

# **Knowsley Metropolitan Borough Council**

## **Statement of Accounts for the year 2022/23**

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## **NARRATIVE REPORT ON THE 2022/23 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 2023; 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.

In April 2023 the Government confirmed the deadlines for publication of the 2022/23 Statement of Accounts. Under current legislation, the deadlines for authorities like Knowsley are 31 May 2023 for issuing the draft accounts and 30 September 2023 for publication of the audited version.

Knowsley's 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.

**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 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.

**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 2022/23 Comprehensive Income and Expenditure Statement shows the overall expenditure and income relating to 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 makes adjustments for expenditure that relates to the Council's overall operations (rather than specific service provision), and it excludes amounts set aside by the Council in reserves and other statutory adjustments that the Government requires in order to avoid undue impact on the Council Taxpayer. These adjustments are recorded in the Movement in Reserves Statement, which also shows how much money has actually been added to the Council's General Fund at the end of the year.

On 9 March 2022 the Council approved its Net Revenue Budget for 2022/23. The net budget of £190.556m (£176.559m in 2021/12) was funded by Retained Business Rates and Grant Funding of £108.386m (£104.707m in 2021/12), other Government Grants of £18.881m (£11.651m in 2021/22) and Council Tax receipts of £63.299m (£60.201m in 2021/22). Financial performance against approved service budgets has been monitored and reported to

Members throughout the year, and the final outturn position will be reported to the Council's Cabinet on 7 June 2023.

The report to the Cabinet notes that the impact of inflation continued to have a major influence on the Council's budget during 2022/23 – adding £5.4m to the Council's costs during the year. This includes the costs of the 2022/23 Local Government Pay Award, which increased the Council's budget by £3.1m per year from 2022/23. The impact of inflation on the Council was mitigated significantly by the achievement of savings on service and Council-wide and contingency budgets. This was in part achieved through tight financial discipline imposed during the year to help to offset the impact of inflation, including controls on non-essential expenditure and continued close monitoring of service budgets.

The Cabinet report confirms that a balanced overall position was achieved at the end of 2022/23 through the allocation of £1.647m from one-off resources which had previously been set aside for inflationary pressures. It was however noted that the allocation of Council resources to offset the impact of inflation means that such funding cannot be used to make other investments to support the continued recovery and regeneration of the Borough.

While this was a very positive financial position, the Cabinet report note a number of significant issues within the overall position which need to be addressed. These include:-

- (a) Continued increases in expenditure on placements for looked after children as a result of additional demand, complexity and costs of placements;
- (b) Increased spending on home to school transport provision as a result of additional demand and increased costs;
- (c) A deficit in respect of the School Meals service due to the impact of price inflation on the cost of provisions and increased meal numbers identified in the last quarter of the year. The service has also faced pressures due to a reduction in Government funding for pupils who become eligible for a free school meal during the year;
- (d) A significant level of unfilled vacant posts across the Council due to ongoing difficulties in recruitment (particularly in Adult Social Care and Children's Social Care). While such vacancies result in financial savings, the absence of people in such posts is having a negative impact on the effectiveness of service delivery across the Council and, in addition to increasing pressure on the remaining staff, has required additional spending on relatively expensive agency cover for more essential posts.

The continuing cost of living crisis and high rates of inflation mean that there is still considerable financial uncertainty facing the Council in the coming years. For this reason, the Council has approved further one-off resources to be set aside for potential inflationary and demand related pressures in 2023/24. It is also considered essential that the Council continues with its rigorous approach to financial management.

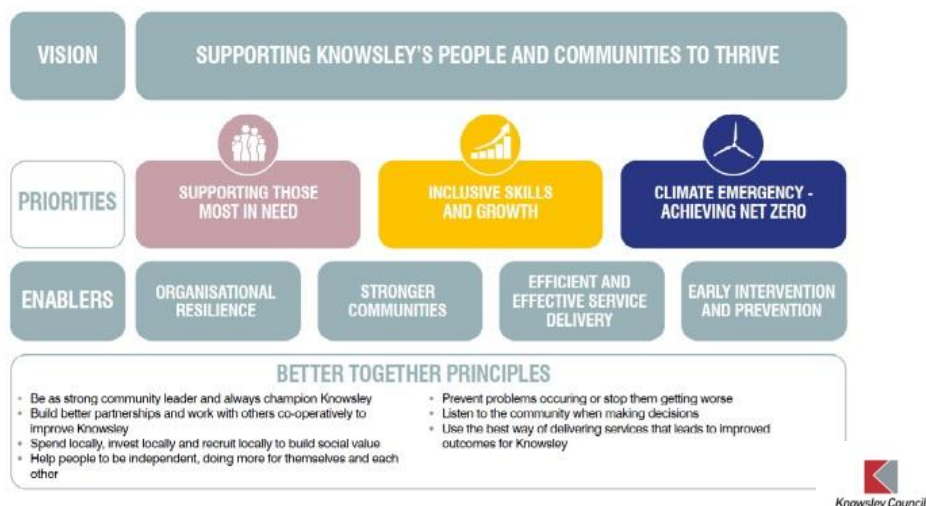
Despite the significant challenges arising from the national economy, the Council remains in a relatively stable financial position and a much more favourable budget position than that being faced by many other comparable local authorities. This has been made possible by the Council's ambitious programme for economic growth, a sound approach to financial management and decision-making, and effective long-term decisions relating to Council Tax - all of which underpin the Council's financial strategy.

## 5. REVIEW OF COUNCIL PERFORMANCE DURING THE YEAR

### Performance against the Council Plan 2022-25

In March 2022, the Council approved its new Council Plan 2022-25 which includes the following strategic priorities:-

## Council Plan 2022/25



The annual outturn monitoring report for the Council Plan will be presented to Cabinet in June 2023. Despite the ongoing challenges being faced, the Council continues to achieve and indeed exceed the ambitions stated in the Council Plan 2022-25. Highlights include:-

- (i) The Council and wider partnership work to co-ordinate and fund a comprehensive package of cost-of-living support to local residents, including the most vulnerable, to enable them to endure the impacts of the Cost-of-Living crisis in the toughest Winter months. This work was successful and well-received. The Council invested a further £0.500m in the Knowsley Better Together Hardship Fund alongside the £3.734m from the Household Support Fund to provide a range of universal and targeted support to residents including, but not limited to:-
- £1.134m allocated to voluntary and community sector organisations which saw over 3,000 families supported by the Big Help Project and over 500 families by other community partners with food and other essential items;
  - 4,000 fuel vouchers distributed by community partners and an additional 1,680 fuel vouchers provided as part of the Council's Emergency Support Scheme;
  - 189 households directly supported with a £300 payment onto energy bills, and an additional 170 households with a £300 payment onto water bills;
  - £0.150m provided for additional half term School Holiday Activities and Food Programmes, and;

- A wide range of additional support covering provision of community ‘warm hubs’, additional investment in local debt and welfare advice services and targeted support for identified vulnerable residents.
- (ii) The Knowsley Offer has been launched which provides a “preferred front door” for residents and businesses in terms of information, support and services available from the Council and partner organisations across the borough to enable the borough to achieve its ambitions for 2030, as set out in the [Knowsley 2030 Strategy](#), and to enable all residents and businesses to thrive.
- (iii) The Council continues to make significant progress in delivering the improvements identified during the Ofsted inspection of Children’s Social Care in October 2021. Key achievements include:-
- Further development of a strong Early Help and Prevention Offer, including the creation of a Turnaround Team to support the Youth Offending Service;
  - Continued investment in staff wellbeing, learning and development, including embedding Social Work Apprenticeship and Assessed and supported year in employment (ASYE) Programmes;
  - An improved Domestic Abuse (DA) support offer, including Independent Domestic Violence Advisors (IDVA) embedded within the in Multi Agency Safeguarding Hub, DA specialist training, and investment in DA Family Support workers;
  - The Social Worker in Schools (SWiS) Team work has been implemented, which places a Social Worker in each high school. An additional three Early Help Family Support Workers have been established to support the most vulnerable students with a focus on educational neglect – unlocking barriers to attendance through whole family assessment and support;
  - The Youth Offending Service preventative model is now live and working with those young people at risk of criminality, anti-social behaviour, and exploitation;
  - A Review of the Care Leavers Local Offer by Department of Education (DfE) National Implementation Advisor Mark Riddell (MBE) was conducted, and the recommendations are being implemented including additional financial investment agreed to strengthen the Care Leaver Offer; and,
  - Sector Led Improvement (SLIP) work completed with Salford which included a review and revision of the Council’s Quality Assurance Framework. A new Quality Assurance Framework has been launched, an improved audit programme implemented, and training in Audits and Moderation delivered to ensure consistency.
- (iv) Additional improvements in Children’s Services include:-
- Sufficiency remains a key priority within Children’s Social Care. Placements for children in care continue to present challenges, both in relation to the continued rising cost of placements and the availability of external placements. The use of in-house fostering placements increased 7% in 2022-23. In the face of challenges in recruiting foster carers (a regional and national issue), recruitment drives continue to increase the number of carers. Bedroom capacity Investment funding of £0.3m



has been identified to attract existing carers to provide additional placements for children through extra bedroom capacity within their own homes. The Council's Cared for Children Strategy has been refreshed for 2023-26;

- The Edge of Care offer has been extended to ensure there are effective options for all children, including Family Group Conferencing, MST-CAN, and specialist respite options for young people and children with disabilities. The Edge of Care and Placement Panel provides a multi-agency forum for oversight and decision making for vulnerable children;
- The transformation of the Council's residential estate is ensuring better quality care and support for children locally. Fullerton respite for Children with Disabilities received an Ofsted grading of good in January 2023. Oasis residential respite was graded good in December 2022, and Bedford residential home was graded good in April 2022. These inspections have confirmed the provision of good care and outcomes for children;
- Improvements in relation to Children with Special Education Needs or Disability (SEND) have continued, and a Written Statement of Action (WSOA) was approved by Ofsted on 18 October 2022. The WSOA priorities are embedded within the four core priority areas of the co-produced SEND and Inclusion Strategy launched in January 2023. Out of the 22 agreed actions on Preparation for Adulthood, 19 are rated Green (actions completed on time) and three are Amber (in progress and within timescales). Feedback from the most recent monitoring meeting (May 2023) has suggested that if progress continues then the WSOA may be stepped down at the next monitoring meeting in September 2023;
- The Council's school improvement work continues to have a positive impact. 46.2% of Knowsley students attained a GCSE standard pass (4+) in both English and Mathematics, compared to 40.8% of pupils in 2019. 26.8% of Knowsley students attained a strong pass (5+) in both English and Mathematics, compared to 17.6% of students in 2019. 46 out of 50 primary schools in Knowsley are now rated by Ofsted as either "Good" (41) or "Outstanding" (5), and there are no primary schools rated as "Inadequate". The quality of secondary schools in Knowsley has continued to improve over the last year with three of the Borough's secondary schools that have been inspected now rated by Ofsted as "Good", two are rated as "Requires Improvement" and one is awaiting inspection. The Borough's four special schools have maintained their high standards with two rated by Ofsted as "Outstanding" and two rated as "Good";
- The number of young people Not in Education Employment or Training and "Not Known" in Knowsley has reduced from 6.5% overall to 5.3% as at March 2023;
- The Youth Offending Prevention Service has been established and has adopted a trauma-informed model of delivery, seeking to improve outcomes through relationship-based practice. Referral pathways and criteria have been developed, with a focus on supporting any child who is at risk of exploitation, Anti-Social Behaviour or criminality; and,
- The Council continues to effectively plan for school places using the processes set out in its School Organisation Strategy. In Halewood, 30 additional school places were secured for September 2022 with plans for an additional 200 places from 2023 in order to be prepared to deal with future demand from new housing

developments. The recent annual School Capacity Return confirmed that there are sufficient school places across the Borough for the next five years.

- (v) Significant progress has been made in response to the national Adult Social Care Reform requirements whilst the department continues to make further improvements in service delivery:-
- The Market Sustainability Plan was submitted to the Government as required in October 2022. Longer term plans are in development to help support the further challenges brought about by the Adult Social Care Reform agenda;
  - On 8 March 2023, the Council approved gross investment of £11.796m in the Adult Social Care provider market to ensure that the Council supports market sustainability based on rates reflecting the Real Living Wage. This investment to providers had to be passported to their employees as a Real Living Wage. As at May 2023, 95% of domiciliary care providers, 88% of residential and nursing providers, 100% of extra care providers, and 80% of supported living providers had agreed to accept the rates and the passporting of the Real Living Wage to staff. The Council is working closely with the remaining providers to consider how to move them towards these rates in the coming months;
  - The annual user survey responses for people being supported within Adult Social Care provided very positive results across a number of key areas, including quality of life, satisfaction, control over daily life, and the amount of social contact, with Knowsley performing well against regional comparators. Questions relating to the ease of finding information and general feelings of safety remain areas of ongoing challenge both within Adult Social Care and from a broader perspective;
  - Progress has been made in reducing “the longest wait times” within Adult Social Care, maintaining good performance in the “timeliness of support within 28 days of assessment,” low numbers “awaiting care arrangement” and ensuring annual reviews take place. Whilst 60% of cases are assessed within 28 days of initial referral, an ongoing area of challenge remains with demand at the ‘front door’. This is a national issue with 300,000 people waiting for assessment nationally of which 75,000 have been waiting for more than six months. All Knowsley cases awaiting allocation for assessment are reviewed and prioritised to ensure that they are allocated in accordance with need and risk.
  - During 2023/24, a review of Care Management services will take place to ensure that there is overall sufficiency and that resources are appropriately aligned to respond to the longer-term changes in demand brought about as a result of the Covid 19 Pandemic and local demographic changes. Work is also underway to review ‘front door’ arrangements to ensure the service maximises all opportunities to prevent, reduce and delay the need for care and support. This includes utilising the Early Intervention and Prevention Module in the case management system to get ‘upstream’ of future demand.
- (vi) Good progress has been made in establishing effective arrangements to improve health outcomes and reduce health inequalities. A Knowsley Healthier Together Board has been established and has agreed priorities for action, and the Knowsley Health and Wellbeing Board is progressing with a programme of agreed priority areas of focus to address wider determinants of health in line with “Marmot Communities” recommendations.

