

Knowsley Metropolitan Borough Council

Statement of Accounts for the year 2019/20



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NARRATIVE REPORT ON THE 2019/20 STATEMENT OF ACCOUNTS

1. INTRODUCTION

In preparing its annual Statement of Accounts, Knowsley Council adopts the relevant national and international accounting requirements. To comply with these accounting requirements, the Statement of Accounts is a long and complex document. This narrative report aims to help readers understand the Statement of Accounts. It explains the various accounting statements; provides a summary of the Council's overall financial position at 31 March 2020; and explains the most significant matters that are reported in the detailed Statements.

The report also comments on the development and the performance of the authority during the year and how that performance has been monitored through financial and non-financial performance indicators.

You can use the Council's website (www.knowsley.gov.uk) to access further related information including:

- Electronic versions of the Statement of Accounts (after the external audit inspection is complete)
- Knowsley's Council Tax information leaflet
- Council budget reports
- The Council's Corporate Plan

You can also request a version of the Statement of Accounts in a more accessible format - for example produced in a larger print. Please call 0151 443 3064 if you wish to discuss the options that are available.

2. PURPOSE OF THE ACCOUNTING STATEMENTS

The Statement of Accounts aims to help readers understand the Council's financial position at the end of the year; give assurance that expenditure was efficient and effective; and demonstrate that the Council is financially viable. To achieve this, the Statement of Accounts provides information on the following areas:

- What money was spent and received by the Council during the year.
 - The Comprehensive Income and Expenditure Statement shows the day-to-day revenue costs of providing services, and the income that Knowsley received from grants, fees and charges and Council Tax.
- What assets the Council holds, what the Council is owed and what the Council owes to others.
 - The Balance Sheet shows:
 - How much money is set aside in general balances, provisions and reserves;
 - How much money was spent on acquiring or improving assets (capital expenditure);
 - How much money is owed to the Council (debtors) and by the Council (creditors); and,
 - The Council's share of the Pensions Fund Liability.

3. THE ACCOUNTING STATEMENTS

The individual statements within the overall Statement of Accounts are as follows:

Statement of Responsibilities: This sets out the financial responsibilities of Council Members and the Council's Chief Financial Officer – the Executive Director (Resources).

Main Financial Statements

Movement in Reserves Statement: This statement shows the movement in the year on the different reserves held by the Council – analysed into 'usable' reserves (that can be applied to fund expenditure) and other reserves.

Comprehensive Income and Expenditure Statement: This summarises the Council's income and expenditure for the year. It also shows how the Council paid for the day-to-day cost of its services.

Balance Sheet: This sets out the financial position of the Council at the end of the financial year, and gives details of the Council's assets and liabilities.

Cash Flow Statement: This summarises how the Council generates and uses its cash flows by classifying them as those arising from operating, investing and financing decisions.

Explanatory Notes: Each of the main statements is accompanied by explanatory notes that provide additional analysis and help to provide a wider context to the figures.

Collection Fund: This shows the income collected from the Council Tax and Business Rates.

Accounting Policies: These explain how the Council accounts for its expenditure, income and balance sheet items using the recommended accounting practices.

4. FINANCIAL PERFORMANCE AGAINST SERVICE BUDGETS

The Comprehensive Income and Expenditure Statement shows the overall income and expenditure relating to all of the Council's services in the year; the principal sources of funding (such as Government grants and Council Tax); and the net position at the end of the year. The Comprehensive Income and Expenditure Statement shows the cost of services, with adjustments for other expenditure that relates to the Council's overall operations rather than specific service provision. The Comprehensive Income and Expenditure Statement excludes amounts set aside by the Council in reserves for future years and a number of other statutory adjustments that the Government requires to avoid any undue impact on the Council Tax payer. These adjustments are recorded in the Movement in Reserves Statement, which shows how much money has actually been added to the Council's General Fund at the end of the year.

On 6 March 2019 the Council approved a Net Revenue Budget for 2019/20 of £158.949m (£154.866m in 2018/19); this included savings of £4.427m approved by the Council for implementation in 2019/20. The net budget was funded by Retained Business Rates of £45.732m (£44.226m in 2018/19), Government "Top Up" Grant of £51.713m (£54.784m in 2018/19), other Government Grants of £8.306m (£5.254m in 2018/19) and Council Tax

receipts of £53.198m (£50.602m in 2018/19). Financial performance against approved service budgets has been monitored and reported to Members throughout the year.

As was the case in 2018/19, the main service budget pressures in 2019/20 continued to be in Children's Social Care - reflecting a combination of increased demand for high cost placements and overall increases in the average costs of placements. Whilst Knowsley has successfully mitigated much of this demand through investment in improving the quality of Children's Social Care and developing Early Help services, demand has still risen. In February 2020 the Cabinet approved a new Sufficiency Strategy to ensure that demand can be met in the most cost effective way. This was accompanied by a three-year Children's Social Care Financial Strategy which set out current and future demand and inflationary pressures (in particular the impact of contract inflation and an increasing National Living Wage) and identified a range new investments which have since been included in the Council's approved 2020/21 budget.

The Adult Social Care service is reporting a balanced position against its budget – however within this there remain underlying pressures of £3.155m relating to the delayed achievement of savings and forecast growth in demand. A balanced position is only possible after the application of one-off contingency budgets and contributions from the Adult Social Care Financial Strategy Reserve, which were previously set aside to offset the impact of the delayed savings, and the cost of increased demand. The one-off Social Care Grants from the Government are not guaranteed in future years and unless the Government identifies permanent sources of funding then these essential services will be under significant financial pressure.

The final position at the end of 2019/20 reported to Cabinet is a surplus of £1.600m. These available one-off resources were set aside as part of the Council's response to the financial impact of COVID-19.

Looking ahead, there are still significant financial challenges for the Council to manage, particularly in Adult Social Care and Children's Services. Further work must be undertaken to ensure that the Council's Social Care services are sustainable in future years, and are able to contribute towards the Council's future financial strategy. This will be a significant challenge at a time when both demand for and external scrutiny on such services are increasing and overall resources are reducing. Substantial work has already been undertaken to improve processes within these services so that robust financial management is at the heart of service decision-making.

The financial impact of Covid-19 is also clearly a major concern for the coming years and this is dealt with below in this report.

5. REVIEW OF COUNCIL PERFORMANCE DURING THE YEAR

The Council's three-year Corporate Plan 2017-2020 sets out the following priorities:-

- (a) Maximise the Council's contribution to education in Knowsley;
- (b) Maximise the Council's contribution to the health and wellbeing of Knowsley residents;
- (c) Provide high quality and sustainable Adult Social Care;
- (d) Accelerate business growth, new jobs and new housing; and,
- (e) Create a sustainable Borough.

The Authority has a Delivery Programme, which includes the key actions and projects which Council services will focus on in order to contribute to the above priorities.

Each year, linked to a refresh of the Medium-Term Financial Strategy, the Council reviews its Corporate Plan to determine if there are additions and/or amendments required. In March 2019, the Council considered the outcomes of the review for 2019/20 and agreed that the current priorities within the Corporate Plan remain valid.

The review also brought further focus and detail for 2019/20 to some existing priorities and key activities:-

- Develop and implement a new Education Improvement Programme for Knowsley;
- Implement Knowsley's Dementia Strategy and Older People's Strategy;
- Identify and implement a sustainable model for Adult Provider Services;
- Access Liverpool City Region funding to accelerate growth;
- Facilitate the implementation of master plans for localities and town centres;
- Continue to accelerate the building of attractive housing through the implementation of the Local Plan, planned disposal of Council-owned brownfield sites, and partnership working with housing developers;
- Work in partnership to deliver and secure the Shakespeare North Playhouse and other evening economy assets;
- Adopt a new style of delivery, built on working with local communities and partner agencies to deliver shared solutions – a key aspect of this is the Knowsley Better Together programme. This will include the establishment of a single community fund to be managed by the Cabinet.
- Establish a new permanently funded team to tackle anti-social behaviour.

During the year (19 June 2019 and 20 November 2019) the Council's Cabinet considered updates on progress against the outcomes and priorities set out in the Corporate Plan. Both of those reports identified that good progress was being made. There has been significant investment in Adult and Children's Social Care to help manage increased demand; particularly in Early Intervention and Prevention which is a key principle of the Council's emerging partnership-led 2030 Strategy.

Members also recognised the inclusion of an additional Strategic Risk in respect of Brexit. Previously, this was listed as a risk to the Council's growth agenda but was added to the Corporate Risk Register as a separate risk in that it could potentially impact on a number of the Council's priorities and services.

In the November report it was noted that whilst excellent progress is being made during 2019/20, the Borough does still face difficult challenges. The Borough remains at second position in England's Index of Multiple Deprivation. The Borough has pockets of significant need and the causes of this need are complex.

The Council is currently considering the impact of the COVID-19 pandemic and will be considering a revised Corporate Plan focused on recovery from the pandemic at the meeting of the Cabinet on 29 July 2020. There is potential, therefore, that some of its priorities may change. It is anticipated that the pandemic may have widened Knowsley's inequalities.

Prior to the COVID crisis, the Council was already working closely with its partner agencies in dealing with Knowsley's deprivation challenges. The Knowsley Better Together approach has been developed to shape how the Council, its partner agencies and local communities should respond to these areas of challenge and opportunity. COVID-19 has heightened the challenges but the effective response of the Council, its partners and its communities has

presented opportunities to build on into the long term. A new long-term strategy for the Borough – “Knowsley 2030” – will set out an updated vision and priorities to achieve for the Borough by 2030. The first year of this plan will focus on the Council, its partners and its communities working together to enable Knowsley to recover from the long-term consequences of COVID-19.

The COVID-19 pandemic has also meant that the Council has had to defer its Corporate Plan outturn monitoring report for 2019/20 until the Cabinet meeting on 29 July 2020. That report will set out full details of performance at the end of the year against the Council’s priorities, and also will provide a full update on the Council’s corporate and strategic risks.

6. THE COUNCIL’S ASSETS AND LIABILITIES

The Balance Sheet and the accompanying notes show the Council's financial position at the year end and reflect everything that the Council owes and is owed at that date. As a result of the Comprehensive Income and Expenditure Statement final position, the total General Fund balance at 31 March 2020 remained at £4.984m which is still in line with the Council’s approved policy to provide a prudent financial safety-net for unforeseen events.

Council Reserves

At 31 March 2020, the total of the Council’s earmarked reserves was £37.310m (excluding those held by schools and reserves that the Council holds on behalf of other partners) (£45.063m as at 31 March 2019). The Council’s reserves underpin the strategy for the regeneration and sustainability of the Borough, and will be even more essential to help the Borough recover from the economic impacts of COVID-19.

The Council’s current reserves include £2.7m for Adult Social Care pressures, £3.4m for the Shakespeare North Playhouse, £1.6m for the Regeneration of Huyton Village Centre, £1.5m to support unemployed residents into work, and £1.3m in the Council’s Self-Insurance Fund. The Council is clear that these reserves must not be used to fund COVID-19 pressures in order to reduce the amount which central Government has to contribute. If the reserves did have to be used to subsidise the impact of COVID-19, then these regeneration and improvement projects will have to be scaled back or cancelled, which would run counter to the Borough’s recovery prospects.

On 4 March 2020, the Council agreed a level of General Balances of £5m for 2020/21 (representing 3% of the net revenue budget) which was appropriate in case of unplanned demand or costs arising from its core service provision. Those balances are still needed for that purpose and ideally should not be reallocated to fund COVID-19 pressures. If the Council did have to use its balances to subsidise the cost of COVID-19, this would increase the risk of the Council being unable to fund any significant overspends against service budgets arising during 2020/21. This is a real risk given the potential cost increases and pressure in Adult Social Care and the ever-present upward cost and demand pressures in terms of Children’s Social Care placements. Balances would also have to be replenished in the next financial year to mitigate future financial risks.

More generally, the Council avoids using one-off reserves to fund permanent budget gaps - because the Government's cuts to local authority funding are permanent, but reserves can only be used once which would only delay rather than reduce the need to make future savings. However, the seriousness of the Authority's financial challenges mean that the Council's financial strategy has, in previous years, included the limited use of one-off resources to help manage the impact of Government funding cuts over the medium term. The need for this approach to be adopted in future will continue to be kept under review.

Borrowing and Investments

The Council's Treasury Management Strategy is based upon the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management in Local Authorities (the Treasury Management Code). Each year the Council approves its Treasury Management Strategy for the following year, and the Governance and Audit Committee is responsible for ensuring the effective review of the Treasury Management Strategy and performance during the year. The Treasury Management Strategy for 2019/20 was reported to the Governance Committee on 4 February 2019 and was subsequently approved by the Council on 6 March 2019.

The authorised limit for external debt for the Council for 2019/20 was £320m (£320m in 2018/19). The actual level of outstanding long-term and short-term debt at the year-end totalled £279m which included £125m of liabilities related to the Council's Private Finance Initiative schemes (£247m as at 31 March 2019 including £130m of liabilities relating to the Private Finance Initiative schemes).

At 31 March 2020, the Council had £108.792m of long term borrowing (compared to £109.043m in 2018/19). This included £101.258m of loans from the Public Works Loans Board. Included in the balance is £1.234m relating to debt transferred on the local government reorganisation in 1974 and 1986. At 31 March 2020 the Council held cash and investments of £63.990m (the 2018/19 figure totalled £61.300m).

The Council paid £10.301m of interest and similar charges in year for its Private Finance Initiative schemes (2018/19 £10.650m) and a further £4.935m (2018/19 £4.915m) on its treasury management activities. The Council received £1.607m of interest and investment income during the year (2018/19 £1.308m).

The Council's bank overdraft facility amounts to £0.100m, but cash balances are monitored on a daily basis and investments adjusted to ensure any overdraft charges are minimised.

Capital Expenditure

All capital expenditure, and how the Council paid for it, is included within the Balance Sheet items and the accompanying notes. In 2019/20, the Council incurred significant capital expenditure on acquiring or improving Council buildings and other capital assets. This included the acquisition of Kirkby Town Centre (£23.209m), the beginning of the construction of the Shakespeare North Theatre (£4.941m); and a wide ranging Highways Maintenance and Planning programme (£3.848m). The total amount of grant and other contributions that was spent during 2019/20 was £22.267m. There were also schemes totalling £14.653m which were funded by Council borrowing; a full analysis of this borrowing is given in the notes to the accounts.

Pension Fund Liability

The Balance Sheet also reflects the Council's participation in the Local Government Pension Scheme (administered by Merseyside Pension Fund). At the end of 2019/20 the Council's share of the overall Fund liability (excluding Teachers) was £325m – compared with £361m the previous year. The main reasons for the decrease are a fall of 0.1% in the inflation assumption and a decrease in life expectancy assumptions.

While the Accounts show the pension liability position at 31 March 2020, in reality the actual pension payments will not be made until many years into the future. Therefore in the short term the Council's share of the overall Fund liability has a significant negative impact on the net worth of the Council. This will however be recovered, as the Council pays contributions into the Pension Fund at a rate which is calculated by the Fund's actuary to ensure that the position is balanced in the longer term based upon forecast movements in investment values and changes in actuarial assumptions.

7. MAJOR INFLUENCES ON THE 2019/20 ACCOUNTS

During the year there have been a number of developments that have had a particular influence on the Council's accounts. The major items are set out below:

Financial Strategy for Managing the Cuts in Local Government Funding

As a result of continued cuts to Knowsley's funding, the Council has had to make cuts in its budget of over £100m since 2010. Knowsley has been one of the hardest hit Councils in the country in terms of the Government's funding cuts, and has had to make big changes to the way in which it provides services – by changing the way we do things, cutting jobs, reducing the frequency of services and in some cases stopping doing things altogether.

The Government is planning to withdraw the majority of Knowsley's grant funding by 2020, so the Council has to do all it can to generate more income locally through Council Tax and Business Rates. Taking a positive approach to securing economic growth is the only way that the Council can continue to provide the services that residents rely on.

There continue to be new expenditure pressures being faced by the Council – and these are particularly significant in Adult's and Children's Social Care where the cost and demand for services continues to increase. In recent years the Government has encouraged Councils to raise Council Tax to cover the shortfall by setting an Adult Social Care Precept of 3%. While these additional resources will help, there will still be a significant budget shortfall in Social Care over the coming years. This is a national concern which Local Authorities will be unable to fund locally and therefore requires a longer-term Central Government funding solution.

Kirkby Town Centre – Strategic Acquisition and Land Development

The successful regeneration of Kirkby town centre has long been a strategic priority for the Council, but has been impeded by the majority of the town centre being in the ownership and control of a succession of private sector companies which have failed to deliver on a series of promises to local communities. In 2019 the Council agreed to take a direct intervention through the acquisition and development of the town centre – with a total investment of £43.8m. This includes the purchase of the existing town centre (87 shops and 12.4 acres of

land), construction of the new retail development, stamp duty and fees. The deal will pave the way for the creation of a 94,000 sq ft of space across 9 new retail units, a supermarket, a petrol station, and improved car parking. The cost of the programme comprises £23.2m on the acquisition of the existing town centre and associated land plus a further £20.6m on the new retail development.

The council's investment will lead to around 500 new jobs being created in Kirkby once the new stores are open and fully occupied, alongside 278 construction jobs during the building phase. This will help to create a £15.3m boost to the local economy each year. In addition, it is anticipated that the completed scheme will generate £650,000 per annum in Business Rates income which can be ploughed back into key public services

The council will pay for the deal by borrowing the initial sum and paying the debt back from the rental income generated from new and existing businesses in the town centre and also by eventually selling some of the land acquired. The council also reached agreement with the Liverpool City Region Combined Authority for a contribution of £10m towards the costs of the scheme.

The impact of the programme during 2019/20 is reflected in the Council's 2019/20 Balance Sheet as an increase in the Council's assets of £23.1m, arising from the acquisition of Kirkby Town Centre and a further £1m arising from initial expenditure on the new retail development. Of this, £14.1m has been funded through Council borrowing and £10m has been funded through the contribution from the Liverpool City Region Combined Authority.

Pension Fund

In preparing the pensions figures for inclusion in the Accounts, the Pension Fund Actuaries make a number of assumptions about potential future influences on the levels of payable benefits and the value of the assets and liabilities of the Pension Fund. This will include assumptions about the future value of benefits, inflation, growth in salaries, life expectancy, retirement ages etc.

