-	410	1,194	1,604
588	111	699	ordination	588	111	699
4,890	-	4,890	Intermediate Care Services	5,040	-	5,040
1,067	-	1,067	Integrated Care Teams/Plans	1,067	-	1,067
4,696	-	4,696	Residential Placements	5,649	-	5,649
1,286	270	1,556	Well-being Centres	1,286	270	1,556
-	-	-	Domiciliary Care at Home	1,320	-	1,320
-	1,525	1,525	High Impact Change Model	-	1,275	1,275
			Housing Services			
			Other			
16,622	3,249	19,871	Total Spend	19,170	2,999	22,169

In addition to the revenue funding, capital funding of £2.571m was contributed by the Council through the Disabled Facilities Grant.

In addition to the formal pooled budget arrangement, the Council has two separate integrated provision arrangements with St Helens CCG that are registered with the Department of Health:

(i) Integrated Adults Services Commissioning
(ii) Intermediate Care – Reablement and Rapid Response

19. LEASING

The Authority as Lessee – Operating Leases

The Authority uses various types of vehicles and computer equipment under terms of operating leases. The Authority also currently leases a small number of buildings/sites under operating lease terms. The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £0.849m. .

The Authority had no expenditure on contingent rents or sub-leases in 2018-2019, nor did the Authority receive any income from sub-lease arrangements.

The future minimum lease payments due under non-cancellable leases in future years are shown in the following table:

31 March 2018 £000		31 March 2019 £000
813	Not later than one year	786
2,233	Later than one year and not later than five years	2,131
2,084	Later than five years	1,582
5,130	TOTAL	4,499

The Authority as Lessor – Operating Leases

The Authority has a number of properties leased out under operating leases for investment/ commercial purposes. The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2018 £000		31 March 2019 £000
3,779	Not later than one year	3,429
8,398	Later than one year and not later than five years	8,071
45,221	Later than five years	43,884
57,398	TOTAL	55,384

20. OFFICERS' REMUNERATION IN EXCESS OF £50,000

(i) The number of employees receiving remuneration in excess of £50,000 is as follows:-

No. of Employees employed by the Council 2017-2018	No. of which are employed in Local Authority Schools 2017-2018	No. of which are Employees employed by School Governing Bodies 2017-2018	Remuneration	No. of Employees employed by the Council 2018-2019	No. of which are employed in Local Authority Schools 2018-2019	No. of which are Employees employed by School Governing Bodies 2018-2019
57	22	17	£50,000-£54,999	59	23	19
31	15	12	£55,000-£59,999	47	20	12
18	9	8	£60,000-£64,999	22	9	8
24	11	6	£65,000-£69,999	13	8	4
11	5	2	£70,000-£74,999	20	10	2
11	2	1	£75,000 - £79,999	11	4	-
4	1	1	£80,000 - £84,999	3	1	1
1	-	-	£85,000 - £89,999	2	-	1
-	-	-	£90,000 - £94,999	4	-	-
-	-	-	£95,000-£99,999	-	-	-
-	-	-	£100,000-£104,999	1	-	-
-	-	-	£105,000-£109,999	-	-	-
-	-	-	£110,000-£114,999	-	-	-
1	1	-	£115,000-£119,999	1	-	-
-	-	-	£120,000-£124,999	-	-	-
1	-	-	£125,000-£129,999	-	-	-
-	-	-	£130,000-£134,999	-	-	-
-	-	-	£135,000-£139,999	1	1	-
159	66	47		184	76	47

The table includes employees whose basic remuneration for 2018-2019 was below £50,000, but whose total remuneration for the year exceeds £50,000 as a result of payments made upon termination of employment. The table excludes those Senior Employees for whom further detail is provided at (ii).

(ii) The remuneration of senior employees, defined as those members of the Strategic Directors' Group and those individuals holding statutory posts, is detailed.

2017-2018			2018-2019	
Salary £000	Employer's Pension Contribution £000	Senior Employee	Salary £000	Employer's Pension Contribution £000
143	20	Chief Executive – Mike Palin	146	21
117	16	Deputy Chief Executive & Strategic Director of Corporate Services[1]	25	4
-	-	Strategic Director of Corporate Services[2]	91	13
132	18	Strategic Director of People's Services[3]	25	4
-	-	Strategic Director of People's Services (Accountable Officer for St Helens CCG)[3]	115	17
115	16	Strategic Director of Place Services	117	17
84	12	Head of Governance and City Region Liaison[4]	28	4
-	-	Deputy Director Corporate Services – Legal & Governance[5]	65	9

The Officers in table (ii) received no payments of bonuses or expenses allowance that are chargeable to United Kingdom income tax or benefits in kind during 2018-2019.

[1] Following a review of the Council's Corporate Management Structure the postholder left the employment of the Council on 1 June 2018. Redundancy pay of £68k and employer's pension contributions of £45k were due as a result of this decision. This decision enabled the Council to avoid a further compulsory redundancy situation following a review of the senior management structure of the Corporate Services and People's Services Departments.

[2] The postholder commenced employment in this role on 1 June 2018.

[3] Council approved the recruitment to the post of Strategic Director of People's Services (Accountable Officer for St Helens Clinical Commissioning Group) with effect from 1 June 2018. This new post replaced and subsumed the responsibilities of two former posts – those being the Strategic Director of People's Services and the Clinical Accountable Officer of the Clinical Commissioning Group (CCG).

Redundancy pay of £73k and employer's pension contributions of £281k were due to the former Strategic Director of People's Services as a result of this decision. The new post is 50% funded by St Helens CCG.

[4] The post of Head of Governance and City Region Liaison was deleted on 1 August 2018 and redundancy pay of £47k and employer's pension contributions of £42k were due as a result of this decision. The postholder previously held the statutory post of Monitoring Officer.

[5] The Council meeting of 11 July 2018 resolved that the Deputy Director – Legal and Governance be appointed as the Council's Monitoring Officer with immediate effect.

21. MEMBERS' ALLOWANCES & EXPENSES

The following sums were paid to Members of the Council by way of expense/allowance during the year:

Period	Allowances due to Members £000
2017-2018	632
2018-2019	627

22. RELATED PARTY TRANSACTIONS

(a) Central 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). Details of the material transactions with Government Departments are included in the Cash Flow Statement and in Notes 34 (Debtors), 36 (Creditors) and the various Notes relating to Grants.

(b) Members of the Council have direct control over financial and operational policies of the Council, and governance arrangements exist to ensure that the decision-making processes contain provision for declarations of interest where appropriate. Various Strategic Directors and Members serve as Council representatives on bodies that are in receipt of Council funding, such as Citizens Advice Bureau and World of Glass. Contributions totalling £0.095m were made to the World of Glass in 2018-2019 (£0.225m 2017-2018). As at 31 March 2019, the Council no longer has Member representation on the Board. The Council has processes in place to ensure that relevant interests are declared as appropriate.

Further detail relating to Members' Allowances is included in Note 21.

(c) Other bodies that could be classified as related parties include the following:

(i) Police and Crime Commissioner for Merseyside (see Collection Fund)
(ii) Merseyside Fire and Rescue Authority (see Collection Fund)
(iii) Merseyside Pension Fund (see Note 11)
(iv) Merseyside Recycling and Waste Authority (see Notes 12 and 16)
(v) Liverpool City Region Combined Authority (see Notes 12 and 16)
(vi) St Helens Clinical Commissioning Group (see Note 18)

(d) The Council has a Joint Venture with Langtree Property Partners (Langtree Newton LLP), which was established to acquire and regenerate the former Parkside Colliery site. The Partnership Board has been constituted on a 50/50 basis with both parties providing £1.5m equity and loan stock each. The Council has made a £4.5m interest-bearing loan to the company to fund the acquisition of the site and an additional interest-bearing loan of £1.3m to fund the phase 1 and 2 planning applications. The Council holds 3 of the 6 positions on the Joint Venture Board.