- (vii) The Knowsley Place Winter Plan was successfully developed and delivered by Council and health partners. This ensured that residents received the appropriate support from the health system that they required without over-whelming the health system. In addition, Knowsley's approach to enabling effective hospital discharge has worked well, despite the wider challenges in the health and care system;
- (viii) The Council continues to provide appropriate support to residents and organisations affected by Covid 19. Regular meetings continue to be held to review case and outbreak data, changes in guidance and policy and communications requirements. The Council continues to provide Covid advice and guidance for residents and organisations in particular high-risk settings, Early Years and Schools and workplaces and businesses via Environmental Health and the Chamber. A Knowsley Infection Prevention and Control guidance pack has been produced for schools and early years settings. A Cheshire and Merseyside collaborative campaign ran throughout the winter. This was targeted at residents, business and schools, to remind people of the simple things they can do to reduce spread of infections;
- (ix) Despite the extremely challenging current economic circumstances, significant progress has continued to be made in the development of the Borough's Town Centre offer and residential and commercial development programmes, including securing £15.3m Levelling Up funding for Halewood significant progress being made with major residential and commercial development programmes the year, including Halsnead Garden Village, East of Halewood, and Knowsley Business Park. Key achievements include:-
- The Council's significant housing programme continues to out-perform Local Plan targets with 738 dwellings (gross) completed during 2022/23 (233 of which were affordable homes). Over the last six years, out of a total of 4,687 units delivered across Knowsley, 1,170 have been affordable homes;
  - In January 2023, the Government confirmed that Knowsley Council has been awarded £15.3 million from Round 2 of the Levelling Up Fund for major improvements in Halewood. The funding proposal, submitted by the Council and approved by the Department for Levelling Up, Housing and Communities, includes an expansion of the local district centre, improvements to greenspace and leisure facilities, as well as funding improvements to walking and cycling connectivity throughout the town and to employment areas;
  - It should be noted that wider economic conditions have impacted on programmes and individual projects to differing extents in terms of slippage and costs due to resource issues and supplier and market cost risks. The Council's work to transform the Borough's Town Centres does continue to progress but, due to significantly increased costs and soaring interest rates, the Council has made the difficult decision to pause the construction of a number of projects, including the flagship Kirkby Cinema and Leisure development which was due to start on site in November 2022. Discussions with the Liverpool City Region Combined Authority are continuing, to explore alternative funding opportunities; and,
  - The Council continues to provide extensive programmes of employment and business support, with positive performance being delivered in priority areas including the Restart Programme and European Regeneration Development Fund Business Support Programme. As the Council prepares to transition to Year One of the UK Shared Prosperity Fund, work is underway with the Combined Authority to ensure delivery risks are minimised and that the Council retains sufficient resource

following transition to provide adequate levels of future support to local residents and businesses.

- (x) The Shakespeare North Playhouse opened in July 2022 which coincided with Knowsley's year as the Borough of Culture. The year was a resounding success, with successful and well-attended events taking place across the Borough. The programme drew to a close in November 2022, culminating in the Knowsley Music Festival at venues across the Borough. A Cultural Strategy for the Borough is now in development to build on the programme's legacy.
- (xi) Good progress has been made in delivering the Council's Net Zero Delivery Plan, which was approved by Cabinet in September 2022. Latest developments include significant progress with the Kirkby Leisure Centre decarbonisation scheme, and funding submissions being developed and submitted to the Low Carbon Skills Fund Phase 4 and the Liverpool City Region Combined Authority for a Heat Decarbonisation Plan which includes plans for 13 Knowsley Schools.
- (xii) In terms of reducing Borough-wide emissions, the Knowsley Better Together Net Zero Group is now established and engagement has taken place with partners to gather data for a Borough-wide stocktake of key activity. The Knowsley Better Together group is aligned with the Liverpool City Region Combined Authority five-year action plan to ensure consistency throughout the region.
- (xiii) The Council continues to prioritise the management of its green spaces. The 2022/23 Green Space Programme has continued to deliver a range of improvements to the Borough's green spaces, woodlands, play areas and community sports facilities. A network of passionate Green Space Volunteers together with the Council's maintenance staff have enabled the Borough to retain its 19 Green Flag Parks.
- (xiv) The Council continues to effectively manage its finances despite wider challenges and uncertainties created by the Cost-of-Living crisis and the Government's continued short-term approach to Local Government funding.
- (xv) Monitoring of the workforce plan has demonstrated positive changes arising from the formative work to embed workforce sufficiency within services/ service plans across the Council. Highlights from this include:-
  - There have been some small but favourable changes to the Council workforce profile including, but not limited to, reductions in the overall vacancy rate and staff turnover rate. Various initiatives have continued to embed, including consolidation of the Exit Interview process, with plans for analysis and reports during 2023/24, continued implementation of the Induction Training programme and continued roll-out of the Graduate and Apprenticeship Programme (with up to 45 new employees in place or planned for).
  - Particular focus has been given to addressing issues within both Children's and Adult Social Care. A joint Social Care recruitment event was held in March 2023 with nine staff recruited to key posts in Adult Social Care and six in Children's Social Care. Turnover across Adult Social Care (ASC) was comparatively low in 2022/23, below the national average. Turnover across Children's Social Care (CSC) was higher, above the national average. Vacancy rates reduced in ASC towards the end of 2022/23, as did the number of agency staff covering key posts. In contrast, vacancy and agency rates increased for CSC. The Council continues to utilise investment to increase the number of people being supported to complete a social work apprenticeship across both Adults and Children's along with continued progress with the Think Ahead

programme within Adult Social Care. The programme of training has been refreshed as part of the workforce strategy for Adults and Children's. Front line staff are being engaged through a variety of new channels. Work continues in respect of exit interviews and staff surveys to gain up to date information in respect of staff experiences and issues. Support has been commissioned from North-West Employer's Organisation with a benchmarked review of Social Worker's terms and conditions and recruitment and retention initiatives.

## **Performance Management**

Detailed Department and Service Plans were again produced which underpin the delivery of the Council Plan and its associated Annual Delivery Plan. Performance reports are reviewed by Departmental Management Teams on a regular basis, with progress and issues reported to Portfolio Holders. These reports provide an overview of service performance, progress against the delivery of key priorities including those included in the Council Plan, and the management of risks.

## **6. THE COUNCIL'S ASSETS AND LIABILITIES**

The Balance Sheet and the accompanying notes show the Council's financial position at the year end and reflect everything that the Council owes and is owed at that date.

The Council's Balance Sheet shows that at 1 April 2022, the Authority's unearmarked General Balances stood at £8.575m and represented 4.5% of the net revenue expenditure budget. This value was maintained at 31 March 2023. The Medium-Term Financial Strategy report to the Council on 8 March 2023 noted that following a review of the financial risks facing the Council in the coming year, it was appropriate to maintain General Balances at their current value for 2023/24, which would represent 4% of the 2023/24 net revenue expenditure budget.

The Council's Balance Sheet also shows the earmarked reserves held by the Council. The reserves at 31 March 2023 include funding for the Council's Private Finance initiative (£30.4m), reserves held by Schools (£4.3m) and reserves earmarked for Public Health initiatives (£3.3m). In addition to these, there is a range of reserves which have been established to fund specific interventions previously approved by the Council and which are essential for delivering the improvement, growth and regeneration needed to ensure the sustainability of the Borough. These include £12.2m to address the growing costs of social care, £6.7m for investment in regeneration and the Borough's Town Centres; £5.7m of investment in improved jobs and employment opportunities; as well as a range of further improvements to support education improvement, homelessness, and funding for community and environmental projects across the borough.

In approving the 2023/24 revenue budget the Council also agreed that further one-off resources of £5.570m should be retained for consideration once the Council has greater clarity regarding levels of pay inflation and wider inflationary pressures in 2023/24. These resources were detailed in the Quarter 3 Budget Monitoring report to the Council on 8 March 2023 and are retained to mitigate against future inflationary and other demand-related pressures. The need to allocate Council resources to fund the impact of inflation in this way clearly reduces the Council's scope to make other investments to support the continued recovery and regeneration of the Borough. It also does not address the ongoing impact of inflation which will put significant continuing pressure on the Council's budgets in future years.

The Executive Director (Resources) will continue to monitor all reserves so that the Cabinet may consider options for re-allocation as part of the ongoing financial strategy. This will ensure that the resources remain focussed on the best investments to deliver the Council's priorities for the recovery, regeneration, and sustainability of the Borough.

### 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 2022/23 was reported to the Governance Committee on 31 January 2022 and was subsequently approved by the Council on 9 March 2022.

The authorised limit for external debt for the Council for 2022/23 was £360m (£350m in 2021/22). The actual level of outstanding long-term and short-term debt at the year-end totalled £224m which included £108m of liabilities related to the Council's Private Finance Initiative schemes (£229m as at 31 March 2022 including £114m of liabilities relating to the Private Finance Initiative schemes).

At 31 March 2023, the Council had £107.725m of long-term borrowing (compared to £107.140m in 2021/22). This included £100.079m of loans from the Public Works Loans Board. Included in the balance is £0.493m relating to debt transferred on the local government reorganisation in 1974 and 1986. At 31 March 2023 the Council held cash and investments of £73.205m (the 2021/22 figure totalled £85.932m).

The Council paid £9.037m of interest and similar charges in year for its Private Finance Initiative schemes (2021/22 £9.493m) and a further £4.633m (2021/22 £4.759m) on its treasury management activities. The Council received £2.314m of interest on its investments during the year (2021/22 £1.218m).

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 and the accompanying notes. In 2022/23, the Council incurred significant capital expenditure on acquiring or improving Council buildings and other capital assets. This included work on the City Region Sustainable Travel Scheme (£7.161m); further work on the Shakespeare North Theatre (£5.205m); Decarbonisation schemes at Kirkby Leisure Centre and Nutgrove Villa (£2.962m); further work on the new retail development of Kirkby Town Centre (£2.790m), construction work at the new Headbolt Rail Station in Kirkby (£1.742m) and Street Lighting LED replacement programme (£1.050m). The total amount of grant and other contributions that was spent during 2022/23 was £26.434m. There were also schemes totalling £3.297m which were funded by Council borrowing; a full analysis of this borrowing is given in the notes to the accounts.

This capital expenditure during the year is reflected as additions to the value of the Council's assets held on the Council's Balance Sheet (as detailed in Notes 12 to 17 to the Accounts). The capital schemes are funded from various sources – primarily Capital Grants (Note 11); Capital Receipts (Note 24); Revenue contributions (shown within cost of service within the

Comprehensive Income and Expenditure Statement); and Borrowing – which is reflected in the Council’s Capital Financing Requirement (Note 37).

### Pension Fund Liability

The Balance Sheet reflects the Council’s participation in the Local Government Pension Scheme (administered by Merseyside Pension Fund). The net liability for retirement benefits decreased significantly during the twelve-month period to 31 March 2023. At the end of 2022/23 the Council’s share of the overall Fund (excluding Teachers) was a net liability of £31m compared to £340m the previous year. This reduction is mainly due to the significant increases in the discount rate used by the Fund’s actuaries to estimate the current value of future pension liabilities. The discount rate is linked to interest rates, so that as interest rates rise the actuary assumes a higher rate of return on the Fund’s assets – which means that the current value of the Fund’s liabilities reduces.

While the Accounts show the pension liability position at 31 March 2023, in reality the actual pension payments will not be made until many years into the future. In the short term the Council’s share of the overall Fund net liability has a 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.

### Pension Fund Valuation

For the 3-year period 2020/21 to 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 achieve a reduction in the overall total payment. 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 were 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 42 Defined Benefit Pension Schemes.

## **7. MAJOR INFLUENCES ON THE 2022/23 ACCOUNTS**

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

### Ongoing Inflation Pressures

During the year the highest levels of inflation for four decades drove up the costs of the raw materials, labour, and services which the Council must pay, to provide essential public services. The cost-of-living crisis has also placed considerable strain on Knowsley’s most vulnerable residents and families who are struggling to afford their most basic needs. The impact of inflation added £5.4m to the Council’s costs during 2022/23. This includes the costs of the 2022/23 local government pay award, which increased the pressure on the Council’s budget by £3.1m per year from 2022/23. The impact of inflation has been a major contributor to the increased cost of services shown in the Council’s 2022/23 Accounts.