As in previous years the Council has agreed with the Merseyside Pension Fund that the Council's employer contribution to the Fund can be managed more effectively by using cash balances to fund the payment of its past-deficit costs in one year rather than spreading them over three years. The Council therefore made an upfront payment of £28.820m which was funded during 2018/19 by cash balances which were replenished over the following two years from annual budgets set aside for this purpose.

Academy Transfers

During 2019/20 only one of the Council's Schools transferred to Academy status. However, as this is a voluntary aided school the assets are not on the Council's balance sheet and therefore there has been no effect.

8. FINANCIAL IMPACT OF THE COVID-19 PANDEMIC

Since March 2020 Knowsley has undertaken significant work to monitor and forecast the cost pressures and the loss of income arising from the Covid-19 pandemic. The scale of the financial impact remains very uncertain, and will depend very much on the ability of businesses and the local economy to recover after local restrictions cease. The financial impact on the Council will also depend upon the extent to which the Government provides funding to cover the costs and lost income – not just in 2020/21 but also in subsequent years.

Full details have been reported to the Council's Cabinet during the year, setting out the forecast impact; the way in which the Council should respond; and the ongoing impact on its financial strategy. At the time of writing, it is expected that the Council will not face significant unfunded pressures in 2020/21; however, the impact for the longer term remains challenging due largely to the potential for ongoing reductions in the Council's tax base. The Council is continuing to work with the Ministry of Housing, Communities and Local Government to discuss what funding the Council will need.

James Duncan, CPFA
Executive Director (Resources)
30 June 2020

STATEMENT OF RESPONSIBILITIES

THE AUTHORITY'S RESPONSIBILITIES

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Executive Director (Resources);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and,
- arrange the approval of the Statement of Accounts by the Governance and Audit Committee.

THE EXECUTIVE DIRECTOR (RESOURCES)'S RESPONSIBILITIES

The Executive Director (Resources) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA)/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this Statement of Accounts, the Executive Director (Resources) has:


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

The Executive Director (Resources) has also:

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

EXECUTIVE DIRECTOR (RESOURCES)'S STATEMENT

I certify that the Council's 2019/20 Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.



JAMES DUNCAN CPFA
Executive Director (Resources)
23 November 2020

STATEMENT OF THE CHAIRMAN OF THE GOVERNANCE COMMITTEE

I confirm on behalf of the Council that these accounts and the outcome of the audit of them were approved by the Governance and Audit Committee at its meeting on 23 November 2020.



COUNCILLOR A FLUTE
Chairperson of the Governance and Audit Committee
23 November 2020

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.

2018/19 (Restated)				2019/20		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000	Notes	£000	£000	£000
171,750	(140,950)	30,800		184,306	(142,106)	42,200
46,013	(26,410)	19,603		46,078	(29,342)	16,736
22,866	(15,814)	7,052		5,710	(5,448)	262
113,213	(60,915)	52,298		120,461	(58,814)	61,647
18,743	(11,226)	7,517		17,204	(10,022)	7,182
102,205	(78,441)	23,764		93,718	(67,133)	26,585
474,790	(333,756)	141,034		467,477	(312,865)	154,612
29,447	(797)	28,650	9	19,617	(3,678)	15,938
46,461	(23,886)	22,575	10	43,781	(22,456)	21,325
0	(165,563)	(165,563)	11	0	(195,587)	(195,587)
550,698	(524,002)	26,696		530,875	(534,586)	(3,712)
		(2,650)	24			(7,259)
		427	24			650
		363	24			2,723
		35,180	41			(62,184)
		33,321				(66,070)
		60,017				(69,782)

Note to the Comprehensive Income and Expenditure Statement

During 2019/20, the Council underwent a service reporting review and as a result services have moved reporting categories. The 2018/19 figures in the Comprehensive Income and Expenditure Statement have therefore been restated to reflect these new reporting categories. The below table summarises the movement between categories.

Revised Service Headings

Previous Service Headings	Children's Services	Communities and Neighbourhoods	Council Wide	Health and Social Care	Regeneration and Economic Development	Resources	Total
Net Expenditure £000	Net Expenditure £000	Net Expenditure £000	Net Expenditure £000	Net Expenditure £000	Net Expenditure £000	Net Expenditure £000	Net Expenditure £000
Adult Social Care	-	-	-	51,208	-	-	51,208
Children's Social Care	25,112	-	-	-	-	-	25,112
Council Wide	-	-	6,183	-	-	2,087	8,270
Customer and Employees	-	141	869	-	-	9,733	10,743
Early Help	4,821	-	-	-	-	-	4,821
Economic Development	-	-	-	-	3,467	900	4,367
Education Improvement and Inclusion Service	5,546	-	-	-	-	-	5,546
Environmental Health	-	1,431	-	-	-	-	1,431
Financial Management and Exchequer Services	-	-	-	-	-	3,408	3,408
Governance	-	14	-	-	-	3,013	3,027
Neighbourhoods	(98)	10,313	-	-	4	-	10,219
Policy and Partnerships	-	-	-	-	-	2,051	2,051
Public Health and Wellbeing	-	(1,937)	-	1,090	-	2,572	1,725
Regeneration and Housing	-	9,641	-	-	4,046	-	13,687
Schools	(4,581)	-	-	-	-	-	(4,581)
Total	141,034	30,800	19,603	7,052	52,298	7,517	23,764
							141,034

In addition, the Financing and Investment Income and Expenditure figures for 2018/19 have been restated to show income and expenditure on a gross rather than net basis.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into ‘usable reserves’ and ‘unusable reserves’. Usable reserves are those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use such as the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt. The Unusable reserves are those that the Council is not able to use to provide services. This category of reserves include those that hold unrealised gains or losses, for example the Revaluation Reserve, where amounts would only become available to provide services if the assets are sold. The surplus or deficit on the provision of services line shows the true economic cost of providing the Council’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The net increase or decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Un- applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2019	(4,984)	(50,432)	(55,416)	(1,560)	(1,292)	(58,268)	113,379	55,111
Movement in reserves during 2019/20								
(Surplus) or deficit on the provision of services	(3,712)		(3,712)			(3,712)		(3,712)
Other Comprehensive Income / Expenditure							(66,070)	(66,070)
Total Comprehensive Income and Expenditure	(3,712)	0	(3,712)			(3,712)	(66,070)	(69,782)
Adjustments between accounting basis and funding basis under regulations	(4,907)		(4,907)	1,395	602	(2,909)	2,909	0
Net Increase or Decrease before Transfers to Earmarked Reserves	(8,619)	0	(8,619)	1,395	602	(6,621)	(63,161)	(69,782)
Transfers to / from Earmarked Reserves	8,619	(8,619)	0			0	0	0
Increase or Decrease in 2019/20	0	(8,619)	(8,619)	1,395	602	(6,621)	(63,161)	(69,782)
Balance at 31 March 2020	(4,984)	(59,051)	(64,035)	(164)	(690)	(64,889)	50,217	(14,672)

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	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Un- applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2018	(4,984)	(31,466)	(36,450)	(2,073)	(1,492)	(40,015)	33,879	(6,136)
Movement in reserves during 2018/19								
(Surplus) or deficit on the provision of services	26,696		26,696			26,696		26,696
Other Comprehensive Income / Expenditure							33,321	33,321
Total Comprehensive Income and Expenditure	26,696	0	26,696			26,696	33,321	60,017
Adjustments between accounting basis and funding basis under regulations	(45,662)		(45,662)	513	199	(44,949)	44,949	0
Net Increase or Decrease before Transfers to Earmarked Reserves	(18,965)	0	(18,965)	513	199	(18,253)	78,269	60,017
Transfers to / from Earmarked Reserves	18,965	(18,965)	0			0	0	0
Increase or Decrease in 2018/19	0	(18,965)	(18,965)	513	199	(18,253)	78,269	60,017
Balance at 31 March 2019	(4,984)	(50,432)	(55,416)	(1,560)	(1,292)	(58,268)	113,379	55,111

Balance Sheet

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

31 March 2019			31 March 2020
£000	Notes		£000
462,714	12	Property, Plant and Equipment	479,139
437	13	Heritage Assets	491
38,017	14	Investment Property	59,449
880	15	Intangible Assets	508
27,490	16	Long-Term Investments	26,797
290	16	Long-Term Debtors	300
529,827		Long Term Assets	566,684
11,001	16	Short-Term Investments	0
30,959	20	Assets Held for Sale	25,647
532	17	Inventories	526
32,600	18	Short-Term Debtors	47,974
22,809	19	Cash and Cash Equivalents	37,193
97,901		Current Assets	111,340
(7,911)	16	Short-Term Borrowing	(44,972)
(47,562)	21	Short-Term Creditors	(38,890)
(3,621)	22	Provisions	(1,671)
(556)	34	Grants Receipts in Advance - Capital	(12)
(59,651)		Current Liabilities	(85,545)
(11,678)	22	Provisions	(9,792)
(109,043)	16	Long-Term Borrowing	(108,792)
(377,249)	41	Pension Liability	(339,296)
(125,219)	37&38	Other Long-Term Liabilities	(119,927)
(623,189)		Long Term Liabilities	(577,807)
(55,111)		Net Assets	14,672
(58,268)	23	Usable Reserves	(64,889)
113,379	24	Unusable Reserves	50,217
55,111		Total Reserves	(14,672)

Cash Flow Statement

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

2018/19		2019/20
£000		£000
26,696	Net (surplus) or deficit on the provision of services	(3,712)
(68,842)	Adjustment to surplus or deficit on the provision of services for noncash movements	(16,605)
21,993	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	29,044
(20,153)	Net cash flows from operating activities	8,727
(6,608)	Net cash flows from investing activities	8,605
18,257	Net cash flows from financing activities	(31,716)
(8,504)	Net (increase) or decrease in cash and cash equivalents	(14,384)
14,305	Cash and cash equivalents at the beginning of the reporting period	22,809
22,809	Cash and cash equivalents at the end of the reporting period	37,193

Note 1 - Accounting Policies

A General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its overall financial position as at 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require them 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 2019/20 (the Code), supported by International Financial Reporting Standards (IFRS).

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

B Accounting Concepts

In accordance with the Code, the Council has adopted a number of principles to be followed in selecting accounting policies to be used and the corresponding use of disclosures needed to help users understand those adopted policies and how they have been implemented.

In doing so, the Council intends that the policies adopted are those most appropriate to its particular circumstances for the purposes of presenting a true and fair view of the financial position and transactions of the Council. Policies are reviewed regularly to ensure that they remain appropriate, and are changed when a new policy becomes more appropriate to the Council's circumstances. A full disclosure of any such changes will always be provided.

The concepts that the Council has regard to in selecting and applying the most appropriate policies and estimation techniques are:

- The qualitative characteristics of financial information
 - relevance
 - reliability
 - comparability
 - understandability
 - materiality
- Pervasive accounting concepts
 - accruals
 - going concern
 - primacy of legislative requirements

Accounting policies can be defined as the principles, bases, conventions, rules and practices applied, that specify how the transactions and other events are to be reflected in the financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, losses and changes in reserves.

Materiality

Accounting policies need not be applied if the effect of applying them would be immaterial. Omissions or misstatements of items are considered material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances.

Although the Code prescribes the requirements for disclosures in the accounts, the Council need not provide a specific disclosure if the information is not material.

Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services supplied by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is 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 there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Going Concern

The accounts are prepared on a going concern basis which assumes that the Council will continue in existence for the foreseeable future and that there is no intention to significantly reduce operations. It is management's judgement that it is appropriate to prepare the accounts on this basis.

Primacy of Legislative Requirements

Where specific legislative requirements conflict with accounting principles, legislative requirements are applied.

C Balances

The Council's un-earmarked general balances will be assessed annually by the Executive Director (Resources) to ensure that they are maintained at an adequate level taking into account the strategic, operational and financial risks facing the authority.

D Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. The Council has classified deposits with Money Market Funds and call accounts as cash equivalents within the Balance Sheet.

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

E Changes in Accounting Policies and Estimates and Errors

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

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 and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Where the basis for measurement of an amount is uncertain, the Council will use a suitable estimation technique determined by the Executive Director (Resources). Where a reasonable estimate has been made, but is subsequently identified as being insufficiently accurate, the Executive Director (Resources) will amend the Accounts accordingly. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change.

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

F Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, impairment and revaluation losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. This amount is known as the Minimum Revenue Provision (MRP) and is calculated by the Council on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, impairment and revaluation losses and amortisations are therefore reversed and replaced by the MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

G Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic (NDR) rates on behalf of the major preceptors (including Government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain separate fund (Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionally the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the year-end balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. Where debtor balances are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

H Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those falling due wholly within 12 months after the end of the period in which the employees render the related service. These include items such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, and are recognised as an expense in services in the year. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The Council is not required to raise council tax to cover this accrual and so it is therefore reversed by way of an adjusting transaction with the Accumulated Absences Account in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These benefits are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to either terminating the employment of an officer or group of officers, or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Authority are members of the following pension schemes:

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

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Schools service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The Public Health and Wellbeing Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of Merseyside Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using appropriate discount rates (based on the indicative rate of return on high quality corporate bond).

The assets of the fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities at current bid price;
- unquoted securities at professional estimate;
- unitised securities at current bid price; and
- property at market value.

The change in the net pension's liability is analysed into five components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the Council Wide service line;
- Net interest on the net defined benefit liability (asset) – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments;
- Remeasurements – these comprise of the return on plan assets, excluding amounts included in the net interest on the net defined benefit liability (asset), and is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure. Remeasurements also include actuarial gains and losses which are the result of changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
- Contributions paid to the fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

I Events After the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

J Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

K Financial Liabilities

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

The Council's borrowing presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

Where premiums and discounts 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 Authority 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.

L Financial Assets

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

- amortised cost;
- fair value through profit and loss; and
- fair value through other comprehensive income.

Financial Assets Measured at Amortised Cost

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

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost and fair value through other comprehensive income, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit and Loss

Financial assets that are measured at Fair Value through Profit and Loss are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets that are measured at fair value through other comprehensive income are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive and are taken to an unusable reserve, the Financial Instruments Revaluation Reserve.

Certain equity instruments which are measured at fair value through profit and loss may be classed as fair value through other comprehensive income instead if an irrevocable election is made to do so. The Council has made an irrevocable election to account for its equity instruments as fair value through other comprehensive income rather than fair value through profit and loss.

M Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at year end, they are re-converted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

N Government Grants and Contributions

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

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset received in the form of grant or contribution are required to be consumed as specified or returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund 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 Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

A grant or contribution that becomes repayable shall be accounted for as a revision to an accounting estimate. Repayment shall first be applied to any receipt in advance set up in respect of the grant or contribution. To the extent that the repayment exceeds any such receipt in advance, or where no receipt in advance exists, the repayment shall be recognised within the Comprehensive Income and Expenditure Statement as an expense.

O Heritage Assets

Heritage assets are those with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. Heritage assets are a distinct class of asset which is reported separately from property, plant and equipment.

Heritage Assets are measured at depreciated historical cost. They are not revalued as part of the Council's rolling programme, however the carrying value of Heritage Assets would be reviewed if there is evidence of impairment. The Council's Heritage Assets includes artwork around the borough, and these are recognised at historic cost.

P Internal Interest

Internal interest is paid to or received from certain accounts, such as school balances, and is included in the Comprehensive Income and Expenditure Statement as contributions to or from reserves. The interest is calculated on the basis of average monthly balances and the 7-day money market rate.

Q Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licenses) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

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

Intangible assets are measured initially at cost. Amounts are not revalued, as the fair value of the assets held by the Council cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

R Interests in Companies and Other Entities

Councils with material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures are required to prepare group accounts. In such cases, the Council's own single-entity accounts will reflect the interests in companies and other entities as financial assets at cost, less any provision for losses.

Volair Ltd is a not for profit organisation, established on 1 April 2016, and wholly owned by the Council. Employing about 140 staff it delivers a wide range of leisure services. The Council will not prepare group accounts in its financial statements as the balances, transactions and cash flows of Volair Ltd are not considered to be material.

S Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the first in first out basis.

T 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 or production of goods or is held for sale.

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 arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the 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.

U Joint Operations

Jointly operations are arrangements where the parties that have joint control of the arrangement have the rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the authority as a joint operator recognises:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and,
- its expenses, including its share of any expenses incurred jointly.

Under Section 31 of the Health Act 1999, the Council is able to establish joint working arrangements with NHS bodies and to pool funds from the two organisations to create a single budget. Where pooled budgets are established, the Council's accounts reflect only the Council's share of the overall budget and exclude the share attributable to partner organisations.

V Leases

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

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

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

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is 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), matched by a Debtor in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

The written-off value of disposals is not a charge against council tax, as the cost of 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.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

W 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.

X Property, Plant and Equipment

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

Recognition

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

Where a component of an asset is replaced or restored, the current net book value of the old component shall be removed to avoid double counting and the new component reflected in the net book value. In line with the Council's approach to componentisation, only assets where changes would significantly affect the carrying value in the Balance Sheet will be separated into components.

Measurement

Assets are initially measured at cost, comprising:

- 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 whilst assets are under construction.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction – depreciated historical cost;
- council offices – current value determined as the amount that would be paid for the asset in its existing use (existing use value – EUV);
- school building – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value;
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective; and
- all other assets – current 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 fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. The Council carries out a rolling programme that ensures that all Property, Plant and Equipment measured at current value is revalued at least every five years. All valuations are carried out internally and have an effective date of 31 March. Valuations of land and building are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a revaluation loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gain).
- where there is no balance in the Revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains 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.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Depreciation

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

Depreciation is calculated on the following bases:

- Buildings and community assets – straight-line allocation over the useful life of the property as estimated by the valuer;
- vehicles, plant and equipment – straight-line allocation over the useful life of the asset as advised by a suitably qualified officer; and
- infrastructure – straight-line allocation over 50 years.

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

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

Disposals and Non-current Assets Held for Sale

When it becomes 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 following criteria have to be met before an asset can be classified as held for sale:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets.
- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset must be actively marketed for a sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. Assets that are to be abandoned or scrapped are not reclassified as 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 gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the 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.

Y Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

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

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

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator; and
- lifecycle replacement costs – recognised as additions to Property, Plant and Equipment on the Balance Sheet when the relevant works are carried out.

Z Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation. They 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, and are classified as current or non-current liabilities on the Balance Sheet.

When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes likely that a payment will not be made or the estimated liability is reduced, the provision is reversed and credited back to the relevant service.

