

# **Knowsley Metropolitan Borough Council**

## **Statement of Accounts for the year 2020/21**



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## **NARRATIVE REPORT ON THE 2020/21 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 2021; 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.

Last year the Ministry of Housing, Communities and Local Government (MHCLG) extended the deadline for the preparation of the annual Accounts. It has again been revised for 2020/21 so that the draft accounts for Authorities like Knowsley must be issued by 31 July 2021 and the publication deadline for audited accounts has moved from 31 July to 30 September 2021. The requirement for the public inspection period to include the first 10 working days of June has also been removed. Instead the Council must commence the public inspection period for its Statement of Accounts on or before the first working day of August 2021.

The Accounts can be accessed on the Council's website ([www.knowsley.gov.uk](http://www.knowsley.gov.uk)) along with further related information including:

- 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).

#### Primary 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.

**Collection Fund:** This shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and Business Rates and its distribution to precepting bodies. For Knowsley, the Council Tax precepts payable are for the Police and Crime Commissioner of Merseyside, Merseyside Fire and Rescue Authority and the Liverpool City Region Metro Mayor.

**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 in order 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 4 March 2020 the Council approved a Net Revenue Budget for 2020/21 of £169.014m (£158.949m in 2019/20); this included new investments of £14.462m approved by the Council. The net budget was funded by Retained Business Rates of £44.477m (£45.732m in 2019/20), Government "Top Up" Grant of £53.357m (£51.713m in 2019/20), other Government Grants of £14.419m (£8.306m in 2019/20) and Council Tax receipts of £56.761m (£53.198m in 2019/20). Financial performance against approved service budgets has been monitored and reported to Members throughout the year.

The COVID-19 pandemic has of course had a major impact on the Council's budget in 2020/21. The impact of unplanned costs and lost income resulting from the response to COVID-19 during the 2020/21 financial year was £28m. In 2020/21, the Council has managed to contain this financial impact within the Government's COVID-19 funding allocations.

Excluding the operational financial pressures associated with COVID-19, services have reported an underlying surplus of £1.123m during 2020/21. After funding immediate one-off strategic COVID-19 interventions of £1.625m (approved by the Cabinet during the year) the final position for 2020/21 service budgets was a deficit of £0.502m. This is a small improvement compared to the deficit of £0.625m forecast at the Quarter 3 stage. The final surplus against Council-wide and contingency budgets was £0.780m, which meant that the overall final position for 2020/21 (excluding the impact of COVID-19) was a surplus of £0.278m. This small variance represents just 0.2% of the total budget. This surplus has been placed in earmarked reserves, and so the Council's overall outturn position was breakeven and can be seen in the Movement in Reserves Statement on page 17.

The outturn position is reported after services had set resources aside to ensure that they had capacity to address potential COVID-19 response costs which have continued into 2021/22. These resources are held in the Council's reserves to be carried forward into 2021/22. The impact of COVID-19 response costs will be monitored and reported to the Cabinet over the coming months. If the Government provides sufficient further funding for response costs in 2021/22, then the set-aside resources will be released in the coming months for allocation as part of the Council's wider plan for the recovery of the Borough.

Specific interventions totalling £10.8m were approved by the Council as part of its 2021/22 budget, including £4.4m to deliver essential service improvements and a further £6.4m for a "Knowsley Better Together Recovery Fund" to address priority support interventions over the coming months. The resources for these investments are also reflected in the Council's reserves for carrying forward into 2021/22, along with resources for a range of major investments approved by the Cabinet over recent years to support the continued regeneration and sustainability of the Borough.

The Council's reserves, detailed in the Movement in Reserves Statement and identified in the Council's Balance Sheet, therefore reflect significant one-off resources that the Council has allocated to fund its ambitious programme of future investments. These investments underpin the Council's future strategy for the recovery of the Borough after the devastating economic

impacts of COVID-19. The Executive Director (Resources) monitors the availability of one-off resources for wider investment, and particularly for the Council's COVID-19 recovery programme. Updates are reported to the Cabinet for consideration as part of the Council's ongoing financial strategy.

Given the immense challenges faced by the Council over the course of 2020/21, the final budget position was very positive. This has been made possible by the sound approach to financial management and robust decision-making which the Council followed throughout the Government's national austerity programme. All Council services have worked hard to identify, implement, and sustain the budget savings approved by Members. This has ensured that the Council has had the financial resilience to cope with the unprecedented events of the last year and is able to plan for the future recovery of the Borough and sustain the local economy and environment.

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.

## **5. REVIEW OF COUNCIL PERFORMANCE DURING THE YEAR**

### **The Corporate Plan**

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 July 2020, the Cabinet agreed to revise the Corporate Plan to include a focus on the Council's response to the COVID-19 pandemic. The seismic impact of COVID-19 on Knowsley's communities and the Council's services meant that it was essential to consider the existing priorities in the context of the ongoing pandemic. The Cabinet therefore agreed to include an additional focus on "COVID-19 Recovery" in the Corporate Plan, with specific emphasis on the following Strategic Recovery 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.

### **Response to the COVID-19 Pandemic**

The COVID-19 pandemic dominated the Council's agenda throughout the year, with a number of waves of high virus transmission, in particular between April and May 2020, September and October 2020, and December 2020 and January 2021.

In response to the waves of infection, the Council effectively activated its Outbreak Management Plan, including the promotion of regular and asymptomatic testing, effective communication, rigorous local contact tracing, support for self-isolation, and support for the roll-out of the vaccination programme by Knowsley Clinical Commissioning Group. The

Council has provided significant support to those residents in need via the Volunteer Hub, with additional measures in place for the clinically extremely vulnerable. Throughout the pandemic, the Council's effective approach to hospital discharge and transfer to care has avoided delays, thereby helping to reduce pressures on hospital bed places.

The Council's Delivery Programme includes the key actions and projects which Council services will focus on in order to contribute to the Corporate Plan priorities. On 25 November 2020 and 16 June 2021 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 under the unprecedented circumstances posed by the COVID-19 pandemic and highlighted the progress which the Council has made in improving long-term outcomes. Full details of the Council's performance can be accessed in these reports, and the key issues are highlighted below.

Schools in Knowsley have been supported effectively throughout the pandemic, ensuring that remote learning has been effective, that schools have been COVID-safe, and that pupil attendance has been good. More recently, as the Council and schools begin to understand the impact of COVID-19 on the Borough's children and young people, efforts have focussed on interventions to enable pupils to catch up on their disrupted year and the provision of mental health and wellbeing support. Key school improvement programmes continue. All schools have engaged well in the annual self-assessment process and the Council has continued to provide targeted improvement support where needed.

Special educational needs and/or disabilities improvements continue and marked improvements have been achieved in the quality of Education, Health and Care Plans and a more person-centred approach to working with families.

Despite redeployment of Adult Social Care teams to enable a rapid and effective response to the pandemic, performance targets in bed-based intermediate care, demand management, and the timeliness of Adult Social Care packages have been met. This is a remarkable achievement given the fluctuating scale and nature of demand during the pandemic.

The Council's major developments continue, including employment space, infrastructure improvements, and the extended provision of affordable housing across the Borough, with further schemes planned.

### **Future Recovery of the Borough**

On 3 March 2021, the Council agreed to extend the current three-year Corporate Plan 2017-2020 to the period up to 30 September 2021, and this includes priorities associated with the COVID-19 pandemic and the United Kingdom's exit from the European Union alongside the five existing corporate priorities. The COVID-19 Recovery Priorities agreed by the Council in March 2021 are as follows:-

- (a) Effective Outbreak Management;
- (b) Returning Council services to a "new normal";
- (c) Responding to the changing needs of local residents and communities;
- (d) Responding to the changing needs of local businesses and the economy; and,
- (e) Ensuring financial stability for the Council throughout the response to and recovery from COVID-19.

These priorities will underpin the programme of interventions identified for the allocation of the Council's £6.4m Knowsley Better Together Recovery Fund during 2021/22.



The Borough still faces significant challenges, many of which have been exacerbated by the pandemic. The Council will continue to assess the impact of the pandemic to ensure that it, and its partners respond., continue to respond effectively and ensure that improved outcomes are delivered for the borough.

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 to enable Knowsley to recover from the long-term consequences of COVID-19.

## **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 2021 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 the end of 2020/21, the Council held a number of earmarked reserves as funding for specific interventions previously approved by the Council. These include interventions which are essential to the Borough's regeneration and recovery from the COVID-19 pandemic, and for delivering growth to ensure the sustainability of the Borough. The range of previously approved interventions can be summarised as follows:-

- £6.4m for Supporting Businesses and Delivering Vibrant Town Centres;
- £3m for Public Health Interventions;
- £2.1m for Climate Change and Environmental Improvements;
- £1.6m for Supporting Knowsley Residents and Protecting Vulnerable People;
- £1m for Sustaining and Transforming Key Services; and,
- £1.2m for Shakespeare North Playhouse start-up costs.

The Council's reserves also reflect the resources set aside by services as capacity to address potential COVID-19 response costs which continue into 2021/22. The financial impact of COVID-19 on the Council is discussed more fully below.

It is important that the allocation of these resources is kept under review to ensure that they remain focussed on the best investments to deliver the recovery, regeneration, and sustainability of the Borough. The Executive Director (Resources) will continue to challenge and scrutinise all reserves so that the Cabinet may consider options for re-allocation to alternative investments as part of the ongoing financial strategy and particularly for the Council's COVID-19 recovery programme. This may include the use of one-off resources to help to manage the impact of shortfalls in Government funding for the impact of COVID-19 in future years, as discussed elsewhere in this report.

Over the coming months, work will be undertaken to assess the extent of any shortfall in Government funding for 2021/22 COVID-19 response costs. At that stage, the consequent availability of one-off resources for wider investment, and in particular for the Council's COVID-19 recovery programme, will be determined. An update will then be reported to the Cabinet for consideration as part of the Council's ongoing financial strategy.

At 31 March 2021, the total of the Council's unallocated General Balances was £4.984m (representing 2.8% of the 2021/22 net revenue budget). On 6 March 2021, the Council agreed that this level of General Balances should be maintained as a financial safety net for unplanned demand or costs arising from its core service provision. This remains a real risk given the ever-present upward cost and demand pressures for Social Care services and the continued uncertainty regarding the Government's future approach to local government funding. 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.

### **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 2020/21 was reported to the Governance Committee on 3 February 2020 and was subsequently approved by the Council on 4 March 2020.

The authorised limit for external debt for the Council for 2020/21 was £400m (£320m in 2019/20). The actual level of outstanding long-term and short-term debt at the year-end totalled £246m which included £120m of liabilities related to the Council's Private Finance Initiative schemes (£279m as at 31 March 2020 including £125m of liabilities relating to the Private Finance Initiative schemes).

At 31 March 2021, the Council had £107.392m of long term borrowing (compared to £108.792m in 2019/20). This included £100.106m of loans from the Public Works Loans Board. Included in the balance is £0.987m relating to debt transferred on the local government reorganisation in 1974 and 1986. At 31 March 2021 the Council held cash and investments of £43.932m (the 2019/20 figure totalled £63.990m).

The Council paid £9.907m of interest and similar charges in year for its Private Finance Initiative schemes (2019/20 £10.301m) and a further £4.985m (2019/20 £4.935m) on its treasury management activities. The Council received £1.495m of interest and investment income during the year (2019/20 £1.607m).

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 2020/21, the Council incurred significant capital expenditure on acquiring or improving Council buildings and other capital assets. This included work on the new retail development of Kirkby Town Centre (£13.653m), further construction of the Shakespeare North Theatre (£7.912m); and a wide-ranging Highways Maintenance and Planning programme (£6.268m). The total amount of grant and other contributions that was spent during 2020/21 was £28.030m. There were also schemes totalling £14.478m 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 2020/21 the Council's share of the overall Fund net liability (excluding Teachers) was £351m – compared with £325m the previous year.

Since February 2020 there has been substantial volatility in financial markets around the world in relation to the COVID-19 pandemic. This may have had consequences for asset values. The volatility has also extended to corporate bonds upon which the discount rate is based, and has therefore increased the Council's liabilities.

While the Accounts show the pension liability position at 31 March 2021, 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 net 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 2020/21 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:

### COVID-19

The financial year 2020/21 has clearly been unlike any other year. As well as the significant impact of the pandemic on the local community and local economy, the financial impact on the Council itself had to be managed in a climate of rapid change and uncertainty.

Significant additional funding was made available to the Council by the Government during the year and this is reflected in the Accounts. The largest single element of Covid-19 funding was the un-ringfenced grant awarded to councils in a number of tranches during the year. Knowsley received £11.4m and this is reflected as government funding in the Comprehensive Income and Expenditure Statement, offset by expenditure incurred across the various Council services.

Grants of £16.8m received in 2020/21 have been credited direct to service expenditure on the Comprehensive Income and Expenditure Statement as these are to fund specific areas of Covid-19 related spending required by the government during the year (for example on outbreak management, test and trace, and council tax hardship relief).

Further grants of £12.9m were received in 2020/21 but relate to spend that will be incurred 2021/22 (for example on further outbreak management interventions and also for local restrictions support grant payments to businesses). These are grants received in advance of the expenditure and are therefore reflected as potential liabilities on the Council's balance sheet until such time as the related expenditure is actually incurred.

The Government's national approach to the provision of Covid-19 funding throughout 2020/21 was uncertain and incremental. This approach made it very difficult to plan financially during the year or to have any certainty around levels of Government support. In addition, there continues to be significant uncertainty regarding the Government's future approach to local government funding in the longer-term. Medium-term financial planning has therefore been very difficult under these circumstances.

Monitoring in early 2021/22 indicates that the continuing response costs may require further allocations of Government funding – although clearly the position remains subject to how effectively the national pandemic is contained, and how quickly the local economy and local community is able to recover. Lost income streams will also continue to be a pressure in 2021/22 and the on-going challenge will be for the Council to determine how these income streams should be restored without placing an undue burden on the residents and businesses of Knowsley.

In light of this continued financial uncertainty, Council services have set resources aside where possible to ensure that they have capacity to address potential COVID-19 response costs which will continue into 2021/22. If the Government provides sufficient further funding for these response costs, then the set-aside resources will be released the coming months for allocation as part of the Council's wider plan for the recovery of the Borough.