In 2022/23 funding from the Government was far short of covering the full impact of price and wage inflation and the increasing demand for Council services. If Knowsley's funding had kept pace with inflation and demand over the last 10 years, the Council would be receiving around £55m more per year in Government funding than is currently the case.

Examples of the impact of inflation on Council services include:-

- Care providers are raising serious concerns about their financial viability as they struggle to cover their own costs within the fee levels agreed with local authorities.

In its 2023/24 revenue budget, the Council approved additional permanent investment of £8.6m per year to set fee rates in Knowsley at a level which will significantly improve market sustainability and help providers to manage the increasing cost pressures which they are facing. This included a commitment that the Council would introduce a mandatory contractual requirement for Adult Social Care providers to ensure that all of their Knowsley care workers receive pay at least at the level of the "Real" Living Wage with effect from 1 April 2023.

- The 2022/23 Local Government Pay Award increased the Council's budget by £3.1m per year from 2022/23.

These pressures are continuing in 2023/24 and are likely to be increased by the local government pay award for 2023/24 which has still to be resolved at the time of writing this report. Knowsley, alongside other local authorities, is lobbying the Government to provide additional grant funding to meet the eventual pay award, which will undoubtedly exceed the budget provision agreed in March 2023. The Government has previously stated that any pay award must be funded from Council budgets. If funding is not provided, the Council is likely to have to fund the additional cost through one-off resources in 2023/24 and the need for savings from 2024/25 onwards will significantly increase.

- Capital projects – many of which are essential in driving the longer-term recovery and growth of our communities - have also been hit. Under standard contractual terms with developers working on building projects, Councils are facing significant extra costs due to increases in the price of raw materials.
- Operational revenue budgets across the full range of Council services are being impacted by increases in the costs of materials, fuel and energy, with the cost of providing school meals being hit by rocketing food prices.

The financial challenge of inflation comes on top of the enormous pressures faced by Councils after a decade of austerity when the biggest cuts in local authority funding impacted on Councils in the most deprived areas of the country like Knowsley, because they relied more heavily on the Government grants which were cut so severely. More recently the Council has faced unprecedented challenges arising from the COVID-19 pandemic, which impacted more severely in Knowsley than anywhere else in the country.

### Local Government Funding

The Final Local Government Finance Settlement for 2022/23 was announced by the Government on 7 February 2022. For the fourth year in succession the Settlement was for one-year only - which continues the climate of uncertainty regarding future funding levels and the impact of major policy changes on local government funding allocations. This severely limits the Council's ability to plan for the medium term.



Largely because of its robust decision making in previous years, the Council was able to set a budget for 2022/23 which required no new permanent savings, and indeed included new permanent investment in key services.

Given the varied and unprecedented financial challenges which the Council has faced over the last decade, this is a very positive financial position. This has been made possible by the Council's ambitious programme for economic growth, and the sound approach to financial management and decision-making which underpins the Council's financial strategy.

However, the Council's medium-term financial forecasts remain subject to a range of significant but highly uncertain influences, including the ongoing impact of inflation, the 2023/24 local government pay award, the Government's future proposals for the national Business Rates funding system, changes to the local government funding system, and the future of social care and public health funding. Over the coming months, the Executive Director (Resources) will monitor these uncertainties will advise on how the future budget setting process should be taken forward.

## **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') and the Update to the Code and Specifications for Future Codes for Infrastructure Assets.

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**

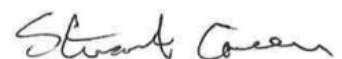
I certify that the Council's 2022/23 Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.



**JAMES DUNCAN CPFA**  
Executive Director (Resources)  
11 March 2024

### **STATEMENT OF THE CHAIR OF THE GOVERNANCE AND AUDIT COMMITTEE**

I confirm that these accounts were approved by the Governance and Audit Committee at its meeting on 11 March 2024.



**STUART GREEN**  
Chair of the Governance and Audit Committee

### 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.

2021/22					2022/23		
Expenditure £000	Income £000	Net £000	Notes		Expenditure £000	Income £000	Net £000
243,246	(185,392)	58,854		Children's Services	225,582	(165,284)	60,298
41,818	(25,346)	16,472		Communities and Neighbourhoods	45,486	(27,410)	18,076
7,256	(9,483)	(2,227)		Council Wide	22,919	(12,941)	9,978
144,537	(79,779)	64,758		Health and Social Care	148,420	(71,168)	77,252
32,517	(17,061)	15,456		Regeneration and Economic Development	35,040	(16,958)	18,082
88,571	(60,176)	28,395		Resources	89,765	(59,187)	30,578
<b>557,945</b>	<b>(377,237)</b>	<b>180,708</b>		<b>Cost of Services</b>	<b>567,212</b>	<b>(352,948)</b>	<b>214,264</b>
20,407	(504)	19,903	9	Other Operating Expenditure	21,179	0	21,179
41,661	(39,170)	2,491	10	Financing and Investment Income and Expenditure	54,173	(37,194)	16,979
0	(226,508)	(226,508)	11	Taxation and Non-Specific Grant Income	0	(233,812)	(233,812)
<b>620,013</b>	<b>(643,419)</b>	<b>(23,406)</b>		<b>(Surplus) or Deficit on Provision of Services</b>	<b>642,564</b>	<b>(623,954)</b>	<b>18,610</b>
	(22,418)		25	(Surplus) or deficit on revaluation of Property, Plant and Equipment			9,042
	0		25	(Surplus) or deficit on from investments in equity instruments designated at fair value through other comprehensive income and expenditure			182
	(44,782)		42	Remeasurement of the net defined benefit liability / asset			(352,989)
	<b>(67,200)</b>			<b>Other Comprehensive Income and Expenditure</b>			<b>(343,765)</b>
	<b>(90,606)</b>			<b>Total Comprehensive Income and Expenditure</b>			<b>(325,155)</b>

### 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 includes those that hold unrealised gains or losses, for example the Revaluation Reserve, where amounts would only become available to provide services if the assets are sold. The surplus or deficit on the provision of services line shows the true economic cost of providing the Council’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The net increase or decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2022</b>	<b>(8,575)</b>	<b>(110,715)</b>	<b>(119,290)</b>	<b>(4,449)</b>	<b>(350)</b>	<b>(124,089)</b>	<b>19,173</b>	<b>(104,916)</b>
<b>Movement in reserves during 2022/23</b>								
(Surplus) or deficit on the provision of services	18,610	0	18,610	0	0	18,610	0	18,610
Other Comprehensive Income / Expenditure	0	0	0	0	0	0	(343,765)	(343,765)
<b>Total Comprehensive Income and Expenditure</b>	<b>18,610</b>	<b>0</b>	<b>18,610</b>	<b>0</b>	<b>0</b>	<b>18,610</b>	<b>(343,765)</b>	<b>(325,155)</b>
Adjustments between accounting basis and funding basis under regulations	(8,341)	0	(8,341)	4,449	(3,827)	(7,719)	7,719	0
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>10,269</b>	<b>0</b>	<b>10,269</b>	<b>4,449</b>	<b>(3,827)</b>	<b>10,891</b>	<b>(336,046)</b>	<b>(325,155)</b>
Transfers to / from Earmarked Reserves	(10,269)	10,269	0	0	0	0	0	0
<b>Increase or Decrease in 2022/23</b>	<b>0</b>	<b>10,269</b>	<b>10,269</b>	<b>4,449</b>	<b>(3,827)</b>	<b>10,891</b>	<b>(336,046)</b>	<b>(325,155)</b>
<b>Balance at 31 March 2023</b>	<b>(8,575)</b>	<b>(100,446)</b>	<b>(109,021)</b>	<b>0</b>	<b>(4,177)</b>	<b>(113,198)</b>	<b>(316,873)</b>	<b>(430,071)</b>

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	<b>General Fund Balance</b> £000	<b>Earmarked General Fund Reserves</b> £000	<b>Total General Fund Balance</b> £000	<b>Capital Receipts Reserve</b> £000	<b>Capital Grants Un-applied Account</b> £000	<b>Total Usable Reserves</b> £000	<b>Unusable Reserves</b> £000	<b>Total Reserves</b> £000
<b>Balance at 31 March 2021</b>	<b>(4,984)</b>	<b>(106,260)</b>	<b>(111,244)</b>	<b>(872)</b>	<b>(97)</b>	<b>(112,213)</b>	<b>97,903</b>	<b>(14,310)</b>
<b>Movement in reserves during 2021/22</b>								
(Surplus) or deficit on the provision of services	(23,406)	0	(23,406)	0	0	<b>(23,406)</b>	0	<b>(23,406)</b>
Other Comprehensive Income / Expenditure	0	0	0	0	0	<b>0</b>	(67,200)	<b>(67,200)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(23,406)</b>	<b>0</b>	<b>(23,406)</b>	<b>0</b>	<b>0</b>	<b>(23,406)</b>	<b>(67,200)</b>	<b>(90,606)</b>
Adjustments between accounting basis and funding basis under regulations	15,360	0	15,360	(3,577)	(253)	<b>11,530</b>	(11,530)	<b>0</b>
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>(8,046)</b>	<b>0</b>	<b>(8,046)</b>	<b>(3,577)</b>	<b>(253)</b>	<b>(11,876)</b>	<b>(78,730)</b>	<b>(90,606)</b>
Transfers to / from Earmarked Reserves	4,455	(4,455)	0	0	0	<b>0</b>	0	<b>0</b>
<b>Increase or Decrease in 2021/22</b>	<b>(3,591)</b>	<b>(4,455)</b>	<b>(8,046)</b>	<b>(3,577)</b>	<b>(253)</b>	<b>(11,876)</b>	<b>(78,730)</b>	<b>(90,606)</b>
<b>Balance at 31 March 2022</b>	<b>(8,575)</b>	<b>(110,715)</b>	<b>(119,290)</b>	<b>(4,449)</b>	<b>(350)</b>	<b>(124,089)</b>	<b>19,173</b>	<b>(104,916)</b>

**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 includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2022 £000	Notes		31 March 2023 £000
341,357	12	Property, Plant and Equipment	337,018
201,822	13	Infrastructure Assets	208,718
604	14	Heritage Assets	580
79,358	15	Investment Property	87,621
509	16	Intangible Assets	479
29,384	18	Long-Term Investments	26,113
159	19	Long-Term Debtors	599
<b>653,193</b>		<b>Long Term Assets</b>	<b>661,128</b>
6,003	18	Short-Term Investments	0
18,042	21	Assets Held for Sale	17,965
381		Inventories	343
55,593	19	Short-Term Debtors	65,155
50,545	20	Cash and Cash Equivalents	47,092
<b>130,564</b>		<b>Current Assets</b>	<b>130,555</b>
(7,908)	18	Short-Term Borrowing	(8,094)
(63,411)	22	Short-Term Creditors	(79,587)
(1,169)	23	Provisions	(688)
(23,545)	35	Grants Receipts in Advance - Revenue	(10,653)
(1,260)	35	Grants Receipts in Advance - Capital	(2,198)
<b>(97,293)</b>		<b>Current Liabilities</b>	<b>(101,220)</b>
(13,360)	23	Provisions	(10,836)
(107,140)	18	Long-Term Borrowing	(107,725)
(108,139)	39	Other Long-Term Liabilities	(101,202)
(352,909)	42	Net Pension Liability	(40,629)
<b>(581,548)</b>		<b>Long Term Liabilities</b>	<b>(260,392)</b>
<b>104,916</b>		<b>Net Assets</b>	<b>430,071</b>
(124,089)	24	Usable Reserves	(113,198)
19,173	25	Unusable Reserves	(316,873)
<b>(104,916)</b>		<b>Total Reserves</b>	<b>(430,071)</b>

**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>2021/22</b> <b>£000</b>		<b>2022/23</b> <b>£000</b>
(23,406)	Net (surplus) or deficit on the provision of services	18,610
(62,127)	Adjustment to surplus or deficit on the provision of services for non-cash movements	(44,027)
31,819	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	28,268
<b>(53,714)</b>	<b>Net cash flows from operating activities</b>	<b>2,851</b>
1,426	Net cash flows from investing activities	(8,293)
17,641	Net cash flows from financing activities	8,895
<b>(34,647)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>3,453</b>
15,898	Cash and cash equivalents at the beginning of the reporting period	50,545
<b>50,545</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>47,092</b>

## Note 1 - Accounting Policies

### **1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its overall financial position as at 31 March 2023. 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 2022/23 (the Code) and the Update to the Code and Specifications for Future Codes for Infrastructure Assets, 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.

### **2 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 functions of the Council will continue in operational existence for the foreseeable future. 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.

## **3 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.

#### **4 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.

#### **5 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.

#### **6 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.

## **7 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.

## **8 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.

## **9 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 on 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.

## **10 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.

## **11 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 Comprehensive Income and Expenditure Statement.

#### 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.

#### 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 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 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.

## **12 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.

## **13 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.



## 14 Infrastructure Assets

Infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

### Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

### Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

### Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year. Useful lives of the various parts of the highways network are assessed as follows:

<b>Part of the highways Network</b>	<b>Useful Life</b>
Carriageways	50 years
Footways and cycle tracks	45 years
Structures	100 years
Street Lighting	50 years
Street Furniture	20 years
Traffic Management Systems	15 years

### Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet 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.