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

Provision for Back Pay Arising from Unequal Pay Claims

The Council has made a provision for the costs of settling potential compensation claims incurred under the Equal Pay Act (Amendment) Regulations 2003 in relation to equal pay for work equal value. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. The provision may therefore be balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund balance in the year the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back to the General Fund balance in the Movement in Reserves Statement in future financial years as payments are made. The figure included in the accounts does not indicate an expected settlement figure and does not prejudice the Council's ongoing negotiations on this matter.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

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

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

AA Reserves

In addition to its general balances, the Council also sets aside resources specifically for future policy developments, to cover contingencies or for specific areas of future risk. This allows the Council to manage the impact of its spending in a planned and prudent way. These resources are kept under review by the Executive Director (Resources) as part of ongoing budget monitoring processes, and outcomes are reported to the Cabinet throughout the year, so that decisions can be made on any reallocations.

Reserves are created by transferring amounts out of the General Fund Balance. 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 transferred back into the General Fund Balance 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 and retirement benefits and that do not represent usable resources for the Council – these reserves are explained in the relevant notes to the accounts.

AB Revenue Expenditure Funded from Capital under Statute

Revenue expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or 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.

AC Schools

The Code confirms that the balance of control for local authority maintained schools (those categories of school identified in the School Standards and Framework Act 1998) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore schools' transactions, cash flows, and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

AD Value Added Tax

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.

AE Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings 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 using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy as follows:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date;
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; or,
- Level 3 inputs – unobservable inputs for the asset or liability.

Note 2 - Accounting Standards Issued, Not Adopted

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

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheet as right-of-use assets with corresponding lease liabilities. CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2021. The impact is not yet estimable.
- IAS 19 Employee Benefits will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1 April 2020 and as it is not known what plan changes there may be in each year, no prediction can be made of the possible accounting impact.

Note 3 - Critical Judgements in Applying Accounting Policies

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Accounting for Schools

The Council recognises the land and buildings used by schools in line with the requirements of the Code of Practice. Property used by schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises the schools assets for Community Schools on its Balance Sheet as it directly owns those assets. For the Voluntary Aided schools, the legal ownership of the land and buildings rests with the Diocese and Archdiocese who grant a license for the schools to use them. Under this license agreement, the rights of use of the land and buildings have not transferred to the school and have therefore not been included in the Council's Balance Sheet.

Academies are not included on the Council's Balance Sheet as the Council does not control their use. When a school on the Council's Balance Sheet transfers to Academy status the Council has treated this transfer as a disposal for nil consideration on the Balance Sheet rather than an impairment.

Private Finance Initiative Assets

The Council has entered into a Private Finance Initiative (PFI) arrangement with Transform Schools for the provision of seven Centres for Learning and one Special Educational Needs School. The contract includes Hard Facilities Management for a period of 25 years from service commencement, with a contract expiry date of 31 August 2034.

The Council has also entered into a further PFI arrangement with Tay Valley Lighting to deliver street lighting and traffic sign services for a 25 year period.

Following the guidance given in the Code and the International Financial Reporting Interpretations Committee interpretation for service concession arrangements (IFRIC 12), the Council had previously concluded that the four Centres for Learning which are Community schools, the special educational needs school, and the street lighting and traffic signs should

remain on the Balance Sheet. However, during 2013/14 three of the Centres for Learning transferred to Academy status and the Council has treated this transfer as a disposal for nil consideration on the Balance Sheet.

Group Accounts

The Council, where it has an interest in entities that would otherwise be regarded as subsidiaries, associates or joint ventures, is required to produce group accounts. On 1 April 2016, the Council created a new organisation (Volair Ltd) to deliver leisure services across the borough. Volair is a wholly owned subsidiary of the Council and a not for profit company. As such, from April 2016, the income and expenditure relating to leisure services are not included in the Council's single entity accounts. The Council will not prepare group accounts in its financial statements as the balances, transactions and cash flows of Volair Ltd are not considered to be material.

Valuation and Componentisation of Property, Plant and Equipment

Under the Code guidelines, each component of an item of Property, Plant and Equipment should be separately identified and depreciated where the cost is significant in relation to the total cost of the asset. Authorities are only required to follow these requirements where significant components of material items of Property, Plant and Equipment have been identified. The Council has determined that only assets or groups of assets with a value of above £100m will be considered for componentisation.

Assets Held for Sale

The Council has included £17.2m of Strategic Housing Land Sites within Assets Held for Sale on the Balance Sheet.

The following criteria have to be met before an asset can be classified as held for sale:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets.
- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset must be actively marketed for a sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification.

These sites have been categorised as Assets Held for Sale as contracts have been signed between the Council and the developers for the provision of housing and building is well underway. Developers have been granted a building lease until the freehold of the individual houses have been sold. Therefore, the Council keeps these sites on Balance Sheet until houses have been sold to individuals.

Note 4 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made 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 Council Balance Sheet as at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Property, Plant and Equipment – assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance on them. If the useful life of assets is reduced then depreciation will increase and the carrying amount of the asset on the Balance Sheet will fall. As at 31 March 2020, the value of Property, Plant and Equipment held on the Balance Sheet is £479.139m.
- The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of the value of Property, Plant and Equipment and Investment Properties. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of ‘material valuation uncertainty’ as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy.
- Pensions Liability – estimation of the net liability in relation to the Merseyside Pension Fund depends on a number of complex judgements determined by the Funds appointed actuaries. Changes in these assumptions can have a significant impact on the net liability. As at 31 March 2020, the total pension liability, including Teachers Pensions is £339.296m, however a 0.1% increase in the assumed discount rate would reduce the pension liability by £16.901m, and a 1 year increase in assumed life expectancy would increase the liability by £29.561m. The Council’s net pension liability included in the Balance Sheet and disclosed at Note 41, includes an estimate of the total value of the Council’s share of the Merseyside Pension Fund investment assets. The valuation of the Fund’s property investments has been impacted by COVID-19 and reported on the basis of ‘material valuation uncertainty’ as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the Council’s share of these Pension Fund assets. The Council’s actuary has estimated that the value of the Council’s share of these property investment assets as at 31 March 2020 was £76.198m.

Note 5 - Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Executive Director (Resources) on 30 June 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 6 - Expenditure and Funding Analysis

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

Net Expenditure Chargeable to the General Fund Balance	2018/19 (Restated)	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund Balance	2019/20	Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments			Adjustments	
£000	£000	£000	£000	£000	£000
45,463	13,682	30,800	Children's Services	31,301	42,200
19,747	5,264	19,603	Communities and Neighbourhoods	16,597	16,736
7,871	488	7,052	Council Wide	(1,878)	262
8,641	7,099	52,298	Health and Social Care	53,989	61,647
4,029	15,676	7,517	Regeneration and Economic Development	(1,087)	7,182
787	4,444	23,764	Resources	19,523	26,585
94,383	46,653	141,034	Net Cost of Services	118,445	154,612
(113,348)	(991)	(114,338)	Other Income and Expenditure	(127,064)	(158,324)
(18,965)	45,662	26,696	(Surplus) or Deficit on Provision of Services	(8,619)	(3,712)
(36,450)			Opening Combined General Fund Balance	(55,416)	
(18,965)			Plus / less (Surplus) or Deficit on the General Fund Balance for the Year (Statutory basis)	(8,619)	
(55,416)			Closing Combined General Fund Balance	(64,035)	

The figures for 2018/19 have been restated in line with the Comprehensive Income and Expenditure Statement following a review of reporting arrangements during the year.

Note 6a - Note to the Expenditure and Funding Analysis

2019/20	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
Children's Services	3,949	6,950	0	10,899
Communities and Neighbourhoods	(2,094)	2,233	0	139
Council Wide	2,140	0	0	2,140
Health and Social Care	5,651	2,007	0	7,658
Regeneration and Economic Development	7,532	737	0	8,269
Resources	3,620	3,442	0	7,062
Net Cost of Services	20,798	15,369	0	36,167
Other Income and Expenditure	(35,605)	8,862	(4,517)	(31,260)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	(14,807)	24,231	(4,517)	4,907

2018/19 (Restated)	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Statutory Adjustments	Total Adjustments
	£000	£000	£000	£000
Children's Services	7,058	6,624	0	13,682
Communities and Neighbourhoods	3,297	1,967	0	5,264
Council Wide	79	409	0	488
Health and Social Care	5,062	2,037	0	7,099
Regeneration and Economic Development	14,978	698	0	15,676
Resources	1,485	2,959	0	4,444
Net Cost of Services	31,959	14,694	0	46,653
Other Income and Expenditure	(7,972)	8,083	(1,102)	(991)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	23,987	22,777	(1,102)	45,662

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the service line, and for:

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

Net Change for Pensions Adjustments

Net change for the removal of pension contributions and the additional of IAS19 Employee Benefits pension related expenditure and income:

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

Other Differences

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

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing difference for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and business rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Note 6b - Segmental Analysis of Income and Expenditure

Income and Expenditure on a segmental basis is analysed below:

	2019/20	
	Revenues from External Customers	Depreciation and Amortisation
	£000	£000
Children's Services	(2,209)	2,686
Communities and Neighbourhoods	(9,409)	1,255
Council Wide	(44)	740
Health and Social Care	(12,540)	1,609
Regeneration and Economic Development	(5,302)	5,199
Resources	(5,539)	1,996
Total Managed by Segments	(35,043)	13,485

	2018/19 (Restated)	
	Revenues from External Customers	Depreciation and Amortisation
	£000	£000
Children's Services	(1,692)	3,192
Communities and Neighbourhoods	(9,306)	1,157
Council Wide	(46)	79
Health and Social Care	(12,361)	1,543
Regeneration and Economic Development	(4,949)	5,174
Resources	(6,084)	1,659
Total Managed by Segments	(34,438)	12,804

Note 6c - Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

2018/19		2019/20
£000	Nature of Expenditure or Income	£000
(84,056)	Fees, charges and other service income	(84,112)
(13,075)	Support Service recharge income	(9,702)
(5,620)	Interest and investment income	(4,312)
(154,991)	Income from local taxation	(165,268)
(247,126)	Government grants and contributions	(252,803)
146,314	Employee benefits expenses	166,959
13,075	Support service recharge expenditure	9,702
292,060	Other service expenses	274,853
27,020	Depreciation, amortisation and impairment	20,934
23,648	Interest payments	24,098
18,816	Precepts and levies	19,614
6	Payments to Housing Capital Receipts Pool	3
10,624	Gain or loss on disposal of non-current assets	(3,678)
26,696	(Surplus) or Deficit for Year	(3,712)

Note 7 - Adjustments between Accounting Basis and Funding Basis under Regulations

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

The following sets out a description of the reserves that the adjustments are made against:

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2019/2020	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	(24,231)			24,231
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	42			(42)
Council tax and NDR (transfers to or from the Collection Fund)	4,509			(4,509)
Holiday pay (transferred to the Accumulated Absences reserve)	(34)			34
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(2,441)		(3,150)	5,591
Total Adjustments to Revenue Resources	(22,155)	0	(3,150)	25,305
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	6,035	(6,035)		
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(109)	109		
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(3)	3		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	5,822			(5,822)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	5,501			(5,501)
Total Adjustments between Revenue and Capital Resources	17,246	(5,923)	0	(11,322)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		7,319		(7,319)
Application of capital grants to finance capital expenditure			3,752	(3,752)
Total Adjustments to Capital Resources	0	7,319	3,752	(11,071)
Other adjustments	3	0	0	(3)
Total Adjustments	(4,907)	1,395	602	2,909

2018/2019	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	(22,777)			22,777
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(1,954)			1,954
Council tax and NDR (transfers to or from the Collection Fund)	(2,360)			2,360
Holiday pay (transferred to the Accumulated Absences reserve)	179			(179)
Equal pay settlements (transferred to the Unequal Pay / Back Pay Account)	1,574			(1,574)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(40,595)		(6,843)	47,437
Total Adjustments to Revenue Resources	(65,932)	0	(6,843)	72,775
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	7,501	(7,501)		
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(300)	300		
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(6)	6		
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	5,719			(5,719)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,695			(3,695)
Total Adjustments between Revenue and Capital Resources	16,608	(7,194)	0	(9,414)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		7,708		(7,708)
Application of capital grants to finance capital expenditure			7,042	(7,042)
Total Adjustments to Capital Resources	0	7,708	7,042	(14,750)
Other adjustments	3,663	0	0	(3,663)
Total Adjustments	(45,662)	513	199	44,949

Note 8 - Transfers to/from Earmarked Reserves

In addition to the Council's un-earmarked General Balances the Council sets aside resources in its earmarked reserves to fund approved policy developments and future financial commitments.

	Balance at 1 April 2018 £000	Transfers In 2018/19 £000	Transfers Out 2018/19 £000	Balance at 31 March 2019 £000	Transfers In 2019/20 £000	Transfers Out 2019/20 £000	Balance at 31 March 2020 £000
General Fund Reserves:							
Approved Budget Investments	(14,432)	(6,151)	7,394	(13,189)	(2,561)	8,477	(7,273)
Service Commitments	(9,902)	(5,457)	4,692	(10,667)	(14,811)	8,276	(17,202)
Budget Strategy Reserve	(4,659)	(3,845)	5,024	(3,480)	(7,600)	3,661	(7,419)
Workforce Remodelling	(1,278)	(2,954)	485	(3,748)	(955)	3,269	(1,434)
Centres for Learning	(8,504)	(38,162)	28,769	(17,897)	(29,422)	29,803	(17,516)
Insurance Fund	(1,341)	0	20	(1,321)	0	20	(1,301)
Street Lighting PFI	(3,276)	(175)	404	(3,046)	(164)	534	(2,677)
Stockbridge Village Regeneration	(28)	0	10	(17)	0	17	0
School Balances	(4,645)	(4,526)	3,803	(5,368)	(5,099)	6,237	(4,230)
Youth Employment Gateway	(38)	0	38	0	0	0	0
Pension Past Deficit Cost Advance Payment	16,636	(9,035)	700	8,301	(8,301)	0	0
Total General Fund	(31,466)	(70,305)	51,340	(50,432)	(68,914)	60,294	(59,051)

Notes

- (a) The Approved Budget Investments, Service Commitments, Budget Strategy Reserve and the Workforce Remodelling Reserve are funding for the future financial commitments of the Council's services.
- (b) Centre's For Learning Reserve - Sinking fund to finance the costs of the new Centres for Learning across the Borough.
- (c) Insurance fund - Contributions to offset the cost of future insurance claims.
- (d) Street Lighting PFI - Contributions to development work on the street lighting private finance initiative scheme.
- (e) Stockbridge Village regeneration - To fund development work associated with the redevelopment of Stockbridge Village.
- (f) School Balances - Balances held on delegated budgets to fund future schools expenditure.
- (g) Youth Employment Gateway - Grant funding allocated to the Liverpool City Region and held by the Council as Accountable Body.
- (h) Pension Past Deficit Cost Advance Payment - During 2017/18, the Council pre-paid three years' worth of pension contributions. These contributions were already fully funded in

the Council's annual budget, but by prepaying these commitments in advance the Council was able to achieve a discount and save £1.8m. This approach has no impact on the overall level of Council reserves or on the way in which those reserves are reflected in the primary accounting statements. However it should be noted that this has reduced the overall level of earmarked reserves available to spend. During 2018/19 and 2019/20 the reserves will be replenished from the budgeted pension contributions.

Note 9 - Other Operating Expenditure

2018/19		2019/20
£000		£000
1,131	Precepts	1,204
17,685	Levies	18,410
6	Payments to the Government Housing Capital Receipts Pool	3
1,007	Gains/losses on the Disposal of Non-Current Assets	(3,678)
9,617	Loss on Transfer of School Assets to Academies	0
(797)	Other	0
28,650	Total Other Operating Expenditure	15,938

Note 10 - Financing and Investment Income and Expenditure

2018/19		2019/20
£000		£000
15,565	Interest payable and similar charges	15,236
8,083	Net interest on the net defined benefit liability (asset)	8,862
(1,308)	Interest receivable and similar income	(1,607)
(2,807)	Income and expenditure in relation to investment properties and changes in their fair value	(1,167)
3,043	Other investment income and expenditure	0
22,576	Total	21,325

Note 11 - Taxation and Non-Specific Grant Income

2018/19		2019/20
£000		£000
(51,643)	Council tax income	(55,224)
(103,348)	Non-domestic rates income and expenditure	(110,044)
(1,818)	Non-ringfenced government grants	(8,655)
(8,754)	Capital grants and contributions	(21,664)
(165,563)	Total	(195,587)

Note 12 - Property, Plant and Equipment

Movements to 31 March 2020

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
at 1 April 2019	282,497	12,367	257,968	10,251	20,450	2,939	586,472
Additions	4,181	1,902	7,777	2,954	2,908	5,966	25,687
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,682	0	0	0	(1,606)	289	1,364
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,292)	0	0	0	(3,306)	0	(5,598)
Derecognition – disposals	(528)	0	0	0	0	0	(528)
Reclassifications and transfer	350	0	0	0	1,010	0	1,360
Assets reclassified (to)/from Held for Sale	(3,294)	0	0	0	4,478	0	1,184
Other movements in cost or valuation	(805)	3	6	(63)	742	0	(118)
at 31 March 2020	282,791	14,272	265,751	13,142	24,676	9,194	609,823

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment							
at 1 April 2019	(46,979)	(6,148)	(69,163)	(1,464)	(6)	0	(123,758)
Depreciation charge	(4,158)	(3,035)	(5,168)	(254)	(41)	0	(12,656)
Depreciation written out to the Revaluation Reserve	5,861	0	0	0	33	0	5,895
Impairment losses/(reversals) recognised in the Revaluation Reserve	(649)	0	0	(1)	0	0	(650)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(1,590)	0	0	(10)	(251)	0	(1,851)
Derecognition – disposals	42	0	0	0	0	0	42
Eliminated on reclassification to Held for Sale	2,294	0	0	0	0	0	2,294
Other movements in depreciation and impairment	210	0	0	0	(210)	0	0
at 31 March 2020	(44,969)	(9,183)	(74,331)	(1,729)	(475)	0	(130,684)
Net Book Value							
at 31 March 2020	237,821	5,089	191,421	11,413	24,201	9,194	479,139
at 31 March 2019	235,518	6,219	188,806	8,788	20,444	2,939	462,714

Movements to 31 March 2019 (Restated)

	Land and Buildings	Vehicles, Plant, and Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
at 1 April 2018	296,487	11,281	251,021	8,823	25,569	1,257	594,438
Additions	2,130	1,086	6,947	1,288	453	1,682	13,587
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,279	0	0	0	1,372	0	2,650
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,171)	0	0	0	(1,571)	0	(3,742)
Derecognition – disposals	(15,203)	0	0	0	0	0	(15,203)
Other derecognition	0	0	0	0	(353)	0	(353)
Reclassifications and transfer	(25)	0	0	140	(5,020)	0	(4,905)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0	0	0
at 31 March 2019	282,497	12,367	257,968	10,251	20,450	2,939	586,472
Accumulated Depreciation and Impairment							
at 1 April 2018	(30,830)	(3,776)	(64,134)	(1,254)	(84)	0	(100,078)
Depreciation charge	(4,756)	(2,372)	(5,029)	(171)	(8)	0	(12,335)
Derecognition	0	0	0	0	353	0	353
Impairment losses/(reversals) recognised in the Revaluation Reserve	(427)	0	0	0	0	0	(427)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(10,966)	0	0	(39)	(267)	0	(11,271)
at 31 March 2019	(46,979)	(6,148)	(69,163)	(1,464)	(6)	0	(123,758)
Net Book Value							
at 31 March 2019	235,518	6,219	188,806	8,788	20,444	2,939	462,714
at 31 March 2018	265,657	7,505	186,887	7,569	25,485	1,257	494,360

During 2019/20 the Council procured a new Asset Management Capital Accounting software system which identified errors with the gross opening values. In previous years the gross cost and depreciation had not been written out when assets were disposed and as a result both were overstated. To correct this a restatement of the balance as at 1 April 2018 has been made as the errors occurred in previous years. Both gross cost and depreciation have been reduced but the overall Net Book Value of the Council's assets has remained the same. The effect on the category balances can be seen in the table below.