COVID-19 also caused significant pressures in relation to the collection of both Council Tax and Non-Domestic Rates. Many businesses struggled financially during the restrictions and residents' livelihoods were often detrimentally affected. The Council took a sympathetic approach in relation to the collection of both Council Tax and Non-Domestic Rates and routinely allowed taxpayers and ratepayers alike to defer their scheduled instalments for the first three months of 2020/21, with revised instalments offered from July 2020 until March 2021 (and beyond where this was merited). The extremely limited opportunities to pursue recovery at the Magistrates Court has also proved very problematic for the Council and it is clear that Collection Fund debt (both Council Tax and Non-Domestic Rates) has increased as a consequence of the relaxed recovery arrangements.

The Council received £2.456m from the Government in the form of a Hardship Fund to provide Council Tax relief of £150 for taxpayers of working age in receipt of Council Tax Reduction. This supported the individual residents as well as the financial position of the Collection Fund - as it guaranteed revenue in lieu of Council Tax income. Total relief of £1.947m was provided in 2020/21 and the balance of £0.509m was carried forward to 2021/22 for ongoing support. To support local businesses, the Council administered Non-Domestic Rate reliefs and the range of new business grants that the Government announced. This required a swift response at the very outset of the pandemic in order to apply reliefs and pay eligible businesses their grants as quickly as possible.

The last year has clearly been extremely challenging for everyone, and our residents have had to deal with job losses, being furloughed, managing home school, illness and bereavement. The impact this has all had on the local community and the local economy cannot be understated. The Council remains committed to supporting Knowsley residents and the 2021/22 Budget includes a £2.5 million Knowsley Better Together Hardship Fund. This will fund a package of support which includes access to food, heating support, debt and benefit advice, housing support and helping residents into employment or training.

The Council's budget for 2021/22 also includes a Knowsley Better Together Recovery Fund of £6.4m to help support the future recovery of the local economy and environment through interventions in the following areas:

- Supporting Businesses and Delivering Vibrant Town Centres;
- Climate Change and Environmental Improvements;
- Supporting Knowsley Residents and Protecting Vulnerable People;
- Supporting Education, Training, and Jobs; and
- Sustaining and Transforming Key Services.

### **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 austerity programme 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 Council also does 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.

Funding levels in future years remain subject to a range of significant but highly uncertain influences, including the Government's future approach to the local government funding system (particularly the future of social care and public health funding) and how the Government manages the national financial impact of the COVID-19 pandemic. These major policy changes were deferred for a year by the Government during the pandemic, but they remain real risks for the Council in future years. The impact on the national and local economy of the United Kingdom's exit from the European Union is also unpredictable.

## 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.

For the 3-year period 2020/21 – 2022/23, the Council agreed with Merseyside Pension Fund that the employer contributions payable to the Local Government Pension Scheme could be paid as a single up-front payment in order to make a budget saving. Subsequently, in April 2020 the Council paid £31.070m and in line with the Council's accounting policies, in 2020/21 the amounts relating to all three years have been offset against the pension liability on the balance sheet. These amounts will be reflected in the pension reserve in the years to which they related.

At the close of the triennial period the pension reserve and the pension liability will be brought into line with each other. For further details see Note 41 Defined Benefit Pension Schemes.

**James Duncan, CPFA**  
Executive Director (Resources)  
9 July 2021

## **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 2020/21 Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.



**JAMES DUNCAN CPFA**  
Executive Director (Resources)  
20 September 2021

### **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 20 September 2021.



**COUNCILLOR A FLUTE**  
Chairperson of the Governance and Audit Committee  
20 September 2021

## 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.

2019/20 (Restated)				2020/21		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000	Notes	£000	£000	£000
184,306	(142,106)	42,200		188,221	(150,488)	37,733
46,078	(29,342)	16,736		35,874	(20,441)	15,433
5,710	(5,448)	262		4,377	(28,380)	(24,003)
120,461	(58,814)	61,647		133,793	(72,176)	61,617
17,204	(10,022)	7,182		35,296	(21,617)	13,679
93,718	(67,133)	26,585		89,336	(63,246)	26,090
<b>467,477</b>	<b>(312,865)</b>	<b>154,612</b>		<b>486,897</b>	<b>(356,348)</b>	<b>130,549</b>
19,616	(3,678)	15,938	9	20,131	(2,596)	17,535
46,504	(22,456)	24,048	10	51,700	(25,459)	26,241
0	(195,587)	(195,587)	11	0	(194,736)	(194,736)
<b>533,597</b>	<b>(534,586)</b>	<b>(989)</b>		<b>558,728</b>	<b>(579,139)</b>	<b>(20,411)</b>
		(7,259)	24			(8,833)
		650	24			0
		0	24			(81)
		(62,184)	41			29,687
		<b>(68,793)</b>				<b>20,733</b>
		<b>(69,782)</b>				<b>362</b>



During 2020/21, the Council changed its approach to how it classified some of its long-term investments, from being held as Fair Value through Other Comprehensive Income to Fair Value through Profit and Loss. This has had an impact on the balances within the 2019/20 accounts. Therefore, in the above statement additional income of £2.723m has been included within the 'Financing and Investment Income' line and removed from the 'Surplus or deficit on revaluation of financial instruments at fair value through other comprehensive income and expenditure' line. There is no impact on the overall Total Comprehensive Income and Expenditure.

## 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	Earmarked Schools Budget Reserve £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
<b>Balance at 31 March 2020</b>	(4,984)	(59,051)	0	(64,035)	(164)	(690)	<b>(64,889)</b>	50,217	<b>(14,672)</b>
Schools Budget Surplus at 1 April 2020	0	1,619	(1,619)	0	0	0	<b>0</b>	0	<b>0</b>
<b>Restated Balance at 1 April 2020</b>	(4,984)	(57,432)	(1,619)	(64,035)	(164)	(690)	<b>(64,889)</b>	50,217	<b>(14,672)</b>
<b>Movement in reserves during 2020/21</b>									
(Surplus) or deficit on the provision of services	(20,411)	0	0	(20,411)	0	0	<b>(20,411)</b>	0	<b>(20,411)</b>
Other Comprehensive Income / Expenditure	0	0	0	0	0	0	0	20,773	<b>20,773</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(20,411)</b>	0	<b>0</b>	<b>(20,411)</b>	0	0	<b>(20,411)</b>	<b>20,773</b>	<b>362</b>
Adjustments between accounting basis and funding basis under regulations	(26,798)	0	0	(26,798)	(708)	593	<b>(26,913)</b>	26,913	<b>0</b>
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(47,209)</b>	0	<b>0</b>	<b>(47,209)</b>	<b>(708)</b>	<b>593</b>	<b>(47,324)</b>	<b>47,686</b>	<b>362</b>
Transfers to / from Earmarked Reserves	47,209	(48,828)	1,619	0	0	0	0	0	0
<b>Increase or Decrease in 2020/21</b>	<b>0</b>	<b>(48,828)</b>	<b>1,619</b>	<b>(47,209)</b>	<b>(708)</b>	<b>593</b>	<b>(47,324)</b>	<b>47,686</b>	<b>362</b>
<b>Balance at 31 March 2021</b>	<b>(4,984)</b>	<b>(106,260)</b>	<b>0</b>	<b>(111,244)</b>	<b>(872)</b>	<b>(97)</b>	<b>(112,213)</b>	<b>97,903</b>	<b>(14,310)</b>

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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
<b>Balance at 31 March 2019</b>	(4,984)	(50,432)	(55,416)	(1,560)	(1,292)	<b>(58,268)</b>	113,379	<b>55,111</b>
<b>Movement in reserves during 2019/20</b>								
(Surplus) or deficit on the provision of services	(989)	0	(989)	0	0	<b>(989)</b>	0	<b>(989)</b>
Other Comprehensive Income / Expenditure	0	0	0	0	0	0	(68,793)	<b>(68,793)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(989)</b>	<b>0</b>	<b>(989)</b>	0	0	<b>(989)</b>	<b>(68,793)</b>	<b>(69,782)</b>
Adjustments between accounting basis and funding basis under regulations	(7,631)	0	(7,361)	1,395	602	<b>(5,634)</b>	5,634	<b>0</b>
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(8,619)</b>	<b>0</b>	<b>(8,619)</b>	<b>1,395</b>	<b>602</b>	<b>(6,621)</b>	<b>(63,161)</b>	<b>(69,782)</b>
Transfers to / from Earmarked Reserves	8,619	(8,619)	0	0	0	<b>0</b>	0	<b>0</b>
<b>Increase or Decrease in 2019/20</b>	<b>0</b>	<b>(8,619)</b>	<b>(8,619)</b>	<b>1,395</b>	<b>602</b>	<b>(6,621)</b>	<b>(63,161)</b>	<b>(69,782)</b>
<b>Balance at 31 March 2020</b>	<b>(4,984)</b>	<b>(59,051)</b>	<b>(64,035)</b>	<b>(164)</b>	<b>(690)</b>	<b>(64,889)</b>	<b>50,217</b>	<b>(14,672)</b>

The 2019/20 Surplus or Deficit on the Provision of Services and the Adjustments between Accounting Basis and Funding Basis, have been restated to reflect the changes in the Council's treatment of certain of its long-term investments.

**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'.

<b>31 March 2020 (Restated) £000</b>	<b>Notes</b>		<b>31 March 2021 £000</b>
479,139	12	Property, Plant and Equipment	522,037
491	13	Heritage Assets	470
59,449	14	Investment Property	48,235
508	15	Intangible Assets	564
26,797	16	Long-Term Investments	28,034
300	16	Long-Term Debtors	303
<b>566,684</b>		<b>Long Term Assets</b>	<b>599,643</b>
0	16	Short-Term Investments	0
25,647	20	Assets Held for Sale	21,472
526	17	Inventories	434
47,974	18	Short-Term Debtors	62,511
37,193	19	Cash and Cash Equivalents	15,898
<b>111,340</b>		<b>Current Assets</b>	<b>100,315</b>
(44,972)	16	Short-Term Borrowing	(19,143)
(37,235)	21	Short-Term Creditors	(47,111)
(1,671)	22	Provisions	(916)
(1,655)	34	Grants Receipts in Advance - Revenue	(15,762)
(12)	34	Grants Receipts in Advance - Capital	(1,128)
<b>(85,545)</b>		<b>Current Liabilities</b>	<b>(84,060)</b>
(9,792)	22	Provisions	(15,536)
(108,792)	16	Long-Term Borrowing	(107,392)
(339,296)	41	Pension Liability	(364,328)
(119,927)	37&38	Other Long-Term Liabilities	(114,332)
<b>(577,807)</b>		<b>Long Term Liabilities</b>	<b>(601,588)</b>
<b>14,672</b>		<b>Net Assets</b>	<b>14,310</b>
(64,889)	23	Usable Reserves	(112,213)
50,217	24	Unusable Reserves	97,903
<b>(14,672)</b>		<b>Total Reserves</b>	<b>(14,310)</b>

During 2020/21 the Council has chosen to separately identify any revenue grants received in advance rather than them being included within the overall short term creditors figure. These Revenue Grants Received in Advance are shown in Note 34 to the accounts and £1.655m has also been removed from the 2019/20 Short Term Creditors figure to be shown separately.

## 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.

<b>2019/20 (restated)</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
(989)	Net (surplus) or deficit on the provision of services	(20,411)
(19,328)	Adjustment to surplus or deficit on the provision of services for noncash movements	(33,252)
29,044	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	31,219
<b>8,727</b>	<b>Net cash flows from operating activities</b>	<b>(22,444)</b>
8,605	Net cash flows from investing activities	10,380
(31,716)	Net cash flows from financing activities	33,359
<b>(14,384)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>21,295</b>
22,809	Cash and cash equivalents at the beginning of the reporting period	37,193
<b>37,193</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>15,898</b>

The 2019/20 Surplus or Deficit on the Provision of Services and the Adjustments to the the Surpuls or Deficit on Provision of Services for non-cash movements, have been restated to reflect the changes in the Council's treatment of some of its long-term investments. See note 16 for further information.

## **Note 1 - Accounting Policies**

### **A General Principles**

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its overall financial position as at 31 March 2021. 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 2020/21 (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. In the case of a pending local government reorganisation, where assets and liabilities are due to be redistributed, the Council would still account on the basis of going concern as the provision of services would continue in another Council. 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.

## **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 a 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 Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The Health and Social Care 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.

Both the Teachers' Pension Scheme and NHS Pension Scheme are treated as defined contribution schemes.

### *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 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. Further information can be seen in Note 5 to the 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.

### 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 arise 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.

#### 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.

## **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 grants received in advance. 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, heritage 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 previous 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.

These assets are 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 of 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 of Non-Financial Assets**

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**

The Code of Practice on Local Authority Accounting in the United Kingdom requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2020/21 Code.

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:

- Definition of a Business: Amendments to IFRS 3 Business Combinations;
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7; and
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

These changes are not expected to have a significant impact on the Council.

## **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 £21.5m of Strategic Housing Land Sites within Assets Held for Sale and Surplus Assets 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 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Property, Plant and Equipment – Where property assets are held at revalued amount in the Balance Sheet (i.e. operational land and buildings, surplus assets and investment properties), the Council has a five year rolling programme to revalue these assets. However, in practice a significant proportion are revalued more frequently, and in many cases annually, to ensure the carrying values reflect current or fair value at the Balance Sheet Date. The valuations are undertaken by qualified property experts in accordance with RICS professional standards and Code requirements. They are estimates dependent on professional judgement based on the best information available at the time of valuation, taking into account RICS guidance, e.g. on the potential impact of Covid-19 on property markets.

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 2021, the value of depreciable non-current assets held on the Balance Sheet is £228.285m. A 10% reduction in the Net Book Value would equate to £22.828m. It is estimated that the annual depreciation charge for assets would increase by £1.204m for every year that useful lives had to be reduced.