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

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). The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for

under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

## **15 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.

## **16 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.

## **17 Investment Properties**

Investment properties are those that are used solely to earn rental income 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.

Rental income 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.

## **18 Joint Operations**

Joint 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.

## **19 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 property, plant and equipment 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.

## **20 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.

## 21 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:

- 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 three 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; and
- vehicles, plant and equipment – straight-line allocation over the useful life of the asset as advised by a suitably qualified officer.

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.

## **22 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 and 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.

## **23 Provisions**

### 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.

## **24 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 they do not represent usable resources for the Council – these reserves are explained in the relevant notes to the accounts.

## **25 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.

## **26 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.

## **27 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.

## **28 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 2022/23 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 Accounting Estimates (Amendments to IAS 8) issued in February 2021;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021; and
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

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 £17.965m of Strategic Housing Land Sites within Assets Held for Sale on the Balance Sheet.

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

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

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

#### Kirkby Town Centre

The Council has classed its purchase and development of Kirkby Town Centre as Investment Properties in the accounts as the assets are held for their capital gain and income generation.

#### **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 2023 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 three-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 the latest RICS guidance.

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 2023, the value of depreciable non-current assets held on the Balance Sheet is £432.542m. A 10% reduction in the Net Book Value would equate to £43.254m. It is estimated that the annual depreciation charge for assets would increase by £4.610m for every year that useful lives had to be reduced.

- Investment Properties - The Council's valuers use valuation techniques to determine the fair value of investment property. In estimating the fair value, the highest and best use of the properties is deemed to be their current use. As at 31 March 2023, the value of Investment Properties is £87.621m. 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.

Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.

- Pensions Liability – estimation of the net liability in relation to the Merseyside Pension Fund depends on a number of complex judgements determined by the Fund's appointed actuaries. Changes in these assumptions can have a significant impact on the net liability and are detailed in Note 42 on page 117. As at 31 March 2023, the total net pension liability, including Teachers Pensions is £40.629m, however a 0.1% increase in the assumed discount rate would reduce the net pension liability by £15.095m, and a 1-year increase in assumed life expectancy would increase the net liability by £19.068m.

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

The Statement of Accounts was authorised for issue by the Executive Director (Resources) on 31 May 2023.

Events after the Balance Sheet reporting period are those events, both favourable and unfavourable, that occur between the Balance Sheet date 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 is not adjusted to reflect such events, but where such 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.

There are no such events included in the accounts.

**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.

2021/22				2022/23		
Net Expenditure Chargeable to the General Fund Balance	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
41,467	16,387	57,854	Children's Services	45,425	14,871	60,296
12,128	4,344	16,472	Communities and Neighbourhoods	12,349	5,727	18,076
8,844	(11,071)	(2,227)	Council Wide	11,362	(1,384)	9,978
56,247	8,511	64,758	Health and Social Care	69,035	8,219	77,254
20,530	(5,074)	15,456	Regeneration and Economic Development	9,841	8,241	18,082
22,889	5,506	28,395	Resources	30,697	(119)	30,578
<b>162,105</b>	<b>18,603</b>	<b>180,708</b>	<b>Net Cost of Services</b>	<b>178,709</b>	<b>35,555</b>	<b>214,264</b>
(170,151)	(33,963)	(204,114)	Other Income and Expenditure	(168,440)	(27,214)	(195,654)
<b>(8,046)</b>	<b>(15,360)</b>	<b>(23,406)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>10,269</b>	<b>8,341</b>	<b>18,610</b>
(111,244)			Opening Combined General Fund Balance	(119,290)		
(8,046)			Plus / less (Surplus) or Deficit on the General Fund Balance for the Year (Statutory basis)	10,269		
<b>(119,290)</b>			<b>Closing Combined General Fund Balance</b>	<b>(109,021)</b>		



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

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

<b>2022/23</b>	<b>Net Capital Statutory Adjustments £000</b>	<b>Net Pensions Statutory Adjustments £000</b>	<b>Other Statutory Adjustments £000</b>	<b>Total Adjustments £000</b>
Children's Services	4,100	10,771	0	14,871
Communities and Neighbourhoods	1,691	4,036	0	5,727
Council Wide	2,203	(3,587)	0	(1,384)
Health and Social Care	4,915	3,304	0	8,219
Regeneration and Economic Development	6,719	1,522	0	8,241
Resources	(5,207)	5,088	0	(119)
<b>Net Cost of Services</b>	<b>14,421</b>	<b>21,134</b>	<b>0</b>	<b>35,555</b>
Other Income and Expenditure	(32,884)	9,799	(4,129)	(27,214)
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>(18,463)</b>	<b>30,933</b>	<b>(4,129)</b>	<b>8,341</b>

<b>2021/22</b>	<b>Net Capital Statutory Adjustments £000</b>	<b>Net Pensions Statutory Adjustments £000</b>	<b>Other Statutory Adjustments £000</b>	<b>Total Adjustments £000</b>
Children's Services	2,516	13,871	0	16,387
Communities and Neighbourhoods	539	3,805	0	4,344
Council Wide	217	(11,288)	0	(11,071)
Health and Social Care	5,073	3,438	0	8,511
Regeneration and Economic Development	(6,445)	1,371	0	(5,074)
Resources	906	4,600	0	5,506
<b>Net Cost of Services</b>	<b>2,806</b>	<b>15,797</b>	<b>0</b>	<b>18,603</b>
Other Income and Expenditure	(31,431)	7,585	(10,117)	(33,963)
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>(28,625)</b>	<b>23,382</b>	<b>(10,117)</b>	<b>(15,360)</b>

### 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>2022/23</b>	<b>Revenues from External Customers £000</b>	<b>Depreciation and Amortisation £000</b>
Children's Services	(991)	3,388
Communities and Neighbourhoods	(8,722)	2,069
Council Wide	(7,994)	148
Health and Social Care	(14,454)	1,388
Regeneration and Economic Development Resources	(9,974) (6,649)	6,486 1,213
<b>Total Managed by Segments</b>	<b>(48,784)</b>	<b>14,692</b>

<b>2021/22</b>	<b>Revenues from External Customers £000</b>	<b>Depreciation and Amortisation £000</b>
Children's Services	(2,170)	3,076
Communities and Neighbourhoods	(8,508)	1,500
Council Wide	(5,829)	174
Health and Social Care	(13,468)	1,536
Regeneration and Economic Development Resources	(8,513) (6,416)	5,825 1,406
<b>Total Managed by Segments</b>	<b>(44,904)</b>	<b>13,517</b>

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

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

<b>2021/22 £000</b>	<b>Nature of Expenditure or Income</b>	<b>2022/23 £000</b>
181,928	Employee benefits expenses	187,063
39,657	Interest payments	48,668
20,407	Precepts and levies	21,150
15,057	Depreciation, amortisation and impairment	14,933
9,867	Support service recharge expenditure	9,850
0	Payments to Housing Capital Receipts Pool	1
353,097	Other service expenses	360,899
(287,912)	Government grants and contributions	(294,326)
(183,775)	Income from local taxation	(189,080)
(9,867)	Support Service recharge income	(9,850)
(37,005)	Interest and investment income	(37,194)
(1,319)	Gain or loss on disposal of non-current assets	28
(1,350)	Movement in fair value of Financial Instruments	3,089
(122,191)	Fees, charges and other service income	(96,621)
<b>(23,406)</b>	<b>(Surplus) or Deficit for Year</b>	<b>18,610</b>

### 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.

2022/23	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<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)	(30,933)	0	0	30,933
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	(3,089)	0	0	3,089
Council tax and NDR (transfers to or from the Collection Fund)	9,127	0	0	(9,127)
Holiday pay (transferred to the Accumulated Absences reserve)	(4,304)	0	0	4,304
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)	7,286	0	0	(7,286)
Dedicated Schools Grant Deficit (transferred to the Dedicated Schools Grant Adjustment Account)	(1,951)	0	0	1,951
<b>Total Adjustments to Revenue Resources</b>	<b>(23,822)</b>	<b>0</b>	<b>0</b>	<b>23,822</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	439	(439)	0	0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	454	0	0	(454)
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)	6,501	0	0	(6,501)
Transfer of capital grants and contributions to Capital Grants Unapplied	5,121	0	(5,121)	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,967	0	0	(2,967)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>15,481</b>	<b>(438)</b>	<b>(5,121)</b>	<b>(9,922)</b>
Use of the Capital Receipts Reserve to finance capital expenditure	0	4,887	0	(4,887)
Application of capital grants to finance capital expenditure	0	0	1,294	(1,294)
Cash payments in relation to deferred capital receipts	0	0	0	0
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>4,887</b>	<b>1,294</b>	<b>(6,181)</b>
<b>Total Adjustments</b>	<b>(8,341)</b>	<b>4,449</b>	<b>(3,827)</b>	<b>7,719</b>

2021/22	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<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)	(23,382)	0	0	23,382
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	1,350	0	0	(1,350)
Council tax and NDR (transfers to or from the Collection Fund)	11,199	0	0	(11,199)
Holiday pay (transferred to the Accumulated Absences reserve)	(2,057)	0	0	2,057
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)	15,333	0	0	(15,333)
Dedicated Schools Grant Deficit (transferred to the Dedicated Schools Grant Adjustment Account)	(2,475)	0	0	2,475
<b>Total Adjustments to Revenue Resources</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>(11)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	4,163	(4,163)	0	0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	0	0	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	6,083	0	0	(6,083)
Transfer of capital grants and contributions to Capital Grants Unapplied	1,323	0	(1,323)	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,780	0	0	(3,780)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>15,349</b>	<b>(4,163)</b>	<b>(1,323)</b>	<b>(9,863)</b>
Use of the Capital Receipts Reserve to finance capital expenditure	0	4,265	0	(4,265)
Application of capital grants to finance capital expenditure	0	0	1,070	(1,070)
Cash payments in relation to deferred capital receipts	0	(3,679)	0	3,679
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>586</b>	<b>1,070</b>	<b>(1,656)</b>
<b>Total Adjustments</b>	<b>15,360</b>	<b>(3,577)</b>	<b>(253)</b>	<b>(11,530)</b>

**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.

	<b>Balance at 31 March 2021 £000</b>	<b>Transfers In 2021/22 £000</b>	<b>Transfers Out 2021/22 £000</b>	<b>Balance at 31 March 2022 £000</b>	<b>Transfers In 2022/23 £000</b>	<b>Transfers Out 2022/23 £000</b>	<b>Balance at 31 March 2023 £000</b>
<b>General Fund Reserves:</b>							
Approved Budget Investments	<b>(18,780)</b>	(14,762)	6,429	<b>(27,113)</b>	(7,743)	11,972	<b>(22,884)</b>
Service Commitments	<b>(53,786)</b>	(22,727)	30,108	<b>(46,405)</b>	(9,115)	21,643	<b>(33,877)</b>
Budget Strategy Reserve	<b>(3,588)</b>	(1,959)	2,241	<b>(3,306)</b>	(3,578)	889	<b>(5,995)</b>
Workforce Remodelling	<b>(1,618)</b>	(650)	284	<b>(1,984)</b>	(1,047)	145	<b>(2,886)</b>
Centres for Learning	<b>(20,204)</b>	(3,191)	0	<b>(23,395)</b>	(4,758)	0	<b>(28,153)</b>
Insurance Fund	<b>(1,281)</b>	0	20	<b>(1,261)</b>	0	1,261	<b>0</b>
Street Lighting PFI	<b>(2,234)</b>	(85)	332	<b>(1,987)</b>	(1,881)	1,593	<b>(2,275)</b>
School Balances	<b>(4,770)</b>	(4,826)	4,331	<b>(5,265)</b>	(3,916)	4,804	<b>(4,377)</b>
<b>Total General Fund</b>	<b>(106,260)</b>	<b>(48,200)</b>	<b>43,745</b>	<b>(110,715)</b>	<b>(32,038)</b>	<b>42,307</b>	<b>(100,446)</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) School Balances - Balances held on delegated budgets to fund future schools expenditure.