Effect on Opening Balance 1 April 2018

	Opening Balance as at 1 April 2018 £000	Restatement £000	Correction Required to Opening Balances 1 April 2018 £000
Land and Buildings			
Cost or Valuation	333,711	296,487	(37,224)
Accumulated Depreciation and Impairment	(68,054)	(30,830)	37,224
Net Book Value	265,657	265,657	0
Vehicles, Plant, Furniture and Equipment			
Cost or Valuation	64,615	11,281	(53,334)
Accumulated Depreciation and Impairment	(57,110)	(3,776)	53,334
Net Book Value	7,505	7,505	0
Infrastructure Assets			
Cost or Valuation	236,941	251,021	14,080
Accumulated Depreciation and Impairment	(50,054)	(64,134)	(14,080)
Net Book Value	186,887	186,887	0
Community Assets			
Cost or Valuation	8,916	8,823	(93)
Accumulated Depreciation and Impairment	(1,347)	(1,254)	93
Net Book Value	7,569	7,569	0

The 2018/19 figures for Surplus Assets have also been restated as the derecognition of £0.353m of assets that took place during the year was not reflected in the prior year's financial statements.

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus Assets	Total
	£000	£000	£000	£000	£000
Carried at historical cost	1,592	5,089	11,413	2,466	20,560
Valued at current value as at:					
31/03/2020	98,743	0	0	21,735	120,478
31/03/2019	10,322	0	0	0	10,322
31/03/2018	126,517	0	0	0	126,517
31/03/2017	647	0	0	0	647
31/03/2016	0	0	0	0	0
Total Cost or Valuation	237,821	5,089	11,413	24,201	278,524

Capital Commitments

At 31 March 2020, the Council had committed to a number of capital projects in 2020/21 and future years. The major commitments are:

Scheme	Purpose	Expected Period	£000
Shakespeare North Playhouse	Shakespeare North Playhouse is a £36.150m construction project which commenced in 2018. The building will comprise a 350-seat reproduction Jacobean theatre, teaching facilities for the study of Shakespearean performance, facilities for an education, schools and community programme, an Exhibition and Education Centre; and a café and bar serving theatre audiences as well as the public.	2020/21, 2021/22 and 2022/23	27,815
Kirkby Town Centre Regeneration	The scheme transfers ownership of the existing town centre from St Modwen to the Council whilst also enabling the Council to bring forward a new retail development to the land north of Cherryfield Drive, and enabling comprehensive development to the land south of Cherryfield Drive, which could include residential and/or retail uses.	2020/21 and 2021/22	22,106
Access to Halsnead Garden Village Transport	This projects is closely aligned with the Liverpool City Region Growth Strategy providing transport infrastructure improvements that are primarily required to enable the Halsnead Garden Village site to be capable of development, thereby securing comprehensive development and maximising the associated benefits for Knowsley and the Liverpool City Region.	2020/21	11,567
Playing Pitches Improvement & Public Realm	The investment of the capital receipts from the disposal of the playing field element of various schools across Knowsley. The capital receipt raised from the sale of the various school sites will go towards improving the sports and public realm provision at specific schools as approved by the Secretary of State for Education.	2020/21, 2021/22 and 2022/23	9,547

Scheme	Purpose	Expected Period	£000
Shakespeare North Rail Interchange	The project will directly support the Council's wider Prescot Town Centre regeneration initiatives and secure significant economic benefits by providing improvements to the station forecourt, remodelling the car park to increase capacity, addition of lifts to provide step free and Equalities Act compliant access to the station building and both platforms; new wayfinding signage at the station, within the town centre and towards Knowsley Safari as well as public realm enhancements in the area of the Shakespeare North Playhouse. There will also be a new shared use walking/cycling path between the station, the town centre and the Shakespeare North Playhouse.	2020/21	5,845
Replacement Vehicles	The fleet replacement programme establishes the considered optimum vehicle life of a new vehicle in order to help ensure that fleet items are replaced at the right time and not retained beyond their normal economic life span. This provides a managed fleet profile that meets the needs of the business whilst helping to ensure the safety and reliability of the fleet and minimising fleet downtime and associated maintenance costs.	2020/21 and 2021/22	3,248
Land Assembly	Funding for the purchase of economically obsolete or poor quality buildings and site investigations to fast track regeneration. This would enable future development opportunities to be brought forward to support increased housing and businesses across the Borough.	2020/21	2,697
Sustainable Transport Enhancement Programme (STEP)	The Sustainable Transport Enhancement Programme is a fund established by the Liverpool City Region to support the delivery of sustainable transport infrastructure to bring about further growth in our economy, reduce carbon emissions and support residents to increase levels of active, healthy travel. Knowsley's programme. The two main schemes are KIP Walking – Cycling and Valley Road-Stonebridge Cross Walking & Cycling links.	2020/21	1,954

Note 13 - Heritage Assets

2019/20	Public Art £000	Total £000
Opening Balance	437	437
Depreciation	(21)	(21)
Other Movements	75	75
Closing Balance	491	491

2018/19	Public Art £000	Total £000
Opening Balance	457	457
Depreciation	(20)	(20)
Other Movements	0	0
Closing Balance	437	437

The Knowsley Alphabet Public Art trail consists of 26 pieces of artwork which are totally unique to Knowsley. The pieces take inspiration from the borough's history, particularly from the famous artist Edward Lear who was based in Knowsley Hall in the 1830s.

The new artworks have been created especially for the Knowsley Leisure and Culture Park by artists, designers and craftspeople led by renowned artist Gordon Young. As part of the design process many local people, including school children, residents and even construction workers on site wrote their own rhymes which were incorporated with Lear's poems.

During 2015/16 further Public artwork pieces were commissioned as part of the Kirkby town centre regeneration programme.

These pieces of Public Art are reported in the Balance Sheet at cost and will be depreciated following the year of acquisition over 20 years.

Note 14 - Investment Properties

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

31 March 2019		31 March 2020
£000		£000
Investment Property Income and Expenditure		
(2,533)	Rental income from investment property	(2,457)
637	Direct operating expenses from investment property	540
(1,896)	Net (gain)/loss	(1,917)

31 March 2019		31 March 2020
Non-Current		Non-Current
£000	Investment Properties Movements in Year	£000
36,131	Opening Balance	38,017
	Additions:	
0	Purchases	23,269
944	Subsequent expenditure	267
911	Net gains/losses from fair value adjustments	(750)
	Transfers:	
30	to/from Property Plant and Equipment	(1,360)
0	Other Movements	6
38,017	Balance at the end of the year	59,449

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

The above table summarises the movement in the fair value of investment properties over the year.

In estimating the fair value of the Council's Investment Properties, the highest and best use of the properties is deemed to be their current use. The Council's Investment Properties have been assessed as Level 3 Inputs (unobservable inputs for the asset) on the fair value hierarchy for valuation purposes.

Note 15 - Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

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

31st March 2019 (Restated)			31st March 2020		
Internally Generated Assets	Other Assets	Total	Internally Generated Assets	Other Assets	Total
£000	£000	£000	£000	£000	£000
Balance at start of year:					
0	1,373	1,373	0	1,769	1,769
0	(441)	(441)	0	(889)	(889)
0	932	932	0	880	880
Net carrying amount at start of year					
Additions:					
0	397	397	0	435	435
0	(448)	(448)	0	(808)	(808)
0	0	0	0	1	1
0	880	880	0	508	508
Net carrying amount at end of year					
Comprising:					
0	1,769	1,769	0	2,205	2,205
0	(889)	(889)	0	(1,697)	(1,697)
0	880	880	0	508	508
Total					

During 2019/20 the Council procured a new Asset Management Capital Accounting software system which identified errors with the gross opening values. In previous years the gross cost and depreciation had not been written out when assets were disposed and as a result both were overstated. To correct this a restatement of the balance as at 1 April 2018 has been made as the errors occurred in previous years. Both gross cost and depreciation have been reduced by £9.009m. The overall Net Book Value of the Council's assets has remained the same. The effect on the balances can be seen in the table below.

Effect on Opening Balance Sheet 1 April 2018

	Internally Generated Assets			Other Assets		
	Opening Balance as at 1 April 2018 £000	Restatement £000	Correction Required to Opening Balances 1 April 2018 £000	Opening Balance as at 1 April 2018 £000	Restatement £000	Correction Required to Opening Balances 1 April 2018 £000
Cost or Valuation	98	0	(98)	10,284	1,373	(8,911)
Accumulated Depreciation and Impairment	(98)	0	98	(9,352)	(441)	8,911
Net Book Value	0	0	0	932	932	0

Note 16 - Financial Instruments

A financial instrument is any contract which gives rise to a financial asset of one entity and a financial liability of another. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

The Council's non-derivative financial liabilities held during the year are measured at amortised cost and comprise of:

- long-term loans from the Public works Loan Board (PWLB) and commercial lenders;
- short-term loans from other local authorities;
- bank overdraft;
- finance leases;
- Private Finance Initiative (PFI) contracts; and
- Trade payables for goods and services received.

The Council does not hold any derivative financial liabilities.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. To meet new Code Requirements, financial assets are now classified into one of three categories:

Amortised Cost – these represent investments and investment type arrangements where repayments of interest and principal take place on set dates for specified amounts. The Council holds the following investments at amortised cost:

- cash in hand;
- bank accounts and deposit accounts;
- bonds issued by multilateral development banks and UK companies;
- certificates of deposits and covered bonds issued by banks and building societies;
- fixed term deposits with banks and building societies; and
- trade receivables for goods and service delivered.

Fair Value through Other Comprehensive Income – these assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through the Financial instruments Revaluation Reserve. The Council has classified its investments in collective investment schemes managed by fund managers under this heading.

Fair Value through Profit and Loss – these assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the Comprehensive Income and Expenditure Statement as they occur. The Council classifies its investments in Money Market Funds under this heading.

The following tables detail the classification and balances of the assets and liabilities held on the Council's Balance Sheet.

	Non-Current Financial Assets				
	Investments		Debtors		Total
	31 March	31 March	31 March	31 March	31 March
	2019	2020	2019	2020	2020
	£000	£000	£000	£000	£000
Fair value through profit and loss	135	135	0	0	135
Amortised cost	10,016	10,046	156	300	10,346
Fair value through other comprehensive income - designated equity instruments	17,339	16,617	0	0	16,617
Total financial assets	27,490	26,797	156	300	27,098

	Current Financial Assets						
	Investments		Debtors		Cash		Total
	31 March	31 March	31 March	31 March	31 March	31 March	31 March
	2019	2020	2019	2020	2019	2020	2020
	£000	£000	£000	£000	£000	£000	£000
Fair value through profit and loss	0	0	0		8,184	25,830	25,830
Amortised cost	11,001	0	21,607	29,846	14,626	11,363	41,209
Total financial assets	11,001	0	21,607	29,846	22,810	37,193	67,039

The debtors figures have been adjusted to remove balances that do not arise under contract and will therefore agree to Note 46 - Nature and Extent of Risks arising from Financial Instruments.

Transferred Debt that was created through local government reorganisation in 1974 and 1986 and administered by other local authorities on behalf of the Council is not considered a financial instrument. The outstanding balance has however been included under borrowings in the following tables in order for them to agree back to the Total Borrowing figures in the Councils Balance sheet.

Non-Current Financial Liabilities

	Borrowings		Other long-term liabilities		Total
	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2020
	£000	£000	£000	£000	£000
Amortised cost	(107,563)	(108,792)	(125,219)	(119,927)	(228,719)
Total financial liabilities	(107,563)	(108,792)	(125,219)	(119,927)	(228,719)

Current Financial Liabilities

	Borrowings		Creditors		Total
	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2020
	£000	£000	£000	£000	£000
Amortised cost	(7,664)	(44,972)	(40,881)	(28,015)	(72,987)
Total financial liabilities	(7,664)	(44,972)	(40,881)	(28,015)	(72,987)

Income, Expense, Gains and Losses

	31 March 2019		31 March 2020	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Net (gains)/losses on:				
• investments in equity instruments designated at fair value through other comprehensive income	0	363	0	2,723
Total net (gains)/losses	0	363	0	2,723
Interest revenue:				
• financial assets measured at amortised cost	(253)	0	(356)	0
• other financial assets measured at fair value through other comprehensive income	(970)	0	(1,245)	0
Total interest revenue	(1,223)	0	(1,601)	0
Interest expense		15,477		15,236

Fair Value of Equity instruments designated at fair value through other comprehensive income include the following:

	31 March 2019	31 March 2020
	£000	£000
CCLA Property Fund	7,404	7,139
Kames Capital Fund	4,066	3,425
Schroders Income Maximiser Fund	3,958	2,642
M&G Global Dividend Fund	955	1,190
UBS Multi Asset Income Fund	957	835
UBS Global Income fund	0	1,645
Total	17,340	16,876

Note 16a - Fair Value of Assets and Liabilities

The fair value of a financial instrument is the price that would be received when selling an asset, or the price that would be paid when transferring a liability, to another market participant in an arms-length transaction.

Financial instruments, except those classified at amortised cost are carried in the Balance Sheet at fair value. For most assets, including bonds, money market funds and pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated by discounting expected future profits at a suitable market rate for similar equity investments.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2020, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options. Lenders’ options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March 2020.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including cash, money market funds, call accounts, short term borrowing, trade payables and receivables is assumed to be a reasonable approximation to the carrying amount.

The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value in the Balance Sheet. Since this includes accrued interest as at the Balance Sheet date, the accrued interest up to and including the valuation date is also included in the fair value calculation.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

The fair values calculated are as follows:

	Fair Value Level	31 March 2019		31 March 2020	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities held at amortised cost					
LOBO fixed Loans	2	6,076	9,550	6,077	10,625
PWLB fixed loans	2	102,745	149,443	102,748	153,223
Market long term loans	2	6,406	10,055	6,406	10,614
PFI and Finance Leases	2	130,274	197,849	125,217	177,875
Short Term Loans	n/a	0	0	37,052	37,052
Trade Payables	n/a	47,565	47,565	33,601	33,601
		293,065	414,462	311,101	422,990
Financial Assets held at Amortised Cost					
Cash and Cash Equivalents	2 (Note i)	7,069	7,069	11,103	11,103
Long term deposits	2 (Note i)	10,016	10,016	10,046	10,426
Short term deposits	2 (Note i)	11,001	11,001	0	0
Trade Receivables	n/a	21,473	21,473	48,274	48,274
Financial Assets held at Fair Value through Profit and Loss					
Cash Equivalents	1	8,184	8,184	25,830	25,830
Long term deposits	1	135	135	135	135
Financial Assets held at Fair Value through Other Comprehensive Income					
Cash Equivalents	1	188	188	260	260
Long term deposits	1	17,399	17,399	16,617	16,617
		75,465	75,465	112,265	112,645

Note i) Fair Value Level 2 calculations do not apply to short term instruments as the Council deems their carrying amount to be a reasonable approximation of their fair value. The Council deems all trade receivables carrying amounts to be a reasonable approximation of their fair value.

Financial liabilities

Lender Offer Borrower Option (LOBO)

The fair value is higher than the carrying amount because the Council's Lender Offer Borrower Option portfolio includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans at the balance sheet date.

Public Works Loan Board (PWLB)

The fair value is greater than the carrying amount because the Council's Public Works Loan Board portfolio includes a number of fixed rate loans where interest payable is greater than the rates available for similar loans at the balance sheet date. The Public Works Loan Board's alternative calculations, based on the rates relevant to the premature repayment of loans, show the fair value of loans outstanding as at 31 March 2020 is £210.727m. This represents a variance of £57.504m when compared to the valuations above, prepared using rates available for new loans.

Market Long Term Loans

The fair value is higher than the carrying amount because the Council's Market Long Term loan has an interest rate payable that is higher than the rates available for a similar loan at the balance sheet date.

Private Finance Initiatives (PFI)

The fair value is higher because the implicit interest rate on the Council's PFI contracts is higher than current long term interest rates. PFI rates also include an element to cover the risks around construction, which is no longer present.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following three classifications:

Financial assets held at amortised costs

The carrying amounts of all the Council's short term deposits and cash equivalents are deemed to be a reasonable approximation of the fair value.

The Council's long term deposits have a fair value higher than the carrying amount because the interest rate received is higher than the rate available for a similar investment on the balance sheet date.

Financial assets held at fair value through other comprehensive income

The cash flows are solely payments of principal and interest and the Council's treasury strategy is to both collect the cash flows and sell the instrument at a given point in time; and the equity investments the Council has elected in this category comprise of pooled bond and property funds.

Financial assets held at fair value through profit and loss

This comprises Money Market Funds held as cash equivalent and a long term investment in a credit union.