The outbreak of Covid-19 has continued to impact global financial markets. Linked to this, at the valuation date, less weight can be attached to previous market evidence to inform opinions of the value of certain retail and trading Investment Properties owned by the Council (with a value of £10.860m as at 31 March 2021). There is an unprecedented set of circumstances on which to base a judgement. Such 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 2021, the total net pension liability, including Teachers Pensions is £364.328m, however a 0.1% increase in the assumed discount rate would reduce the net pension liability by £19.502m, and a 1 year increase in assumed life expectancy would increase the net liability by £37.413m. 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.

**Note 5 - Events After the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Executive Director (Resources) on 9 July 2021. 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 2021, 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	2019/20 (Restated) Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund Balance	2020/21 Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000
31,301	10,899	42,200	35,669	2,064	37,733
16,597	139	16,736	13,445	1,988	15,433
(1,878)	2,140	262	(24,489)	486	(24,003)
53,989	7,658	61,647	56,632	4,985	61,617
(1,087)	8,269	7,182	(8,440)	22,119	13,679
19,523	7,062	26,585	24,265	1,825	26,090
<b>118,445</b>	<b>36,167</b>	<b>154,612</b>	<b>97,081</b>	<b>33,468</b>	<b>130,549</b>
(127,064)	(28,537)	(155,601)	(144,290)	(6,669)	(150,959)
<b>(8,619)</b>	<b>7,630</b>	<b>(989)</b>	<b>(47,209)</b>	<b>26,799</b>	<b>(20,411)</b>
(55,416)		Opening Combined General Fund Balance	(64,035)		
(8,619)		Plus / less (Surplus) or Deficit on the General Fund Balance for the Year (Statutory basis)	(47,209)		
<b>(64,035)</b>		<b>Closing Combined General Fund Balance</b>	<b>(111,244)</b>		

The figures for 2019/20 have been restated in line with the Comprehensive Income and Expenditure Statement following the change in treatment of some of the Council's long-term investments.

**Note 6a - Note to the Expenditure and Funding Analysis**

<b>2020/21</b>	<b>Net Capital Statutory Adjustments</b>	<b>Net Pensions Statutory Adjustments</b>	<b>Other Statutory Adjustments</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Children's Services	(1,336)	3,400	0	2,064
Communities and Neighbourhoods	837	1,151	0	1,988
Council Wide	177	309	0	486
Health and Social Care	3,985	1,000	0	4,985
Regeneration and Economic Development	21,724	395	0	22,119
Resources	299	1,526	0	1,825
<b>Net Cost of Services</b>	<b>25,687</b>	<b>7,781</b>	<b>0</b>	<b>33,468</b>
Other Income and Expenditure	(36,066)	7,321	22,076	(6,669)
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>(10,379)</b>	<b>15,102</b>	<b>22,076</b>	<b>26,799</b>



<b>2019/20 (Restated)</b>	<b>Net Capital Statutory Adjustments</b>	<b>Net Pensions Statutory Adjustments</b>	<b>Other Statutory Adjustments</b>	<b>Total Adjustments</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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
<b>Net Cost of Services</b>	<b>20,798</b>	<b>15,369</b>	<b>0</b>	<b>36,167</b>
Other Income and Expenditure	(35,605)	8,862	(1,793)	(28,536)
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>(14,807)</b>	<b>24,231</b>	<b>(1,793)</b>	<b>7,631</b>

The Other Statutory Adjustments figure on the Other Income and Expenditure line for 2019/20 has been restated in line with the Comprehensive Income and Expenditure Statement following the change in treatment of some of the Council's long-term investments.

### **Net Capital Statutory Adjustments**

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 Pension Statutory Adjustments**

Net change for the removal of pension contributions and the addition 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 Statutory Adjustments**

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:

	<b>2020/21</b>	
	<b>Revenues from External Customers</b>	<b>Depreciation and Amortisation</b>
	<b>£000</b>	<b>£000</b>
Children's Services	(1,390)	2,630
Communities and Neighbourhoods	(7,476)	1,242
Council Wide	(5,418)	176
Health and Social Care	(12,751)	1,332
Regeneration and Economic Development	(8,213)	5,248
Resources	(6,117)	958
<b>Total Managed by Segments</b>	<b>(41,365)</b>	<b>11,586</b>

	<b>2019/20</b>	
	<b>Revenues from External Customers</b>	<b>Depreciation and Amortisation</b>
	<b>£000</b>	<b>£000</b>
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
<b>Total Managed by Segments</b>	<b>(35,043)</b>	<b>13,485</b>

**Note 6c - Expenditure and Income Analysed by Nature**

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

<b>2019/20 (Restated)</b>		<b>2020/21</b>
<b>£000</b>	<b>Nature of Expenditure or Income</b>	<b>£000</b>
(84,112)	Fees, charges and other service income	(117,464)
(9,702)	Support Service recharge income	(9,867)
(4,312)	Interest and investment income	8,102
(165,268)	Income from local taxation	(154,085)
(252,803)	Government grants and contributions	(288,001)
166,959	Employee benefits expenses	167,393
9,702	Support service recharge expenditure	9,867
274,853	Other service expenses	320,161
20,934	Depreciation, amortisation and impairment	7,716
24,098	Interest payments	22,213
2,723	Movement in fair value of Financial Instruments	(2,198)
19,614	Precepts and levies	20,131
3	Payments to Housing Capital Receipts Pool	1
(3,678)	Gain or loss on disposal of non-current assets	(2,596)
0	Gains / Losses on derecognition of financial instruments	(1,784)
<b>(989)</b>	<b>(Surplus) or Deficit for Year</b>	<b>(20,411)</b>

Following the change in treatment of some of the Council's long-term investments, £2.723m has been added into the 2019/20 figures against Movement in Fair Value of Financial Instruments.

### **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.

<b>2020/21</b>	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adjustments to the Revenue Resources</b>				
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)	(15,102)	0	0	15,102
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	43	0	0	(43)
Changes in fair value of pooled investments and amounts written out on disposal	2,198	0	0	(2,198)
Council tax and NDR (transfers to or from the Collection Fund)	(23,905)	0	0	23,905
Holiday pay (transferred to the Accumulated Absences reserve)	0	0	0	0
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)	(5,616)	0	(5,670)	11,286
Dedicated Schools Grant Deficit (transferred to the Dedicated Schools Grant Adjustment Account)	(412)	0	0	412
<b>Total Adjustments to Revenue Resources</b>	<b>(42,794)</b>	<b>0</b>	<b>(5,670)</b>	<b>48,464</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	9,605	(9,605)	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	0	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1)	1	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	6,033	0	0	(6,033)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	359	0	0	(359)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>15,996</b>	<b>(9,604)</b>	<b>0</b>	<b>(6,392)</b>
Use of the Capital Receipts Reserve to finance capital expenditure	0	8,896	0	(8,896)
Application of capital grants to finance capital expenditure	0	0	6,263	(6,263)
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(15,159)</b>
Other adjustments	0	0	0	0
<b>Total Adjustments</b>	<b>(26,798)</b>	<b>(708)</b>	<b>593</b>	<b>26,913</b>

<b>2019/20 (Restated)</b>	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adjustments to the Revenue Resources</b>				
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)	0	0	24,231
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	42	0	0	(42)
Changes in fair value of pooled investments and amounts written out on disposal	(2,723)	0	0	2,723
Council tax and NDR (transfers to or from the Collection Fund)	4,509	0	0	(4,509)
Holiday pay (transferred to the Accumulated Absences reserve)	(34)	0	0	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)	0	(3,150)	5,591
<b>Total Adjustments to Revenue Resources</b>	<b>(24,878)</b>	<b>0</b>	<b>(3,150)</b>	<b>28,028</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	6,035	(6,035)	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(109)	109	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(3)	3	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	5,822	0	0	(5,822)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	5,501	0	0	(5,501)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>17,246</b>	<b>(5,923)</b>	<b>0</b>	<b>(11,322)</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure	0	7,319	0	(7,319)
Application of capital grants to finance capital expenditure	0	0	3,752	(3,752)
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>7,319</b>	<b>3,752</b>	<b>(11,071)</b>
Other adjustments	3	0	0	(3)
<b>Total Adjustments</b>	<b>(7,631)</b>	<b>1,395</b>	<b>602</b>	<b>5,634</b>

Due to the changes in treatment of certain of the Council's long-term investments, £2.723m has been added into a new line for Changes in Fair Value of Pooled Investments in 2019/20.

**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 2019 £000	Transfers In 2019/20 £000	Transfers Out 2019/20 £000	Balance at 31 March 2020 £000	Transfers In 2020/21 £000	Transfers Out 2020/21 £000	Balance at 31 March 2021 £000
<b>General Fund Reserves:</b>							
Approved Budget Investments	(13,189)	(2,561)	8,477	(7,273)	(17,937)	6,430	(18,780)
Service Commitments	(10,667)	(14,811)	8,276	(17,202)	(40,241)	3,657	(53,786)
Budget Strategy Reserve	(3,480)	(7,600)	3,661	(7,419)	(4,367)	8,198	(3,588)
Workforce Remodelling	(3,748)	(955)	3,269	(1,434)	(1,158)	974	(1,618)
Centres for Learning	(17,897)	(29,422)	29,803	(17,516)	(52,530)	49,842	(20,204)
Insurance Fund	(1,321)	0	20	(1,301)	0	20	(1,281)
Street Lighting PFI	(3,046)	(164)	534	(2,677)	(64)	507	(2,234)
Stockbridge Village Regeneration	(17)	0	17	0	0	0	0
School Balances	(5,368)	(5,099)	6,237	(4,230)	(6,616)	6,076	(4,770)
Pension Past Deficit Cost Advance Payment	8,301	(8,301)	0	0	0	0	0
<b>Total General Fund</b>	<b>(50,432)</b>	<b>(68,914)</b>	<b>60,294</b>	<b>(59,051)</b>	<b>(122,913)</b>	<b>75,704</b>	<b>(106,260)</b>

**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) 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. During 2018/19 and 2019/20 the reserves were replenished from the budgeted pension contributions.



**Note 9 - Other Operating Expenditure**

<b>2019/20 £000</b>		<b>2020/21 £000</b>
1,204	Precepts	1,331
18,410	Levies	18,799
3	Payments to the Government Housing Capital Receipts Pool	1
(3,678)	Gains/losses on the Disposal of Non-Current Assets	(2,596)
<b>15,938</b>	<b>Total Other Operating Expenditure</b>	<b>17,535</b>

**Note 10 - Financing and Investment Income and Expenditure**

<b>2019/20 (Restated) £000</b>		<b>2020/21 £000</b>
15,236	Interest payable and similar charges	14,892
8,862	Net interest on the net defined benefit liability (asset)	7,321
(1,607)	Interest receivable and similar income	(1,496)
(1,167)	Income and expenditure in relation to investment properties and changes in their fair value	9,506
2,723	Movement in fair value of financial instruments	(2,198)
0	(Gains)/Losses on derecognition of financial instruments	(1,784)
<b>24,048</b>	<b>Total</b>	<b>26,241</b>

£2.723m has been added into the 2019/20 figures to reflect the changes in treatment of some of the Council's long-term investment.

**Note 11 - Taxation and Non-Specific Grant Income**

<b>2019/20 £000</b>		<b>2020/21 £000</b>
(55,224)	Council tax income	(57,431)
(110,044)	Non-domestic rates income and expenditure	(96,654)
(8,655)	Non-ringfenced government grants	(20,052)
(21,664)	Capital grants and contributions	(20,599)
<b>(195,587)</b>	<b>Total</b>	<b>(194,736)</b>

**Note 12 - Property, Plant and Equipment**

<b>Movements to 31 March 2021</b>	<b>Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property, Plant and Equipment £000</b>
<b>Cost or Valuation</b>							
<b>at 1 April 2020</b>	282,791	14,272	265,751	13,142	24,676	9,194	<b>609,826</b>
Additions	3,138	972	14,538	986	2,883	21,575	<b>44,092</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(592)	1,621	0	0	655	0	<b>1,684</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	5,015	0	0	0	100	0	<b>5,115</b>
Derecognition – disposals	(2,694)	0	0	0	0	0	<b>(2,694)</b>
Reclassifications and transfer	155	0	0	0	0	0	<b>155</b>
Assets reclassified (to)/from Held for Sale	0	0	0	0	(738)	0	<b>(738)</b>
Other movements in cost or valuation	283	0	0	0	(283)	0	<b>0</b>
<b>at 31 March 2021</b>	<b>288,096</b>	<b>16,865</b>	<b>280,289</b>	<b>14,128</b>	<b>27,293</b>	<b>30,769</b>	<b>657,440</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>at 1 April 2020</b>	(44,969)	(9,183)	(74,331)	(1,729)	(475)	0	<b>(130,687)</b>
Depreciation charge	(4,053)	(1,801)	(5,168)	(274)	(13)	0	<b>(11,309)</b>
Depreciation written out to the Revaluation Reserve	7,122	0	0	0	25	0	<b>7,147</b>
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	<b>0</b>
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(780)	0	0	(1)	(465)	0	<b>(1,246)</b>
Derecognition – disposals	692	0	0	0	0	0	<b>692</b>
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	<b>0</b>
Other movements in depreciation and impairment	(228)	0	0	0	228	0	<b>0</b>
<b>at 31 March 2021</b>	<b>(42,216)</b>	<b>(10,984)</b>	<b>(79,499)</b>	<b>(2,004)</b>	<b>(700)</b>	<b>0</b>	<b>(135,403)</b>
<b>Net Book Value</b>							
<b>at 31 March 2021</b>	<b>245,880</b>	<b>5,881</b>	<b>200,790</b>	<b>12,124</b>	<b>26,593</b>	<b>30,769</b>	<b>522,037</b>
<b>at 31 March 2020</b>	<b>237,821</b>	<b>5,089</b>	<b>191,421</b>	<b>11,413</b>	<b>24,201</b>	<b>9,194</b>	<b>479,139</b>