23. AUDIT FEES

The Council incurred the following fees relating to external audit and inspection for 2018-2019, in accordance with the charges arranged by Public Sector Audit Appointments Limited, as published on their website, and the fees agreed for the Housing Benefit Subsidy Claim assurance and the Annual Teachers' Pension return:-

2017-2018 £000		2018-2019 £000
105	Fees payable to the appointed auditors with regard to external audit services carried out by the appointed auditor	81
18	Fees payable to the appointed auditors for the certification of grant claims and returns	16

No other fees were payable in respect of statutory inspection or for the provision of other audit services.

24. EXIT PACKAGES

As part of its ongoing Budget Strategy, the Council will continue to undertake service reviews in order to ensure that its financial position remains sustainable. This is likely to result in future termination benefits arising as formal, detailed, plans materialise. The number of exit packages relating to Council employees, together with the total cost per band and the total cost of compulsory redundancies and other departures are set out in the following table:

Exit Package Cost Band	No. of Compulsory Redundancies		No. of other Departures agreed		Total No. of Exit Packages by Cost Band		Total Cost of Exit Packages in each Band	
	17-18	18-19	17-18	18-19	17-18	18-19	17-18 £000	18-19 £000
£0-£20,000	29	5	32	15	61	20	469	108
£20,001-£40,000	2	1	9	5	11	6	299	190
£40,001-£60,000	-	1	1	2	1	3	42	130
£60,001-£80,000	-	-	2	3	2	3	144	210
£80,001-£100,000	-	-	-	2	-	2	-	171
£100,001-£150,000	-	-	2	2	2	2	238	254
£200,001-£250,000	-	-	-	-	-	-	-	-
£300,001-£350,000	-	-	1	-	1	-	343	-
TOTAL	31	7	47	29	78	36	1,535	1,063

25. PROPERTY, PLANT AND EQUIPMENT

The detailed movement in gross valuations and asset depreciation is included in the following tables.

(a) Movements in 2018-2019

	Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Valuation - Balance b/fwd at 1 April 2018	253,728	18,824	221,551	13,162	10,340	73	517,678
Additions	1,969	1,240	17,097	191	1	737	21,235
Revaluations recognised in the Revaluation Reserve	17,541	-	-	-	-	-	17,541
Revaluations recognised in the Surplus/Deficit on the Provision of Services	(13,133)	-	-	-	(1)	-	(13,134)
De-recognition – Academisation of previously controlled Schools	(41)	-	-	-	-	-	(41)
De-recognition – Other Sales and Disposals	-	-	-	-	(40)	-	(40)
De-recognition – Assets with Nil Net Book Value	-	(4,065)	-	-	-	-	(4,065)
Assets re-classified (to)/from Assets Held for Sale/ Investment Properties/Intangible Assets	-	-	-	-	-	-	-
Other re-classifications	59	-	14	-	-	(73)	-
Valuation - Balance c/fwd at 31 March 2019	260,123	15,999	238,662	13,353	10,300	737	539,174
Depreciation - Balance b/fwd at 1 April 2018	4,305	10,707	62,609	-	-	-	77,621
Depreciation Charge	6,096	2,217	5,637	-	-	-	13,950
Written out to the Revaluation Reserve	(7,925)	-	-	-	-	-	(7,925)
Written out to the Surplus/Deficit on the Provision of Services	(912)	-	-	-	-	-	(912)
De-recognition – Schools Academisation	-	-	-	-	-	-	-
De-recognition – Other Sales and Disposals	-	-	-	-	-	-	-
De-recognition – Assets with Nil Net Book Value	-	(4,065)	-	-	-	-	(4,065)
Assets re-classified (to)/from Assets Held for Sale/ Investment Properties	-	-	-	-	-	-	-
Other re-classifications	(2)	-	2	-	-	-	-
Depreciation - Balance c/fwd at 31 March 2019	1,562	8,859	68,248	-	-	-	78,669
Net carrying value at 31 March 2019	258,561	7,140	170,414	13,353	10,300	737	460,505

(b) Comparative Movements in 2017-2018

	Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Valuation - Balance b/fwd at 1 April 2017	222,148	23,127	213,677	13,114	8,126	5,448	485,640
Additions	31,967	1,440	7,974	48	576	73	42,078
Revaluations recognised in the Revaluation Reserve	28,015	-	-	-	951	-	28,966
Revaluations recognised in the Surplus/Deficit on the Provision of Services	(13,713)	-	(100)	-	(371)	-	(14,184)
De-recognition – Academisation of Rainford High School (see Note 26)	(28,966)	-	-	-	-	-	(28,966)
De-recognition – Other Sales and Disposals	(59)	-	-	-	-	-	(59)
De-recognition – Assets with Nil Net Book Value	-	(5,501)	-	-	-	-	(5,501)
Assets re-classified (to)/from Assets Held for Sale/ Investment Properties/Intangible Assets	8,888	(242)	-	-	1,058	-	9,704
Other re-classifications	5,448	-	-	-	-	(5,448)	-
Valuation - Balance c/fwd at 31 March 2018	253,728	18,824	221,551	13,162	10,340	73	517,678
Depreciation – Balance b/fwd at 1 April 2017	6,687	13,452	57,179	-	-	-	77,318
Depreciation Charge	5,790	2,756	5,430	-	-	-	13,976
Written out to the Revaluation Reserve	(6,487)	-	-	-	-	-	(6,487)
Written out to the Surplus/Deficit on the Provision of Services	(653)	-	-	-	-	-	(653)
De-recognition – Academisation of Rainford High School (see Note 26)	(1,030)	-	-	-	-	-	(1,030)
De-recognition – Other Sales and Disposals	(2)	-	-	-	-	-	(2)
De-recognition – Assets with Nil Net Book Value	-	(5,501)	-	-	-	-	(5,501)
Assets re-classified (to)/from Assets Held for Sale/ Investment Properties	-	-	-	-	-	-	-
Other re-classifications	-	-	-	-	-	-	-
Depreciation - Balance c/fwd at 31 March 2018	4,305	10,707	62,609	-	-	-	77,621
Net carrying value at 31 March 2018	249,423	8,117	158,942	13,162	10,340	73	440,057

(c) Revaluations

The table below shows the profile of valuations for the Council's asset base that is not carried at historic cost.

	Land and Buildings £000	Surplus Assets £000
Valued at fair value		
31 March 2019	220,153	-
31 March 2018	29,771	6,864
31 March 2017	3,032	1,103
31 March 2016	4,431	2,296
31 March 2015	2,736	37
Prior to 31 March 2015	-	-
TOTAL	260,123	10,300

26. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

Rainford High School PFI Scheme

In December 2010, the Council entered into a PFI contract with Environments for Learning to design, build, finance and operate Rainford High School. 2011-2012 was the first year of a 27-year PFI contract for the construction, maintenance and operation of the school. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fees payable being made if facilities are unavailable or performance is below the minimum standards required by the contract. On 1 September 2017, Rainford High School converted to an Academy and became part of the Rainford Academies Trust.

The PFI liability remains on the balance sheet, as the obligation to pay remains with the Council. The Council receives grant funding from Central Government to cover the capital cost of the PFI liability. There is a formal agreement with the Academy Trust to cover the shortfall between the full liability and the grant. Therefore, there is no change in the nature of the existing liability and, hence, no adjustments were made in 2017-2018. Should there be changes in Government policy or the status or viability of the Academy in the future that impact upon how the existing guarantees operate, the accounting policy will be reviewed and amended if necessary. Based upon current information and projections of pupil numbers, no changes are likely over the short to medium term.