Note 17 - Inventories

	Consumable Stores	
	2018/19 £000	2019/20 £000
Balance outstanding at start of year	477	532
Purchases	3,506	3,486
Recognised as an expense in the year	(3,451)	(3,492)
Balance Outstanding at Year End	532	526

Note 18 - Debtors

The amounts owed to the Council by others are as follows:

31 March 2019 £000		31 March 2020 £000
7,039	Trade Receivables	8,545
1,702	Prepayments	1,778
17,660	Other Receivable Amounts	30,305
6,199	Collection Fund	7,346
32,600	Total	47,974

Each line is presented net of allowance for non-collection. As at 31 March 2020 the total allowance for non-collection was £13.890m (£12.972m at 31 March 2019).

Note 19 - Cash and Cash Equivalents

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

31 March 2019 £000		31 March 2020 £000
7,369	Cash and Bank balances	3,055
15,441	Short Term Deposits	34,139
22,809	Total Cash and Cash Equivalents	37,193

Note 20 - Assets Held for Sale

Current		Current
31 March 2019		31 March 2020
£000		£000
27,750	Balance outstanding at start of year	30,959
459	Additions	0
	Assets newly classified as held for sale:	
4,875	- Property Plant and Equipment	8,400
(2,175)	Revaluation losses	0
3,070	Revaluation gains	0
(97)	Impairment losses	0
	Assets declassified as held for sale:	
0	- Property Plant and Equipment	(11,878)
(2,922)	Assets sold	(1,871)
0	Other Movements	37
30,959	Balance Outstanding year end	25,647

Note 21 - Creditors

The amounts owed by the Council to others are as follows;

31 March 2019		31 March 2020
£000		£000
(22,143)	Trade payables	(14,523)
(15,308)	Other payables	(13,492)
(6,681)	Income in Advance	(7,366)
(3,430)	Collection Fund	(3,509)
(47,562)	Total Creditors	(38,890)

Note 22 - Provisions

A number of provisions have been set aside at 31 March 2020 to cover the following liabilities:

Current Provisions

2019/20	Equal Pay Back Pay	Respite Provision	Collection Fund - Business Rates Appeals	Other	Total
	£000	£000	£000	£000	£000
Opening Balance	(177)	0	(3,433)	(11)	(3,621)
Increase in provision during year	0	0	0	0	0
Utilised during year	12	0	1,641	0	1,653
Other movements	145	0	151	1	297
Closing Balance	(20)	0	(1,641)	(10)	(1,671)

2018/19	Equal Pay Back Pay	Respite Provision	Collection Fund - Business Rates Appeals	Other	Total
	£000	£000	£000	£000	£000
Opening Balance	(219)	(12)	(698)	(112)	(1,041)
Increase in provision during year	(8)	0	(856)	0	(864)
Utilised during year	50	12	2,563	101	2,726
Other movements	0	0	(4,442)	0	(4,442)
Closing Balance	(177)	0	(3,433)	(11)	(3,621)

Long Term Provisions

2019/20	Collection Fund - Business Rates Appeals	Insurance	Equal Pay Back Pay	Public Health Property Costs	Street Lighting PFI	Impact on General Fund of Collection Fund Deficit	Land Charges Fees	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance	(3,847)	(6,191)	0	0	(1,519)	(106)	0	(15)	(11,678)
Increase in provision during year	0	(1,182)	0	0	(417)	0	0	0	(1,600)
Utilised during year	0	709	0	0	88	0	0	0	797
Unused Amounts Reversed	0	0	0	0	0	0	0	0	0
Other movements	2,834	0	(145)	0	0	0	0	0	2,689
Closing Balance	(1,013)	(6,664)	(145)	0	(1,849)	(106)	0	(15)	(9,792)

2018/19	Collection Fund - Business Rates Appeals	Insurance	Equal Pay Back Pay	Public Health Property Costs	Street Lighting PFI	Impact on General Fund of Collection Fund Deficit	Land Charges Fees	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance	(8,289)	(5,876)	(3,419)	0	(1,309)	(2,604)	0	(16)	(21,513)
Increase in provision during year	0	(1,329)	0	0	(286)	0	0	0	(1,616)
Utilised during year	0	1,014	0	0	76	2,498	0	1	3,589
Unused Amounts Reversed	0	0	3,419	0	0	0	0	0	3,419
Other movements	4,442	0	0	0	0	0	0	0	4,442
Closing Balance	(3,847)	(6,191)	0	0	(1,519)	(106)	0	(15)	(11,678)

Detail of Provisions

Business Rates Appeals (Collection Fund):

Under the Business Rates Retention System the cost of all potential backdated appeals expected to be incurred in the current and future years falls in full on the Collection Fund. Knowsley's 99% share (49% prior to 2017/18) of this cost is estimated at £2.654m and is provided for within the Collection Fund, and therefore reflected in the consolidated Balance Sheet.

Insurance: estimated settlement cost of claims received at the Balance Sheet date. The Insurance Provision covers claims above the excess/retention levels for risks associated with property and liability. The timing of the liability is dependent on the individual claims process.

Street Lighting PFI: When the Council implemented the Street Lighting PFI Contract it established a new policy to charge commuted sums up front to developers to pay for the ongoing liability of any street lighting and signs that would be accrued into the Contract upon the adoption of the development to local authority control (Lighting Authority). The charges made are based on the known liabilities for the remainder of the Contract for the assets as set out in the Contract terms, including future estimated consumption of energy. As these payments are received in advance by the Council for future known liabilities within the Street Lighting PFI Contract, the Council provides for this future liability within its accounts. This is drawn down on an annual basis to cover the costs incurred by the Council for that period for assets accrued into the Contract.

Equal Pay Act (Amendment) Regulations 2003: As in previous years, the 2019/20 Statement of Accounts reflects the recommended accounting practice for compensation claims under the Equal Pay Act (Amendment) Regulations 2003 in relation to equal pay for work of equal value. Following the completion of negotiations between the Council, the Single Status Trade Unions (UNISON, UNITE and GMB) and their solicitors, agreement has been reached regarding the principles for settling legitimate equal pay claims enabling a more accurate estimate of the total maximum liability for these claims (including Schools) to be made.

2018/19	Total Provisions	2019/20
£000		£000
(22,553)	Opening Balance	(15,299)
(2,480)	Increase in provision during year	(1,600)
6,315	Utilised during year	2,450
3,419	Unused Amounts Reversed	0
0	Other movements	2,986
(15,299)	Closing Balance	(11,463)

Note 23 - Usable Reserves

Capital Receipts Reserve

31 March 2019		31 March 2020
£000		£000
(2,073)	Balance 1 April	(1,560)
(7,501)	Capital Receipts in year	(6,035)
6	Capital Receipts Pooled	3
300	Transfer to revenue reserves to cover disposal costs	109
7,708	Capital Receipts used for financing	7,319
(1,560)	Balance 31 March	(164)

Income from the disposal of fixed assets is credited to the Capital Receipts Reserve and used for current capital spending, or is set aside for future capital spending.

Capital Grants Unapplied

31 March 2019		31 March 2020
£000		£000
(1,492)	Balance 1 April	(1,292)
(6,843)	Capital grants recognised in year	(3,150)
7,042	Capital grants and contributions applied	3,752
(1,292)	Balance 31 March	(690)

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

Note 24 - Unusable Reserves

01 April 2018 (Restated) £000	31 March 2019 (Restated) £000		31 March 2020 £000
(98,780)	(97,486)	Revaluation Reserve	(102,528)
(1,933)	0	Available for Sale Financial Instruments Reserve	0
0	(339)	Financial Instruments Revaluation Reserve	2,383
(185,405)	(165,648)	Capital Adjustment Account	(184,004)
0	1,954	Financial Instruments Adjustment Account	1,912
319,292	377,249	Pension Reserve	339,296
0	(3,663)	Deferred Capital Receipts Reserve	(3,679)
(3,054)	(694)	Collection Fund Adjustment Account	(5,203)
1,574	0	Unequal Pay Back Pay Account	0
2,186	2,007	Accumulated Absences Account	2,041
33,880	113,380	Total	50,217

During 2019/20 the Council procured a new Asset Management Capital Accounting software system which identified errors with the previous system regarding the treatment of Reversal of Losses. As a result, a prior period adjustment of £16.759m has been made to the 1 April 2018 balance as the errors related to previous financial years. An equal and opposite adjustment has been made to both the Revaluation Reserve and the Capital Adjustment Account so the overall value of Unusable Reserves on the Balance Sheet has remained unchanged.

Effect on Opening Balance Sheet 1 April 2018

	Opening Balance as at 1 April 2018 £000	Restatement £000	Correction Required to Opening Balances 1 April 2018 £000
Revaluation Reserve	(115,539)	(98,780)	16,759
Capital Adjustment Account	(168,646)	(185,405)	(16,759)
Total	(284,185)	(284,185)	0

Revaluation Reserve

31 March 2019 (Restated) £000		31 March 2020 £000
(98,780)	Balance 1 April	(97,486)
(4,288)	Upward revaluation of assets	(18,219)
2,065	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	11,610
(2,223)	Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services	(6,609)
1,481	Difference between fair value depreciation and historical cost depreciation	998
2,036	Accumulated gains on assets sold or scrapped	569
3,517	Amount written off to the Capital Adjustment Account	1,567
(97,486)	Balance 31 March	(102,528)

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

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation; or
- disposal of and the gains are realised.

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

Financial Instruments Revaluation reserve

31 March 2019 £000		31 March 2020 £000
0	Balance 1 April	(339)
(703)	Opening balance adjustments on adoption of IFRS9	0
(703)	Revised Opening Balance	(339)
0	Upward revaluation of investments	0
364	Downward revaluation of investments	2,723
364	Total Changes in revaluation and impairment	2,723
(339)	Balance 31 March	2,383

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balances is reduced when investments with accumulated gain are revalued downwards, impaired and when an investment is disposed of and the gains realised.

Capital Adjustment Account

31 March 2019 (Restated) £000		31 March 2020 £000
(185,405)	Balance 1 April	(165,648)
22,830	Charges for depreciation and impairment of non-current assets	14,528
3,742	Revaluation losses on non-current assets	5,598
448	Amortisation of intangible assets	808
9,544	Revenue expenditure funded from capital under statute	4,616
18,125	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	2,357
54,689	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	27,907
(3,517)	Adjusting Amounts written out of the Revaluation Reserve	(1,567)
51,172	Net written out amount of the cost of non-current assets consumed in the year	26,340
(7,708)	Use of Capital Receipts Reserve to finance new capital expenditure	(7,319)
(13,383)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(26,818)
(5,719)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(5,822)
(3,695)	Capital expenditure charged against the General Fund and HRA balances	(5,501)
(30,504)	Capital financing applied in year:	(45,459)
(911)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	750
0	Other movements	13
(165,648)	Balance 31 March	(184,004)

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. The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

Financial Instruments Adjustment Account

31 March 2019		31 March 2020
£000		£000
0	Balance 1 April	1,954
1,954	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
0	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(42)
1,954	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	(42)
1,954	Balance 31 March	1,912

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the account to manage premiums paid on the early redemption of loans and the loss of interest when granting soft loans to third parties. Premiums and interest are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed, or the remaining term of the soft loan.

Pension Reserve

31 March 2019		31 March 2020
£000		£000
319,292	Balance 1 April	377,249
35,180	Remeasurements of the net defined benefit (liability)/asset	(62,184)
36,969	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	39,641
(14,192)	Employer's pensions contributions and direct payments to pensioners payable in the year	(15,410)
377,249	Balance 31 March	339,296

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees

accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

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

Deferred Capital Receipts Reserve

31 March 2019		31 March 2020
£000		£000
0	Balance 1 April	(3,663)
(3,663)	Other movements	(16)
(3,663)	Balance 31 March	(3,679)

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

Collection Fund Adjustment Account

31 March 2019		31 March 2020
£000		£000
(3,054)	Balance 1 April	(694)
2,360	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(4,509)
(694)	Balance 31 March	(5,203)

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

Unequal Pay Back Pay Account

31 March 2019 £000		31 March 2020 £000
1,574	Balance 1 April	0
(1,525)	Increase in provision for back pay in relation to Equal Pay cases	0
(50)	Cash settlements paid in the year	0
(1,574)	Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0
0	Balance 31 March	0

The Equal Pay Adjustment Account compensates for the differences between the rate at which the Council provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants.

Accumulated Absences Account

31 March 2019 £000		31 March 2020 £000
2,186	Balance 1 April	2,007
(2,186)	Settlement or cancellation of accrual made at the end of the preceding year	(2,007)
2,007	Amounts accrued at the end of the current year	2,041
(179)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	34
2,007	Balance 31 March	2,041

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

Note 25 - Cash Flow from Operating Activities

The cash flows for operating activities included the following items:

The cash flows for operating activities include the following items:

31 March 2019		31 March 2020
£000		£000
(1,240)	Interest received	(1,550)
15,553	Interest paid	15,174
(294)	Dividends received	(292)
14,020	Total	13,332

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

31 March 2019		31 March 2020
£000		£000
(12,355)	Depreciation	(12,677)
(14,216)	Impairment and downward valuations	(7,449)
(448)	Amortisation	(808)
(8,793)	(Increase)/decrease in creditors	8,943
(348)	Increase/(decrease) in debtors	15,522
55	Increase/(decrease) in inventories	(6)
(22,777)	Movement in pension liability	(24,231)
(18,125)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(2,357)
8,166	Other non-cash movements charged to the surplus or deficit on provision of services	6,457
(68,842)	Total	(16,605)

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

31 March 2019		31 March 2020
£000		£000
1,019	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	1,387
7,501	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	6,035
13,473	Any other items for which the cash effects are investing or financing cash flows	21,621
21,993	Total	29,044

Note 26 - Cash Flow from Investing Activities

The cash flows for investment activities included the following items:

31 March 2019		31 March 2020
£000		£000
15,387	Purchase of property, plant and equipment, investment property and intangible assets	49,659
23,131	Purchase of short-term and long-term investments	7,370
3,663	Other payments for investing activities	16
(7,501)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,035)
(29,019)	Proceeds from short-term and long-term investments	(16,727)
(12,269)	Other receipts from investing activities	(25,677)
(6,608)	Net cash flows from investing activities	8,605

Note 27 - Cash Flow from Financing Activities

31 March 2019		31 March 2020
£000		£000
1,997	Cash receipts of short-term and long-term borrowing	(52,658)
0	Other receipts from financing activities	0
4,631	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	5,055
5,251	Repayments of short-term and long-term borrowing	15,952
6,378	Other payments for financing activities	(65)
18,257	Net cash flows from financing activities	(31,716)

Note 28 - Reconciliation of Liabilities Arising from Financing Activities

	1 April 2019	Financing cash flows	Non-cash changes	31 March 2020
	£000	£000	£000	£000
Long-term borrowings	(109,043)	0	251	(108,792)
Short-term borrowings	(7,911)	(36,748)	(313)	(44,972)
Lease liabilities	(112)	112	0	0
On balance sheet PFI liabilities	(130,162)	4,943	0	(125,219)
Total liabilities from financing activities	(247,228)	(31,693)	(62)	(278,983)

	1 April 2018	Financing cash flows	Non-cash changes	31 March 2019
	£000	£000	£000	£000
Long-term borrowings	(109,295)	0	252	(109,043)
Short-term borrowings	(12,899)	5,251	(263)	(7,911)
Lease liabilities	(208)	96	0	(112)
On balance sheet PFI liabilities	(134,698)	4,536	0	(130,162)
Total liabilities from financing activities	(257,100)	9,883	(11)	(247,228)

Note 29 - Pooled Budgets

Section 75 of the NHS Act 2006 (formerly Section 31 of the Health Act 1999) allows the establishment of joint working arrangements between NHS bodies and local authorities. This enables the bodies to “pool” funds to work together to address specific local health issues. Where pooled budgets are established, the main financial statements in these accounts reflect only the Council’s share of the overall budget, and exclude the share(s) attributable to partner organisations. The details of the entire pooled budget including all partners’ shares are disclosed in the notes below.

The Council is involved with one pooled budget hosted by the Council’s Adult’s Social Care Service and in partnership with the Knowsley Clinical Commissioning Group. This pooled budget covers the three areas below:

- Community Support Services - Provision of supported accommodation and community-based support.
- Mental Health - Provision of support in the community for people with a mental illness.
- Adults with Learning Disabilities - Provision of supported accommodation for adults with learning disabilities.

2018/19 £000	Mental Health, Community Support Services and Adults with Learning Disabilities	2019/20 £000
(28,473)	Authority Funding	(29,468)
(14,000)	Partner Funding	(15,315)
(42,473)	Total Pooled Funding	(44,783)
28,843	Authority Expenditure	32,095
14,268	Partner Expenditure	16,739
43,111	Expenditure	48,834
638	Net (Surplus)/Deficit on the Pooled Budget	4,051
370	Authority Share of the Net (Surplus) / Deficit	2,627

In addition, the Council operates a Better Care Fund (BCF) in partnership with the Knowsley Clinical Commissioning Group, 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. During 2019/20, £17.630m of BCF was used to fund the above pools.

Note 30 - Members’ Allowances

31 March 2019 £000		31 March 2020 £000
694	Allowances and Expenses	645
694	Total Members’ Allowances and Expenses	645

Expenses included in the above are trivial in nature at £536.