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<b>Movements to 31 March 2020</b>	<b>Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation</b>							
<b>at 1 April 2019</b>	282,497	12,367	257,968	10,251	20,450	2,939	<b>586,472</b>
Additions	4,181	1,902	7,777	2,954	2,908	5,966	<b>25,687</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,682	0	0	0	(1,606)	289	<b>1,364</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,292)	0	0	0	(3,306)	0	<b>(5,598)</b>
Derecognition – disposals	(528)	0	0	0	0	0	<b>(528)</b>
Reclassifications and transfer	350	0	0	0	1,010	0	<b>1,360</b>
Assets reclassified (to)/from Held for Sale	(3,294)	0	0	0	4,478	0	<b>1,184</b>
Other movements in cost or valuation	(805)	3	6	(63)	742	0	<b>(118)</b>
<b>at 31 March 2020</b>	<b>282,791</b>	<b>14,272</b>	<b>265,751</b>	<b>13,142</b>	<b>24,676</b>	<b>9,194</b>	<b>609,823</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>at 1 April 2019</b>	(46,979)	(6,148)	(69,163)	(1,464)	(6)	0	<b>(123,758)</b>
Depreciation charge	(4,158)	(3,035)	(5,168)	(254)	(41)	0	<b>(12,656)</b>
Depreciation written out to the Revaluation Reserve	5,861	0	0	0	33	0	<b>5,895</b>
Impairment losses/(reversals) recognised in the Revaluation Reserve	(649)	0	0	(1)	0	0	<b>(650)</b>
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(1,590)	0	0	(10)	(251)	0	<b>(1,851)</b>
Derecognition – disposals	42	0	0	0	0	0	<b>42</b>
Eliminated on reclassification to Held for Sale	2,294	0	0	0	0	0	<b>2,294</b>
Other movements in depreciation and impairment	210	0	0	0	(210)	0	<b>0</b>
<b>at 31 March 2020</b>	<b>(44,969)</b>	<b>(9,183)</b>	<b>(74,331)</b>	<b>(1,729)</b>	<b>(475)</b>	<b>0</b>	<b>(130,684)</b>
<b>Net Book Value</b>							
<b>at 31 March 2020</b>	<b>237,821</b>	<b>5,089</b>	<b>191,421</b>	<b>11,413</b>	<b>24,201</b>	<b>9,194</b>	<b>479,139</b>
<b>at 31 March 2019</b>	<b>235,518</b>	<b>6,219</b>	<b>188,806</b>	<b>8,788</b>	<b>20,444</b>	<b>2,939</b>	<b>462,714</b>

	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture and Equipment</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Carried at historical cost</b>	0	5,881	12,124	0	18,005
<b>Valued at current value as at:</b>					
<b>31/03/2021</b>	105,011	0	0	26,593	131,604
<b>31/03/2020</b>	93,740	0	0	0	93,740
<b>31/03/2019</b>	6,580	0	0	0	6,580
<b>31/03/2018</b>	40,547	0	0	0	40,547
<b>31/03/2017</b>	2	0	0	0	2
<b>Total Cost or Valuation</b>	<b>245,880</b>	<b>5,881</b>	<b>12,124</b>	<b>26,593</b>	<b>290,478</b>

### Capital Commitments

At 31 March 2021, the Council had committed to a number of capital projects in 2021/22 and future years. The major commitments are:

<b>Scheme</b>	<b>Purpose</b>	<b>Expected Period</b>	<b>£000</b>
Shakespeare North Playhouse	Shakespeare North Playhouse construction project 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.	2021/22 and 2022/23	<b>14,351</b>
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.	2020/21 and 2022/23	<b>6,052</b>
Access to Halsnead Garden Village Transport	This project 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.	2021/22	<b>7,691</b>
Various Highways Schemes	Expenditure within the Highways Capital Programme to be completed by the Council's Highways Maintenance Contractor which includes specific grant scheme allocations (Prescot to Cronton Cycleway & Active Travel Fund grants) & the Liverpool City Region Combined Authority Highways Maintenance Capital Allocations for 2021/22.	2021/22, 2022/23	<b>3,931</b>

**Note 13 - Heritage Assets**

<b>2020/21</b>	<b>Public Art £000</b>
Opening Balance	491
Depreciation	(21)
Other Movements	0
<b>Closing Balance</b>	<b>470</b>

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

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.

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
	<b>Investment Property Income and Expenditure</b>	
(2,457)	Rental income from investment property	(2,232)
540	Direct operating expenses from investment property	489
<b>(1,917)</b>	<b>Net (gain)/loss</b>	<b>(1,743)</b>

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>Non-Current</b>		<b>Non-Current</b>
<b>£000</b>	<b>Investment Properties Movements in Year</b>	<b>£000</b>
38,017	Opening Balance	59,449
	Additions:	
23,269	Purchases	0
267	Subsequent expenditure	281
0	Disposals	(92)
(750)	Net gains/(losses) from fair value adjustments	(11,248)
	Transfers:	
(1,360)	to/from Property Plant and Equipment	(155)
6	Other Movements	0
<b>59,449</b>	<b>Balance at the end of the year</b>	<b>48,235</b>

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 2020			31st March 2021			
Internally Generated Assets	Other Assets	Total		Internally Generated Assets	Other Assets	Total
£000	£000	£000		£000	£000	£000
			Balance at start of year:			
0	1,769	1,769	Gross carrying amounts	0	2,205	2,205
0	(889)	(889)	Accumulated amortisation	0	(1,697)	(1,697)
<b>0</b>	<b>880</b>	<b>880</b>	<b>Net carrying amount at start of year</b>	<b>0</b>	<b>508</b>	<b>508</b>
			Additions:			
0	435	435	Purchases	0	310	310
0	(808)	(808)	Amortisation for the period	0	(254)	(254)
0	1	1	Other Movements			
<b>0</b>	<b>508</b>	<b>508</b>	<b>Net carrying amount at end of year</b>	<b>0</b>	<b>564</b>	<b>564</b>
			Comprising:			
0	2,205	2,205	Gross carrying amounts	0	2,515	2,515
0	(1,697)	(1,697)	Accumulated amortisation	0	(1,951)	(1,951)
<b>0</b>	<b>508</b>	<b>508</b>	<b>Total</b>	<b>0</b>	<b>564</b>	<b>564</b>



## 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.

	<b>Non-Current Financial Assets</b>				
	<b>Investments</b>		<b>Debtors</b>		<b>Total</b>
	<b>31 March 2020</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2021</b>	<b>31 March 2021</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fair value through profit and loss	16,617	25,815	0	0	<b>25,815</b>
Amortised cost	10,180	138	300	180	<b>318</b>
Fair value through other comprehensive income - designated equity instruments	0	2,081	0	0	<b>2,081</b>
<b>Total financial assets</b>	<b>26,797</b>	<b>28,034</b>	<b>300</b>	<b>180</b>	<b>28,214</b>

	<b>Current Financial Assets</b>						
	<b>Investments</b>		<b>Debtors</b>		<b>Cash</b>		<b>Total</b>
	<b>31 March 2020</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2021</b>	<b>31 March 2020 (Restated)</b>	<b>31 March 2021</b>	<b>31 March 2021</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fair value through profit and loss	0	0	0	0	26,090	12,797	<b>12,797</b>
Fair value through other comprehensive income - designated equity instruments	0	0	0	0	0	10	<b>10</b>
Amortised cost	0	0	29,846	36,021	11,103	6,545	<b>42,566</b>
<b>Total financial assets</b>	<b>0</b>	<b>0</b>	<b>29,846</b>	<b>36,021</b>	<b>37,193</b>	<b>19,352</b>	<b>55,373</b>

The debtors figures have been adjusted to remove balances that do not arise under contract and will therefore agree to Note 45 - Nature and Extent of Risks arising from Financial Instruments.

The figures for cash as at 31 March 2020 have been adjusted by £0.260m to reflect the change in treatment of some of the Council's long term investments.

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 of £1.234m 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 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2021
	£000	£000	£000	£000	£000
Amortised cost	(108,792)	(107,392)	(119,927)	(114,332)	(221,724)
<b>Total financial liabilities</b>	<b>(108,792)</b>	<b>(107,392)</b>	<b>(119,927)</b>	<b>(114,332)</b>	<b>(221,724)</b>

**Current Financial Liabilities**

	Borrowings		Creditors		Total
	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2021
	£000	£000	£000	£000	£000
Amortised cost	(44,972)	(19,143)	(28,015)	(34,219)	(53,362)
<b>Total financial liabilities</b>	<b>(44,972)</b>	<b>(19,143)</b>	<b>(28,015)</b>	<b>(34,219)</b>	<b>(53,362)</b>

**Income, Expense, Gains and Losses**

	31 March 2020		31 March 2021	
	Surplus or Deficit on the Provision of Services (Restated) £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
<b>Net (gains)/losses on:</b>				
• investments in equity instruments designated at fair value through other comprehensive income	0	0	0	81
• financial assets measured at fair value through profit or loss	2,723	0	(2,198)	0
<b>Total net (gains)/losses</b>	<b>2,723</b>	<b>0</b>	<b>(2,198)</b>	<b>81</b>
<b>Interest revenue:</b>				
• financial assets measured at amortised cost	(356)	0	(349)	0
• other financial assets measured at fair value through other comprehensive income	(1,245)	0	(1,147)	0
<b>Total interest revenue</b>	<b>(1,601)</b>	<b>0</b>	<b>(1,496)</b>	<b>0</b>
<b>Interest expense</b>	<b>15,236</b>	<b>0</b>	<b>14,892</b>	<b>0</b>

The figures for Net (gains)/losses and Interest as at 31 March 2020 have been adjusted to reflect the change in treatment of some of the Council's long term investments.

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

	<b>31 March 2020</b>	<b>31 March 2021</b>
	<b>£000</b>	<b>£000</b>
Fundamentum REIT	0	2,081
<b>Total</b>	<b>0</b>	<b>2,081</b>

Following the introduction of IFRS 9 Financial Instruments on 1 April 2018, the Council had previously classified all of its pooled investment funds as Fair Value through Other Comprehensive Income. This meant that there was no impact on the revenue budget and any gains or losses on the valuation of these funds was therefore transferred to the Financial Instruments Revaluation Reserve. However, after discussions with the Council’s external auditors these investments have been reclassified as Fair Value through Profit and Loss, which means that there is now an impact on the revenue budget. However, the Ministry for Housing, Communities and Local Government (MHCLG) agreed a temporary override to allow English Local Authorities time to adjust their portfolio of all pooled investments by introducing a statutory override for five years commencing from April 2018. The Council will use this statutory override to account for any changes in the fair value on its pooled investments, which means that there will again be no impact on the revenue budget. Any changes in fair value will now be transferred to the Pooled Investment Funds Investment Adjustment Account until the statutory override expires.

The 2019/20 accounts have therefore been restated to reflect the revised treatment of the Council’s long-term investments with external fund managers. The £16.876m of investments previously treated as Fair Value through Other Comprehensive Income are now treated as Fair Value through Profit and Loss and therefore are not required to be shown here. Only the Council’s investment with the Fundamentum Real Estate Investment Trust is now treated as Fair Value through Other Comprehensive Income.

### 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 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 2021, 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.
- Discount rates for “Lender’s Option Borrower’s Option” (LOBO) loans have been reduced to reflect the value of the embedded options. The size of the reduction has been calculated using proprietary software.
- 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 2021.
- 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 2020		31 March 2021	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial Liabilities held at amortised cost</b>					
LOBO fixed Loans	2	6,077	10,625	6,078	10,118
PWLB fixed loans	2	102,748	153,223	102,733	153,976
Market long term loans	2	6,406	10,614	6,405	10,773
PFI and Finance Leases	2	125,217	177,875	119,927	179,975
<b>Liabilities for which fair value is not disclosed</b>					
Short Term Loans	Note i	37,052	37,052	10,086	10,086
Trade Payables (Creditors less PFI element included above)	Note i	31,947	31,947	41,516	41,516
		<b>309,447</b>	<b>421,336</b>	<b>286,745</b>	<b>406,444</b>
<b>Financial Assets held at Amortised Cost</b>					
Cash and Cash Equivalents	2 (Note i)	11,103	11,103	3,092	3,092
Long term deposits	2	10,181	10,561	138	138
<b>Assets for which fair value is not disclosed</b>					
Short term deposits	(Note i)	0	0	0	0
Trade Receivables	(Note i)	48,274	48,274	62,814	62,814
<b>Financial Assets held at Fair Value through Profit and Loss</b>					
Cash Equivalents	1	26,090	26,090	12,797	12,797
Long term deposits	1	16,617	16,617	25,815	25,815
<b>Financial Assets held at Fair Value through Other Comprehensive Income</b>					
Cash Equivalents	1	0	0	10	10
Long term deposits	1	0	0	2,081	2,081
		<b>112,265</b>	<b>112,645</b>	<b>106,746</b>	<b>106,746</b>

Note i) Fair Value 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 receivable and payable carrying amounts to be a reasonable approximation of their fair value.

Transferred debt of £1.234m has been excluded from Liabilities held at amortised cost in this table as it is not considered a Financial Instrument.

## 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 2021 is £183.028m. This represents a variance of £29.052m 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 long term investment is an investment in a credit union and the carrying amount is deemed to be a reasonable approximation.

### Financial assets held at fair value through other comprehensive income

The equity investment held in this category is a Real Estate Investment Trust Fund.

### Financial assets held at fair value through profit and loss

This comprises Money Market Funds held as cash equivalent and long term investments in other Funds.

**Note 17 - Inventories**

	<b>Consumable Stores</b>	
	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Balance outstanding at start of year	532	526
Purchases	3,486	2,465
Recognised as an expense in the year	(3,492)	(2,507)
Written-off balances	0	(50)
<b>Balance Outstanding at Year End</b>	<b>526</b>	<b>434</b>

**Note 18 - Debtors**

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

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
8,545	Trade Receivables	12,101
1,778	Prepayments	2,703
30,305	Other Receivable Amounts	39,304
7,346	Collection Fund	8,403
<b>47,974</b>	<b>Total</b>	<b>62,511</b>

Each line is presented net of an allowance for expected credit losses. As at 31 March 2021 the total expected credit loss was £19.579m (£13.890m at 31 March 2020). The increase is due to additional sums being set aside as a precaution following the Coronavirus pandemic.