Analysis of Payments

The Council makes an agreed payment each year in respect of its PFI arrangement and these are detailed in the table below. All payments under the PFI agreement are linked in part to Retail Price Index inflation and can be reduced if the contractor fails to meet the availability and performance standards in any year, but which is otherwise fixed. Future RPI has been assumed to increase at a rate of 2.5% per annum. Lifecycle replacement costs have been included in the service charges element of the table below.

	Payments for Services £000	Repayment of Capital £000	Interest £000	Total £000
Within one year	1,271	653	2,313	4,237
Payable within 2-5 years	5,972	2,753	8,608	17,333
Payable within 6-10 years	9,330	4,209	9,069	22,608
Payable within 11-15 years	10,109	7,271	6,405	23,785
Payable within 16-20 years	8,138	8,500	2,167	18,805
TOTAL	34,820	23,386	28,562	86,768

Over the life of the PFI project, the Council will receive government grant of £87.8m.

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 the interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay to the contractor for capital expenditure incurred is detailed below.

2017-2018 £000		2018-2019 £000
24,438	Balance brought forward at 1 April	23,894
-	Capital expenditure incurred in year	-
(544)	Payments during the year	(508)
23,894	Balance carried forward at 31 March	23,386

27. HERITAGE ASSETS

2017-2018				2018-2019		
Opening Balance 1 April £000	In Year Movements £000	Closing Balance 31 March £000		Opening Balance 1 April £000	Revaluations £000	Closing Balance 31 March £000
1,246	-	1,246	Art Collection	1,246	(50)	1,196
294	-	294	Civic Regalia	294	142	436
1,651	-	1,651	Statues and Monuments	1,651	-	1,651
3,191	-	3,191	TOTAL	3,191	92	3,283

28. INVESTMENT PROPERTY

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

2017-2018 £000		2018-2019 £000
(864)	Rental income from Investment Properties	(854)
42	Direct operating expenses arising from Investment Properties	51
(822)	Net (Income)/Expenditure	(803)

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

The Authority has no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancement.

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

2017-2018 £000		2018-2019 £000
19,578	Balance brought forward at 1 April	11,403
(124)	Disposals	(6)
850	Net Gains/(Losses) from Fair Value adjustments	(124)
(8,901)	Transfer (to)/from Property, Plant and Equipment	-
11,403	Balance carried forward at 31 March	11,273

Fair Value Hierarchy

The Council's investment property assets have been assessed by the valuers as Level 2 for valuation purposes, with the exception of community centres and pavilions, which are assessed as Level 3. An explanation of the different fair value levels is included within the Council's statement of main accounting principles.

Valuation Techniques used to determine Level 2 and Level 3 Fair Values for Investment Properties

The fair value of investment properties assessed at Level 2 has been based on the market approach using current market conditions and recent sale prices and other relevant information for similar assets in the local authority area. For assets assessed at Level 3, fair value has been based on a comparable approach either by estimated market rental values or subsidised passing rents. The valuers rely upon assumptions and third party resources to value these assets as the measurement technique uses significantly unobservable inputs to determine the fair value measurements. The work undertaken by the valuers focussed on the change in values since the last valuation, ie. the period from 31 March 2018 to 31 March 2019.

Highest and Best Use of Investment Properties

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is deemed to be their current use.

Valuation Process for Investment Properties

The fair value of the Authority's investment property is measured annually at each reporting date. The valuations have been carried out primarily by the internal valuers, with the exception of the Hardshaw Centre and a caretaker's property attached to an educational establishment, for which the external valuers, Wilkes, Head and Eve LLP provided valuations.

The valuations have been carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

29. INTANGIBLE ASSETS

2017-2018				2018-2019		
Gross Carrying Amount £000	Accumulative Amortisation £000	Net Carrying Amount £000		Gross Carrying Amount £000	Accumulative Amortisation £000	Net Carrying Amount £000
2,783	(1,740)	1,043	Balance brought forward at 1 April	3,188	(2,209)	979
163	-	163	Additions in year	5	-	5
242	-	242	Appropriation in year	-	-	-
-	(469)	(469)	Amortised/Disposed in year	-	(489)	(489)
-	-	-	Derecognition of assets wholly amortised	(199)	199	-
3,188	(2,209)	979	Balance carried forward at 31 March	2,994	(2,499)	495

30. SHORT & LONG-TERM INVESTMENTS

2017-2018				2018-2019		
Principal £000	Accrued Interest £000	Total £000		Principal £000	Accrued Interest £000	Total £000
55,000	279	55,279	Short-Term Investments	84,700	423	85,123
5,028	22	5,050	Long-Term Investments	7,328	19	7,347
60,028	301	60,329	TOTAL	92,028	442	92,470

31. LONG-TERM DEBTORS

31 March 2018 £000		New Loans £000	Repaid & Other in Year Movement £000	31 March 2019 £000
2,801	Improvement Loans	-	(128)	2,673
942	Housing Innovation Loans	-	(18)	924
16	Housing Associations	-	-	16
2,210	Social Care Deferred Payments	578	(651)	2,137
1,000	Local Authority Mortgage Scheme	-	(1,000)	-
6,917	Langtree Property Partners	1,300	263	8,480
13,886	SUB-TOTAL	1,878	(1,534)	14,230
(332)	Less Provision for Bad Debts	-	11	(321)
13,554	TOTAL	1,878	(1,523)	13,909

32. CAPITAL EXPENDITURE AND FINANCING

(a) Capital Financing Requirement

The total amount of expenditure financed by capital resource 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 - a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

2017-2018 £000		2018-2019 £000
148,587	Opening Capital Financing Requirement	177,276
	Capital Investment	
42,078	Property, Plant and Equipment	21,235
162	Intangible Assets	5
3,980	Revenue Expenditure funded from Capital under Statute	3,821
-	Long Term Debtors (Loans & Advances)	1,300
(518)	**Sources of Finance**	
(13,368)	Capital Receipts	(1,370)
	Government Grants and Other Contributions	(18,978)
(1,292)	**Sums set aside from Revenue**	
(2,353)	Direct Revenue Contributions	(1,287)
	Revenue Provision for repayment of borrowing and other long-term liabilities	(2,888)
177,276	Closing Capital Financing Requirement	179,114
	Explanation of Movements in Year	
31,042	Underlying need to borrow arising from capital investment	4,726
(2,353)	Revenue provision for repayment of borrowing and other long-term liabilities	(2,888)
28,689	Increase/(Decrease) in Capital Financing Requirement	1,838

(b) Capital Commitments

At 31 March 2019, the Authority had entered into a number of contracts for the construction or enhancement of infrastructure and property, which in 2019-2020 is budgeted to cost £11.5m. The main contractual commitments are in relation to the development of Newton-le-Willows Health & Fitness Centre (£3.5m), Bleak Hill Primary Extension (£1.1m), road infrastructure investment at the A570 St Helens Linkway (£2.6m) and A58 Liverpool Road/A580 East Lancashire Road (£2.7m).

33. ASSETS HELD FOR SALE

2017-2018 £000		2018-2019 £000
2,389	Balance brought forward at 1 April	770
(1,045)	Assets classified (to)/from Property, Plant and Equipment	-
(574)	Assets Sold	-
770	Balance carried forward at 31 March	770

34. SHORT-TERM DEBTORS

31 March 2018 £000		31 March 2019 £000
1,026	VAT	1,454
4,360	Other Government Grants and Contributions	2,784
167	Former Council Tenants	153
10,755	Council Taxpayers*	12,559
5,200	Non-Domestic Ratepayers*	6,062
1,012	Other Local Authorities	3,001
230	Police & Crime Commissioner*	303
103	Merseyside Fire & Rescue Authority*	129
3,778	Housing Benefits	3,437
555	NHS Bodies	1,498
14,305	Merseyside Recycling and Waste Authority	-
10,810	Sundry	10,767
52,301	Gross Debtors	42,147
	Less: Provision for Bad Debts:	
(6,999)	Council Tax*	(8,248)
(4,403)	Non-Domestic Rates*	(5,450)
(2,386)	Overpaid Housing Benefit	(2,257)
(167)	Former Council Tenants	(153)
(1,214)	Other	(1,305)
(15,169)	Total Provision for Bad Debts	(17,413)
37,132	Net Debtors	24,734

* Council Tax/Non-Domestic Rates related transactions. See Note 1 to the Collection Fund.