**Note 9 - Other Operating Expenditure**

<b>2021/22</b> <b>£000</b>		<b>2022/23</b> <b>£000</b>
1,354	Precepts	1,441
19,053	Levies	19,709
0	Payments to the Government Housing Capital Receipts Pool	1
(504)	(Gains)/losses on the Disposal of Non-Current Assets	28
<b>19,903</b>	<b>Total Other Operating Expenditure</b>	<b>21,179</b>

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

<b>2021/22</b> <b>£000</b>		<b>2022/23</b> <b>£000</b>
14,252	Interest payable and similar charges	13,670
7,585	Net interest on the net defined benefit liability (asset)	9,799
(1,218)	Interest receivable and similar income	(2,314)
(16,778)	Income and expenditure in relation to investment properties and changes in their fair value	(7,265)
(1,350)	Movement in fair value of financial instruments	3,089
<b>2,491</b>	<b>Total Financing and Investment Income and Expenditure</b>	<b>16,979</b>

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

<b>2021/22</b> <b>£000</b>		<b>2022/23</b> <b>£000</b>
(61,610)	Council tax income	(65,295)
(122,165)	Non-domestic rates income	(123,785)
(19,889)	Non-ringfenced government grants	(18,977)
(22,844)	Capital grants and contributions	(25,755)
<b>(226,508)</b>	<b>Total Taxation and Non-Specific Grant Income</b>	<b>(233,812)</b>

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

<b>Movements to 31 March 2023</b>	<b>Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £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 2022</b>	<b>295,802</b>	<b>18,042</b>	<b>13,966</b>	<b>40,546</b>	<b>31,434</b>	<b>399,790</b>
Additions	7,680	2,513	1,482	131	4,110	15,916
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(30)	0	0	(9,012)	0	(9,042)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	83	0	0	(2,136)	0	(2,053)
Derecognition – disposals	0	(43)	(559)	0	0	(602)
Reclassifications and transfer	(300)	0	0	0	0	(300)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0
Other movements in cost or valuation	32,040	0	0	0	(35,439)	(3,399)
<b>at 31 March 2023</b>	<b>335,275</b>	<b>20,512</b>	<b>14,889</b>	<b>29,529</b>	<b>105</b>	<b>400,310</b>
<b>Accumulated Depreciation and Impairment</b>						
<b>at 1 April 2022</b>	<b>(40,965)</b>	<b>(13,218)</b>	<b>(2,247)</b>	<b>(2,003)</b>	<b>0</b>	<b>(58,433)</b>
Depreciation charge	(5,765)	(2,201)	(263)	0	0	(8,229)
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(173)	0	0	(68)	0	(241)
Derecognition – disposals	0	43	169	0	0	212
Other movements in depreciation and impairment	3,399	0	0	0	0	3,399
<b>at 31 March 2023</b>	<b>(43,504)</b>	<b>(15,376)</b>	<b>(2,341)</b>	<b>(2,071)</b>	<b>0</b>	<b>(63,292)</b>
<b>Net Book Value</b>						
<b>at 31 March 2023</b>	<b>291,771</b>	<b>5,136</b>	<b>12,548</b>	<b>27,458</b>	<b>105</b>	<b>337,018</b>
<b>at 31 March 2022</b>	<b>254,837</b>	<b>4,824</b>	<b>11,719</b>	<b>38,543</b>	<b>31,434</b>	<b>341,357</b>

**Note 12 - Property, Plant and Equipment (cont'd)**

<b>Movements to 31 March 2022</b>	<b>Land and Buildings (restated) £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property, Plant and Equipment (restated) £000</b>
<b>Cost or Valuation</b>						
<b>at 1 April 2021</b>	<b>288,096</b>	<b>16,865</b>	<b>14,128</b>	<b>27,293</b>	<b>30,769</b>	<b>377,151</b>
Additions	3,040	1,177	1,074	733	17,501	23,525
Revaluation increases/(decreases) recognised in the Revaluation Reserve	10,964	0	0	11,474	0	22,438
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(719)	0	0	(405)	0	(1,124)
Derecognition – disposals	(1,740)	0	0	0	0	(1,740)
Reclassifications and transfer	0	0	0	0	(16,531)	(16,531)
Assets reclassified (to)/from Held for Sale	0	0	0	950	0	950
Other movements in cost or valuation	(3,839)	0	(1,236)	548	(305)	(4,832)
<b>at 31 March 2022</b>	<b>295,802</b>	<b>18,042</b>	<b>13,966</b>	<b>40,593</b>	<b>31,434</b>	<b>399,837</b>
<b>Accumulated Depreciation and Impairment</b>						
<b>at 1 April 2021</b>	<b>(42,216)</b>	<b>(10,984)</b>	<b>(2,004)</b>	<b>(700)</b>	<b>0</b>	<b>(55,904)</b>
Depreciation charge	(4,684)	(2,234)	(262)	(45)	0	(7,225)
Impairment losses/(reversals) recognised in the Revaluation Reserve	(20)	0	0	0	0	(20)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(367)	0	0	(1,173)	0	(1,540)
Derecognition – disposals	1,377	0	0	0	0	1,377
Other movements in depreciation and impairment	4,945	0	19	(132)	0	4,832
<b>at 31 March 2022</b>	<b>(40,965)</b>	<b>(13,218)</b>	<b>(2,247)</b>	<b>(2,050)</b>	<b>0</b>	<b>(58,480)</b>
<b>Net Book Value</b>						
<b>at 31 March 2022</b>	<b>254,837</b>	<b>4,824</b>	<b>11,719</b>	<b>38,543</b>	<b>31,434</b>	<b>341,357</b>
<b>at 31 March 2021</b>	<b>245,880</b>	<b>5,881</b>	<b>12,124</b>	<b>26,593</b>	<b>30,769</b>	<b>321,247</b>

The gross cost and depreciation figures for 2021/22 have been amended by £4.832m for Land and Buildings and £0.047m for Supplus Assets. This is for the write off of depreciation on impairment of assets during the year that was omitted in error. There is no impact on the Net Book Values shown in the Balance Sheet.

Property, Plant and Equipment Revaluations

	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Community Assets £000	Surplus Assets £000	Total £000
<b>Carried at historical cost</b>	0	5,136	12,547	0	<b>17,683</b>
<b>Valued at current / fair value as at:</b>					
31/03/2023	106,444	0	0	27,458	<b>133,902</b>
31/03/2022	84,197	0	0	0	<b>84,197</b>
31/03/2021	101,129	0	0	0	<b>101,129</b>
31/03/2020	1	0	0	0	<b>1</b>
<b>Total Cost or Valuation</b>	<b>291,771</b>	<b>5,136</b>	<b>12,547</b>	<b>27,458</b>	<b>336,912</b>

Note 13 – Infrastructure Assets

2021/22 £000		2022/23 £000
200,790	<b>Net Book Value as at 1 April</b>	201,822
6,782	Additions	12,969
(5,750)	Depreciation	(6,073)
<b>201,822</b>	<b>Net Book Value as at 31 March</b>	<b>208,718</b>

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

**Note 14 - Heritage Assets**

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>	<b>Public Art</b>	<b>£000</b>
470	Opening Balance	604
158	Additions	0
(24)	Depreciation	(24)
<b>604</b>	<b>Closing Balance</b>	<b>580</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 15 - 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 2022</b> <b>£000</b>	<b>Investment Property Income and Expenditure</b>	<b>31 March 2023</b> <b>£000</b>
(5,130)	Rental income from investment property	(5,576)
2,004	Direct operating expenses from investment property	2,416
<b>(3,126)</b>	<b>Net (gain)/loss</b>	<b>(3,160)</b>

<b>31 March 2022</b> <b>£000</b>	<b>Investment Properties Movement in Year</b>	<b>31 March 2023</b> <b>£000</b>
48,235	Opening Balance	79,358
	Additions:	
1,250	Purchases	868
505	Subsequent expenditure	2,990
(815)	Disposals	0
13,652	Net gains/(losses) from fair value adjustments	4,105
	Transfers:	
16,531	to/from Property Plant and Equipment	300
<b>79,358</b>	<b>Balance at the end of the year</b>	<b>87,621</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 and Surplus assets, 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 2 and 3 Inputs. Investment and Market approaches have been adopted having consideration to net income receivable, quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, general market data and local market knowledge gained in managing the Council's Investment Property Portfolio. There have been no changes in the valuation techniques used for 2022/23 valuation programme.

**Note 16 - 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 intangible assets used by the Council are 5 years.

<b>31 March 2022</b> <b>£000</b>	<b>Software</b>	<b>31 March 2023</b> <b>£000</b>
	Balance at start of year:	
2,515	Gross carrying amounts	2,978
(1,951)	Accumulated amortisation	(2,469)
<b>564</b>	<b>Net carrying amount at start of year</b>	<b>509</b>
463	Additions	336
(518)	Amortisation for the period	(366)
<b>509</b>	<b>Net carrying amount at end of year</b>	<b>479</b>
	Comprising:	
2,978	Gross carrying amounts	3,314
(2,469)	Accumulated amortisation	(2,835)
<b>509</b>	<b>Total</b>	<b>479</b>



**Note 17 - Capital Commitments**

At 31 March 2023, the Council had committed to a number of capital projects in 2022/23 and future years. The major commitments are:

<b>Scheme</b>	<b>Purpose</b>	<b>Expected Period</b>	<b>£000</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 (Headbolt Lane, Prescott to Cronton Cycleway & Active Travel Fund grants) & the Liverpool City Region Combined Authority Highways Maintenance Capital Allocations.	2023/24 and 2024/25	<b>9,687</b>
Highways Key route Network Schemes	Additional City Region Sustainable Travel Scheme grant funding allocation from the Liverpool City Region for Key Route Network Highways improvement works to be undertaken by the Council's Highways Maintenance Contractor	2023/24 and 2023/25	<b>6,300</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.	2023/24	<b>4,054</b>
Street Lighting LED Replacement Scheme	Expenditure to upgrade the Council's Street Lighting Inventory to LED lighting undertaken by Council's Street Lighting PFI Contract provider. These works will result in energy usage efficiencies for the Council thus producing subsequent energy cost savings. The completion of these works will also mitigate obsolescence of the current lighting columns producing savings on future maintenance repair requirements on the existing lantern stock.	2023/24	<b>3,390</b>
Plantation Primary School	Expenditure to return Plantation Primary School in Halewood to a 3-Form entry primary school for increased pupil capacity requirements with costs related to Phase2 & Phase3 infrastructure improvements.	2023/24 and 2023/25	<b>3,310</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.	2023/24	<b>3,271</b>

## Note 18 - 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, benefits 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 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 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;
- loans made for service delivery; 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 equity instruments 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 and Pooled Investment funds under this heading.

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

### Non-Current Financial Assets

	Investments		Debtors		Total	
	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000
Fair value through profit and loss	27,165	24,076	0	0	27,165	24,076
Amortised cost	138	138	40	485	178	623
Fair value through other comprehensive income - designated equity instruments	2,081	1,899	0	0	2,081	1,899
<b>Total financial assets</b>	<b>29,384</b>	<b>26,113</b>	<b>40</b>	<b>485</b>	<b>29,424</b>	<b>26,598</b>

### Current Financial Assets

	Investments		Debtors		Cash		Total	
	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000
Fair value through profit and loss	0	0	0	0	14,241	40,781	14,241	40,781
Fair value through other comprehensive income - designated equity instruments	0	0	0	0	12	14	12	14
Amortised cost	6,003	0	35,103	44,648	35,841	6,297	76,947	50,945
<b>Total financial assets</b>	<b>6,003</b>	<b>0</b>	<b>35,103</b>	<b>44,648</b>	<b>50,094</b>	<b>47,092</b>	<b>91,200</b>	<b>91,740</b>

The total debtor figures on the balance sheet have been reduced by £20.621m in the above table to remove balances that do not meet the definition of a financial asset and relate to non-exchange transactions or payments in advance. The adjusted debtor's figure in this table therefore agrees to Note 45 – Nature and Extent of Financial Risks.

Transferred Debt that was created through local government reorganisations in 1974 and 1986, that is administered by other local authorities on behalf of the Council, is not considered a financial instrument. The outstanding balance of £0.740m 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 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000
Amortised cost	(107,140)	(107,725)	(108,139)	(101,202)	(215,279)	(208,927)
<b>Total financial Liabilities</b>	<b>(107,140)</b>	<b>(107,725)</b>	<b>(108,139)</b>	<b>(101,202)</b>	<b>(215,279)</b>	<b>(208,927)</b>

### Current Financial Liabilities

	Borrowings		Creditors		Total	
	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000
Amortised cost	(7,908)	(8,094)	(46,013)	(56,622)	(53,921)	(64,716)
<b>Total financial Liabilities</b>	<b>(7,908)</b>	<b>(8,094)</b>	<b>(46,013)</b>	<b>(56,622)</b>	<b>(53,921)</b>	<b>(64,716)</b>

The creditor figures on the balance sheet have been reduced by £22.965m in the above table to remove balances that do not meet the definition of a financial liability and relate to non-exchange transactions or receipts in advance.

**Income, Expense, Gains and Losses**

	31 March 2022		31 March 2023	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
<b>Net (gains)/losses on:</b>				
• investments in equity instruments designated at fair value through other comprehensive income	0	0	0	182
• financial assets measured at fair value through profit or loss	(1,350)	0	3,089	0
<b>Total net (gains)/losses</b>	<b>(1,350)</b>	<b>0</b>	<b>3,089</b>	<b>182</b>
<b>Interest revenue:</b>				
• financial assets measured at amortised cost	(52)	0	(359)	0
• other financial assets measured at fair value through other comprehensive income	(1,166)	0	(1,955)	0
<b>Total interest revenue</b>	<b>(1,218)</b>	<b>0</b>	<b>(2,314)</b>	<b>0</b>
<b>Interest expense</b>	<b>14,252</b>	<b>0</b>	<b>13,670</b>	<b>0</b>

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

	31 March 2022 £000	31 March 2023 £000
Fundamentum REIT	2,081	1,899
<b>Total</b>	<b>2,081</b>	<b>1,899</b>

The Council has elected to account for the above investments in equity instruments at fair value through comprehensive income because they are long-term strategic holdings and changes in their fair value are not considered to be part of the Council's annual financial performance.

### Note 18a - 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 2023, 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 2023.
- 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.