### Note 19 - Cash and Cash Equivalents

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

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
3,055	Cash and Bank balances	(3,453)
34,139	Short Term Deposits	19,351
<b>37,193</b>	<b>Total Cash and Cash Equivalents</b>	<b>15,898</b>

### Note 20 - Assets Held for Sale

<b>Current</b>		<b>Current</b>
<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
30,959	Balance outstanding at start of year	25,647
0	Additions	0
	Assets newly classified as held for sale:	
8,400	- Property Plant and Equipment	738
0	Revaluation losses	0
0	Revaluation gains	0
0	Impairment losses	0
	Assets declassified as held for sale:	
(11,878)	- Property Plant and Equipment	0
(1,871)	Assets sold	(4,913)
37	Other Movements	0
<b>25,647</b>	<b>Balance Outstanding year end</b>	<b>21,472</b>

### Note 21 - Creditors

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

<b>31 March 2020 (Restated) £000</b>		<b>31 March 2021 £000</b>
(14,523)	Trade payables	(21,249)
(11,837)	Other payables	(12,970)
(7,366)	Income in Advance	(8,121)
(3,509)	Collection Fund	(4,771)
<b>(37,235)</b>	<b>Total Creditors</b>	<b>(47,111)</b>

The 2019/20 'Other Payables' figure has been reduced by £1.655m and is now shown separately as Revenue Grants Received in Advance at Note 34.

### Note 22 – Provisions

A number of provisions have been set aside at 31 March 2021 to cover the following liabilities:

#### **Current Provisions**

<b>2020/21</b>	<b>Equal Pay Back Pay</b>	<b>Collection Fund - Business Rates Appeals</b>	<b>Other</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening Balance	(20)	(1,641)	(10)	(1,671)
Increase in provision during year	0	0	0	
Utilised during year	0	755	0	755
Other movements	0	0	0	
<b>Closing Balance</b>	<b>(20)</b>	<b>(886)</b>	<b>(10)</b>	<b>(916)</b>

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

## Long Term Provisions

<b>2020/21</b>	<b>Collection Fund - Business Rates Appeals</b>	<b>Insurance</b>	<b>Equal Pay Back Pay</b>	<b>Street Lighting PFI</b>	<b>Impact on General Fund of Collection Fund Deficit</b>	<b>Other</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening Balance	(1,013)	(6,664)	(145)	(1,849)	(106)	(15)	(9,792)
Increase in provision during year	(5,327)	(1,558)	0	(301)	0	0	(7,186)
Utilised during year	0	1,329	0	113	0	0	1,442
Other movements	0	0	0	0	0	0	0
<b>Closing Balance</b>	<b>(6,340)</b>	<b>(6,893)</b>	<b>(145)</b>	<b>(2,037)</b>	<b>(106)</b>	<b>(15)</b>	<b>(15,536)</b>

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

## **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 of this cost is estimated at £7.226m 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 2020/21 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.

**Impact on General Fund of Collection Fund Deficit:** balance set aside to assist in funding the repayment of any business rates deficits in future years.

<b>2019/20</b>	<b>Total Provisions</b>	<b>2020/21</b>
<b>£000</b>		<b>£000</b>
(15,299)	Opening Balance	(11,463)
(1,600)	Increase in provision during year	(7,186)
2,450	Utilised during year	2,197
2,986	Other movements	0
<b>(11,463)</b>	<b>Closing Balance</b>	<b>(16,452)</b>

**Note 23 - Usable Reserves**

**Capital Receipts Reserve**

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
(1,560)	Balance 1 April	(164)
(6,035)	Capital Receipts in year	(9,605)
3	Capital Receipts Pooled	1
109	Transfer to revenue reserves to cover disposal costs	0
7,319	Capital Receipts used for financing	8,896
<b>(164)</b>	<b>Balance 31 March</b>	<b>(872)</b>

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**

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
(1,292)	Balance 1 April	(690)
(3,150)	Capital grants recognised in year	(5,670)
3,752	Capital grants and contributions applied	6,263
<b>(690)</b>	<b>Balance 31 March</b>	<b>(97)</b>

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**

<b>01 April 2019 (Restated) £000</b>	<b>31 March 2020 (Restated) £000</b>		<b>31 March 2021 £000</b>
(97,486)	(102,528)	Revaluation Reserve	(109,093)
0	0	Financial Instruments Revaluation Reserve	(81)
(165,648)	(184,004)	Capital Adjustment Account	(196,538)
1,954	1,912	Financial Instruments Adjustment Account	1,869
377,249	339,296	Pension Reserve	384,085
(3,663)	(3,679)	Deferred Capital Receipts Reserve	(3,679)
(694)	(5,203)	Collection Fund Adjustment Account	18,702
2,007	2,041	Accumulated Absences Account	2,041
(339)	2,383	Pooled Investment Fund Adjustment Account	185
0	0	Dedicated Schools Grant Adjustment Account	412
<b>113,380</b>	<b>50,217</b>	<b>Total</b>	<b>97,903</b>

During 2020/21 the Council changed the treatment of some of its long-term investments and they are now measured at Fair Value through Profit and Loss. As such, the statutory adjustment for the changes in fair value are now taken through the Pooled Investment Fund Adjustment Account and not the Financial Instruments Revaluation Reserve as they were previously. The prior year's figures in the table above and the following notes have been restated to reflect this.

**Revaluation Reserve**

<b>31 March 2020</b> <b>£000</b>		<b>31 March 2021</b> <b>£000</b>
(97,486)	<b>Balance 1 April</b>	(102,528)
(18,219)	Upward revaluation of assets	(16,237)
11,610	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	7,404
<b>(6,609)</b>	<b>Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services</b>	<b>(111,361)</b>
998	Difference between fair value depreciation and historical cost depreciation	1,101
569	Accumulated gains on assets sold or scrapped	1,167
<b>1,567</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>2,268</b>
<b>(102,528)</b>	<b>Balance 31 March</b>	<b>(109,093)</b>

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**

<b>31 March 2020</b> <b>(Restated)</b> <b>£000</b>		<b>31 March 2021</b> <b>£000</b>
0	<b>Balance 1 April</b>	0
0	Upward revaluation of investments	(81)
0	Downward revaluation of investments	0
<b>0</b>	<b>Total Changes in revaluation and impairment</b>	<b>(81)</b>
<b>0</b>	<b>Balance 31 March</b>	<b>(81)</b>

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**

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
(165,648)	<b>Balance 1 April</b>	(184,004)
14,528	Charges for depreciation and impairment of non-current assets	12,577
5,598	Revaluation losses on non-current assets	(5,115)
808	Amortisation of intangible assets	254
4,616	Revenue expenditure funded from capital under statute	7,081
2,357	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	7,007
27,907	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	21,804
(1,567)	Adjusting Amounts written out of the Revaluation Reserve	(2,268)
<b>26,340</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>19,536</b>
(7,319)	Use of Capital Receipts Reserve to finance new capital expenditure	(8,896)
(26,818)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(28,030)
(5,822)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(6,033)
(5,501)	Capital expenditure charged against the General Fund and HRA balances	(359)
<b>(45,459)</b>	<b>Capital financing applied in year:</b>	<b>(43,318)</b>
750	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	11,248
13	Other movements	0
<b>(184,004)</b>	<b>Balance 31 March</b>	<b>(196,538)</b>

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**

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
1,954	<b>Balance 1 April</b>	1,912
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
(42)	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(43)
(42)	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	(43)
<b>1,912</b>	<b>Balance 31 March</b>	<b>1,869</b>

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**

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
377,249	Balance 1 April	339,296
(62,184)	Remeasurements of the net defined benefit (liability)/asset	29,687
39,641	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	32,674
(15,410)	Employer's pensions contributions and direct payments to pensioners payable in the year	(17,572)
<b>339,296</b>	<b>Balance 31 March</b>	<b>384,084</b>

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

<b>31 March 2020</b> <b>£000</b>		<b>31 March 2021</b> <b>£000</b>
(3,663)	Balance 1 April	(3,679)
(16)	Other movements	0
<b>(3,679)</b>	<b>Balance 31 March</b>	<b>(3,679)</b>

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

<b>31 March 2020</b> <b>£000</b>		<b>31 March 2021</b> <b>£000</b>
(694)	Balance 1 April	(5,203)
(4,509)	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	23,905
<b>(5,203)</b>	<b>Balance 31 March</b>	<b>18,702</b>

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

### Accumulated Absences Account

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
2,007	<b>Balance 1 April</b>	2,041
(2,007)	Settlement or cancellation of accrual made at the end of the preceding year	(2,041)
2,041	Amounts accrued at the end of the current year	2,041
34	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	0
<b>2,041</b>	<b>Balance 31 March</b>	<b>2,041</b>

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.

### Pooled Investment Funds Adjustment Account

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>(Restated)</b>		<b>£000</b>
<b>£000</b>		<b>£000</b>
(340)	<b>Balance 1 April</b>	2,383
0	Transition to IFRS 9	0
<b>(340)</b>	<b>Revised Opening Balance</b>	<b>2,383</b>
2,723	Changes in fair value of Pooled Investments	(2,198)
<b>2,383</b>	<b>Balance 31 March</b>	<b>185</b>

The Pooled Investment Funds Adjustment Accounts contain gains or losses made by the Council arising from movements in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments.

### Dedicated Schools Budget Adjustment Account

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
0	Balance 1 April	0
0	Overspend / (underspend) against Budget	412
<b>0</b>	<b>Balance 31 March</b>	<b>412</b>

On the 6 November 2020, the Secretary of State for the Ministry of Housing, Communities and Local Government laid before Parliament a statutory instrument (the instrument) to amend The Local Authorities (Capital Finance and Accounting) Regulations (the 2003 Regulations). The provisions came into effect from 29 November 2020.

The instrument amends the 2003 Regulations by establishing new accounting practices in relation to the treatment of local authorities' schools budget deficits such that where the Council has a deficit on its schools budget relating to its accounts for a financial year beginning on 1 April 2020, 1 April 2021 or 1 April 2022, it must not charge the amount of that deficit to a revenue account. The Council must record any such deficit in a separate account established solely for the purpose of recording deficits relating to its school's budget. The new accounting practice has the effect of separating schools budget deficits from the Councils' general fund for a period of three financial years.

This issue can only be fully resolved by closing the deficits. Therefore, the accounting treatment introduced by this regulation is limited to the financial reporting periods 2020/21, 2021/22 and 2022/23 to provide time for Government and the Council to look at budgetary and financial management strategies to reduce the deficit.

**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:

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
(1,550)	Interest received	(1,506)
15,174	Interest paid	14,869
(292)	Dividends received	0
<b>13,332</b>	<b>Total</b>	<b>13,363</b>

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

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>(Restated)</b>		<b>£000</b>
<b>£000</b>		<b>£000</b>
(12,677)	Depreciation	(11,331)
(7,449)	Impairment and downward valuations	3,869
(808)	Amortisation	(254)
8,943	(Increase)/decrease in creditors	(23,762)
15,522	Increase/(decrease) in debtors	13,719
(6)	Increase/(decrease) in inventories	(92)
(24,231)	Movement in pension liability	4,655
(2,357)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(7,007)
3,735	Other non-cash movements charged to the surplus or deficit on provision of services	(13,049)
<b>(19,328)</b>	<b>Total</b>	<b>(33,252)</b>

The 2019/20 Other non-cash movements charged to the surplus or deficit on the provision of services has been restated to reflect the changes in the Council's treatment of some of its long-term investments.

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

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
1,387	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	1,058
6,035	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	9,604
21,621	Any other items for which the cash effects are investing or financing cash flows	20,557
<b>29,044</b>	<b>Total</b>	<b>31,219</b>

### Note 26 - Cash Flow from Investing Activities

The cash flows for investment activities included the following items:

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
49,659	Purchase of property, plant and equipment, investment property and intangible assets	44,683
7,370	Purchase of short-term and long-term investments	97,588
16	Other payments for investing activities	0
(6,035)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(9,604)
(16,727)	Proceeds from short-term and long-term investments	(93,728)
(25,677)	Other receipts from investing activities	(28,559)
<b>8,605</b>	<b>Net cash flows from investing activities</b>	<b>10,380</b>

**Note 27 - Cash Flow from Financing Activities**

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
(52,658)	Cash receipts of short-term and long-term borrowing	(12,958)
0	Other receipts from financing activities	0
5,055	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	5,292
15,952	Repayments of short-term and long-term borrowing	40,252
(65)	Other payments for financing activities	773
<b>(31,716)</b>	<b>Net cash flows from financing activities</b>	<b>33,359</b>

**Note 28 - Reconciliation of Liabilities Arising from Financing Activities**

	<b>1 April 2020</b>	<b>Financing cash flows</b>	<b>Non-cash changes</b>	<b>31 March 2021</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Long-term borrowings	(108,792)	0	1,399	(107,393)
Short-term borrowings	(44,972)	27,252	(1,423)	(19,143)
Lease liabilities	0	0	0	0
On balance sheet PFI liabilities	(125,219)	5,292	0	(119,927)
<b>Total liabilities from financing activities</b>	<b>(278,983)</b>	<b>32,544</b>	<b>(24)</b>	<b>(246,463)</b>

	<b>1 April 2019</b>	<b>Financing cash flows</b>	<b>Non-cash changes</b>	<b>31 March 2020</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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)
<b>Total liabilities from financing activities</b>	<b>(247,228)</b>	<b>(31,693)</b>	<b>(62)</b>	<b>(278,983)</b>

**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.

2019/20 £000	<b>Mental Health, Community Support Services and Adults with Learning Disabilities</b>	2020/21 £000
(29,468)	Authority Funding	(33,635)
(15,315)	Partner Funding	(17,788)
(44,783)	Total Pooled Funding	(51,423)
32,095	Authority Expenditure	32,171
16,739	Partner Expenditure	17,014
48,834	Expenditure	49,185
<b>4,051</b>	<b>Net (Surplus)/Deficit on the Pooled Budget</b>	<b>(2,238)</b>
<b>2,627</b>	<b>Authority Share of the Net (Surplus) / Deficit</b>	<b>(1,464)</b>

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 2020/21, £18.214m of BCF was used to fund the above pools.

**Note 30 - Members’ Allowances**

31 March 2020 £000		31 March 2021 £000
645	Allowances and Expenses	476
645	<b>Total Members’ Allowances and Expenses</b>	476

Expenses included in the above are trivial in nature at £74.