35. SHORT AND LONG-TERM BORROWING

Under the Code, balances relating to financial instruments should be shown as current or long-term depending on when amounts are payable or receivable. Accrued interest in respect of the Authority's Public Works Loan Board (PWLB) and market loans are separated from the principal sums as these are payable within 12 months and therefore should be treated as current liabilities.

(a) Analysis of Short-Term Borrowing by Type

2017-2018				2018-2019		
Principal £000	Accrued Interest £000	Total £000		Principal £000	Accrued Interest £000	Total £000
8	986	994	PWLB	3,670	970	4,640
-	314	314	Market Loans	-	312	312
8	1,300	1,308	TOTAL	3,670	1,282	4,952

(b) Analysis of Long-Term Borrowing by Type

Principal 31 March 2018 £000		Principal 31 March 2019 £000
80,336	PWLB	76,665
23,000	Market Loans	23,000
103,336	TOTAL	99,665

(c) Analysis of Long-Term Borrowing by Maturity Period

Original Principal 31 March 2018 £000		Principal 31 March 2019 £000
3,670	Between one and two years	3,104
9,315	Between two and five years	6,222
5,282	Five to fifteen years	5,270
4,281	Fifteen to twenty five years	4,281
65,788	Twenty five to fifty years	65,788
15,000	Over fifty years	15,000
103,336	TOTAL	99,665

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36. SHORT-TERM CREDITORS

31 March 2018 £000		31 March 2019 £000
583	NDR Agency Arrangement*	24
1,679	Local Government Pension Scheme	1,548
884	Teachers' Pension Scheme	906
2,566	Tax and National Insurance	2,666
198	Government Departments	170
1,230	Council Taxpayers - prepayments and credits*	1,334
1,479	Other Local Authorities	1,125
2,892	Employees	2,999
2,500	NHS Bodies	3,348
144	Merseyside Fire & Rescue Authority*	142
1,521	Non-Domestic Ratepayers – prepayments and credits*	1,075
16,515	Sundry	22,903
32,191	TOTAL	38,240

* Council Tax/Non-Domestic Rates related transactions. See Note 1 to the Collection Fund.

37. PROVISIONS

	31 March 2018 £000	Expenditure Charged to Provision in Year £000	Increase/ (Decrease) in Provision £000	31 March 2019 £000
Provision for Non-Domestic Rates Appeals (a)	12,161	(426)	559	12,294
Provision for Equal Pay (b)	403	(208)	-	195
Ordinary Residence (c)	645	(136)	(31)	478
Staffing – Sleep-ins (d)	500	-	180	680
Public Health Referrals (e)	-	-	600	600
Short Term	13,709	(770)	1,308	14,247
Insurance (f)	4,348	(508)	1,081	4,921
Long Term	4,348	(508)	1,081	4,921
TOTAL	18,057	(1,278)	2,389	19,168

(a) The Council has made a provision for Non-Domestic Rates appeals based on an estimate of the likely level and value of successful appeals.

(b) A large number of claims were brought against the Council under the Equal Pay Act 1970 and associated Regulations, and in October 2015 the Employment Tribunal found in favour of the claimants. The Council has settled the vast majority of these claims and, as at March 2019, only a small cohort of claimant settlements are remaining.

(c) The Council is currently involved in a legal process to determine the responsible body for costs associated with two service users and, without prejudice, has set aside a provision for care costs associated with these Ordinary Residence claims. During the year, one further claim has been settled.

(d) The Council has set aside a provision to fulfil any obligations arising from a future decision of the Supreme Court that time spent sleeping by staff should be taken into account when calculating compliance with the National Living Wage.

(e) Public Health activities are closely aligned to health services. A provision has been made relating to the potential claim for prescription costs associated with Public Health referrals.

(f) The Council determines its insurance as part of its Risk Management process and organises cover from both external providers and its own self-insurance fund. The balance of the fund is regularly assessed for its adequacy. In the case of its combined (Public and Employers) liability provision, a consultancy opinion on size is commissioned on a frequent basis. The review of combined liability indicates that an appropriate provision for this area is £4.665m. An analysis of the other insurances shows that a provision of £0.256m is required.

38. OTHER LONG-TERM LIABILITIES

These consist of liabilities which are (re)payable over a period of time and are analysed as follows:

31 March 2018 £000		31 March 2019 £000
1,292	Commuted Sums and Contractor Bonds	886
1,936	Merseyside Residual Body Debt	1,659
23,386	Rainford High PFI	22,733
-	Merseyside Recycling and Waste Authority Investments	6,656
26,614	TOTAL	31,934

39. FINANCIAL INSTRUMENTS

(a) Categories of Financial Instruments

The following table details the categories of financial instruments carried in the Balance Sheet:

31 March 2018			31 March 2019	
Current £000	Long Term £000		Current £000	Long Term £000
		Investments		
55,000	5,028	Loans and Receivables	84,700	7,328
13,181	-	Cash and Cash Equivalents	11,177	-
301	-	Accrued Interest on Loans and Receivables	442	-
		Debtors		
26,853	13,554	Financial Assets carried at Contract Amounts	15,141	13,909
95,335	18,582	Total Financial Assets	111,460	21,237
		Borrowings		
(8)	(103,336)	Financial Liabilities at Amortised Cost	(3,670)	(99,665)
(1,300)	-	Accrued Interest on Liabilities at Amortised Cost	(1,282)	-
		Other Long-Term Liabilities		
-	(23,386)	PFI	-	(22,733)
		Creditors		
(23,338)	-	Financial Liabilities carried at Contract Amount	(30,372)	-
(24,646)	(126,722)	Total Financial Liabilities	(35,324)	(122,398)

The Code of Practice on Local Authority Accounting adopted “IFRS 9 – Financial Instruments” and the carrying amounts at 1 April 2018, were remeasured into the new classifications in the standard. In line with the Accounting Policies, all Loans and Receivables have been classified as being measured at amortised cost.

(b) Income, Expense, Gains and Losses

The table below outlines the income and expense that have been credited/charged to the Comprehensive Income and Expenditure Statement in relation to financial instruments categorised as being measured at amortised cost:-

2017-2018			2018-2019	
Financial Liabilities £000	Financial Assets £000		Financial Liabilities £000	Financial Assets £000
(5,099)	-	Interest Expense	(5,569)	-
-	1,092	Interest Income	-	1,446
(5,099)	1,092	Net Income/(Expense) for the Year	(5,569)	1,446

Interest payments of £2.363m were made in respect of the PFI scheme in the year. However, this cost was met through PFI grant.

(c) Fair Values of Assets and Liabilities

The Council’s financial liabilities and financial assets are represented by loans and receivables and long-term debtors which are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instrument (Level 2 inputs) using the following assumptions:

- For loans from the Public Works Loan Board (PWLB), premature repayment rates from the PWLB have been applied to provide the fair value under the PWLB debt redemption procedures;
- For non-PWLB loans, prevailing market rates have been applied to provide the fair value;
- For loans receivable, prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment has been recognised;
- Where an instrument has a maturity of less than 12 months or is a trade receivable or payable, then the fair value is taken to be the carrying amount or billed amount;
- The fair value of the PFI scheme has been calculated by applying the PWLB annuity rate for new loans to the outstanding liability at the Balance Sheet date.