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 2022		31 March 2023	
		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)	(9,099)	(6,077)	(7,160)
PWLB fixed loans	2	(101,578)	(132,403)	(101,530)	(92,990)
Market long term loans	2	(6,406)	(5,739)	(7,473)	(6,429)
PFI and Finance Leases	2	(114,332)	(155,257)	(108,139)	(117,149)
<b>Liabilities for which fair value is not disclosed</b>					
Short Term Loans	Note i	0	0	0	0
Trade Payables (Creditors less PFI element included above)	Note i	(57,218)	(57,218)	(72,650)	(72,650)
<b>Total Financial Liabilities</b>		<b>(285,611)</b>	<b>(359,716)</b>	<b>(295,869)</b>	<b>(296,378)</b>
<b>Financial Assets held at Amortised Cost</b>					
Cash and Cash Equivalents	2 (Note i)	35,841	35,841	6,297	6,297
Long term deposits	2	138	138	138	138
<b>Assets for which fair value is not disclosed</b>					
Short term deposits	(Note i)	6,003	5,960	0	0
Trade Receivables	(Note i)	55,752	55,752	65,755	65,755
<b>Financial Assets held at Fair Value through Profit and Loss</b>					
Cash Equivalents	1	14,241	14,241	40,781	40,781
Long term deposits	1	27,165	27,165	24,076	24,076
<b>Financial Assets held at Fair Value through Other Comprehensive Income</b>					
Cash Equivalents	1	12	12	14	14
Long term deposits	1	2,081	2,081	1,899	1,899
<b>Total Financial Assets</b>		<b>141,233</b>	<b>141,190</b>	<b>138,960</b>	<b>138,960</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 £0.740m 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 lower than the carrying amount because the Council's Public Works Loan Board portfolio includes a number of fixed rate loans where interest payable is lower 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 2023 is £113.311m. This represents a variance of £20.321m when compared to the valuations above, prepared using rates available for new loans.

### Market Long Term Loans

The fair value is lower than the carrying amount because the Council's Market Long Term loans have an interest rate payable that is lower 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 Councils 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 19 - Debtors**

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

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
25,466	Trade Receivables	17,101
2,851	Prepayments	2,838
12,991	Other Receivable Amounts	27,524
14,285	Collection Fund	17,692
<b>55,593</b>	<b>Total</b>	<b>65,155</b>

Each line is presented net of an allowance for expected credit losses. As at 31 March 2023 the total expected credit loss was £23.895m (£20.945m at 31 March 2022).

**Note 20 - Cash and Cash Equivalents**

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

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
451	Cash and Bank balances	(4,137)
50,094	Short Term Deposits	51,229
<b>50,545</b>	<b>Total Cash and Cash Equivalents</b>	<b>47,092</b>

**Note 21 - Assets Held for Sale**

<b>31 March 2022 £000</b>	<b>Current Assets Held for Sale</b>	<b>31 March 2023 £000</b>
21,472	Balance outstanding at start of year	18,042
	Assets declassified as held for sale:	
(950)	- Property Plant and Equipment	0
(2,480)	Assets sold	(77)
<b>18,042</b>	<b>Balance Outstanding year end</b>	<b>17,965</b>

**Note 22 - Creditors**

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

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
(26,548)	Trade payables	(29,361)
(19,465)	Other payables	(27,261)
(10,427)	Income in Advance	(15,973)
(6,971)	Collection Fund	(6,992)
<b>(63,411)</b>	<b>Total Creditors</b>	<b>(79,587)</b>

**Note 23 – Provisions**

A number of provisions have been set aside at 31 March 2023 to cover the following liabilities:

**Current Provisions**

<b>2022/23</b>	<b>Equal Pay Back Pay £000</b>	<b>Collection Fund - Business Rates Appeals £000</b>	<b>Special Guardianship Order Historic Payments £000</b>	<b>Other £000</b>	<b>Total £000</b>
Opening Balance	(16)	(571)	(476)	(106)	(1,169)
Increase in provision during year	0	0	0	0	0
Unused Amounts Reversed	16	0	0	0	16
Utilised during year	0	399	66	0	465
<b>Closing Balance</b>	<b>0</b>	<b>(172)</b>	<b>(410)</b>	<b>(106)</b>	<b>(688)</b>

<b>2021/22</b>	<b>Equal Pay Back Pay £000</b>	<b>Collection Fund - Business Rates Appeals £000</b>	<b>Special Guardianship Order Historic Payments £000</b>	<b>Other £000</b>	<b>Total £000</b>
Opening Balance	(20)	(886)	0	(10)	(916)
Increase in provision during year	0	0	(476)	(96)	(572)
Unused Amounts Reversed	0	0	0	0	0
Utilised during year	4	315	0	0	319
<b>Closing Balance</b>	<b>(16)</b>	<b>(571)</b>	<b>(476)</b>	<b>(106)</b>	<b>(1,169)</b>

### Long Term Provisions

<b>2022/23</b>	<b>Collection Fund - Business Rates Appeals £000</b>	<b>Insurance £000</b>	<b>Equal Pay Back Pay £000</b>	<b>Street Lighting PFI £000</b>	<b>Impact on General Fund of Collection Fund Deficit £000</b>	<b>Other £000</b>	<b>Total £000</b>
Opening Balance	(4,083)	(6,933)	(145)	(2,179)	(5)	(15)	<b>(13,360)</b>
Increase in provision during year	0	(1,627)	0	(445)	0	0	<b>(2,072)</b>
Unused Amounts Reversed	0	0	145	0	0	0	<b>145</b>
Utilised during year	2,853	1,446	0	152	0	0	<b>4,451</b>
<b>Closing Balance</b>	<b>(1,230)</b>	<b>(7,114)</b>	<b>0</b>	<b>(2,472)</b>	<b>(5)</b>	<b>(15)</b>	<b>(10,836)</b>

<b>2021/22</b>	<b>Collection Fund - Business Rates Appeals £000</b>	<b>Insurance £000</b>	<b>Equal Pay Back Pay £000</b>	<b>Street Lighting PFI £000</b>	<b>Impact on General Fund of Collection Fund Deficit £000</b>	<b>Other £000</b>	<b>Total £000</b>
Opening Balance	(6,340)	(6,893)	(145)	(2,037)	(106)	(15)	<b>(15,536)</b>
Increase in provision during year	0	(1,728)	0	(275)	0	0	<b>(2,003)</b>
Unused Amounts Reversed	0	0	0	0	0	0	<b>0</b>
Utilised during year	2,257	1,688	0	133	101	0	<b>4,179</b>
<b>Closing Balance</b>	<b>(4,083)</b>	<b>(6,933)</b>	<b>(145)</b>	<b>(2,179)</b>	<b>(5)</b>	<b>(15)</b>	<b>(13,360)</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 £1.402m 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: The Council adopts 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. In line with the agreement reached between the Council, the Single Status Trade Unions (UNISON, UNITE and GMB) and their solicitors, the settling of legitimate equal pay claims has progressed over recent years and is now largely completed. There is therefore no longer a requirement to make a provision for these claims (including Schools).

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.

### Special Guardianship Order Historic Payments

As a result of an Ombudsman ruling that awarded backdated Special Guardianship Order payments to families, the Council has identified potential claims that could be made.

**Note 24 - Usable Reserves**

<b>31 March 2022</b> <b>£000</b>		<b>31 March 2023</b> <b>£000</b>
(8,575)	General Fund Balance	(8,575)
(110,715)	Earmarked General Fund Reserves	(100,446)
(4,449)	Capital Receipts Reserve	0
(350)	Capital Grants Unapplied	(4,177)
<b>(124,089)</b>	<b>Total</b>	<b>(113,198)</b>

**Capital Receipts Reserve**

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.

<b>31 March 2022</b> <b>£000</b>		<b>31 March 2023</b> <b>£000</b>
(872)	Balance 1 April	(4,449)
(4,163)	Capital Receipts in year	(439)
(3,679)	Deferred Capital Receipts Realised	0
0	Capital Receipts Pooled	1
4,265	Capital Receipts used for financing	4,887
<b>(4,449)</b>	<b>Balance 31 March</b>	<b>0</b>

**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>31 March 2022</b> <b>£000</b>		<b>31 March 2023</b> <b>£000</b>
(97)	Balance 1 April	(350)
(1,323)	Capital grants recognised in year	(5,121)
1,070	Capital grants and contributions applied	1,294
<b>(350)</b>	<b>Balance 31 March</b>	<b>(4,177)</b>

**Note 25 - Unusable Reserves**

31 March 2022 £000		31 March 2023 £000
(128,086)	Revaluation Reserve	(117,499)
(230,494)	Capital Adjustment Account	(254,974)
(81)	Financial Instruments Revaluation Reserve	101
1,826	Financial Instruments Adjustment Account	1,784
(1,165)	Pooled Investment Fund Adjustment Account	1,924
362,685	Pension Reserve	40,629
0	Deferred Capital Receipts Reserve	(454)
7,503	Collection Fund Adjustment Account	(1,624)
4,098	Accumulated Absences Account	8,402
2,887	Dedicated Schools Grant Adjustment Account	4,838
<b>19,173</b>	<b>Total</b>	<b>(316,873)</b>

**Revaluation Reserve**

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
- disposed of and the gains are realised.

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

31 March 2022 £000		31 March 2023 £000
(109,093)	<b>Balance 1 April</b>	(128,086)
(28,191)	Upward revaluation of assets	(6,055)
5,773	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	15,097
<b>(131,511)</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>(119,044)</b>
1,322	Difference between fair value depreciation and historical cost depreciation	1,538
2,103	Accumulated gains on assets sold or scrapped	7
<b>3,425</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>1,545</b>
<b>(128,086)</b>	<b>Balance 31 March</b>	<b>(117,499)</b>



## Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. 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.

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
(196,538)	<b>Balance 1 April</b>	(230,494)
14,539	Charges for depreciation and impairment of non-current assets	14,567
1,124	Revaluation losses on non-current assets	2,053
518	Amortisation of intangible assets	366
4,057	Revenue expenditure funded from capital under statute	4,506
3,659	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	467
<b>23,897</b>	<b>Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>	<b>21,959</b>
(3,425)	Adjusting Amounts written out of the Revaluation Reserve	(1,545)
<b>20,472</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>20,414</b>
(4,265)	Use of Capital Receipts Reserve to finance new capital expenditure	(4,887)
(26,648)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(26,434)
(6,083)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(6,501)
(3,780)	Capital expenditure charged against the General Fund and HRA balances	(2,967)
<b>(40,776)</b>	<b>Capital financing applied in year</b>	<b>(40,789)</b>
(13,652)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(4,105)
<b>(230,494)</b>	<b>Balance 31 March</b>	<b>(254,974)</b>

### Financial Instruments Revaluation Reserve

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 balance is reduced when investments with accumulated gain are revalued downwards, impaired or when an investment is disposed of and gains realised.

31 March 2022 £000		31 March 2023 £000
(81)	<b>Balance 1 April</b>	(81)
0	Upward revaluation of investments	0
0	Downward revaluation of investments	182
<b>0</b>	<b>Total Changes in revaluation and impairment during the year</b>	<b>182</b>
<b>(81)</b>	<b>Balance 31 March</b>	<b>101</b>

### Financial Instruments Adjustment Account

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

31 March 2022 £000		31 March 2023 £000
1,869	<b>Balance 1 April</b>	1,826
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
(43)	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(42)
<b>(43)</b>	<b>Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements</b>	<b>(42)</b>
<b>1,826</b>	<b>Balance 31 March</b>	<b>1,784</b>

### Pooled Investment Fund Adjustment Account

The Pooled Investment Fund Adjustment Account 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.

31 March 2022 £000		31 March 2023 £000
185	<b>Balance 1 April</b>	(1,165)
(1,350)	Changes in fair value of Pooled Investments	3,089
<b>(1,165)</b>	<b>Balance 31 March</b>	<b>1,924</b>

### Pension Reserve

The Pension 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.

31 March 2022 £000		31 March 2023 £000
384,084	<b>Balance 1 April</b>	362,685
(44,782)	Remeasurements of the net defined benefit (liability)/asset	(352,989)
39,668	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	46,642
(16,286)	Employer's pensions contributions and direct payments to pensioners payable in the year	(15,709)
<b>362,685</b>	<b>Balance 31 March</b>	<b>40,629</b>

**Deferred Capital Receipts Reserve**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the 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.

<b>31 March 2022</b> <b>£000</b>		<b>31 March 2023</b> <b>£000</b>
(3,679)	<b>Balance 1 April</b>	0
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(454)
3,679	Transfer to the Capital Receipts Reserve upon receipt of cash	0
<b>0</b>	<b>Balance 31 March</b>	<b>(454)</b>

**Collection Fund Adjustment Account**

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

<b>31 March 2022</b> <b>£000</b>		<b>31 March 2023</b> <b>£000</b>
18,702	<b>Balance 1 April</b>	7,503
(11,199)	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	(9,127)
<b>7,503</b>	<b>Balance 31 March</b>	<b>(1,624)</b>

### Accumulated Absences Account

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

31 March 2022 £000		31 March 2023 £000
2,041	<b>Balance 1 April</b>	4,098
(2,041)	Settlement or cancellation of accrual made at the end of the preceding year	(4,098)
4,098	Amounts accrued at the end of the current year	8,402
<b>2,057</b>	<b>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</b>	<b>4,304</b>
<b>4,098</b>	<b>Balance 31 March</b>	<b>8,402</b>

### Dedicated Schools Budget Adjustment Account

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 amended 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.