**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:

*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). 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.*

Post	Year	Salary, Fees and Allowances £	Pension Contribution £	Compensation for Loss of Office £	Total £	Notes
<b>Chief Executive - M Harden</b>	<b>2020/21</b>	174,480	29,138	0	<b>203,618</b>	1
	<b>2019/20</b>	169,810	25,132	0	194,942	
<b>Executive Director (Communities and Neighbourhoods)</b>	<b>2020/21</b>	122,136	20,397	0	<b>142,533</b>	
	<b>2019/20</b>	118,871	17,592	0	136,463	
<b>Executive Director (Resources)</b>	<b>2020/21</b>	122,136	20,397	0	<b>142,533</b>	2
	<b>2019/20</b>	118,867	17,592	0	136,459	
<b>Executive Director (Health and Social Care)</b>	<b>2020/21</b>	111,725	18,658	0	<b>130,383</b>	3
	<b>2019/20</b>	117,218	17,348	0	134,566	
<b>Executive Director (Children's Services)</b>	<b>2020/21</b>	126,249	21,084	0	<b>147,333</b>	4
	<b>2019/20</b>	113,302	16,769		130,071	
<b>Executive Director (Regeneration and Economic Development)</b>	<b>2020/21</b>	118,502	19,790	0	<b>138,292</b>	
	<b>2019/20</b>	111,377	16,484	0	<b>127,861</b>	
<b>Assistant Executive Director (Adult Social Care)</b>	<b>2020/21</b>	22,772	3,803	0	<b>26,575</b>	5
	<b>2019/20</b>	89,031	13,717	0	102,748	
<b>Assistant Executive Director (Children's Social Care and Targeted Services)</b>	<b>2020/21</b>	105,670	17,647	0	<b>123,317</b>	
	<b>2019/20</b>	100,135	14,820	0	114,955	
<b>Assistant Executive Director (Corporate Support)</b>	<b>2020/21</b>	107,770	17,998	0	<b>125,768</b>	6
	<b>2019/20</b>	104,942	15,531	0	120,473	

**Note 31 – Senior Officers’ Remuneration (continued)**

Post	Year	Salary, Fees and Allowances	Pension Contribution	Compensation for Loss of Office	Total	Notes
		£	£	£	£	
<b>Assistant Executive Director (Communities)</b>	<b>2020/21</b>	91,184	15,228	0	<b>106,412</b>	7
	<b>2019/20</b>	70,805	10,660	0	81,465	
<b>Assistant Executive Director (Customer and Employees)</b>	<b>2020/21</b>	0	0	0	<b>0</b>	8
	<b>2019/20</b>	34,280	204,550	56,211	295,041	
<b>Assistant Executive Director (Development and Infrastructure)</b>	<b>2020/21</b>	91,184	15,228	0	<b>106,412</b>	9
	<b>2019/20</b>	70,794	10,659	0	81,453	
<b>Assistant Executive Director (Education and Early Help)</b>	<b>2020/21</b>	102,889	17,182	0	<b>120,071</b>	
	<b>2019/20</b>	97,428	14,419	0	111,847	
<b>Assistant Executive Director-(Governance)</b>	<b>2020/21</b>	0	0	0	<b>0</b>	10
	<b>2019/20</b>	75,101	286,639	53,771	415,511	
<b>Assistant Executive Director-(Governance and Assets)</b>	<b>2020/21</b>	90,748	15,155	0	<b>105,903</b>	11
	<b>2019/20</b>	21,861	3,223	0	25,084	
<b>Assistant Executive Director (Public Health)</b>	<b>2020/21</b>	90,047	12,949	0	<b>102,996</b>	12
	<b>2019/20</b>	72,337	10,402	0	82,739	
<b>Interim Assistant Executive Director (Culture and Regulation)</b>	<b>2020/21</b>	51,748	8,642	0	<b>60,390</b>	13
	<b>2019/20</b>	0	0	0	0	
<b>Total</b>	<b>2020/21</b>	<b>1,529,240</b>	<b>253,296</b>	<b>0</b>	<b>1,782,536</b>	
	<b>2019/20</b>	<b>1,486,159</b>	<b>695,537</b>	<b>109,982</b>	<b>2,291,678</b>	

The 2019/20 Pensions Contributions had been calculated using the incorrect contribution rate and therefore have been restated.

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. A new post holder was appointed to this post on 3 July 2020.
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. A new post holder was appointed to this post on 3 July 2020.
5. The Assistant Executive Director (Adult Social Care) postholder was promoted on 3 July 2020 and the post has since remained vacant. The Council is currently seeking to recruit to this post on a permanent basis.
6. The Assistant Executive Director (Corporate Support) post also fulfils the statutory responsibility of Scrutiny Officer as set out in the Local Government Act 2000.
7. A new post holder was appointed to the Assistant Executive Director (Communities) post with effect from 3 June 2019.
8. The Assistant Executive Director (Customer and Employees) post was deleted on 31 July 2019 when the post holder was made redundant.
9. The Assistant Executive Director (Development and Infrastructure) post is a new post with effect from 3 June 2019.
10. The Assistant Executive Director (Governance) post was deleted on 31 December 2019 when the post holder was made redundant.
11. 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 as set out in the Local Government and Housing Act 1989.
12. 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 2020/21, the postholder's hours increased to full-time (from 32.4 hours per week).
13. The Interim Assistant Executive Director (Culture and Regulation) post is a temporary post established on 9 September 2020 to cover additional duties relating to Communities and Neighbourhoods services during 2020/21.

**Officer Remuneration****Number of Employees**

	<b>2019/20</b>	<b>2020/21</b>
£50,001 to £55,000	61	61
£55,001 to £60,000	36	38
£60,001 to £65,000	37	31
£65,001 to £70,000	31	42
£70,001 to £75,000	17	22
£75,001 to £80,000	16	13
£80,001 to £85,000	9	17
£85,001 to £90,000	3	4
£90,001 to £95,000	0	4
£95,001 to £100,000	1	0
£100,001 to £105,000	3	1
£105,001 to £110,000	0	4
£110,001 to £115,000	2	0
£115,001 to £120,000	4	1
£120,000 to £125,000	0	3
£150,001 to £155,000	1	0
£165,001 to £170,000	1	0
£170,000 to £175,000	0	1
<b>Total</b>	<b>222</b>	<b>242</b>

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**

<b>Exit package cost band (including special payments)</b>	<b>Number of compulsory redundancies</b>		<b>Number of other departures agreed</b>		<b>Total number of exit packages by cost band</b>		<b>Total cost of exit packages in each band (£)</b>	
	<b>2019/20</b>	<b>2020/21</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2019/20</b>	<b>2020/21</b>
£0-£20,000	17	2	48	31	65	33	323,214	171,131
£20,001 - £40,000	0	1	15	4	15	5	426,734	140,659
£40,001 - £60,000	0	0	3	4	3	4	143,025	193,676
£60,001 - £80,000	0	0	1	1	1	1	78,391	74,771
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	1	0	1	0	124,074	0
£150,001 to £200,000	0	0	1	0	1	0	178,215	0
£200,001 to £250,000	0	0	0	0	0	0	0	0
£250,001 to £300,000	0	0	1	1	1	1	255,687	284,645
£300,001 to £350,000	0	0	2	0	2	0	633,956	0
£350,001 to £400,000	0	0	0	0	0	0	0	0
<b>Total</b>	<b>17</b>	<b>3</b>	<b>72</b>	<b>41</b>	<b>89</b>	<b>44</b>	<b>2,163,296</b>	<b>864,882</b>

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 2020/21, Knowsley MBC incurred the following fees relating to external audit and inspection:

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
86	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	103
17	Fees payable in respect of other services provided by external auditors during the year	16
<b>103</b>	<b>Total</b>	<b>119</b>

### 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 2020/21 are shown in the following table.

Notes	DSG Receivable for 2020/21	Central Expenditure £000	Individual Schools Budget £000	Total £000
A	Final DSG for year before Academies recoupment			(136,901)
B	Academy figure recouped for year			42,697
C	Total DSG after academy recoupment			<b>(94,204)</b>
D	Plus: Brought forward from previous year			(1,619)
E	Less: Carry forward to following year (agreed in advance)			0
F	Agreed initial budgeted distribution in year	<b>(14,419)</b>	<b>(81,403)</b>	<b>(95,823)</b>
G	In year adjustments	0	107	107
H	Final budget distribution for year	<b>(14,419)</b>	<b>(81,296)</b>	<b>(95,716)</b>
I	Less: Actual central expenditure	14,752	0	14,752
J	Less: Actual ISB deployed to schools	0	81,375	81,375
K	Plus: Local Authority contribution for year	0	0	0
	<b>Carry forward to 2021/22</b>	<b>333</b>	<b>79</b>	<b>411</b>

- A: Final DSG figure before any amount has been recouped from the authority excluding the January 2021 early years block adjustment.
- B: Figure recouped from the authority in 2020/21 by the DfE for the conversion of maintained schools into academies.
- C: Total figure after academy recoupment for 2020/21.
- D: Figure brought forward from 2019/20 should be as agreed with the Department.
- E: Any amount which the authority decided after consultation with the schools forum to carry forward to 2021/12 rather than distribute in 2020/21.
- 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 2020/21.
- J: Amount of ISB actually distributed to schools.
- K: Any contribution from the local authority in 2020/21 which will have the effect of substituting for DSG in funding the Schools Budget.
- L: Carry-forward to 2021/22.

**Note 34 - Grant Income**

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

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
(8,655)	Non-Ringfenced Grant	(20,052)
(2,465)	Department for Transport	(4,153)
(2,029)	Education Funding Agency	(1,593)
(783)	Local Sustainability Transport Fund / Sustainable Transport Enhancement Package	(1,926)
(1,900)	Local Growth Fund	(259)
(11,537)	Liverpool City Region Combined Authority	(6,329)
(1,256)	Heritage Lottery Fund	0
0	Shakespeare North Playhouse	(4,058)
(1,695)	Other	(2,281)
<b>(30,319)</b>	<b>Total</b>	<b>(40,651)</b>

**Grant Income Credited to Services**

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
(87,641)	Dedicated Schools Grant	(93,998)
(54,459)	Housing Benefit Rebates Grant	(51,356)
(23,157)	Private Finance Initiative Subsidy	(23,157)
(16,721)	Public Health Grant	(17,441)
0	COVID-19 Government Grants	(16,779)
(14,630)	Better Care Fund	(15,351)
(9,751)	Pupil Premium	(10,623)
0	Liverpool City Region Combined Authority	(3,601)
(39)	Skills Funding Agency	0
(2,031)	Education Funding Agency	(1,953)
(1,009)	Benefit Verification Framework / Fraud Incentive / Tax Credits	(1,093)
(2,701)	Disabled Facilities Grant	(2,625)
(1,333)	Universal Infant School Meals	(1,330)
(1,202)	Stronger Families	(913)
(128)	Lottery	0
(364)	Youth Justice Board	(368)
(1,773)	European Funding	(1,387)
(920)	Independent Living Fund	(717)
(100)	Adult Social Care Grant	0
(4,525)	Other	(4,658)
<b>(222,484)</b>	<b>Total</b>	<b>(247,350)</b>

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 (Revenue Grants) - Current Liabilities

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
0	COVID-19 Local Restrictions Support Grant	(6,441)
0	COVID-19 Contain Outbreak Management Fund	(3,675)
0	COVID-19 Business Support Grants	(2,196)
0	COVID-19 Track and Trace Isolation Payments Grant	(550)
(211)	Syrian Resettlement Programme Grant	(699)
(857)	Adult Social Care Grant	0
(587)	Other	(2,201)
<b>(1,655)</b>	<b>Total</b>	<b>(15,762)</b>

### Grants Receipts in Advance (Capital Grants) - Current Liabilities

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
(12)	Standards Fund	0
0	Liverpool City Region Combined Authority	(753)
0	Public Sector Decarbonisation Scheme	(375)
<b>(12)</b>	<b>Total</b>	<b>(1,128)</b>

### 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 2020/21:

#### 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 2021 are shown in Note 21 (Creditors) and Note 36 (Capital Expenditure and Capital Financing).



### **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 2020/21 the Council incurred £1.237m of expenditure and received £4.824m of income from Volair (£0.508m of net expenditure in 2019/20).

The Board includes two Council Members and one Officer out of the 4 interests declared. At 31 March 2021 outstanding debtors totalled £0.479m (£0.165m at 31 March 2020) and creditors totalled £1.148m (£0.037m at 31 March 2020).

### **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 financial year in April 2020 and incorporated changes for the new discharge to assess requirements established by the NHS in response to the Coronavirus pandemic.

- **Pension Fund**

Full details of the Council's Pension Fund transactions are disclosed in Note 41 to the Accounts and the Accounting Policies. One Member of the Council is a member of the Merseyside Pension Fund Committee.

- **Livv Housing Trust (was Knowsley Housing Trust)**

The Council incurred £0.552m of expenditure and received £0.782m of income (no expenditure and no income in 2019/20).

There was one member who expressed an interest in Livv Housing Trust. At 31 March 2021 outstanding debtors totalled £0.003m (£0.011m at 31 March 2020) and £0.017m creditors (no creditors at 31 March 2020).

Transactions relating to Other Public Bodies also included:

- **Merseytravel**

The Council incurred £3.210m of expenditure and received £0.086m of income (£0.107m of expenditure and no income in 2019/20).

The Board included 4 Council Members. At 31 March 2021 there were no outstanding debtors (no debtors at 31 March 2020) and no creditors (no creditors at 31 March 2020).

- Police and Crime Commissioner for Merseyside

The Council incurred £0.250m of expenditure and received £0.305m of income (£0.301m of expenditure and no income in 2019/20).

The Board included one Council Member. At 31 March 2021 outstanding debtors totalled £0.526m (£0.063m at 31 March 2020) and no creditors (no creditors at 31 March 2020).

- Merseyside Fire Authority

The Council incurred £0.044m of expenditure and received £0.009m of income (£0.012m of expenditure and no income in 2019/20).

The Board included three Council Members. At 31 March 2021 outstanding debtors totalled £0.272m (£0.015m debtors at 31 March 2020) and no creditors (£0.058m creditors at 31 March 2020).