The fair values of the Financial Liabilities are detailed below:

2017-2018			2018-2019	
Carrying Amount £000*	Fair Value £000		Carrying Amount £000*	Fair Value £000
81,330	138,448	PWLB Loans	81,305	138,571
23,314	35,050	Market Loans	23,312	46,757
23,894	44,194	PFI Liability	23,386	47,883
128,538	217,692	TOTAL	128,003	233,211

* Carrying values include accrued interest

The fair value of the Council's financial liabilities is more than the carrying amount, because the Council's portfolio of loans includes a number of fixed rate loans where the interest rates payable are higher than the rates available for similar loans at the Balance Sheet date. The fair value of the PWLB loans of £138.571m measures the economic effect of the terms agreed with the PWLB compared with the estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which have been assumed as the PWLB redemption rates. The difference between the carrying amount and fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

The Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB certainty interest rate. A supplementary measure of fair value is to compare these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £81.305m would be valued at £116.127m. If the Council were to redeem its PWLB debt early, a charge of £58.235m would be payable.

The difference between the fair value and the carrying value of loans would only crystallise if the Council sought to terminate its arrangements and, as to the extent that the Council would not seek to voluntarily terminate loans on which premiums would be incurred, this figure should be considered notional. It should also be noted that the market loans contain Lender Option Borrower Option loans, whereby, at specified intervals, there are options on both the part of the Council and the Lender in relation to rates applicable to the residual terms of the loans. The Council is free to repay the loans, in full, and without penalty if it is not agreeable with any revised options proposed by the Lender.

2017-2018			2018-2019	
Carrying Amount £000*	Fair Value £000		Carrying Amount £000*	Fair Value £000
60,301	60,319	Loans and Receivables	92,442	92,477
28	28	Loans and Receivables – Stock	28	28
13,181	13,181	Cash and Cash Equivalents	11,177	11,177
73,510	73,528	TOTAL	103,647	103,682

* Carrying values include accrued interest

The fair value of the Council's loans and receivables is more than the carrying amount, because the Council's portfolio of investments includes a number of fixed rate investments where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above the current market interest rates increases the amount that the Council would receive if it agreed to the early repayment of the loans.

(d) Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

2017-2018 £000		2018-2019 £000
(3,462)	Cash overdrawn and unpresented cheques	(4,640)
18	Petty Cash	17
16,625	Bank Call Accounts	15,800
13,181	Total Cash and Cash Equivalents	11,177

(e) Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks, and its overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Financial Risk Management is the responsibility of the Strategic Director of Corporate Services and, through full adoption of CIPFA's *Treasury Management in the Public Services: Code of Practice,* the Council has policies and processes in place to control key financial instrument related risks. Under the policies approved by the Council in the annual Treasury Management Strategy, and through its associated Treasury Management Practices (TMP's), the Council has in place written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Exposure to credit risk is managed through the Council's Counterparty lending list, which places limits on the value and duration over which investments can be made with approved counterparties to minimise the risk of loss. The counterparty list comprises of institutions that are rated independently by FITCH and meet specific rating requirements. The detailed minimum lending requirements for counterparties are outlined in the annual Treasury Management Strategy.

As detailed in the Council's Treasury Management Strategy, the Council's counterparty list is regularly monitored and is updated for any adverse movements in financial institutions' ratings. Such is the robustness of the Council's criteria for approving investments, that a reduction in an institution's outlook from stable would lead to its removal from the counterparty list.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £55m cannot be assessed generally, as the risk of any institution failing to make interest payments or repay principal sums will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2019 that this was likely to crystallise.

The following table summarises the Council's exposure to credit risk at the Balance Sheet date, analysed by credit ratings as they were at the time of making the investment. Figures shown represent the actual investment made and therefore exclude accrued interest. They also include that part of Cash and Cash Equivalents that is represented by sums held in Bank Call Accounts:

31 March 2018 £000	Institution	Rating	31 March 2019 £000
15,000	Part Nationalised Institutions	AA	5,000
-	Banks	AA F1+	800
20,000	Banks	A+F1	15,000
31,625	Banks	A F1	35,000
-	Building Societies	A F1	5,000
10,000	Building Societies	A-F1	15,000
28	PFI Loan Stock	N/A	28
76,653	TOTAL		75,828

The Council does not generally allow credit for customers, such that the sum for customers reflects the debtors the Council has with other Authorities and other bodies. Based on the information held within the Council's debtor system, £3.155m was past the Council's standard invoicing period of 14 days at 31 March 2019 (£3.049m at 31 March 2018). The past due amounts are analysed in the table overleaf.

31 March 2018 £000		31 March 2019 £000
561	Less than one month	524
997	One to three months	897
38	Three to four months	88
359	Four months to one year	446
1,094	Over one year	1,200
3,049	TOTAL	3,155

The figures above are gross sums due. Provision for doubtful debt is made separately.

Liquidity Risk
The Council has a comprehensive cash flow management system that seeks to ensure that sufficient liquid funds are available if needed. At the present time, the Council has ready access to borrowing from the PWLB, so there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Market Risk
The Council is exposed to an amount of risk in terms of its exposure to interest rate movements on its investments and, to a lesser extent, on its borrowings. For example, a rise in interest rates would have the following effects:-

- borrowing at fixed rates – the fair value of the liabilities borrowing will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings and investments are not carried at fair value, so nominal gains and losses on fixed rate borrowings and loans would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in the interest payable or receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. The Council is risk averse and seeks to minimise exposure arising from its treasury activities and does not undertake any unnecessary borrowing or investment activity. The Council seeks to manage its interest rate risk by constantly reviewing the ratio of borrowing and investments between fixed and variable interest rates.

The table below shows the impact on existing investments and borrowings had interest rates been 1% higher with all other variables being held constant:

2017-2018			2018-2019	
Loans and Receivables £000	Financial Liabilities £000		Loans and Receivables £000	Financial Liabilities £000
73,478	173,498	Fair Values at 31 March	103,654	185,328
74,213	147,936	Fair Values + 1%	104,691	149,931

The impact of a 1% fall in interest rates would be as above, but with the movements being reversed.

The following table shows the impact on the PFI liability and loan stock, had interest rates been 1% higher, with all other variables being held constant:

2017-2018			2018-2019	
PFI Loan Stock £000	PFI Liability £000		PFI Loan Stock £000	PFI Liability £000
28	44,194	Fair Values at 31 March	28	47,883
28	40,307	Fair Values + 1%	28	40,168

Price Risk
The Council does not invest in any instruments whereby it would be exposed to price risk arising from movements in market prices.

Foreign Exchange Risk
The Council does not have financial assets or liabilities denominated in foreign currencies and thus, have no exposure to loss arising from movements in exchange rates.

40. TRUST FUNDS

The Council administered 9 Trust Funds during the year which, in the main, consist of legacies left by individuals and are used mainly for educational, cultural and leisure purposes. The value of these Trust Funds at the Balance Sheet date was £0.306m.

41. CONTINGENT LIABILITIES

MMI

The Council's previous insurers, Municipal Mutual Insurance (MMI), have now ceased to trade and exist solely to discharge its obligations under policies previously issued. These responsibilities relate mainly to legal liability claims that typically take significant periods to finalise. In the event of MMI's insolvency, local authority policyholders agreed to enter into a scheme of agreement under which there are levies and claw-back provisions on claims payments made by MMI after the implementation of the scheme. The scheme administrators have indicated that there will be further reviews of the level of levy required to achieve a solvent run-off of the company and there is still a possibility that further additional levies and/or claw-back will be required.

General Insurance

The Council reviews the adequacy of its insurance provision annually, and also seeks consultancy opinion, with regard to the level of this provision. However, it is widely accepted that the risk profile of Local Authorities is such that there may be exposure to long tail claims, and settlements of claims may deviate from the original claims reserve. Any such claims brought against the Council do have the potential to be of a material value.