These Regulations have been extended for three years by means of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.2) Regulations 2022 to the financial years ending 31 March 2026 to provide time for Government and Councils to look at budgetary and financial management strategies to reduce the deficit.

31 March 2022 £000		31 March 2023 £000
412	<b>Balance 1 April</b>	2,887
2,475	Overspend / (underspend) against Budget	1,951
<b>2,887</b>	<b>Balance 31 March</b>	<b>4,838</b>

**Note 26 - Cash Flow from Operating Activities**

The cash flows for operating activities included the following items:

<b>31 March 2022</b> <b>£000</b>		<b>31 March 2023</b> <b>£000</b>
(1,168)	Interest received	(2,420)
14,163	Interest paid	13,649
(288)	Dividends received	(108)
<b>12,707</b>	<b>Total</b>	<b>11,121</b>

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

<b>31 March 2022</b> <b>£000</b>		<b>31 March 2023</b> <b>£000</b>
(12,999)	Depreciation	(14,326)
(2,664)	Impairment and downward valuations	(2,294)
(518)	Amortisation	(366)
(23,396)	(Increase)/decrease in creditors	(2,476)
(7,718)	Increase/(decrease) in debtors	9,679
(53)	Increase/(decrease) in inventories	(37)
(23,382)	Movement in pension liability	(30,933)
(3,658)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(467)
12,261	Other non-cash movements charged to the surplus or deficit on provision of services	(2,807)
<b>(62,127)</b>	<b>Total</b>	<b>(44,027)</b>

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 2022</b> <b>£000</b>		<b>31 March 2023</b> <b>£000</b>
1,174	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	1,662
4,164	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	439
26,481	Any other items for which the cash effects are investing or financing cash flows	26,167
<b>31,819</b>	<b>Total</b>	<b>28,268</b>

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

The cash flows for investment activities included the following items:

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
32,683	Purchase of property, plant and equipment, investment property and intangible assets	33,079
125,629	Purchase of short-term and long-term investments	271,216
0	Other payments for investing activities	454
(4,164)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(438)
(120,803)	Proceeds from short-term and long-term investments	(278,880)
(31,919)	Other receipts from investing activities	(33,724)
<b>1,426</b>	<b>Net cash flows from investing activities</b>	<b>(8,293)</b>

**Note 28 - Cash Flow from Financing Activities**

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
42	Cash receipts of short-term and long-term borrowing	42
5,595	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	6,193
11,399	Repayments of short-term and long-term borrowing	2,274
605	Other payments for financing activities	386
<b>17,641</b>	<b>Net cash flows from financing activities</b>	<b>8,895</b>

**Note 29 - Reconciliation of Liabilities Arising from Financing Activities**

<b>2022/23</b>	<b>1 April 2022 £000</b>	<b>Financing cash flows £000</b>	<b>Non-cash changes £000</b>	<b>31 March 2023 £000</b>
Long-term borrowings	(107,141)	0	268	(106,873)
Short-term borrowings	(7,907)	274	(247)	(7,880)
On balance sheet PFI liabilities	(114,332)	6,193	0	(108,139)
<b>Total liabilities from financing activities</b>	<b>(229,380)</b>	<b>6,467</b>	<b>21</b>	<b>(222,892)</b>

<b>2021/22</b>	<b>1 April 2021 £000</b>	<b>Financing cash flows £000</b>	<b>Non-cash changes £000</b>	<b>31 March 2022 £000</b>
Long-term borrowings	(107,393)	0	252	(107,141)
Short-term borrowings	(19,143)	11,399	(163)	(7,907)
On balance sheet PFI liabilities	(119,927)	5,595	0	(114,332)
<b>Total liabilities from financing activities</b>	<b>(246,463)</b>	<b>16,994</b>	<b>89</b>	<b>(229,380)</b>



### Note 30 - 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 2022 Health and Care Act included significant structural change for NHS commissioning, Clinical Commissioning Groups (CCGs) were abolished, with their functions transferred into Integrated Care Boards (ICBs). ICBs were legally established on 1 July 2022, replacing CCGs, taking on the NHS planning functions as well as absorbing some planning roles from NHS England, they are now the statutory bodies that are responsible for planning and funding most NHS services in the area.

During 2022/23, the Council was involved with one pooled budget hosted by the Council’s Adult Social Care Service and in partnership with the Knowsley Clinical Commissioning Group / Integrated Care Board. 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.

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
(36,120)	Knowsley MBC Funding	(42,272)
(19,102)	Knowsley CCG / ICB Funding	(22,248)
<b>(55,222)</b>	<b>Total Funding</b>	<b>(64,520)</b>
36,721	Knowsley MBC Expenditure	41,655
19,419	Knowsley CCG / ICB Expenditure	21,923
<b>56,140</b>	<b>Total Expenditure</b>	<b>63,578</b>
<b>918</b>	<b>Net (Surplus) / Deficit on the Pooled Budget</b>	<b>(942)</b>
<b>600</b>	<b>Knowsley MBC Share of the Net (Surplus) / Deficit</b>	<b>(617)</b>

The Council operates a Better Care Fund (BCF) in partnership with the Knowsley Clinical Commissioning Group / Integrated Care Board, 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 2022/23, £20.119m of BCF was received.

In addition, during 2022/23 Councils were given Discharge Funding to be used flexibly on the interventions that best enable the discharge of patients from hospital to the most appropriate location for their ongoing care. During 2022/23, the Council received £2.385m of funding.

**Note 31 - Members' Allowances**

<b>31 March 2022</b> <b>£000</b>		<b>31 March 2023</b> <b>£000</b>
677	Allowances and Expenses	688
<b>677</b>	<b>Total Members' Allowances and Expenses</b>	<b>688</b>

Expenses included in the above are trivial in nature at £177.

**Note 32 – Senior Officers’ Remuneration**

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

<b>Post</b>	<b>Year</b>	<b>Salary, Fees and Allowances £</b>	<b>Pension Contribution £</b>	<b>Compensation for Loss of Office £</b>	<b>Total £</b>	<b>Notes</b>
<b>Chief Executive - M Harden</b>	<b>2022/23</b>	179,022	29,897	0	<b>208,919</b>	1
	<b>2021/22</b>	177,097	29,575	0	<b>206,672</b>	
<b>Executive Director (Resources)</b>	<b>2022/23</b>	125,893	21,024	0	<b>146,917</b>	2
	<b>2021/22</b>	123,968	20,703	0	<b>144,671</b>	
<b>Executive Director (Communities and Neighbourhoods)</b>	<b>2022/23</b>	125,893	21,024	0	<b>146,917</b>	3
	<b>2021/22</b>	123,503	16,831	0	<b>140,334</b>	
<b>Executive Director (Health and Social Care)</b>	<b>2022/23</b>	122,205	20,408	0	<b>142,613</b>	4
	<b>2021/22</b>	116,588	19,470	0	<b>136,058</b>	
<b>Executive Director (Children's Services)</b>	<b>2022/23</b>	125,893	21,024	0	<b>146,917</b>	5
	<b>2021/22</b>	123,968	20,703	0	<b>144,671</b>	
<b>Executive Director (Regeneration and Economic Development)</b>	<b>2022/23</b>	125,893	21,024	0	<b>146,917</b>	
	<b>2021/22</b>	123,968	20,703	0	<b>144,671</b>	
<b>Assistant Executive Director (Adult Social Care)</b>	<b>2022/23</b>	92,345	15,422	0	<b>107,767</b>	6
	<b>2021/22</b>	51,711	8,636	0	<b>60,347</b>	
<b>Assistant Executive Director (Early Help and Children's Social Care)</b>	<b>2022/23</b>	92,345	15,422	0	<b>107,767</b>	
	<b>2021/22</b>	98,911	14,521	45,200	<b>158,632</b>	
<b>Assistant Executive Director (Corporate Support)</b>	<b>2022/23</b>	111,280	18,584	0	<b>129,864</b>	7
	<b>2021/22</b>	109,355	18,262	0	<b>127,617</b>	

**Note 32 – Senior Officers’ Remuneration (continued)**

Post	Year	Salary, Fees and Allowances £	Pension Contribution £	Compensation for Loss of Office £	Total £	Notes
Assistant Executive Director (Communities)	2022/23	0	0	0	0	8
	2021/22	68,864	9,176	42,000	120,040	
Interim Assistant Executive Director (Neighbourhoods and Commercial Services)	2022/23	92,673	15,476	0	108,149	9
	2021/22	21,543	3,656	0	25,199	
Assistant Executive Director (Development and Infrastructure)	2022/23	111,280	18,584	0	129,864	
	2021/22	101,772	16,996	0	118,768	
Assistant Executive Director (Education and Inclusion)	2022/23	109,180	18,233	0	127,413	
	2021/22	107,255	17,912	0	125,167	
Assistant Executive Director (Governance and Assets)	2022/23	97,887	16,347	0	114,234	10
	2021/22	94,189	15,730	0	109,919	
Assistant Executive Director (Public Health)	2022/23	95,787	13,774	0	109,561	11
	2021/22	92,089	15,490	0	107,579	
Interim Assistant Executive Director (Culture and Regulation)	2022/23	94,014	15,700	0	109,714	12
	2021/22	90,420	15,100	0	105,520	
Total	2022/23	1,701,590	281,943	0	1,983,533	
	2021/22	1,625,201	263,464	87,200	1,975,865	

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 reflect nationally agreed pay awards, incremental progression, and remuneration for undertaking additional responsibilities.

The Council's annual Pay Policy Statement for 2022/23 (approved by the Council on 9 March 2022) sets out the roles of the Council's senior officers. 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 former Executive Director (Communities and Neighbourhoods) retired from the Council's employment on 21 April 2021. A new post holder was appointed to this post on 21 June 2021.
4. 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.
5. 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.
6. The post of Assistant Executive Director (Adult Social Care) was vacant from 3 July 2020 until 1 September 2021.
7. The Assistant Executive Director (Corporate Support) post also fulfils the statutory responsibility of Scrutiny Officer as set out in the Local Government Act 2000.
8. The former Assistant Executive Director (Communities) left the Council's employment on 31 October 2021, and the post was subsequently deleted.
9. The Assistant Executive Director (Neighbourhoods and Commercial Services) post was established on 4 January 2022 to cover duties in the Communities and Neighbourhoods Department. An interim appointment to the post was made on 4 January 2022 and this appointment was made permanent on 13 July 2022.
10. The Assistant Executive Director (Governance and Assets) post also fulfils the statutory responsibility of Monitoring Officer as set out in the Local Government and Housing Act 1989.
11. 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.
12. 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 Department services.

**Officer Remuneration**

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.

	Number of Employees	
	2021/22	2022/23
£50,001 to £55,000	82	102
£55,001 to £60,000	37	45
£60,001 to £65,000	23	32
£65,001 to £70,000	45	34
£70,001 to £75,000	18	24
£75,001 to £80,000	13	14
£80,001 to £85,000	16	16
£85,001 to £90,000	8	16
£90,001 to £95,000	6	5
£95,001 to £100,000	0	2
£100,001 to £105,000	1	0
£105,001 to £110,000	3	2
£110,001 to £115,000	1	2
£115,001 to £120,000	1	1
£120,001 to £125,000	3	1
£125,001 to £130,000	0	4
£175,000 to £180,000	1	1
<b>Total</b>	<b>258</b>	<b>301</b>

### Exit Packages

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.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£0-£20,000	5	9	37	30	42	39	205,519	136,435
£20,001 - £40,000	0	0	2	1	2	1	53,000	22,683
£40,001 - £60,000	0	0	3	0	3	0	131,876	0
£60,001 - £80,000	0	0	0	1	0	1	0	71,009
<b>Total</b>	<b>5</b>	<b>9</b>	<b>42</b>	<b>32</b>	<b>47</b>	<b>41</b>	<b>390,395</b>	<b>230,127</b>

**Note 33 - External Audit Costs**

From 1 September 2018, Mazars LLP were appointed as the external auditors of the Council. In 2022/23, Knowsley MBC incurred the following fees relating to external audit:

<b>2021/22</b> <b>£000</b>		<b>2022/23</b> <b>£000</b>
105	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	112
15	Fees payable in respect of other services provided by external auditors during the year	15
<b>120</b>	<b>Total</b>	<b>127</b>



**Note 34 - 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 2022/23 are shown in the following table.

<b>DSG Receivable for 2022/23</b>	<b>Central Expenditure £000</b>	<b>Individual Schools Budget £000</b>	<b>Total £000</b>
Final DSG for year before Academies recoupment			(158,277)
Academy figure recouped for year			54,826
<b>Total DSG after academy recoupment</b>			<b>(103,451)</b>
Plus: Brought forward from previous year			2,887
Less: Carry forward to following year (agreed in advance)			0
<b>Agreed initial budgeted distribution in year</b>	<b>(16,003)</b>	<b>(84,561)</b>	<b>(100,564)</b>
In year adjustments	0	848	848
<b>Final budget distribution for year</b>	<b>(16,003)</b>	<b>(83,713)</b>	<b>(99,716)</b>
Less: Actual central expenditure	18,893	0	18,893
Less: Actual ISB deployed to schools	0	85,661	85,661
Plus: Local Authority contribution for year	0	0	0
<b>In year carry forward to 2023/24</b>	<b>2,890</b>	<b>1,948</b>	<b>4,838</b>
Plus / Less: Carry forward to following year (agreed in advance)			0
Plus / Less: DSG unusable reserve at the end of 2021/22			2,887
Addition to DSG Unusable Reserve at end of 2022/23			1,951
<b>Net DSG position at the end of 2022/23</b>			<b>4,838</b>