Note 31 – Senior Officers’ Remuneration

The Council discloses officer remuneration in line with the requirements of the Code of Practice on Local Authority Accounting (the Code) as follows:

Post	Year	Salary, Fees and Allowances £	Pension Contribution £	Compensation for Loss of Office £	Total £	Costs Recovered by the Council £	Actual Cost of Post £	Notes
Chief Executive - M Harden	2019/20	169,810	53,965	0	223,775	0	223,775	Note 1
	2018/19	166,480	49,472	0	215,952	0	215,952	
Executive Director (Communities and Neighbourhoods)	2019/20	118,871	37,776	0	156,647	0	156,647	
	2018/19	116,536	34,631	0	151,167	0	151,167	
Executive Director (Resources)	2019/20	118,867	37,776	0	156,643	0	156,643	Note 2
	2018/19	113,069	33,600	0	146,669	0	146,669	
Executive Director (Health and Social Care)	2019/20	117,218	37,252	0	154,470	0	154,470	Note 3
	2018/19	106,725	31,715	0	138,440	0	138,440	
Executive Director (Children's Services)	2019/20	113,302	36,007	0	149,309	0	149,309	Note 4
	2018/19	108,027	32,102	0	140,129	0	140,129	
Executive Director-(Regeneration and Economic Development)	2019/20	111,377	35,395	0	146,772	0	146,772	New Post - Note 5
	2018/19	0	0	0	0	0	0	
Assistant Executive Director (Governance)	2019/20	75,101	299,391	53,771	428,263	0	428,263	Note 6
	2018/19	95,518	28,385	0	123,903	0	123,903	
Assistant Executive Director (Corporate Support)	2019/20	104,942	33,351	0	138,293	0	138,293	New Post -Note 7
	2018/19	0	0	0	0	0	0	
Assistant Executive Director (Children's Social Care and Targeted Services)	2019/20	100,135	31,823	0	131,958	0	131,958	
	2018/19	95,518	28,385	0	123,903	0	123,903	

Note 31 – Senior Officers’ Remuneration (continued)

Post	Year	Salary, Fees and Allowances £	Pension Contribution £	Compensation for Loss of Office £	Total £	Costs Recovered by the Council £	Actual Cost of Post £	Notes
Assistant Executive Director (Education and Early Help)	2019/20	97,428	30,962	0	128,390	0	128,390	
	2018/19	92,202	27,399	0	119,601	0	119,601	
Assistant Executive Director (Customer and Employees)	2019/20	34,280	210,370	56,211	300,861	0	300,861	Note 8
	2018/19	100,825	29,962	0	130,787	0	130,787	
Assistant Executive Director (Adult Social Care)	2019/20	89,031	29,455	0	118,486	0	118,486	Vacant for Part of 2018/19
	2018/19	6,790	2,018	0	8,808	0	8,808	
Assistant Executive Director (Public Health)	2019/20	72,337	22,336	0	94,673	0	94,673	Note 9
	2018/19	84,021	24,968	0	108,989	52,405	56,584	
Assistant Executive Director (Communities)	2019/20	70,805	22,891	0	93,696	0	93,696	Vacant for Part of 2019/20 - Note 10
	2018/19	102,925	30,586	0	133,511	0	133,511	
Assistant Executive Director (Development and Infrastructure)	2019/20	70,794	22,887	0	93,681	0	93,681	New Post -Note 11
	2018/19	0	0	0	0	0	0	
Assistant Executive Director (Governance and Assets)	2019/20	21,861	6,920	0	28,781	0	28,781	New Post -Note 12
	2018/19	0	0	0	0	0	0	
Assistant Chief Executive	2019/20	0	0	0	0	0	0	Post Deleted - Note 13
	2018/19	113,069	33,600	0	146,669	0	146,669	
Assistant Executive Director (Economic Growth)	2019/20	0	0	0	0	0	0	Post Deleted - Note 14
	2018/19	104,693	31,111	0	135,804	0	135,804	
Assistant Executive Director (Early Help)	2019/20	0	0	0	0	0	0	Post Deleted - Note 15
	2018/19	93,477	26,073	0	119,550	0	119,550	
Assistant Executive Director (Policy and Partnerships)	2019/20	0	0	0	0	0	0	Post Deleted - Note 16
	2018/19	29,272	8,699	0	37,971	37,971	0	
Total	2019/20	1,486,159	948,557	109,982	2,544,698	0	2,544,698	
	2018/19	1,529,147	452,706	0	1,981,853	90,376	1,891,477	

In accordance with the requirements of the Code, the Council discloses individual remuneration of all senior employees whose annualised salary is £50,000 or more, and who have responsibility for the management of the authority to the extent that they have the power to direct and control the major activities for which they are responsible. The figures show the full remuneration of each senior employee and also employer's pension contributions. Where the annualised salary is £150,000 or more the Code also requires the employee to be named. The figures also reflect nationally agreed pay awards, incremental progression and remuneration for undertaking additional responsibilities.

The Council's annual Pay Policy Statement (approved by the Council on 8 March 2017) sets out the roles of the Council's senior managers. This includes all of the Council's statutory chief officers in accordance with the Local Government and Housing Act 1989 and the Localism Act 2011.

Notes:

1. The Chief Executive of the Council also fulfils the statutory role of Head of Paid Service as set out in the Local Government and Housing Act 1989.
2. The Executive Director (Resources) also fulfils the statutory role of Chief Finance Officer as set out in the Local Government Act 1972.
3. The Executive Director (Health and Social Care) also fulfils the statutory responsibility of Director of Adult Social Services as set out in the Local Authority Social Services Act 1970.
4. The Executive Director (Children's Services) also fulfils the statutory role of Director of Children's Services as set out in the Children's Act 2004.
5. The Executive Director (Regeneration and Economic Development) is a new role with effect from 1 April 2019.
6. The Assistant Executive Director (Governance) post was deleted on 31 December 2019 when the post holder was made redundant. The pension contribution figures for this post include capitalised pension costs paid by the Council to the Meseyside Pension Fund. While accounted for in 2019/20, these sums are paid to the individuals in question over the rest of their lives. The deletion of this post resulted in a permanent salary saving of £0.100m per year.
7. The Assistant Executive Director (Corporate Support) is a new post with effect from 1 April 2019. This post also fulfils the statutory responsibility of Scrutiny Officer as set out in the Local Government Act 2000.
8. The Assistant Executive Director (Customer and Employees) post was deleted on 31 July 2019 when the post holder was made redundant. The pension contribution figures for this post include capitalised pension costs paid by the Council to the Meseyside Pension Fund. While accounted for in 2019/20, these sums are paid to the individuals in question over the rest of their lives. The deletion of this post resulted in a permanent salary saving of £0.103m per year.
9. The Assistant Executive Director (Public Health) also fulfils the statutory responsibility of Director of Public Health as set out in the Health and Social Care Act 2012. During 2018/19, the postholder also undertook the same role on behalf of Sefton Council as part of a joint arrangement. The Council recovered 50% of the total costs of the post until this arrangement ceased on 31 August 2018.

10. The Assistant Executive Director (Communities) had a new post holder with effect from 3 June 2019.
11. The Assistant Executive Director (Development and Infrastructure) is a new post with effect from 3 June 2019.
12. The Assistant Executive Director (Governance and Assets) is a new post with effect from 1 January 2020. This post also fulfils the statutory responsibility of Monitoring Officer for the Authority as set out in the Local Government and Housing Act 1989. This post also now includes functions previously performed by the Assistant Executive Director (Economic Growth) which was deleted on 31 March 2019.
13. The post of Assistant Chief Executive was deleted on 31 March 2019.
14. The post of Assistant Executive Director (Economic Growth) was deleted on 31 March 2019.
15. The post of Assistant Executive Director (Early Help) was deleted on 31 March 2019.
16. The post of Assistant Executive Director (Policy and Partnerships) was deleted on 17 July 2018.

Officer Remuneration

	Number of Employees	
	2018/19	2019/20
£50,001 to £55,000	51	61
£55,001 to £60,000	36	36
£60,001 to £65,000	45	37
£65,001 to £70,000	21	31
£70,001 to £75,000	16	17
£75,001 to £80,000	21	16
£80,001 to £85,000	8	9
£85,001 to £90,000	0	3
£90,001 to £95,000	3	0
£95,001 to £100,000	3	1
£100,001 to £105,000	3	3
£105,001 to £110,000	2	0
£110,001 to £115,000	2	2
£115,001 to £120,000	1	4
£150,001 to £155,000	0	1
£165,001 to £170,000	1	1
Total	213	222

This note shows the number of officers whose remuneration was £50,000 or more (including senior officers), grouped in £5,000 bands. Remuneration is defined for this disclosure as all amounts paid to or receivable by a person, including sums by way of expenses allowance so far as those sums are chargeable to UK income tax (i.e. excluding employees' pension contributions). It also includes the estimated money value of any other benefits received by an employee otherwise than in cash, and payments made in respect of retirement and / or redundancy, but excludes employer's pension contributions.

Exit Packages

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£0-£20,000	4	17	52	48	56	65	297,178	323,214
£20,001 - £40,000	0	0	6	15	6	15	189,201	426,734
£40,001 - £60,000	0	0	1	3	1	3	41,805	143,025
£60,001 - £80,000	0	0	2	1	2	1	134,509	78,391
£80,001 - £100,000	0	0	1	0	1	0	94,684	0
£100,001 - £150,000	0	0	1	1	1	1	103,617	124,074
£150,001 to £200,000	0	0	0	1	0	1	0	178,215
£200,001 to £250,000	0	0	0	0	0	0	0	0
£250,001 to £300,000	0	0	0	1	0	1	0	255,687
£300,001 to £350,000	0	0	0	2	0	2	0	633,956
£350,001 to £400,000	0	0	0	0	0	0	0	0
Total	4	17	63	72	67	89	860,992	2,163,296

The Council agreed exit packages for a number of employees. These packages include the costs of compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs.

Note 32 - External Audit Costs

From 1 September 2018, Mazars LLP were appointed the external auditors of the Council. In 2019/20, Knowsley MBC incurred the following fees relating to external audit and inspection:

2018/19		2019/20
£000		£000
86	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	86
14	Fees payable in respect of other services provided by external auditors during the year	17
100	Total	103

Note 33 - Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). The Dedicated Schools Grant is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2013. 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.

Details of the deployment of the Dedicated Schools Grant receivable for 2019/20 are shown in the following table.

Notes	DSG Receivable for 2019/20	Central Expenditure £000	Individual Schools Budget £000	Total £000
A	Final DSG for year before Academies recoupment			126,093
B	Academy figure recouped for year			(38,381)
C	Total DSG after academy recoupment			87,712
D	Plus: Brought forward from previous year			1,189
E	Less: Carry forward to following year (agreed in advance)			0
F	Agreed initial budgeted distribution in year	11,792	77,109	88,901
G	In year adjustments	27	24	51
H	Final budget distribution for year	11,819	77,133	88,952
I	Less: Actual central expenditure	(10,275)		(10,275)
J	Less: Actual ISB deployed to schools		(77,058)	(77,058)
K	Plus: Local Authority contribution for year	0	0	0
L	Carry forward to 2020/21	1,544	75	1,619

A: Final DSG figure before any amount has been recouped from the authority excluding the January 2020 early years block adjustment.

B: Figure recouped from the authority in 2019/20 by the DfE for the conversion of maintained schools into academies.

C: Total figure after academy recoupment for 2019/20.

D: Figure brought forward from 2018/19 should be as agreed with the Department.

E: Any amount which the authority decided after consultation with the schools forum to carry forward to 2020/21 rather than distribute in 2019/20.

F: Budgeted distribution of DSG, adjusted for carry-forward, as agreed with the schools forum.

- G: Changes to the initial distribution.
- H: Budgeted distribution of DSG as at the end of the financial year.
- I: Actual amount of central expenditure items in 2019/20.
- J: Amount of ISB actually distributed to schools.
- K: Any contribution from the local authority in 2019/20 which will have the effect of substituting for DSG in funding the Schools Budget.
- L: Carry-forward to 2020/21.

Note 34 - Grant Income

Grant Income Credited to Taxation and non-specific Grant Income and Expenditure

31 March 2019		31 March 2020
£000		£000
(1,818)	Non-Ringfenced Grant	(8,655)
(3,569)	Department for Transport	(2,465)
(1,094)	Education Funding Agency	(2,029)
(900)	Local Sustainability Transport Fund / Sustainable Transport Enhancement Package	(783)
(1,685)	Local Growth Fund	(1,900)
(354)	Liverpool City Region - Strategic Investment Fund	(11,537)
(377)	Heritage Lottery Fund	(1,256)
(776)	Other	(1,695)
(10,573)	Total	(30,319)

In the 2018/19 Statement of Accounts the Liverpool City Region – Strategic Investment Fund and the Heritage Lottery Fund grants had been included within ‘Other’ as they were relatively small amounts. However, as they are significant values in 2019/20 they have been separated out so that a year on year comparison can be made.

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

Credited to Services

31 March 2019		31 March 2020
£000		£000
(87,368)	Dedicated Schools Grant	(87,641)
(64,405)	Housing Benefit Rebates Grant	(54,459)
(25,157)	Private Finance Initiative Subsidy	(23,157)
(17,174)	Public Health Grant	(16,721)
(13,943)	Better Care Fund	(14,630)
(8,207)	Pupil Premium	(9,751)
(290)	Education Services Grant	0
(85)	Skills Funding Agency	(39)
(2,990)	Education Funding Agency	(2,031)
(1,101)	Benefit Verification Framework / Fraud Incentive / Tax Credits	(1,009)
(2,531)	Disabled Facilities Grant	(2,701)
(1,225)	Universal Infant School Meals	(1,333)
(947)	Stronger Families	(1,202)
(2,805)	Improved Better Care Fund	0
(189)	Lottery	(128)
(359)	Youth Justice Board	(364)
(1,671)	European Funding	(1,773)
(806)	Independent Living Fund	(920)
(3,948)	Other	(4,525)
(977)	Winter Funding	0
(374)	Adult Social Care Grant	(100)
(236,553)	Total	(222,484)

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at year-end are as follows:

Grants Receipts in Advance (Capital Grants) - Current Liabilities

31 March 2019		31 March 2020
£000		£000
(428)	Standards Fund	(12)
(129)	Other	0
(556)	Total	(12)

Note 35 - Related Parties

The Council is required to disclose material transactions with related parties. Related parties are individuals or organisations that have the potential to control or influence the Council or be controlled or influenced by the Council. The following identifies the Council's related party transactions during 2019/20:

Central Government

The Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates and provides funding in the form of grants. Grant receipts outstanding at 31 March 2020 are shown in Note 21 (Short term Creditors) and Note 36 (Capital Grants Receipts in Advance).

Subsidiary and Associated Companies

On 1 April 2016, the Council created a new organisation (Volair Ltd) to deliver leisure services across the borough. Volair is a wholly owned subsidiary of the Council and a not for profit company. The assets, liabilities and cash flows of Volair are not considered material and as such group accounts have not been produced. From April 2016, the income and expenditure relating to leisure services are also not included in the Council's single entity accounts.

During 2019/20 the Council incurred £0.508m of expenditure to Volair (£1.125m in 2018/19).

The Board includes four Council Members. At 31 March 2019 outstanding debtors totalled £0.165m (£0.004m at 31 March 2019) and creditors totalled £0.037m (£0.086m at 31 March 2019).

Other Public Bodies

- Knowsley Clinical Commissioning Group
The Council established a partnership agreement with Knowsley Primary Care Trust during 2004/05 using powers originally under Section 31 of the Health Act 1999 (see Note 31 to the Accounts), and then under Section 75 of the NHS Act 2006. These partnership arrangements remained in place until the abolition of the Primary Care Trust on 31st March 2013. A revised Section 75 Agreement has since been put in place between the Council and Knowsley Clinical Commissioning Group with effect from 1 April 2013, and is subject to annual revision and update to reflect changes such as the inclusion of the Better Care Fund and Improved Better Care Fund. The latest Section 75 Agreement was extended for a further year in April 2019.
- Pension Fund
Full details of the Council's Pension Fund transactions are disclosed in Note 43 to the Accounts and the Accounting Policies. One Member of the Council is a member of the Merseyside Pension Fund Committee.
- Knowsley Housing Trust
There were no expressions of interest in Knowsley Housing Trust. Since 18/19, Knowsley Housing Trust have not asked for any members of the council to be part of the committee. At 31 March 2020 outstanding debtors totalled £0.011m (£0.065m at 31 March 2019) and no creditors (no creditors at 31 March 2019)

Transactions relating to Other Public Bodies also included:

- Merseytravel £0.107m (£0.132m in 2018/19) expenditure.
The Board included 4 Council Members. At 31 March 2020 there were no outstanding debtors (no debtors at 31 March 2019) and no creditors (no creditors at 31 March 2019).
- Police and Crime Commissioner for Merseyside £0.301m (£0.237m in 2018/19) expenditure.
The Board included one Council Member. At 31 March 2020 outstanding debtors totalled £0.063m (£0.032m at 31 March 2019) and no creditors (£0.001m creditors at 31 March 2019).
- Merseyside Fire Authority £0.012m (£0.029m in 2018/19) expenditure.
The Board included two Council Members out of the three Members who have expressed an interest. At 31 March 2020 outstanding debtors totalled £0.015m (no debtors at 31 March 2019) and creditors totalled £0.058m (no creditors at 31 March 2019).
- Liverpool City Region Combined Authority: Apart from the Levy, there were no other transactions (£0.663m in 2018/19 expenditure).
The Board includes two Council Members out of the 12 Members who have expressed an interest. At 31 March 2020 outstanding debtors totalled £0.889m (£1.707m at 31 March 2019) and creditors totalled £0.071m (£0.093m creditors at 31 March 2019).
- Merseyside Recycling and Waste Authority
The Board included one Council Member. Apart from the Levy, there were no other transactions (Apart from the Levy, there were no other transactions in 2018/19). At 31 March 2020 outstanding debtors totalled £0.028m (£0.001m at 31 March 2019) and no creditors (no creditors at 31 March 2019).
- Wirral MBC £3.721m (£3.421m in 2018/19) net expenditure.
There were no expressions of interest in Wirral MBC. At 31 March 2020 outstanding debtors totalled £0.114m (£0.015m at 31 March 2019) and no creditors (£0.022m at 31 March 2019).

Members' and Officers' Interests

Members of the Council have direct control over the Council's financial and operational policies. During 2019/20, works and services totalling £10.944m were commissioned from organisations in which five Members had an interest. This included payments of £10.5m to Tarmac and related to highways work and materials. Contracts were entered into in full compliance with the Council's Constitution. Payments and grants totalling £22.307m were made to housing associations, hospital trusts, and voluntary organisations, in which there were 97 expressions of interest from Members. Included within this were payments totalling £17.1m to Merseyside Pension Fund. In all cases, the relevant Members have declared their interest and taken no part in any prejudicial discussion or decision relating to the transactions. There were no officers interests during 2019/20.