In addition, there is also uncertainty in respect of new and emerging claims, the nature of claims, and incidents incurred but not reported (IBNR), which may have significant financial implications.

Non-Domestic Rates Appeals

The Council has made a provision for costs potentially arising from successful appeals by Non-Domestic Ratepayers against the rateable values applied to their business properties. However, there remains significant uncertainty as to what the ultimate effect of these backdated appeals will be.

NHS Applications for Mandatory Charitable Relief from Non-Domestic Rates

In January 2016, the Council received requests for mandatory charitable relief from an agent acting on behalf of NHS Trusts. The request for relief was based upon a legal opinion obtained from a QC which concluded that, on balance, Foundation Trusts are established for charitable purposes and, as such, amount to charities for rating purposes. A law firm acting on behalf of 20 NHS foundation trusts has issued proceedings in the High Court against 49 billing authorities. If the claim is successful, this could require the Council to grant backdated charitable relief. Based upon the application made to the Council, the value of backdated mandatory charitable relief would be £5.062m.

Ordinary Residence

The Council has been made aware of another local authority's likely intention to seek a determination from the Secretary of State that a service user was ordinarily resident in St Helens immediately prior to being detained under the Mental Health Act. This could result in the Council becoming liable for a claim for care fees from a representative of the service user.

42. CASH FLOW STATEMENT – ADJUSTMENTS TO NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS

2017-2018 £000		2018-2019 £000
	Non-current assets and assets held for sale:	
13,976	Depreciation	13,950
469	Amortisation	489
12,681	Impairments and Downward Valuations	12,346
28,690	Carrying amounts of Non-current Assets and Non-current Assets held for sale, sold or de-recognised	88
	Current assets and current liabilities:	
(8,045)	Movement in Creditors	5,338
(9,483)	Movement in Debtors	(3,935)
3,328	Movement in Bad Debts Provision	2,244
(23)	Movement in Inventories	(71)
(2,528)	Movement in Pension Liability charged / credited to the Comprehensive Income and Expenditure Statement	24,279
(14,153)	**Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement**	(19,257)
(3,965)	**Other non-cash items charged to the net surplus or deficit on the provision of services**	3,408
20,947	TOTAL	38,879

43. CASH FLOW STATEMENT – ADJUSTMENTS FOR ITEMS INCLUDED IN THE NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES THAT ARE INVESTING AND FINANCING ACTIVITIES

2017-2018 £000		2018-2019 £000
(972)	Proceeds from the Sale of Non-Current Assets	(339)
3,980	Revenue Expenditure Funded from Capital Under Statute	3,821
(822)	Investment Properties Rental Income	(803)
2,186	TOTAL	2,679

44. CASH FLOW STATEMENT – NET CASHFLOW FROM OPERATING ACTIVITIES

2017-2018 £000		2018-2019 £000
	Cash Outflows	
(141,529)	Cash Paid to and on Behalf of Employees	(132,503)
(62,247)	Housing Benefit Paid Out	(58,106)
(311)	Precepts Paid	(319)
(145,486)	Cash Paid to Suppliers of Goods and Services	(148,924)
(7,515)	Interest Paid	(7,951)
(82,720)	Other Payments for Operating Activities	(65,353)
(439,808)	TOTAL CASH OUTFLOWS	(413,156)
	Cash Inflows	
112,326	Taxation	120,682
244,757	Grants	244,643
40,292	Sales of Goods and Rendering of Services	40,820
1,151	Interest Received	1,354
18,944	Other Receipts from Operating Activities	19,060
417,470	TOTAL CASH INFLOWS	426,559
(22,338)	NET CASH FLOW FROM OPERATING ACTIVITIES	13,403

45. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2017-2018 £000		2018-2019 £000
	Cash Outflows	
(42,567)	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(20,109)
-	Purchase of Short-Term and Long-Term Investments	(12,743)
(261)	Other Payments for Investing Activities	-
(42,828)	TOTAL CASH OUTFLOWS	(32,852)
	Cash Inflows	
1,368	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	622
18,857	Proceeds from Sale of Short-Term and Long-Term Investments	146
12,310	Other Receipts from Investing Activities	18,151
32,535	TOTAL CASH INFLOWS	18,919
(10,293)	NET CASH FLOW FROM INVESTING ACTIVITIES	(13,933)

46. CASH FLOW STATEMENT - FINANCING ACTIVITIES

2017-2018 £000		2018-2019 £000
	Cash Outflows	
(315)	Repayments of Short-Term and Long-Term Borrowing	(956)
(94)	Other Payments for Financing Activities	(518)
(409)	TOTAL CASH OUTFLOWS	(1,474)
	Cash Inflows	
30,000	Cash Receipts of Short Term and Long Term Borrowing	-
37	Other Receipts from Financing Activities	-
30,037	TOTAL CASH INFLOWS	-
29,628	NET CASH FLOW FROM FINANCING ACTIVITIES	(1,474)

COLLECTION FUND STATEMENT

The Collection Fund is a statutory account introduced under the Local Government Finance Act 1988. *The Code of Practice on Local Authority Accounting* requires the inclusion of a separate Collection Fund Statement.

NOTES	2017-2018 Council Tax £000	2017-2018 Non-Domestic Rates £000		2018-2019 Council Tax £000	2018-2019 Non-Domestic Rates £000
			INCOME		
2,3	80,369	53,535	Income from Council Taxpayers and Business Ratepayers	86,137	51,983
	-	(2,619)	Transitional Protection Payments	-	(1,591)
	(866)	(286)	Contribution to/(from) previous year's Estimated Collection Fund Deficit/(Surplus)	(547)	(1,332)
	79,503	50,630	TOTAL INCOME	85,590	49,060
			EXPENDITURE		
			Precepts and Demands		
	66,388	44,582	- St. Helens Council	71,313	46,383
	8,278	-	- Police & Crime Commissioner for Merseyside	8,999	-
	3,708	450	- Merseyside Fire & Rescue Authority	3,871	469
	-	191	Non-Domestic Rates Cost of Collection	-	189
			Movement in Bad and Doubtful Debts		
	1,076	397	- Provisions	1,474	1,057
	394	570	- Write-Offs	46	567
	-	3,951	Provision for Appeals	-	565
	79,844	50,141	TOTAL EXPENDITURE	85,703	49,230
1	(341)	489	Movement on Fund Balance	(113)	(170)
1,4	1,146	961	Surplus/(Deficit) Balance brought forward	805	1,450
1,4	805	1,450	Surplus/(Deficit) Balance carried forward	692	1,280

The Council participated in the Liverpool City Region 100% Business Rates Retention Pilot scheme in 2017-2018. This arrangement has remained in place for 2018-2019. Under the terms of the pilot scheme, the Council is able to retain 99% of its Business Rates Collectable, with 1% passed to the Fire Authority. This contrasts to the 49% retention rate prior to the existence of the pilot scheme.

A separate Collection Fund Balance Sheet is not mandatory. Assets and liabilities are consolidated with other accounts of the Authority (see Balance Sheet in the Core Financial Statements). However, Note 1 to the Collection Fund Statement is included to provide a better understanding of the debtor and creditor relationships in relation to both Council Tax and Non-Domestic Rates.