- Liverpool City Region Combined Authority

The Council incurred no other expenditure apart from the Levy and received £0.078m of income (Apart from the Levy, there were no other expenditure transactions and no income in 2019/20).

The Board includes two Council Members out of the 12 Members who have expressed an interest. At 31 March 2021 outstanding debtors totalled £0.745m (£0.889m at 31 March 2020) and creditors totalled £0.101m (£0.071m creditors at 31 March 2020).

- Merseyside Recycling and Waste Authority

The Council incurred no other expenditure apart from the Levy and received £0.899m of income (Apart from the Levy, there were no other expenditure transactions and no income in 2019/20).

The Board included one Council Member. At 31 March 2021 outstanding debtors totalled £0.038m (£0.028m at 31 March 2020) and no creditors (no creditors at 31 March 2020).

- Wirral MBC

The Council incurred £2.981m of expenditure and received £0.463m of income (£3.721m of expenditure and no income in 2019/20).

There were no expressions of interest in Wirral MBC. At 31 March 2021 outstanding debtors totalled £0.113m (£0.114m at 31 March 2020) and £0.010m (no creditors at 31 March 2020).

### **Members' and Officers' Interests**

Members of the Council have direct control over the Council's financial and operational policies. During 2020/21, works and services totalling £16.048m of expenditure and £0.234m of income were commissioned from organisations in which seven Members had an interest. Contracts were entered into in full compliance with the Council's Constitution. Payments and grants totalling £53,457m of expenditure and £2.933m of income were paid and received, to and from housing associations, hospital trusts, and voluntary organisations, in which there were 95 expressions of interest from Members and one from an officer. In all cases, the relevant Members and Officers have declared their interest and taken no part in any prejudicial discussion or decision relating to the transactions.

**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**

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
269,870	Opening Capital Financing Requirement	278,685
	Capital Investment:	
25,687	Property Plant and Equipment	44,092
23,536	Investment Property	281
435	Intangible Assets	310
0	Assets Held for Sale	0
4,616	Revenue Expenditure Funded from Capital Under Statute	7,081
<b>54,275</b>	<b>Total Capital Spending</b>	<b>51,764</b>
	Sources of Finance:	
(7,319)	Capital receipts	(8,896)
(26,818)	Government Grants and other contributions	(28,030)
	Sums set aside from revenue:	
(5,501)	- Direct revenue contributions	(359)
(5,822)	- Minimum revenue provision	(6,033)
<b>(45,459)</b>	<b>Total Sources of Finance</b>	<b>(43,318)</b>
<b>278,685</b>	<b>Closing Capital Financing Requirement</b>	<b>287,131</b>

**Explanation of movements in year**

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
8,815	Increase in underlying need to borrow (unsupported by government financial assistance)	8,446
<b>8,815</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>8,446</b>

**Note 37 - Leases**

The Council has no significant leases as at 31 March 2021.

**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**

<b>2020/21</b>	<b>Centres for Learning £000</b>	<b>Street Lighting £000</b>	<b>Total £000</b>
<b>Cost or Valuation</b>			
at 1 April 2020	54,044	48,354	102,398
Additions	7	0	7
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,961	0	2,961
<b>at 31 March 2021</b>	<b>57,012</b>	<b>48,354</b>	<b>105,366</b>
<b>Accumulated Depreciation and Impairment</b>			
at 1 April 2020	(6,689)	(18,992)	(25,681)
Depreciation charge	(727)	(668)	(1,395)
<b>at 31 March 2021</b>	<b>(7,416)</b>	<b>(19,660)</b>	<b>(27,076)</b>
<b>Net Book Value</b>			
<b>at 31 March 2021</b>	<b>49,596</b>	<b>28,694</b>	<b>78,290</b>
<b>at 1 April 2020</b>	<b>47,355</b>	<b>29,362</b>	<b>76,717</b>

**Movement in PFI Assets**

<b>2019/20</b>	<b>Centres for Learning £000</b>	<b>Street Lighting £000</b>	<b>Total £000</b>
<b>Cost or Valuation</b>			
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
<b>at 31 March 2020</b>	<b>54,044</b>	<b>48,354</b>	<b>102,398</b>
<b>Accumulated Depreciation and Impairment</b>			
at 1 April 2019	(5,954)	(18,324)	(24,278)
Depreciation charge	(735)	(668)	(1,403)
<b>at 31 March 2020</b>	<b>(6,689)</b>	<b>(18,992)</b>	<b>(25,681)</b>
<b>Net Book Value</b>			
<b>at 31 March 2020</b>	<b>47,355</b>	<b>29,362</b>	<b>76,717</b>
<b>at 1 April 2019</b>	<b>46,448</b>	<b>30,030</b>	<b>76,478</b>

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**

<b>2020/21</b>	<b>Centres for Learning £000</b>	<b>Street Lighting £000</b>	<b>Total £000</b>
Balance outstanding at start of year	(97,232)	(27,988)	(125,220)
Payments during the year	4,463	830	5,293
<b>Balance outstanding at year-end</b>	<b>(92,769)</b>	<b>(27,158)</b>	<b>(119,927)</b>

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

**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 – 2020/21**

<b>Reimbursement of Capital Expenditure</b>	<b>Centres for Learning</b>	<b>Street Lighting</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Payable within one year	4,667	928	5,595
Payable within two to five years	22,993	4,869	27,862
Payable within six to ten years	35,223	6,704	41,927
Payable within eleven to fifteen years	29,886	13,556	43,442
Payable within sixteen to twenty years	0	1,101	1,101
<b>Total</b>	<b>92,769</b>	<b>27,158</b>	<b>119,927</b>

<b>Interest</b>	<b>Centres for Learning</b>	<b>Street Lighting</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Payable within one year	7,013	2,481	9,494
Payable within two to five years	24,031	8,911	32,942
Payable within six to ten years	19,230	8,370	27,600
Payable within eleven to fifteen years	4,778	3,985	8,763
Payable within sixteen to twenty years	0	30	30
<b>Total</b>	<b>55,052</b>	<b>23,777</b>	<b>78,829</b>

<b>Payment for Services</b>	<b>Centres for Learning</b>	<b>Street Lighting</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Payable within one year	5,054	1,714	6,768
Payable within two to five years	19,631	7,358	26,989
Payable within six to ten years	28,284	12,868	41,152
Payable within eleven to fifteen years	21,600	12,194	33,794
Payable within sixteen to twenty years	0	925	925
<b>Total</b>	<b>74,569</b>	<b>35,059</b>	<b>109,628</b>

### **Note 39 - Termination Benefits**

The Council terminated the contracts of 44 employees during 2020/21, incurring liabilities of £0.865m (89 employees costing £2.163m in 2019/20). These costs were incurred in relation to officers who left the employment of the Council to enable the Council to realise approved budget savings.

### **Note 40 - Pension Schemes Accounted for as Defined Contribution Schemes**

#### **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.

#### **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 2020/21 the Council paid £0.090m to the NHS Pension Scheme in respect of former NHS staff retirement benefits (£0.078m in 2019/20).

## **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 Merseyside Pension Fund is a multi-employer scheme operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Fund Pensions Committee, which comprises Councillors and representatives from other employers. Policy is determined in accordance with the Public Service Pensions Act 2013.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme.

The transactions that are included in the 2020/21 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 made to the Merseyside Pension Fund by the Council in the year to 31 March 2021 was £36.000m (£14.036m in 2019/20). This includes a prepayment of the Future Service Rate that the Council had agreed with Merseyside Pension Fund so that a budget saving could be achieved.

The total contributions expected to be made to the Merseyside Pension Fund by the Council in the year to 31 March 2022 is £14.814m.



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**

2019/20		2020/21	
LGPS	Teachers Additional Unfunded Pensions	LGPS	Teachers Additional Unfunded Pensions
£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>			
<b>Cost of Services</b>			
	Service cost comprising:		
26,224	0 Current service cost	24,179	0
4,103	0 Past service cost	631	0
645	0 (Gain) / loss from curtailments	150	0
(575)	0 (Gain) / loss from settlements and / or transfers	0	0
382	0 Administration expenses	393	0
	Financing and Investment Income and Expenditure:		
8,488	374 Net interest expense	7,003	318
<b>39,267</b>	<b>374 Total charged to Surplus and Deficit on Provision of Services</b>	<b>32,356</b>	<b>318</b>

**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:		
59,643	0 Return on plan assets (excluding the amount included in the net interest expense)	(114,632)	0
(31,466)	(36) Actuarial gains and losses - experience	(20,814)	(215)
(66,306)	(1,074) Actuarial gains and losses arising on changes in demographic assumptions	0	0
(22,699)	(246) Actuarial gains and losses arising on changes in financial assumptions	164,459	889
<b>(60,828)</b>	<b>(1,356) Total charged to Other Comprehensive Income and Expenditure Statement</b>	<b>29,013</b>	<b>674</b>
<b>(21,561)</b>	<b>(982) Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>61,369</b>	<b>992</b>

**Movement in Reserves Statement**

2019/20			2020/21	
LGPS	Teachers Additional Unfunded Pensions		LGPS	Teachers Additional Unfunded Pensions
£000	£000		£000	£000
(39,267)	(374)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(32,356)	(318)
		Actual amount charged against the general fund balance for pensions in the year:		
14,036	1,374	Employers' contributions payable to scheme	16,243	1,329
<b>(25,231)</b>	<b>(1,000)</b>	<b>Total amount shown in the Movement in Reserves Statement</b>	<b>(16,113)</b>	<b>1,011</b>

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

2019/20			2020/21	
LGPS	Teachers Additional Unfunded Pensions		LGPS	Teachers Additional Unfunded Pensions
£000	£000		£000	£000
(1,044,051)	(13,932)	Present value of the defined obligation	(1,212,097)	(13,595)
718,687	0	Fair value of plan assets	861,364	0
<b>(325,364)</b>	<b>(13,932)</b>	<b>Net (liability) / asset arising from the defined benefit obligation</b>	<b>(350,733)</b>	<b>(13,595)</b>

**Movement in the Value of Scheme Assets**

2019/20		2020/21	
LGPS	Teachers Additional Unfunded Pensions	LGPS	Teachers Additional Unfunded Pensions
£000	£000	£000	£000
772,299	0	718,687	0
	Opening fair value of scheme assets		
18,392	0	17,750	0
	Interest income		
	Re-measurement gain / (loss):		
(59,643)	0	114,632	0
	- The return on plan assets, excluding the amount included in the net interest expense		
14,036	1,374	36,000	1,329
	Contributions from employer		
5,025	0	5,144	0
	Contributions from employees into the scheme		
(30,819)	(1,374)	(30,456)	(1,329)
	Benefits / transfers paid		
(382)	0	(393)	0
	Administration expenses		
(221)	0	0	0
	Assets Extinguished on Settlement		
<b>718,687</b>	<b>0</b>	<b>861,364</b>	<b>0</b>
	<b>Closing value of scheme assets</b>		

**Movements in the Fair Value of Scheme Liabilities**

2019/20		2020/21	
LGPS	Teachers Additional Unfunded Pensions	LGPS	Teachers Additional Unfunded Pensions
£000	£000	£000	£000
(1,133,260)	(16,288)	(1,044,051)	(13,932)
	Opening balance at 1 April		
(26,224)	0	(24,179)	0
	Current service cost		
(26,880)	(374)	(24,753)	(318)
	Interest cost		
(5,025)	0	(5,144)	0
	Contributions from scheme participants		
	Re-measurement gains and losses:		
31,466	36	20,814	215
	- Actuarial gains / (losses) - experience		
66,306	1,074	0	0
	- Actuarial gains / (losses) from changes in demographic assumptions		
22,699	246	(164,459)	(889)
	- Actuarial gains / (losses) from changes in financial assumptions		
(4,103)	0	(631)	0
	Past service cost		
(645)	0	(150)	0
	Gains / (losses) on curtailments		
30,819	1,374	30,456	1,329
	Benefits / transfers paid		
796	0	0	0
	Liabilities extinguished on settlements		
<b>(1,044,051)</b>	<b>(13,932)</b>	<b>(1,212,097)</b>	<b>(13,595)</b>
	<b>Balance as at 31 March</b>		

**LGPS - Pension Scheme - Assets comprised of:**

**Fair value of scheme assets**

2019/20				2020/21		
Quoted	Unquoted	Total		Quoted	Unquoted	Total
£000	£000	£000		£000	£000	£000
<b>11,072</b>	<b>0</b>	<b>11,072</b>	<b>Cash and cash equivalents</b>	<b>19,467</b>	<b>0</b>	<b>19,467</b>
<hr/>						
<b>Equities</b>						
98,649	14,716	113,365	UK	130,326	17,141	147,467
163,197	71,688	234,885	Global	201,731	88,634	290,365
<b>261,846</b>	<b>86,404</b>	<b>348,250</b>	<b>Subtotal Equities</b>	<b>332,057</b>	<b>105,775</b>	<b>437,832</b>
<hr/>						
<b>Bonds</b>						
12,665	0	12,665	UK Government	11,112	0	11,112
31,922	0	31,922	UK Corporate	28,683	0	28,683
55,545	0	55,545	UK Index Linked	68,220	0	68,220
0	0	0	Oversea Corporate	4,651	0	4,651
0	0	0	Derivative Contracts	0	(2,843)	(2,843)
<b>100,132</b>	<b>0</b>	<b>100,132</b>	<b>Subtotal Bonds</b>	<b>112,666</b>	<b>(2,843)</b>	<b>109,823</b>
<hr/>						
<b>Property</b>						
1,893	42,644	44,537	UK Direct Property	1,550	40,829	42,379
0	12,561	12,561	UK Property Managed	0	15,160	15,160
0	19,100	19,100	Global Property Managed	0	19,725	19,725
<b>1,893</b>	<b>74,305</b>	<b>76,198</b>	<b>Subtotal Property</b>	<b>1,550</b>	<b>75,714</b>	<b>77,264</b>
<hr/>						
<b>Alternatives</b>						
88	9,214	9,302	UK Private Equity	0	17,227	17,227
0	47,474	47,474	Global Private Equity	0	55,903	55,903
1,779	11,603	13,382	Other Alternatives UK	1,378	5,168	6,546
2,939	19,571	22,510	Other Alternatives Global	0	32,043	32,043
0	23,693	23,693	Global Infrastructure	0	24,549	24,549
1,340	27,795	29,135	UK Infrastructure	1,120	31,268	32,388
1,968	17,483	19,451	UK Opportunities	258	16,883	17,141
681	17,407	18,088	Global Opportunities	1,206	29,975	31,181
<b>8,795</b>	<b>174,240</b>	<b>183,035</b>	<b>Subtotal Alternatives</b>	<b>3,962</b>	<b>213,016</b>	<b>216,978</b>
<hr/>						
<b>383,738</b>	<b>334,949</b>	<b>718,687</b>	<b>Total Assets</b>	<b>469,702</b>	<b>391,662</b>	<b>861,364</b>
<hr/>						

**Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Teachers’ Pension Scheme Unfunded Liabilities have been estimated by Mercer Human Resource Consulting, an independent firm of actuaries, estimates being based on the latest full actuarial valuation of the scheme as at 31 March 2019.