Note 36 - Capital Expenditure and Capital Financing

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

Capital Expenditure and Capital Financing

31 March 2019		31 March 2020
£000		£000
275,443	Opening Capital Financing Requirement	269,870
	Capital Investment:	
13,587	Property Plant and Equipment	25,687
944	Investment Property	23,536
397	Intangible Assets	435
459	Assets Held for Sale	0
9,544	Revenue Expenditure Funded from Capital Under Statute	4,616
24,931	Total Capital Spending	54,275
	Sources of Finance:	
(7,708)	Capital receipts	(7,319)
(13,383)	Government Grants and other contributions	(26,818)
(3,695)	- Direct revenue contributions	(5,501)
(5,719)	- Minimum revenue provision	(5,822)
(30,504)	Total Sources of Finance	(45,459)
269,870	Closing Capital Financing Requirement	278,685

Explanation of movements in year

31 March 2019		31 March 2020
£000		£000
(5,573)	Increase in underlying need to borrow (unsupported by government financial assistance)	8,815
(5,573)	Increase/(decrease) in Capital Financing Requirement	8,815

Note 37 - Leases

Finance Leases

During 2015/16 the Council entered into a finance lease for the purchase of server infrastructure over five years. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

Authority as Lessee - Finance Leases

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

31 March 2019		31 March 2020
£000		£000
192	Vehicles, Plant, Furniture, Equipment and Other	96
192	Total	96

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The liability has been fully repaid during 2019/20 and therefore there are no outstanding payments.

31 March 2019		31 March 2020
£000		£000
	Finance lease liabilities (net present value of minimum lease payments):	
(112)	- current	0
0	- non-current	0
(17)	Finance costs payable in future years	0
(129)	Minimum lease payments	0

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

Minimum Lease Payments			Finance Lease Liabilities	
31 March 2019	31 March 2020		31 March 2019	31 March 2020
£000	£000		£000	£000
(129)	0	Not later than one year	(112)	0
(129)	0	Total	(112)	0

Note 38 - Service Concession Arrangements

The Council currently has two Private Finance Initiative schemes in operation, the first relating to the provision of Centres for Learning, and the second, most recent one, for the provision of street lighting services.

Movement in PFI Assets

2019/20	Centres for Learning £000	Street Lighting £000	Total £000
Cost or Valuation			
at 1 April 2019	52,403	48,354	100,757
Additions	6	0	6
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,635	0	1,635
at 31 March 2020	54,044	48,354	102,398
Accumulated Depreciation and Impairment			
at 1 April 2019	(5,954)	(18,324)	(24,278)
Adjustments to cost/value & depreciation/impairment	0	0	0
Depreciation charge	(735)	(668)	(1,403)
at 31 March 2020	(6,689)	(18,992)	(25,681)
Net Book Value			
at 31 March 2020	47,355	29,362	76,717
at 1 April 2019	46,448	30,030	76,478

Movement in PFI Assets

2018/19	Centres for Learning £000	Street Lighting £000	Total £000
Cost or Valuation			
at 1 April 2018	52,403	48,354	100,757
Additions	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0
at 31 March 2019	52,403	48,354	100,757
Accumulated Depreciation and Impairment			
at 1 April 2018	(5,212)	(17,655)	(22,868)
Depreciation charge	(742)	(668)	(1,411)
at 31 March 2019	(5,954)	(18,324)	(24,278)
Net Book Value			
at 31 March 2019	46,448	30,030	76,478
at 1 April 2018	47,191	30,698	77,889

a) Centres for Learning / Primary Learning Centre

On 13 December 2007, the Council entered into a Private Finance Initiative (PFI) arrangement with Transform Schools for the provision of seven Centres for Learning. The contract includes Hard Facilities Management for a period of 25 years from service commencement, with a contract expiry date of 31 August 2034.

On 19 May 2011, the PFI arrangement with Transform Schools was amended to incorporate the new Special Educational Needs School at Bluebell Park in respect of the building works and ongoing services. The Hard Facilities Management Services will be provided by the PFI Contractor from the opening of the school on 1 September 2012 until the expiry of the contract on 31 August 2034.

Four of the total seven Centres for Learning were Council owned and these Centres were included in the Council's Balance Sheet. However, during 2013/14 three of these Centres for Learning transferred to Academy status and the Council treated this transfer as a disposal for nil consideration on the Balance Sheet. The Centres for Learning that are voluntary aided have not been included on the Council's Balance Sheet on the basis that Liverpool Archdiocese has legal ownership of the land and of the residual interest at the end of the agreement. Bluebell Park Primary Learning Centre is Council owned and therefore the fixed asset figures in the Balance Sheet include the following values.

b) Street Lighting

During 2011/12, the Council entered into a Private Finance Initiative scheme with Tay Valley Lighting to deliver street lighting and traffic sign services for a 25 year period. The scheme includes the replacement of over 70% of the stock with a new white light solution enabling the Council where appropriate, to dim and trim the lighting across the borough in order to reduce the CO2 emissions and the levels of electricity consumed.

Movement in PFI Liabilities

2019/20	Centres for Learning £000	Street Lighting £000	Total £000
Balance outstanding at start of year	(101,433)	(28,730)	(130,163)
Payments during the year	4,201	742	4,943
Balance outstanding at year-end	(97,232)	(27,988)	(125,220)

2018/19	Centres for Learning £000	Street Lighting £000	Total £000
Balance outstanding at start of year	(105,308)	(29,390)	(134,698)
Payments during the year	3,875	660	4,535
Balance outstanding at year-end	(101,433)	(28,730)	(130,163)

Value of liabilities under PFI arrangements

As well as assets being held on the Balance Sheet the Council also has to include the outstanding liability to Transform Schools for the Centres for Learning and Tay Valley Lighting for Street Lighting. This liability is split between long and short term liabilities on the Balance Sheet and comprises the following figures.

Payments due under PFI schemes - 2019/20

Reimbursement of Capital Expenditure	Centres for Learning £000	Street Lighting £000	Total £000
Payable within one year	(4,462)	(830)	(5,292)
Payable within two to five years	(21,787)	(4,384)	(26,171)
Payable within six to ten years	(33,626)	(6,653)	(40,279)
Payable within eleven to fifteen years	(37,357)	(11,738)	(49,095)
Payable within sixteen to twenty years	0	(4,383)	(4,383)
Total	(97,232)	(27,988)	(125,220)

Interest	Centres for Learning £000	Street Lighting £000	Total £000
Payable within one year	(7,345)	(2,562)	(9,907)
Payable within two to five years	(25,709)	(9,338)	(35,047)
Payable within six to ten years	(21,820)	(8,990)	(30,810)
Payable within eleven to fifteen years	(7,523)	(5,150)	(12,673)
Payable within sixteen to twenty years	0	(299)	(299)
Total	(62,397)	(26,338)	(88,735)

Payment for Services	Centres for Learning £000	Street Lighting £000	Total £000
Payable within one year	(4,956)	(1,666)	(6,622)
Payable within two to five years	(19,270)	(7,154)	(26,424)
Payable within six to ten years	(27,416)	(11,955)	(39,371)
Payable within eleven to fifteen years	(27,883)	(12,479)	(40,362)
Payable within sixteen to twenty years	0	(3,470)	(3,470)
Total	(79,525)	(36,724)	(116,249)

Note 39 - Termination Benefits

The Council terminated the contracts of 89 employees during 2019/20, incurring liabilities of £2.163m (67 employees costing £0.861m in 2018/19). These costs were incurred in relation to officers who left the employment of the Council to enable the Council to realise the approved budget savings.

Note 40 - Pension Schemes Accounted for as Defined Contribution Schemes

NHS Pension Scheme

From 1 April 2013, Public Health responsibilities transferred from primary care trusts to local authorities. NHS staff have also transferred to the Council who have maintained their membership in the NHS Pension Scheme. The Scheme provides specified benefits and the Council contributes towards the cost by making contributions based on a percentage of the members' pensionable salaries. The scheme is an unfunded defined benefit scheme but the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of the Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2019/20 the Council paid £0.078m to the NHS Pension Scheme in respect of former NHS staff retirement benefits (£0.066m in 2018/19).

Note 41 - Defined Benefit Pension Scheme

Local Government Pension Scheme

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The Council participates in the Local Government Pension Scheme, which is administered by the Merseyside Pension Fund – this is a defined benefit scheme where the Council and employees pay contributions to the fund, calculated at a level intended to balance the pension's liabilities with investment assets.

The transactions that are included in the 2019/20 Comprehensive Income and Expenditure Statement in respect of the Council's pensions scheme are set out in the following table, based upon information provided to the Council by the Pension Fund's independent actuary. The cost of retirement benefits is shown in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge to be met in the year is based on the amounts set by the Pension Fund, so the real cost of accrued retirement benefits is reversed out of the accounts as indicated in the Movement in Reserves Statement.

The total contributions expected to be made to the Merseyside Pension Fund by the Council in the year to 31 March 2021 is £15.613m.

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers Pensions Scheme, administered by the Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the cost by making contributions based on a percentage of the members' pensionable salaries. The scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of the Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

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

General Fund Transactions

2018/19		2019/20	
LGPS	Teachers Additional Unfunded Pensions	LGPS	Teachers Additional Unfunded Pensions
£000	£000	£000	£000
Comprehensive Income and Expenditure Statement			
Cost of Services			
	Service cost comprising:		
22,268	0 Current service cost	26,224	0
7,531	0 Past service cost	4,103	0
181	0 (Gain) / loss from curtailments	645	0
(1,451)	0 (Gain) / loss from settlements and / or transfers	(575)	0
357	0 Administration expenses	382	0
	Financing and Investment Income and Expenditure:		
7,667	416 Net interest expense	8,488	374
36,553	416 Total charged to Surplus and Deficit on Provision of Services	39,267	374

Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement

£000	£000	£000	£000
	Re-measurement of the net defined benefit liability comprising:		
(23,341)	0 Return on plan assets (excluding the amount included in the net interest expense)	59,643	0
0	0 Actuarial gains and losses - experience	(31,466)	(36)
0	0 Actuarial gains and losses arising on changes in demographic assumptions	(66,306)	(1,074)
57,954	567 Actuarial gains and losses arising on changes in financial assumptions	(22,699)	(246)
34,613	567 Total charged to Other Comprehensive Income and Expenditure Statement	(60,828)	(1,356)
71,166	983 Total charged to the Comprehensive Income and Expenditure Statement	(21,561)	(982)

Movement in Reserves Statement

2018/19			2019/20	
LGPS	Teachers Additional Unfunded Pensions		LGPS	Teachers Additional Unfunded Pensions
£000	£000		£000	£000
(36,553)	(416)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(39,267)	(374)
		Actual amount charged against the general fund balance for pensions in the year:		
12,818	1,374	Employers' contributions payable to scheme	14,036	1,374

Pensions Assets and Liabilities Recognised in the Balance Sheet

2018/19			2019/20	
LGPS	Teachers Additional Unfunded Pensions		LGPS	Teachers Additional Unfunded Pensions
£000	£000		£000	£000
(1,133,260)	(16,288)	Present value of the defined obligation	(1,044,051)	(13,932)
772,299	0	Fair value of plan assets	718,687	0
(360,961)	(16,288)	Value of Assets / (Liabilities)	(325,364)	(13,932)
(360,961)	(16,288)	Net (liability) / asset arising from the defined benefit obligation	(325,364)	(13,932)

Movement in the Value of Scheme Assets

2018/19		2019/20	
LGPS	Teachers Additional Unfunded Pensions	LGPS	Teachers Additional Unfunded Pensions
£000	£000	£000	£000
742,086	0	772,299	0
	Opening fair value of scheme assets		
19,134	0	18,392	0
	Interest income		
	Re-measurement gain / (loss):		
23,341	0	(59,643)	0
	- The return on plan assets, excluding the amount included in the net interest expense		
12,818	1,374	14,036	1,374
	Contributions from employer		
4,727	0	5,025	0
	Contributions from employees into the scheme		
(28,974)	(1,374)	(30,819)	(1,374)
	Benefits / transfers paid		
(357)	0	(382)	0
	Administration expenses		
(476)	0	(221)	0
	Assets Extinguished on Settlement		
772,299	0	718,687	0
	Closing value of scheme assets		

Movements in the Fair Value of Scheme Liabilities

2018/19		2019/20	
LGPS	Teachers Additional Unfunded Pensions	LGPS	Teachers Additional Unfunded Pensions
£000	£000	£000	£000
(1,044,699)	(16,679)	(1,133,260)	(16,288)
	Opening balance at 1 April		
(22,268)	0	(26,224)	0
	Current service cost		
(26,801)	(416)	(26,880)	(374)
	Interest cost		
(4,727)	0	(5,025)	0
	Contributions from scheme participants		
	Re-measurement gains and losses:		
0	0	31,466	36
	- Actuarial gains / (losses) - experience		
0	0	66,306	1,074
	- Actuarial gains / (losses) from changes in demographic assumptions		
(57,954)	(567)	22,699	246
	- Actuarial gains / (losses) from changes in financial assumptions		
(7,531)	0	(4,103)	0
	Past service cost		
(181)	0	(645)	0
	Gains / (losses) on curtailments		
28,974	1,374	30,819	1,374
	Benefits / transfers paid		
1,927	0	796	0
	Liabilities extinguished on settlements		
(1,133,260)	(16,288)	(1,044,051)	(13,932)
	Balance as at 31 March		

LGPS - Pension Scheme - Assets comprised of:

Fair value of scheme assets

2018/19			2019/20			
Quoted	Unquoted	Total		Quoted	Unquoted	Total
£000	£000	£000		£000	£000	£000
22,504	0	22,504	Cash and cash equivalents	11,072	0	11,072
<hr/>						
Equities						
118,552	20,396	138,948	UK	98,649	14,716	113,365
161,288	79,015	240,303	Global	163,197	71,688	234,885
279,840	99,411	379,251	Subtotal Equities	261,846	86,404	348,250
<hr/>						
Bonds						
27,996	0	27,996	UK Government	12,665	0	12,665
33,284	0	33,284	UK Corporate	31,922	0	31,922
61,209	0	61,209	UK Index Linked	55,545	0	55,545
122,489	0	122,489	Subtotal Bonds	100,132	0	100,132
<hr/>						
Property						
1,528	47,143	48,671	UK Direct Property	1,893	42,644	44,537
0	14,071	14,071	UK Property Managed	0	12,561	12,561
0	10,988	10,988	Global Property Managed	0	19,100	19,100
1,528	72,202	73,730	Subtotal Property	1,893	74,305	76,198
<hr/>						
Alternatives						
2	24,530	24,532	UK Private Equity	88	9,214	9,302
0	27,383	27,383	Global Private Equity	0	47,474	47,474
670	3,161	3,831	UK Hedge Funds	1,779	11,603	13,382
0	19,526	19,526	Global Hedge Funds	0	19,571	19,571
0	18,836	18,836	Global Infrastructure	0	23,693	23,693
1,341	28,484	29,825	UK Infrastructure	1,340	27,795	29,135
7,115	23,693	30,808	UK Opportunities	1,968	17,483	19,451
6,710	12,874	19,584	Global Opportunities	681	17,407	18,088
0	0	0	Other Global Alternatives	2,939	0	2,939
15,838	158,487	174,325	Subtotal Alternatives	8,795	174,240	183,035
<hr/>						
442,199	330,100	772,299	Total Assets	383,738	334,949	718,687
<hr/>						

The significant assumptions used by the actuary have been:

2018/19	LGPS	2019/20
Mortality assumptions		
Longevity at retirement for current pensioners		
22.2	Men	20.9
25.0	Women	24.0
Longevity at retirement for future pensioners		
25.2	Men	22.5
27.9	Women	25.9
Other assumptions		
2.2%	Rate of inflation	2.1%
3.7%	Rate of increase in salaries	3.6%
2.3%	Rate of increase in pensions	2.2%
2.4%	Rate for discounting scheme liabilities	2.4%

Impact of assumptions on the obligation:

Assumption	LGPS	Increase by 0.1% £000
Longevity		28,922
Rate of inflation		17,074
Rate of increase in salaries		2,477
Rate for discounting scheme liabilities		(16,798)

The significant assumptions used by the actuary have been:

2018/19	Teachers Additional Unfunded Pensions	2019/20
Mortality assumptions		
Longevity at retirement for current pensioners		
22.1	Men	20.9
25.1	Women	24.0
Longevity at retirement for future pensioners		
13.3	Men	12.5
15.8	Women	14.9
Other assumptions		
2.3%	Rate of inflation	2.1%
2.4%	Rate of increase in pensions	2.2%
2.4%	Rate for discounting scheme liabilities	2.4%

Impact of assumptions on the obligation:

Teachers Additional Unfunded Pensions	Increase by 0.1%
Assumption	£000
Longevity	639
Rate of inflation	106
Rate for discounting scheme liabilities	(103)

Note 42 - Contingent Liabilities

As in previous years, the Council had no contingent liabilities at 31 March 2020.

Note 43 - Contingent Assets

As in previous years, the Council had no contingent assets as at 31 March 2020.

Note 44 – Nature and Extent of Risks Arising from Financial Instruments

The Council complies with CIPFA's Code of Practice on Treasury Management and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in December 2017).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Department for Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

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

- Credit risk – the possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing loss to the Council;
- Liquidity risk – the possibility that the Council might not have cash available to make contracted payments on time; and
- Market risk – the possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other Local Authorities, Police and Crime Commissioners and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

The Council's policy is to ensure that high investment rates are not secured at the expense of unacceptable credit risk, by capping its exposure to financial institutions. As many separate institutions increasingly fall under a single group umbrella, where one banking licence is held by a parent company, the Council also sets group limits in order to minimise its counterparty risk to a single banking group.

The Council is alerted to changes in credit ratings through the use of its advisor's creditworthiness service. If a downgrade results in the counterparty or investment scheme no longer meeting the Council's minimum criteria for that class of investment, its further use as a new investment is immediately restricted to a lesser category or, if necessary, withdrawn completely until such a time as the counterparty's financial standing improves again.

Fitch's long term rating AAA denotes the highest credit quality with the lowest expectation of default risk. The lowest Fitch long term rating the Council used at the balance sheet date was A+.

Fitch's short term rating F1 denotes the highest short term credit quality, indicating the strongest intrinsic capacity for timely payment of financial payments. An added "+" denotes any exceptionally strong credit features. The lowest Fitch short term rating the Council used at the balance sheet date was F1.

Fitch's Viability Ratings measure the intrinsic creditworthiness of a financial institution, and reflect Fitch's opinion on the likelihood that the entity will fail. Fitch views a bank as having failed when it either:

- has defaulted, i.e. stopped servicing its senior obligations to third-party, non-government creditors (unless this is a result of legal restrictions), completed a distressed debt exchange in respect to these obligations, or entered bankruptcy proceedings; or
- requires extraordinary support, or needs to impose losses on subordinated obligations, to restore its viability

However, Fitch does not view a bank as having failed when:

- it has defaulted as a result of legal restrictions on servicing its obligations, while the bank itself remains solvent and liquid; or
- external support made available, or losses imposed on subordinated obligations, were in the agency's view not necessary to restore the bank's viability

Fitch's viability rating aaa denotes the highest fundamental credit quality and f denotes the lowest i.e. an opinion of failure. An added "+" or "-" may be appended to a rating to denote relative status within major rating categories. The lowest Fitch Viability rating the Council used at the balance sheet date was "a" that denotes a high fundamental credit quality.