NOTES TO THE COLLECTION FUND STATEMENT

1. MEMORANDUM COLLECTION FUND BALANCE SHEETS

(i) Non-Domestic Rates

2017-2018					2018-2019			
Total £000	Central Government £000	St Helens Council £000	Fire & Rescue £000		Total £000	Central Government £000	St Helens Council £000	Fire & Rescue £000
5,253	-	5,200	53	Non-Domestic Rate Arrears	6,123	-	6,062	61
(4,447)	-	(4,403)	(44)	Provision for Bad Debt	(5,505)	-	(5,450)	(55)
(12,284)	-	(12,161)	(123)	Provision for Appeals	(12,418)	-	(12,294)	(124)
(1,536)	-	(1,521)	(15)	Prepaid Non-Domestic Rates	(1,086)	-	(1,075)	(11)
(1,450)	(337)	(1,098)	(15)	Collection Fund (Surplus)/Deficit	(1,280)	-	(1,267)	(13)
(246)	(246)	-	-	Transitional Protection Payment	(24)	(24)	-	-
14,710	583	13,983	144	Cash	14,190	24	14,024	142
-	-	-	-	TOTAL	-	-	-	-

(ii) Council Tax

2017-2018					2018-2019			
Total £000	St Helens Council £000	Police £000	Fire & Rescue £000		Total £000	St Helens Council £000	Police £000	Fire & Rescue £000
12,697	10,755	1,341	601	Council Tax Arrears	14,826	12,559	1,586	681
(8,263)	(6,999)	(873)	(391)	Provision for Bad Debt	(9,737)	(8,248)	(1,041)	(448)
(1,452)	(1,230)	(153)	(69)	Prepaid Council Tax	(1,574)	(1,334)	(168)	(72)
(805)	(682)	(85)	(38)	Collection Fund (Surplus)/Deficit	(692)	(586)	(74)	(32)
(2,177)	(1,844)	(230)	(103)	Cash	(2,823)	(2,391)	(303)	(129)
-	-	-	-	TOTAL	-	-	-	-

2. INCOME FROM COUNCIL TAX
Calculation of the Council Tax Base

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of Band D dwellings).

The Council Tax base for 2018-2019 was 50,563 (49,880 in 2017-2018) calculated as follows:-

Band	Estimated No. of Taxable Properties after Discounts	Ratio	Band D Equivalent Dwellings
A	37,047	$^{6}/_{9}$	24,698
B	18,186	$^{7}/_{9}$	14,145
C	15,078	$^{8}/_{9}$	13,403
D	6,637	$^{9}/_{9}$	6,637
E	3,452	$^{11}/_{9}$	4,219
F	1,621	$^{13}/_{9}$	2,341
G	554	$^{15}/_{9}$	923
H	37	$^{18}/_{9}$	74
	82,612		66,440
Less: Anticipated changes during the year for successful appeals against valuation banding, new properties, demolitions, disabled persons relief and exempt properties			(6,746)
Less: Local Council Tax Support Discount			(7,994)
			51,700
Less: Adjustment for collection rates			(1,137)
TOTAL Band D Equivalent			50,563

The average Council Tax for Band D dwellings for the Council and major precepting authorities was £1,658.60.

3. INCOME FROM NON-DOMESTIC RATEPAYERS

The Council collects Non-Domestic Rates for its area based on local rateable values (as determined by the Valuation Office Agency). A national revaluation came into effect in England and Wales on 1 April 2017 based on rateable values from 1 April 2015.

2017-2018		2018-2019
£129.0m	NDR Rateable Value for the area as at 31 March	£128.6m
47.9 pence	Standard NDR Multiplier	49.3 pence
46.6 pence	Small Business Rate Relief Multiplier	48.0 pence

4. CONTRIBUTION TO/(FROM) PREVIOUS YEAR'S ESTIMATED COLLECTION FUND DEFICIT/(SURPLUS)

These estimates are statutorily calculated on 15 January each year and must be used in calculating budget requirement:

2017-2018 £000	COUNCIL TAX	2018-2019 £000
(730)	St. Helens Council	(463)
(94)	Police & Crime Commissioner for Merseyside	(58)
(42)	Merseyside Fire & Rescue Authority	(26)
(866)	TOTAL	(547)

2017-2018 £000	NON-DOMESTIC RATES	2018-2019 £000
(140)	St. Helens Council	(981)
(3)	Merseyside Fire & Rescue Authority	(13)
(143)	Central Government	(338)
(286)	TOTAL	(1,332)

GLOSSARY OF FINANCIAL TERMS

ACCOUNTING POLICIES
Those specific principles, bases, conventions, rules and practices applied that specify how the effects of transactions and other events are to be reflected in its financial statements through:

(i) recognising;
(ii) selecting measurement bases for; and
(iii) presenting assets, liabilities, gains, losses and changes to reserves.

ACCRUALS
The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

AGENT/AGENCY
Where the Authority is acting as an intermediary, as opposed to on its own behalf.

AMORTISATION
The accounting technique of recognising a cost or item of income in the Comprehensive Income and Expenditure Statement or the Movement in Reserves Statement 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.

AMORTISED COST
A method of determining the Balance Sheet carrying amount and periodic charges to the Comprehensive Income and Expenditure Statement of a financial instrument based on the expected cash flows of that instrument.

CAPITAL EXPENDITURE
Expenditure on the acquisition or enhancement of a non-current asset or capital advances and loans to other individuals or other third parties.

CAPITAL FINANCING REQUIREMENT (CFR)
Introduced as a result of the Prudential Framework for Capital Accounting and measures the underlying need of the Authority to borrow for expenditure of a capital nature.

CAPITAL RECEIPTS
The proceeds from the sale of capital assets or repayment of capital advances which, subject to various limitations (e.g. Pooling obligations contained in the Local Government Act 2003) can be used to finance Capital Expenditure, invested, or to repay outstanding debt on assets originally financed through borrowing.

CARRYING AMOUNT
The amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

CASH EQUIVALENTS
Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

CASH FLOWS
Inflows and outflows of cash and cash equivalents.

COLLECTION FUND
The Collection Fund is a separate statutory fund under the provisions of the Local Government Finance Act 1988. It shows the transactions in relation to non-domestic rates, any residual Community Charge and the Council Tax, and illustrates the way in which these have been distributed to precepting Authorities and the General Fund.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)
CIPFA is the leading professional accountancy body for public services, and uniquely among the professional accounting bodies in the UK, CIPFA has responsibility for setting accounting standards, for a significant part of the economy, namely Local Government.

COMMUNITY ASSETS
Assets that the Local Authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples include parks and public open spaces.

CONDITIONS
Stipulations that specify that the future economic benefits or service potential in an asset are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

CONTINGENT LIABILITY
A condition which 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) are based on independent assessed property values. The Council sets levels of Council Tax on an annual basis under relevant statutory provisions.

CREDITORS
Financial liabilities arising from the contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied.

CREDIT RISK
The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party.

CURRENT SERVICE COST (PENSIONS)
The increase in the present value of liabilities resulting from employee service in the period.

CURTAILMENT (PENSIONS)
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 plan so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DEBTORS
Financial assets arising from the obligation to a future cash receipt for goods or services or other benefits that have been delivered or provided.

DEDICATED SCHOOLS GRANT (DSG)
The Council's expenditure on Schools is funded by grant monies provided by the Department for Education (DfE) in the form of the Dedicated Schools Grant (DSG).

DSG is a ring-fenced grant that can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services, provided 'centrally', on an Authority-wide basis and also for the Individual Schools Budget, which is divided into a budget share for each School.

This specific grant is credited to the People's Service Directorate line within Net Cost of Services in the Comprehensive Income and Expenditure Statement.

DEFINED BENEFIT PLAN
A pension or other retirement benefit plan other than a defined contribution plan. Usually, the plan rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the plan. The plan may be funded or un-funded (including notionally funded).

DEFINED CONTRIBUTION PLAN
A pension or other retirement benefit plan 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 fund does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DEPRECIATED REPLACEMENT COST (DRC)
A method of valuation which provides the current cost of replacing an asset with its modern equivalent less deductions for all physical deterioration and all relevant forms of obsolescence.

DEPRECIATION
The measure of the wearing out, consumption or other reduction in the useful life of a non-current asset over its useful economic life.

DISCRETIONARY BENEFITS
Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Authority's discretionary powers.

ESTIMATION TECHNIQUES
The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes to reserves.