**The significant assumptions used by the actuary have been:**

<b>2019/20</b>	<b>LGPS</b>	<b>2020/21</b>
Mortality assumptions		
Longevity at retirement for current pensioners		
20.9	Men	21.0
24.0	Women	24.1
Longevity at retirement for future pensioners		
22.5	Men	22.6
25.9	Women	26.0
Other assumptions		
2.1%	Rate of inflation	2.7%
3.6%	Rate of increase in salaries	4.2%
2.2%	Rate of increase in pensions	2.8%
2.4%	Rate for discounting scheme liabilities	2.1%

**Impact of assumptions on the obligation:**

<b>Assumption</b>	<b>LGPS</b>	<b>Increase by 0.1% (Gain) or Loss £000</b>
Longevity		37,413
Rate of inflation		19,822
Rate of increase in salaries		2,661
Rate for discounting scheme liabilities		(19,502)

**The significant assumptions used by the actuary have been:**

	<b>2019/20</b>	<b>Teachers Additional Unfunded Pensions</b>	<b>2020/21</b>
Mortality assumptions			
Longevity at retirement for current pensioners			
	20.9	Men	21.0
	24.0	Women	24.1
Longevity at retirement for future pensioners			
	12.5	Men	12.5
	14.9	Women	15.0
Other assumptions			
	2.1%	Rate of inflation	2.7%
	2.2%	Rate of increase in pensions	2.8%
	2.4%	Rate for discounting scheme liabilities	2.1%

**Impact of assumptions on the obligation:**

<b>Assumption</b>	<b>Teachers Additional Unfunded Pensions</b>	<b>Increase by 0.1% (Gain) or Loss £000</b>
Longevity		645
Rate of inflation		102
Rate for discounting scheme liabilities		(102)

The objectives of the Local Government Pension Scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 16 years. Funding levels are monitored on an annual basis. The most recent triennial valuation took place on 31 March 2019 and has set contributions levels for 2020/2021 to 2022/2023.

The total contributions expected to be made to the Merseyside Pension Fund by the Council in the year to 31 March 2022 is £14.814m.

The total payments expected to be made by the Council to former teachers receiving additional unfunded pensions in the year to 31 March 2022 is £1.329m.

The weighted average duration of the defined benefit obligation for Local Government Pension Scheme members is 16 years in 2020/2021 (16 years in 2019/2020). The weighted average duration for former teachers receiving additional unfunded pensions is 8 years in 2020/2021 (8 years in 2019/2020).

### **Note 42 - Contingent Liabilities**

As in previous years, the Council had no contingent liabilities as at 31 March 2021.

### **Note 43 - Contingent Assets**

As in previous years, the Council had no contingent assets as at 31 March 2021.

### **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.

The Council's maximum exposure to credit risk in relation to its investments of £47.385m 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 2021 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:

**2020/21**

Counterparty Category	Criteria		Maximum Investment & Duration per Institution / Group on 31 March 2021	Total Exposure 31 March 2021 (per balance sheet) £000
	Country Long Term Rating	Fitch Rating		
Money Market (UK)	UK AA	AAA	£6m/up to 12 months	4,678
Money Market (Luxembourg)	Luxembourg AAA	AAA	£6m/up to 12 months	6,000
Money Market (Ireland)	Ireland AA-	AAA	£6m/up to 12 months	1,865
Other Local Authority Fixed deposits	UK AA	Not applicable	£6m/up to 12 months	4,000
Other UK Fixed deposit	UK AA	Not applicable	£4m/up to 5 years	2,500
Fund Managers	UK AA	Not applicable	max period and amounts to be agreed with Advisor prior to investing	27,896
UK Treasury Stock	Not applicable		Not applicable	3
UK Credit Union	Not applicable		Not applicable	135
<b>Total Exposure to Credit Risk from Investments at 31 March 2021</b>				<b>47,077</b>
Accrued interest at 31 March 2021				308
<b>Total Exposure to Credit Risk including accrued interest at 31 March 2021</b>				<b>47,385</b>



2019/20

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
<b>Total Exposure to Credit Risk from Investments at 31 March 2020</b>							<b>64,327</b>
Accrued interest at 31 March 2020							571
<b>Total Exposure to Credit Risk including accrued interest at 31 March 2020</b>							<b>64,898</b>

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:

Estimated Maximum Exposure to default 31 March 2020 £000		Amount at 31 March 2021 (carrying amount of contractually based debtors) £000	Historical Experience of Default %	Historical Experience adjusted for Market Conditions %	Estimated Maximum Exposure to default 31 March 2021 £000
0	Total Investments	47,385	0	0	0
0	Mortgagors	2	0	0	0
0	Employee Related Debtors	63	0	0	0
1,549	Trade Debtors	11,205	21.03	30.74	3,444
5,774	Other Debtors	24,931	21.03	30.74	7,664
<b>7,323</b>	<b>Total</b>	<b>83,586</b>			<b>11,108</b>

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 2021 the Council held 1 mortgage account in arrears totalling £0.006m which is included in other debtors. 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 2021 £10.696m 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:

31 March 2020 £000		31 March 2021 £000
5,354	Less than one month	4,565
2,064	Two to six months	2,284
520	Six months to one year	1,405
1,753	More than one year	2,442
<b>9,691</b>		<b>10,696</b>

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 calculates an expected credit loss 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:

2020/21								
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 £000	Lender Offer Borrower Option Maturity at 31 March £000	Long Term Loans at 31 March £000	Temporary Loans Maturity at 31 March £000	Total Maturity at 31 March £000	Actual % Maturity of Fixed rate Borrowing at 31 March	
Under 12 months	30%	2,627	6,078	105	10,086	18,896	15%	
1-2 years	20%	5	0	0	0	5	0%	
2-5 years	50%	1,161	0	0	0	1,161	1%	
5-10 years	80%	2,492	0	0	0	2,492	1%	
10 years and above	100%	96,488	0	6,300	0	102,748	83%	
		<b>102,733</b>	<b>6,078</b>	<b>6,405</b>	<b>10,086</b>	<b>125,302</b>		

2019/20								
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 £000	Lender Offer Borrower Option Maturity at 31 March £000	Long Term Loans at 31 March £000	Temporary Loans Maturity at 31 March £000	Total Maturity at 31 March £000	Actual % Maturity of Fixed rate Borrowing at 31 March	
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%	
		<b>102,748</b>	<b>6,077</b>	<b>6,406</b>	<b>37,052</b>	<b>152,283</b>		

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 £6.078m 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 £6.078m 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 2021. 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 2021, 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 2021 with all other variables held constant, the financial effect would be a decrease in fair value of fixed rate borrowings liabilities of £61.294m (no impact on Comprehensive Income and Expenditure).

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 £19m.

The Council's investment in a real estate investment trust (REIT) is subject to the risk of falling residential property prices. This risk is limited by the Council's maximum exposure to REITs of £2m. A 5% fall in residential property prices at 31<sup>st</sup> March 2021 would result in a £0.100m charge to Other Comprehensive Income and Expenditure which would be reflected in the Financial Instruments Revaluation Reserve.

### Note 45 - Trust Funds

<b>Capital Value of Fund</b>	<b>Other Funds</b>	<b>Capital Value of Fund</b>
<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
830	King George V Playing Fields	830
34	Mayors Charity	9
7	Other	6
<b>872</b>	<b>Total</b>	<b>845</b>

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 2020			31 March 2021			
Business Rates £000	Council Tax £000	Total £000	Collection Fund	Business Rates £000	Council Tax £000	Total £000
			<b>INCOME:</b>			
	(67,422)	(67,422)	Council Tax Receivable	0	(71,612)	(71,612)
(48,061)		(48,061)	Business Rates Receivable	(37,623)	0	(37,623)
<b>(48,061)</b>	<b>(67,422)</b>	<b>(115,483)</b>	<b>Total amounts to be credited</b>	<b>(37,623)</b>	<b>(71,612)</b>	<b>(109,235)</b>
			<b>EXPENDITURE:</b>			
			<b>Apportionment of Previous Year Surplus/Deficit:</b>			
782	(91)	691	Knowsley MBC	4,378	823	5,201
8	(5)	3	Merseyside Fire and Rescue Authority	44	43	87
0	(11)	(11)	Police and Crime Commissioner for Merseyside	0	109	109
0	0	0	Liverpool City Region Metro Mayor	0	10	10
			<b>Precepts, demands and shares:</b>			
45,732	54,402	100,134	Knowsley MBC	46,477	58,092	104,569
462	2,824	3,286	Merseyside Fire and Rescue Authority	469	2,955	3,424
0	7,235	7,235	Police and Crime Commissioner for Merseyside	0	7,791	7,791
0	681	681	Liverpool City Region Metro Mayor	0	698	698
			<b>Charges to Collection Fund:</b>			
0	1,296	1,296	Increase/(decrease) in allowance for impairment	3,776	1,882	5,658
(3,015)	0	(3,015)	Increase/(decrease) in allowance for appeals	5,513	0	5,513
322	0	322	Transitional Protection Payments Payable	311	0	311
138	0	138	Charge to General Fund for allowable collection costs for non-domestic rates	135	0	135
<b>44,429</b>	<b>66,331</b>	<b>110,759</b>	<b>Total amounts to be debited</b>	<b>61,103</b>	<b>72,403</b>	<b>133,506</b>
<b>(3,632)</b>	<b>(1,092)</b>	<b>(4,724)</b>	<b>(Surplus)/Deficit arising during the year</b>	<b>23,480</b>	<b>791</b>	<b>24,271</b>
<b>(790)</b>	<b>106</b>	<b>(684)</b>	<b>(Surplus)/Deficit b/f at 1 April 2020</b>	<b>(4,422)</b>	<b>(985)</b>	<b>(5,408)</b>
<b>(4,422)</b>	<b>(985)</b>	<b>(5,408)</b>	<b>(Surplus)/Deficit c/f at 31 March 2021</b>	<b>19,058</b>	<b>(194)</b>	<b>18,864</b>

## 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 2020/21 was 36,755 (35,822 in 2019/20). The tax base was approved at the Council meeting on 29 January 2020 and was calculated as follows:

#### **2020/21**

Band	Valuation band limits £	Calculated	Ratio to band D	Equated No of	
		no of dwellings No		dwellings No	
A	Upto and including - 40,000	37,745	6/9	25,163	
B	40,001 - 52,000	14,412	7/9	11,209	
C	52,001 - 68,000	9,576	8/9	8,512	
D	68,001 - 88,000	4,280	9/9	4,280	
E	88,001 - 120,000	1,733	11/9	2,118	
F	120,001 - 160,000	313	13/9	452	
G	160,001 - 320,000	132	15/9	220	
H	More than - 320,001	17	18/9	34	
				Adjustment	(15,233)
				Council tax base	<u>36,755</u>

#### **2019/20**

Band	Valuation band limits £	Calculated	Ratio to band D	Equated No of	
		no of dwellings No		dwellings 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>

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 2020 it was estimated that there would be a £0.985m council tax surplus on the Collection Fund (£0.106m deficit in January 2019) and therefore this would be distributed to the relevant preceptors in 2020/21.

## **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 2020/21 the total rateable value at the year end is £1111.0m (£112.0m in 2019/20). The national multipliers for 2020/21 were 49.9p for qualifying small businesses, with the standard multiplier being 51.2p for all other businesses (49.1p and 50.4p respectively in 2019/20).

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 2020/21 were estimated before the start of the financial year as £46.477m to Knowsley and £0.469m to MFRA. These sums have been paid in 2020/21 and charged to the Collection Fund in year. The actual income from business ratepayers for 2020/21 was £37.623m (£48.061m in 2019/20), a significant reduction that has arisen in the main due to the increased retail reliefs awarded in respect of the Covid-19 pandemic.

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 2021. 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 2020/21 was £0.895m, with a further increase to the provision of £5.513m, leaving a total of £7.299m at 31 March 2021 to cover future payments for those appeals still pending. Knowsley's 99% share of the provision (£7.226m) is included in its consolidated balance sheet.



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

### **Report on the audit of the financial statements**

#### **Opinion on the financial statements**

We have audited the financial statements of Knowsley Metropolitan Borough Council ("the Council") for the year ended 31 March 2021, 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31<sup>st</sup> March 2021 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 2020/21.

#### **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 – the valuation of investment properties**

We draw your attention to note 4 of the financial statements, which describes the ongoing uncertainty in relation to the valuation of certain investment properties owned by the Council due, in part, to the effects of the Covid-19 pandemic. As disclosed in note 4 of the financial statements the Council's external valuer included a 'material valuation uncertainty' declaration within their valuation report. Our opinion is not modified in respect of this matter.

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Executive Director (Resources)'s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Executive Director (Resources) with respect to going concern are described in the relevant sections of this report.

#### **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 2020/21, 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 2020/21 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015 and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Executive Director (Resources)'s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Governance and Audit Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Governance and Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Governance and Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Executive Director (Resources)'s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

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

## **Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Matter on which we are required to report by exception**

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

### **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. 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.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

**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.

**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; and
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.



Mark Dalton, Key Audit Partner  
For and on behalf of Mazars LLP

5<sup>th</sup> Floor  
3 Wellington Place  
Leeds  
LS1 4AP

18 November 2021

## 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.