Fitch's support ratings reflect the agency's view on the likelihood that a financial institution will receive extraordinary support, in case of need, to prevent it defaulting on its senior obligations. Extraordinary support typically comes from one of two sources: the rated entity's shareholders (institutional support) or the national authorities of the country where it is domiciled (sovereign support). However, in some circumstances support ratings may also reflect potential support from other sources, e.g. international financial institutions, regional governments or expected acquirers of the rated entity. A scale of 1-5 is used where 1 indicates a bank where there is an extremely high probability of external support and 5 is where external support, although possible, cannot be relied upon. The lowest Fitch support rating the Council had used at the balance sheet date was 5.

The Council's maximum exposure to credit risk in relation to its investments of £60.936m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2020 that this was likely to happen.

At the balance sheet date the credit criteria in respect of investments held by the Council was as follows:

Counterparty Category	Criteria					Maximum Investment & Duration per Institution / Group on 31 March 2020	Total Exposure 31 March 2020 (per balance sheet) £000
	Country Long Term Rating	Fitch Long Term Rating	Fitch Short Term Rating	Fitch Viability Rating	Fitch Support Rating		
UK Banks	UK AA-	A+	F1	a	1	£5m / up to 35 days	4,000
UK Banks	UK AA-	A+	F1	a	5	£4m/ up to 35 days	4,000
Money Market (UK)	UK AA-	AAA				£6m/up to 12 months	6,000
Money Market (Luxembourg)	Luxembourg AAA	AAA				£6m/up to 12 months	6,000
Money Market (Ireland)	Ireland A+	AAA				£6m/up to 12 months per fund, (3 funds in this group)	13,820
Corporate Bond	UK AA-	AA				Max period and amount to be agreed with Advisor prior to investing	3,310
Supernational Bond	AAA	Not applicable				max period to be agreed with Advisor prior to investing	4,233
UK Fixed deposit	UK AA-	Not applicable				£4m/up to 5 years	2,500
Fund Managers	UK AA	Not applicable				max period to be agreed with Advisor prior to investing	16,616
UK Treasury Stock	Not applicable					Not applicable	3
UK Credit Union	Not applicable					Not applicable	135
Loans to third parties	Not applicable					Not applicable	3,710
Total Exposure to Credit Risk from Investments at 31 March 2020							64,327
Accrued interest at 31 March 2020							571
Total Exposure to Credit Risk including accrued interest at 31 March 2020							64,898

No other financial loans, guarantees or commitments have been provided to meet Council service delivery objectives.

The following analysis (excluding amounts held in the Council’s own bank account and services covered by statute and not contractually based where the credit risk is deemed minimal) summarises the Council’s potential maximum exposure to credit risk, based on past experience of default and uncollectability, adjusted to reflect current market conditions:

	Amount at 31 March 2020 (carrying amount of contractually based debtors) £000	Historical Experience of default %	Historical Experience adjusted for market conditions at 31 March 2020 %	Estimated Maximum exposure to default and uncollectability £000
Total Investments (per previous table)	64,898	0	0	0
Mortgagors	2	0	0	0
Employee Related Debtors	98	0	0	0
Trade debtors	7,368	23.41	21.03	1,549
Other Debtors	27,454	23.41	21.03	5,774
Total	99,820			7,323

There were no instances of counterparties failing to meet contractual obligations in relation to investments maturing during the financial year; and the Council does not expect any future losses from non-performance by any of its counterparties in relation to investments outstanding at the balance sheet date.

On 31 March 2020 the Council held 3 mortgage accounts. Only one of these accounts was in arrears totalling £0.008m. The value of the mortgagee’s home is secured as collateral against the default risk. Cases with arrears exceeding three months are routinely monitored, and the Council uses a specialist Loan and Mortgages Administrative Service to manage the accounts and recover arrears.

Employee related debtors e.g. car loans and salary sacrifice schemes are recovered through automatic salary deductions, thereby eliminating any risk of default. If an employee leaves the Council and has debt outstanding, the credit risk is transferred to other entities and individuals.

On 31 March 2020 £9.691m of the total sundry debtor balance outstanding is past its due date for payment. The past due amount can be analysed by age as follows:

	£000
Less than one month	5,354
Two to six months	2,064
Six months to one year	520
More than one year	1,753
	9,691

The Council has a clearly documented credit policy setting out the Council-wide responsibilities to minimise the risk to the Council of income that cannot be collected, or is difficult to collect. Debt is managed centrally with system-based recovery routines and overdue letter cycles. All available recovery methods are utilised including telephone collection, external collection agents, bankruptcy and charging orders where appropriate. A comprehensive analysis of all outstanding debt is undertaken, and collection performance monitored and reported to senior management, on a monthly basis throughout the year.

The Council makes a provision for past due debtors based on the actual collection performance of previous years and according to the perceived level of risk associated with those debtors. All activities are supported by written procedures and policies including a Debt Recovery Strategy, Write-Off Policy and Partnership Working Agreement with Legal Services.

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. In addition to maintaining liquid balances that can be drawn upon as required, the Council has ready access to borrowings from the Public Works Loans Board, other local authorities and commercial lenders. Therefore, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, there is a risk that the Council will be bound to replenish a significant proportion of its longer term debt portfolio at a time of unfavourable interest rates. The strategy is therefore to keep the upper limit of fixed rate borrowing to mature in each period as shown in the table below:

Maturity Period of Fixed Rate Borrowing	Upper limit of Fixed Rate Borrowing to mature in each period	Public Works Loan Board Maturity at 31 March 2020 £000	Lender Offer Borrower Option Maturity at 31 March 2020 £000	Long Term Loans at 31 March 2020 £000	Temporary Loans Maturity at 31 March 2020 £000	Total Maturity at 31 March 2020 £000	Actual % Maturity of Fixed Rate Borrowing at 31 March 2020
Under 12 months	30%	1,490	6,077	106	37,052	44,725	29
1-2 years	20%	1,152	0	0	0	1,152	1
2-5 years	50%	15	0	0	0	15	0
5-10 years	80%	3,642	0	0	0	3,642	2
10 years and above	100%	96,449	0	6,300	0	102,749	68
		<u>102,748</u>	<u>6,077</u>	<u>6,406</u>	<u>37,052</u>	<u>152,283</u>	

Transferred debt has been excluded from the above table as it is a statutory obligation. The debt was created through local government reorganisation in 1974 and 1986 and administered by other local authorities on behalf of the Council.

The Council had £6.077m of “Lender’s offer, borrower’s option” (LOBO) loans where the lender has the option to propose an increase in the rate payable once the loan falls out of the fixed rate period and becomes “callable” on a semi-annual basis. The £6.077m LOBO shown in the fixed rate maturity period of under 12 months, with a principal balance of £6m that became callable from 25 November 2013.

If a LOBO is called and the rate changed by the Lender, the Council will have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay this loan. The

maturity date is therefore uncertain but the Council shows all LOBO's in the maturity period that their fixed period ends to ensure sufficient funds are available to repay the loans if called.

Through a combination of careful planning of new loans taken out and making early repayments where it is economic to do so, the Council ensures that prudential targets are achieved. All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise;
- borrowings at fixed rates – the fair value of the liabilities will fall;
- investments at variable rates – the interest income will rise;
- Investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost are not carried on the Balance Sheet at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. Changes in interest payable and receivable on variable rate borrowings and investments would be posted to the Surplus or Deficit on the Provision of Services. However, the Council did not hold any variable rate borrowing as at 31 March 2020. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The Council has a number of strategies for managing interest rate risk. The treasury management strategy is to aim to keep a maximum of 50% of borrowings in variable rate loans. At 31 March 2020, the Council had no exposure to variable rate borrowing. The treasury management team receives professional advice and has a strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

If all interest rates had been 1% higher on 31 March 2020 with all other variables held constant, the financial effect would be as follows:

	£000
Decrease in fair value of fixed rate investments carried at amortised cost (no impact on Comprehensive Income and Expenditure)	686
Decrease in fair value of fixed rate borrowings liabilities (no impact on Comprehensive Income and Expenditure)	25,886

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

Currency Exchange Risk

On the balance sheet date The Council held approximately £0.211m financial assets denominated in Euro's. The Council does not consider it is exposed to any significant risk of adverse movements in the currency exchange rate.

Price risk

The market prices of the Council's fixed rate bond investments and its units in pooled funds are governed by prevailing interest rates and the market risk associated with instruments is managed alongside interest rate risk.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. The risk is limited by the Council's maximum exposure to property investments of £7m.

The Council's investment in pooled equity funds is subject to the risk of falling share prices. The risk is limited by the Council's maximum exposure to equity investments of £12m.

Note 45 - Trust Funds

Capital Value of Fund	Other Funds	Capital Value of Fund
2018/19		2019/20
£000		£000
830	King George V Playing Fields	830
23	Mayors Charity	34
10	Other	7
863	Total	872

The Council administers the King George V Playing Fields Trust Fund as sole trustee. This trust fund is a permanent Endowment from the sale of land left to KMBC from benefactors. This and the Other funds (excluding the Mayors Charity) are included within the Cash and Cash Equivalents figure on the Council's Balance Sheet.

The Council also administers the Mayors Charity. This fund was established in 1975 to raise funds for charitable purposes in the borough as the trustees see fit.

Collection Fund

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and business rates. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

31 March 2019			31 March 2020			
Business Rates £000	Council Tax £000	Total £000	Collection Fund	Business Rates £000	Council Tax £000	Total £000
INCOME:						
	(62,087)	(62,087)	Council Tax Receivable		(67,422)	(67,422)
(45,635)		(45,635)	Business Rates Receivable	(48,061)		(48,061)
(833)	0	(833)	Transitional Protection Payments Receivable	0	0	0
(46,468)	(62,087)	(108,555)	Total amounts to be credited	(48,061)	(67,422)	(115,483)
EXPENDITURE:						
Apportionment of Previous Year Surplus/Deficit:						
4,890		4,890	Central Government	0		0
2,738	315	3,053	Knowsley MBC	782	(91)	691
77	17	94	Merseyside Fire and Rescue Authority	8	(5)	3
0	38	38	Police and Crime Commissioner for Merseyside	0	(11)	(11)
Precepts, demands and shares:						
44,226	51,733	95,959	Knowsley MBC	45,732	54,402	100,134
447	2,686	3,133	Merseyside Fire and Rescue Authority	462	2,824	3,286
0	6,246	6,246	Police and Crime Commissioner for Merseyside	0	7,235	7,235
	0	0	Liverpool City Region Metro Mayor	0	681	681
Charges to Collection Fund:						
0	1,527	1,527	Increase/(decrease) in allowance for impairment	0	1,296	1,296
864		864	Increase/(decrease) in allowance for appeals	(3,015)		(3,015)
0		0	Transitional Protection Payments Payable	322		322
141		141	Charge to General Fund for allowable collection costs for non-domestic rates	138		138
53,383	62,562	115,945	Total amounts to be debited	44,429	66,331	110,759
6,915	475	7,390	(Surplus)/Deficit arising during the year	(3,632)	(1,092)	(4,724)
(7,705)	(369)	(8,074)	(Surplus)/Deficit b/f at 1 April 2019	(790)	106	(684)
(790)	106	(684)	(Surplus)/Deficit c/f at 31 March 2020	(4,422)	(985)	(5,408)

Notes to the Collection Fund

Note 1 - Council Tax

Most dwellings within the Borough are subject to council tax and each dwelling is allocated to one of eight bands according to its open market capital value at 1 April 1991. Each band is then converted to a “Band D equivalent” to establish the tax base, with individual charges being 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 tax base.

The tax base for 2019/20 was 35,822 (35,093 in 2018/19). The tax base was approved at the Council meeting on 23 January 2019 and was calculated as follows:

2019/20

Band	Valuation band limits	Calculated no of dwellings	Ratio to band D	Equated No of dwellings	
	£	No		No	
A	Upto and including - 40,000	37,688	6/9	25,125	
B	40,001 - 52,000	14,112	7/9	10,976	
C	52,001 - 68,000	9,324	8/9	8,288	
D	68,001 - 88,000	4,106	9/9	4,106	
E	88,001 - 120,000	1,721	11/9	2,104	
F	120,001 - 160,000	306	13/9	442	
G	160,001 - 320,000	131	15/9	218	
H	More than - 320,001	17	18/9	34	
				Adjustment	(15,471)
				Council tax base	<u>35,822</u>

2018/19

Band	Valuation band limits	Calculated no of dwellings	Ratio to band D	Equated No of dwellings	
	£	No		No	
A	Upto and including - 40,000	37,596	6/9	25,064	
B	40,001 - 52,000	13,896	7/9	10,808	
C	52,001 - 68,000	9,146	8/9	8,130	
D	68,001 - 88,000	4,026	9/9	4,026	
E	88,001 - 120,000	1,643	11/9	2,008	
F	120,001 - 160,000	294	13/9	424	
G	160,001 - 320,000	130	15/9	217	
H	More than - 320,001	17	18/9	34	
				Adjustment	(15,618)
				Council tax base	<u>35,093</u>

Collection Fund surpluses (or deficits) declared by the billing authority in relation to council tax are apportioned (or proportionately charged) to the relevant precepting bodies in the subsequent financial year. For Knowsley, the council tax precepting bodies are the Police and Crime Commissioner for Merseyside (PCCM), the Merseyside Fire and Rescue Authority (MFRA) and, from 2019/20, the Liverpool City Region Metro Mayor.

The Council has a statutory requirement to prepare an estimate each January of the surplus or deficit on council tax expected to arise at the end of the financial year. In January 2019 it was estimated that there would be a £0.106m council tax deficit on the Collection Fund (£0.370m surplus in January 2018) and therefore this would be recovered from the relevant preceptors in 2019/20.

Note 2 - Business Rates

The Council collects business rates for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. For 2019/20 the total rateable value at the year end is £112.0m (£111.0m in 2018/19). The national multipliers for 2019/20 were 49.1p for qualifying small businesses, with the standard multiplier being 50.4p for all other businesses (48.0p and 49.3p respectively in 2018/19).

Under the Business Rates Retention Pilot Scheme, introduced across the Liverpool City Region in 2017/18, Knowsley retains 99% of its collectable business rates with the remaining 1% being paid to the Merseyside Fire and Rescue Authority (MFRA).

The business rates shares payable for 2019/20 were estimated before the start of the financial year as £45.732m to Knowsley and £0.462m to MFRA. These sums have been paid in 2019/20 and charged to the Collection Fund in year. The actual income from business ratepayers for 2019/20 was £48.061m (£45.635m in 2018/19).

In addition to the local management of business rates, authorities are expected to finance successful appeals made by ratepayers in respect of rateable values as defined by the VOA and hence business rates outstanding at 31 March 2020. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion to the precepting shares. The total successful prior year appeals awarded and charged to the provision during 2019/20 was £1.658m, with a further reduction to the provision of £3.015m, leaving a total of £2.681m at 31 March 2020 to cover future payments for those appeals still pending. Knowsley's 99% share of the provision (£2.654m) is included in its consolidated balance sheet.

Independent Auditor's Report to the Members of Knowlsey Metropolitan Borough Council

Report on the financial statements

Opinion

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

In our opinion, the financial statements:

- give a true and fair view of the financial position of Knowsley Metropolitan Borough Council as at 31st March 2020 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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 section of our report. We are independent of the Council 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.

Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of property, plant and equipment and pension fund property investments

We draw attention to note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's property, plant and equipment and investment properties and the valuation of the Council's share of Merseyside Pension Fund's property investments. As disclosed in note 4 of the financial statements, the Council's and Pension Fund's valuers included a 'material valuation uncertainty' declaration within their report as a result of the Covid-19 pandemic. Our opinion is not modified in respect of this matter.

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 Executive Director (Resources)'s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director (Resources) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council'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 Executive Director (Resources) is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of the Executive Director (Resources) for the financial statements

As explained more fully in the Statement of Responsibilities the Executive Director (Resources) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Executive Director (Resources) is also responsible for such internal control as the Executive Director (Resources) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Executive Director (Resources) is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Executive Director (Resources) is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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/auditorresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Knowsley Metropolitan Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Knowsley Metropolitan Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

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

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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

This report is made solely to the members of Knowsley Metropolitan Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.



Mark Dalton
For and on behalf of Mazars LLP
5th Floor
3 Wellington Place
Leeds
LS1 4AP

21 December 2020

Glossary

AAA FITCH RATING

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA FITCH RATING

Very high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A FITCH RATING

High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

ASSET

An item having value to the authority in monetary terms. Assets are categorised as either current or non-current:

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

BORROWING

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME

The capital schemes the Authority intends to carry out over a specific period of time.

CAPITAL RECEIPT

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

CIPFA

The Chartered Institute of Public Finance and Accountancy

COLLECTION FUND

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

COMMUNITY ASSETS

Assets that the Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's accounts.

CONTINGENT LIABILITY

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CREDITOR

Amount owed by the Authority for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

Amount owed to the Authority for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EQUITY

The Authority's value of total assets less total liabilities.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central government.

IMPAIRMENT

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

INFRASTRUCTURE ASSETS

Fixed assets belonging to the Authority that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

LIABILITY

A liability is where the Authority owes payment to an individual or another organisation:

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LIQUID RESOURCES

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market.

LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NET DEBT

The Authority's borrowings less cash and liquid resources.

NON-DOMESTIC RATES (NDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Authority on behalf of itself, central government and major preceptors. In Scotland it is collected by the Authority on behalf of central government and then redistributed back to support the cost of services.

NON-OPERATIONAL ASSETS

Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE

A lease where the ownership of the fixed asset remains with the lessor.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST (PENSIONS)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PRECEPT

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

RATEABLE VALUE

The annual assumed rental of a hereditament, which is used for NNDR purposes.

RELATED PARTIES

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS

The Statement of Recommended Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

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.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

Expenditure which ordinarily would be revenue, but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction.

STOCKS

Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

Funds administered by the Authority for such purposes as prizes, charities, specific projects and on behalf of minors.

USEFUL ECONOMIC LIFE (UEL)

The period over which the Authority will derive benefits from the use of a fixed asset.