EXISTING USE VALUE (EUV)
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.

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.

FINANCIAL INSTRUMENT
A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term covers both financial assets and financial liabilities and includes both the most straightforward financial assets such as trade receivables (debtors) and trade payables (creditors) and the most complex ones such as derivatives. Typical financial instruments are:-

(i) Liabilities
- Trade payables
- Borrowings
- Financial Guarantee

(ii) Assets
- Bank deposits
- Trade receivables
- Loans receivable
- Investments

Amounts relating to Council Tax, Non-Domestic Rates, Government Grants etc., are outside the scope of the accounting provisions as they are statutory issues, not arising from contracts.

FINANCE LEASE
A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee, with the asset then recognised the lessee's Balance Sheet.

FINANCING ACTIVITIES
Activities that result in changes to the size and composition of the principal, received from or repaid to external providers of finance.

GENERAL FUND
The primary revenue account which records the cost of providing the majority of the Council's services.

GOING CONCERN
An assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS AND CONTRIBUTIONS
Assistance in the form of cash or transfers of resources to an Authority in return for past or future compliance with certain conditions relating to the operation of activities of the Authority.

HERITAGE ASSETS
The Heritage Assets are assets that are held by the Council principally for their contribution to knowledge, understanding and appreciation of the Borough's history and/or culture.

HISTORICAL COST
Deemed to be the carrying amount of an asset as at 1 April 2007 or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment (if applicable).

IMPAIRMENT
A reduction in the value of a non-current asset below its carrying amount on the balance sheet.

INFRASTRUCTURE ASSETS
A class of non-current assets that are inalienable. Examples of infrastructure assets are bridges, roads and footpaths.

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 e.g. software licences.

INTEGRATED PROVISION
An arrangement permissible under the Health Act 1999 and National Health Service Act 2006 that allows partner organisations, including Local Authorities, Primary Care Trusts and NHS Trusts to work within one management structure, and in doing so increasing the ability to join up services and provide seamless services for service users.

INTEREST ON PLAN ASSETS (PENSIONS)
The annual investment return on the fund assets based on an average of the expected long-term return.

INTEREST ON PLAN LIABILITIES (PENSIONS)
The expected increase during the period in the present value of liabilities as the benefits move one year closer to being paid.

INVENTORIES
The amount of unused or unconsumed stocks held in expectation of future use or resale.

INVESTING ACTIVITIES
The acquisition and disposal of long-term assets and other investments not included in cash equivalents.

LIQUIDITY RISK
The possibility that one party will be unable to raise funds to meet its commitments associated with financial instruments.

MARKET RISK
The possibility that the value of a financial instrument will fluctuate because of changes in interest rates, market prices, foreign currency exchange rates, etc.

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.

MATERIAL/MATERIALITY
Omissions or mis-statements are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the size of the omission or mis-statement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

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 REALISABLE 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.

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, with distribution made in accordance with rules governing the Non-Domestic Rates retention scheme.

NON-CURRENT ASSETS
Assets that yield benefits to the Local Authority and the services it provides for a period of more than one year.

NON-OPERATIONAL ASSETS
Non-current assets held by a Local Authority but not directly occupied, used or consumed in the delivery of services, or for the service or strategic objectives of the Authority.

OPERATING ACTIVITIES
Activities of the Authority that are not investing or financing activities.

OPERATING LEASES
A lease that does not transfer substantially all of the risks and rewards of ownership of a non-current asset to the lessee. The asset is recognised on the lessor's Balance Sheet.

Expenditure financed by operating leasing does not count against capital allocations.

PAST SERVICE COST/GAIN (PENSIONS)
The increase or reduction in the present value of liabilities arising from decisions in the period whose effect relates to years of service earned in earlier periods.

PLAN LIABILITIES (or PLAN DEFINED BENEFIT OBLIGATIONS)
The liabilities of a defined benefit plan for outgoings due after the valuation date. Plan liabilities measured using the projected unit credit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

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 levied by one public authority on the Council in order to finance its net expenditure. The precept is then collected on the preceptor's behalf by the Council by adding the precept to its own Council Tax and paying over the appropriate cash collected.

PRESERVED RIGHT TO BUY AGREEMENT
An agreement with Helena Housing made at the time of the full transfer of the Council's housing stock to Helena in July 2002. The conditions are such that the Council is entitled to a percentage share of subsequent 'Right to Buy' sales made by Helena to qualifying tenants. The sum paid to the Council under this agreement must be classed as a Capital Receipt.

PRICE RISK
The risk that the value of financial instruments will fluctuate as a result of changes in market prices.

PROJECTED UNIT CREDIT (ACTUARIAL COST) METHOD
An accrued benefits valuation method in which the plan's liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the plan liabilities at the valuation date relate to:-

(i) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and

(ii) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

Under this method, the current service cost will increase as members of the plan approach retirement.

PROVISIONS
A liability of uncertain timing or amount.

REFCUS (REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE)
Expenditure that is classified as revenue in accordance with proper accounting practices, but which statute determines may be financed by Capital sources of funding.

RELATED PARTIES
Related parties are those individuals and entities that the Council either has the potential to influence or control (or be influenced or controlled by). Related include central government, other bodies' precepting or levying demands on the Council Tax, its members and its chief officers.

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.

RE-MEASUREMENT (PENSIONS)
The changes in estimated assets and liabilities, assessed by the actuary and arising because:

(i) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or

(ii) the actuarial assumptions have changed.

REMUNERATION
The *Accounts and Audit Regulations 2015* require the disclosure of amounts paid to Officers and define remuneration as:-

> '……..all amounts paid to or receivable by a person, and includes sums due by way of expense allowance (so far as those sums are chargeable to United Kingdom income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash.'

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 EXPENDITURE
This is money spent on the day-to-day running costs of providing services and includes salaries, goods and services. It is usually of a constantly recurring nature and produces no permanent asset.

SENIOR EMPLOYEES
Senior employees are defined under the Local Government and Housing Act 1989. Within St. Helens this is deemed to be the Strategic Directors, the Chief Executive and the person designated as the statutory Monitoring Officer of the Council.

SETTLEMENT (PENSIONS)
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.

TERMINATION BENEFITS
Amounts 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.

USEFUL LIFE
The period over which the Local Authority will derive benefits from the use of a non-current asset.

OTHER INFORMATION AVAILABLE

The Council website contains a whole host of up-to-date information on the activities of the Council and its partners (www.sthelens.gov.uk). This includes, but is not limited to, electronic versions of the documents detailed below.

Budget Book 2019-2020

Detailing the Council's budget (revenue and capital).

St. Helens Council Plan 2018/2020

St Helens First

A copy of this free community magazine is distributed to all homes in the Borough three times per year. Inside you will find all the latest Council news and updates, key information about services, interesting features, a guide to exciting events for the months ahead, and much more besides.

Council Tax Information Leaflet

This is issued annually with the Council Tax demand note to explain the Council Tax, Non-Domestic Rates and the finances of the Authority.

Council Minutes

Reference copies are kept in the Central Library or you can access online at https://www.sthelens.gov.uk/councilcommittees

For a detailed picture of St. Helens and its communities please visit info4.sthelens.gov.uk

If you experience any difficulty in obtaining any of the above or would like further details, please contact the Council's Contact Centre:

By telephone (01744 676789) during the following hours:

- Monday to Friday 8.00 a.m. to 6.00 p.m.
- Saturday 10.00 a.m. to 2.00 p.m.

Minicom: 01744 671671

In person at the offices in Wesley House, Corporation Street, St. Helens, WA10 1HF during the following hours:

- Monday to Friday 9.00 a.m. to 5.00 p.m.

By e-mail (contactcentre@sthelens.gov.uk)

Or via our online form (see www.sthelens.gov.uk/contact-us/)