<b>DSG Receivable for 2021/22</b>	<b>Central Expenditure £000</b>	<b>Individual Schools Budget £000</b>	<b>Total £000</b>
Final DSG for year before Academies recoupment			(147,537)
Academy figure recouped for year			52,220
<b>Total DSG after academy recoupment</b>			<b>(95,317)</b>
Plus: Brought forward from previous year			0
Less: Carry forward to following year (agreed in advance)			174
<b>Agreed initial budgeted distribution in year</b>	<b>(14,078)</b>	<b>(81,065)</b>	<b>(95,143)</b>
In year adjustments	0	44	44
<b>Final budget distribution for year</b>	<b>(14,078)</b>	<b>(81,021)</b>	<b>(95,099)</b>
Less: Actual central expenditure	15,856	0	15,856
Less: Actual ISB deployed to schools	0	81,892	81,892
Plus: Local Authority contribution for year	0	0	0
<b>In year carry forward to 2022/23</b>	<b>1,778</b>	<b>871</b>	<b>2,649</b>
Plus / Less: Carry forward to following year (agreed in advance)			(174)
Plus / Less: DSG unusable reserve at the end of 2020/21			412
Addition to DSG Unusable Reserve at end of 2021/22			2,475
<b>Net DSG position at the end of 2021/22</b>			<b>2,887</b>

### Note 35 - Grant Income

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

<b>2021/22 £000</b>		<b>2022/23 £000</b>
(19,889)	Non-Ringfenced Grant	(18,977)
0	City Region Sustainable Travel Scheme	(7,162)
(13,040)	Shakespeare North Playhouse	(5,196)
(1,243)	Education Funding Agency	(4,633)
(2,945)	Liverpool City Region Combined Authority	(3,165)
(692)	Public Sector Decarbonisation Grant	(2,962)
(2,760)	Department for Transport	(374)
(2,856)	Other	(2,263)
<b>(42,733)</b>	<b>Total</b>	<b>(44,732)</b>

**Grant Income Credited to Services**

<b>2021/22</b> <b>£000</b>		<b>2022/23</b> <b>£000</b>
(95,252)	Dedicated Schools Grant	(105,926)
(48,036)	Housing Benefit Rebates Grant	(46,307)
(23,157)	Private Finance Initiative Subsidy	(23,125)
(17,594)	Public Health Grant	(18,089)
(16,165)	Better Care Fund	(17,034)
(7,072)	Pupil Premium	(7,150)
(18,137)	COVID-19 Government Grants	(6,680)
(2,872)	Disabled Facilities Grant	(2,749)
0	Adult Social Care Discharge Fund	(1,912)
(1,596)	Education Funding Agency	(1,610)
(1,241)	European Funding	(1,387)
(1,651)	Universal Infant School Meals	(1,259)
(731)	Stronger Families	(1,249)
(1,038)	Adoption Support Fund	(1,022)
(1,014)	Benefit Verification Framework / Fraud Incentive / Tax Credits	(1,011)
0	Holiday Activity Fund	(923)
(100)	Liverpool City Region Combined Authority	(777)
(308)	Unaccompanied Asylum-Seeking Children	(768)
(939)	PE and Sports	(734)
(178)	Welfare Reform Grant	(696)
(672)	Independent Living Fund	(672)
(277)	ADDER Grant	(628)
0	Council Tax Energy Rebate – Discretionary Element	(574)
(99)	ESFA Schools Support	(502)
(562)	Homelessness	(478)
(399)	Youth Justice Board	(438)
(552)	Housing Benefits Discretionary Housing Payments	(391)
0	Homes for Ukraine and Ukraine Education Grants	(361)
(185)	Teachers' Pension Grant	(186)
(393)	Winter Funding	(84)
(65)	Teachers Pay Reform Grant	(62)
0	Ministry of Justice Turnaround Programme	(42)
(550)	LA Practical support Payments	0
(4,344)	Other	(4,768)
<b>(245,179)</b>	<b>Total</b>	<b>(249,594)</b>

In the 2021/22 Statement of Accounts the Welfare Reform, ADDER and ESFA School Support grants were included within Other.

**Grants Receipts in Advance (Revenue Grants) - Current Liabilities**

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 may require the monies or property to be returned to the giver. The balances at year-end are as follows:

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
(5,112)	COVID-19 Local Restrictions Support Grant	(3,986)
(779)	Syrian Resettlement Programme Grant	(1,352)
(43)	Dedicated Schools Grant	(1,151)
(447)	FACE	(669)
0	Energy Bills Support Scheme Alternative Funding Grant	(487)
(10,403)	Council Tax (Energy Bills) Rebate Scheme	(51)
(2,875)	COVID-19 Additional Relief Fund	0
(834)	COVID-19 Contain Outbreak Management Fund	0
(600)	COVID-19 Restart Grant	0
0	COVID-19 Business Support Grants	0
(49)	COVID-19 Track and Trace Isolation Payments Grant	0
(2,403)	Other	(2,957)
<b>(23,545)</b>	<b>Total</b>	<b>(10,653)</b>

In the 2021/22 Statement of Accounts the grants for Dedicated Schools Grant and FACE were included within the Other total.

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

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
(607)	Standards Fund	(930)
(72)	Active Travel Fund	(731)
0	Forestry Commission	(198)
(237)	Transport Capital Grant	(62)
(238)	Public Sector Decarbonisation Scheme	0
(106)	Other	(277)
<b>(1,260)</b>	<b>Total</b>	<b>(2,198)</b>

In the 2021/22 Statement of Accounts the Active Travel Fund was included within the Other total.

### Note 36 - 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 2022/23:

#### 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 2023 are shown in Note 22 (Creditors) and Note 37 (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 2022/23 the Council incurred £2.386m of expenditure and received £6.647m of income from Volair (£3.208m of expenditure and £3.860m of income in 2021/22).

The Board includes two Council Members and one Officer out of the three interests declared. At 31 March 2023 there were no outstanding debtors (£0.008m at 31 March 2022) and creditors totalled £0.391m (£0.008m at 31 March 2022).

#### Other Public Bodies

- **Knowsley Clinical Commissioning Group / Integrated Care Board**

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 30 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 was put in place between the Council and Knowsley Clinical Commissioning Group with effect from 1 April 2013, and was subject to annual revision and update to reflect changes such as the inclusion of the Better Care Fund and Improved Better Care Fund.

The 2022 Health and Care Act included significant structural change for NHS commissioning, Clinical Commissioning Groups (CCGs) were abolished, with their functions transferred into Integrated Care Boards (ICBs). ICBs were legally established on 1 July 2022, replacing CCGs, taking on the NHS planning functions as well as absorbing some planning roles from NHS England, they are now the statutory bodies that are responsible for planning and funding most NHS services in the area.

- **Pension Fund**

Full details of the Council's Pension Fund transactions are disclosed in Note 42 to the Accounts and the Accounting Policies. One Member of the Council is a member of the Merseyside Pension Fund Committee.

- **Livv Housing Trust**

The Council incurred £0.628m of expenditure and received £0.728m of income (£0.127m of expenditure and £0.569m of income in 2021/22).

There was one member who expressed an interest in Livv Housing Trust. At 31 March 2023 there were no outstanding debtors (£0.200m at 31 March 2022) and £0.035m creditors (£0.079m creditors at 31 March 2022).

Transactions relating to Other Bodies also included:

- **Merseytravel**

The Council incurred £0.250m of expenditure and received £0.251m of income (£0.003m of expenditure and received £0.071m of income in 2021/22).

One Council Member expressed an interest. At 31 March 2023 there were £14.415m debtors (£6.041m at 31 March 2022) and £0.897m creditors (£0.291m at 31 March 2022).

- **Police and Crime Commissioner for Merseyside**

The Council incurred £0.145m of expenditure and received no income (£0.066m of expenditure and received £0.790m of income 2021/22).

The Board included one Council Member who expressed an interest. At 31 March 2023 there were no outstanding debtors (£0.031m at 31 March 2022) and £0.095m (£0.069m at 31 March 2022).

- **Merseyside Fire Authority**

The Council incurred £0.499m of expenditure and received no income (£0.013m of expenditure and received £0.005m of income 2021/22).

The Board included two Council Members who both expressed an interest. At 31 March 2023 there were no outstanding debtors (no debtors at 31 March 2022) and no creditors (no creditors at 31 March 2022).

- **Liverpool City Region Combined Authority**

The Council incurred £0.083m expenditure as well as from the Levy and £0.096m of income (apart from the Levy, there were no other expenditure transactions and no income in 2021/22).

The Board includes one Council Member out of the two Members who have expressed an interest. At 31 March 2023 outstanding debtors totalled £1.158m (£1.133m at 31 March 2022) and creditors totalled £0.115m (£0.204m creditors at 31 March 2022).

- **Merseyside Recycling and Waste Authority**

The Council incurred no other expenditure apart from the Levy and received £0.405m of income (apart from the Levy, there were no other expenditure transactions and £0.389m income in 2021/22).

The Board included one Council Member who expressed an interest. At 31 March 2023 outstanding debtors totalled £0.035m (£0.035m at 31 March 2022) and no creditors (no creditors at 31 March 2022).

- **Wirral MBC**

The Council incurred £2.168m of expenditure and received £0.820m of income (£1.191m of expenditure and received £0.444m of income 2021/22).

There were no expressions of interest in Wirral MBC. At 31 March 2023 there were no outstanding debtors (£0.015m at 31 March 2022) and £2.678m (£0.514m creditors at 31 March 2022).

- **Shakespeare North Trust**

Shakespeare North Playhouse is a 470-seat timber framed Shakespearean theatre which opened in July 2022. Shakespeare North Playhouse is operated by Shakespeare North Trust.

The Council incurred £6.340m of expenditure and received £1.305m of income relating to Shakespeare North Trust during 2022/23.

There was one officer who expressed an interest and at 31 March 2023 there were no outstanding debtors or creditors.

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

Members of the Council have direct control over the Council's financial and operational policies. During 2022/23, works and services totalling £14.666m of expenditure and £0.105m of income were commissioned from organisations in which six Members had an interest. Contracts were entered into in full compliance with the Council's Constitution. Payments and grants totalling £19.812m of expenditure and £1.78m of income were paid and received, to and from housing associations, hospital trusts, and voluntary organisations, in which there were 61 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 37 - 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.

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
287,131	Opening Capital Financing Requirement	283,095
	<b>Capital Investment:</b>	
23,525	Property Plant and Equipment	15,916
6,782	Infrastructure Assets	12,969
1,755	Investment Property	3,858
463	Intangible Assets	336
158	Heritage Assets	0
4,057	Revenue Expenditure Funded from Capital Under Statute	4,506
<b>36,740</b>	<b>Total Capital Spending</b>	<b>37,585</b>
	<b>Sources of Finance:</b>	
(4,265)	Capital receipts	(4,887)
(26,648)	Government Grants and other contributions	(26,434)
	<b>Sums set aside from revenue:</b>	
(3,780)	- Direct revenue contributions	(2,967)
(6,083)	- Minimum revenue provision	(6,501)
<b>(40,776)</b>	<b>Total Sources of Finance</b>	<b>(40,789)</b>
<b>283,095</b>	<b>Closing Capital Financing Requirement</b>	<b>279,891</b>

**Explanation of movements in year**

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
(4,036)	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(3,204)
<b>(4,036)</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(3,204)</b>

**Note 38 - Leases**

The Council has no significant leases as at 31 March 2023.



**Note 39 - 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 for the provision of street lighting services.

**Movement in PFI Assets**

<b>2022/23</b>	<b>Centres for Learning £000</b>	<b>Street Lighting £000</b>	<b>Total £000</b>
<b>Cost or Valuation</b>			
at 1 April 2022	66,780	48,354	115,134
Additions	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	395	0	395
<b>at 31 March 2023</b>	<b>67,175</b>	<b>48,354</b>	<b>115,529</b>
<b>Accumulated Depreciation and Impairment</b>			
at 1 April 2022	(8,217)	(20,328)	(28,545)
Depreciation charge	(1,076)	(584)	(1,660)
<b>at 31 March 2023</b>	<b>(9,293)</b>	<b>(20,912)</b>	<b>(30,205)</b>
<b>Net Book Value</b>			
<b>at 31 March 2023</b>	<b>57,882</b>	<b>27,442</b>	<b>85,324</b>
<b>at 1 April 2022</b>	<b>58,563</b>	<b>28,026</b>	<b>86,589</b>

<b>2021/22</b>	<b>Centres for Learning £000</b>	<b>Street Lighting £000</b>	<b>Total £000</b>
<b>Cost or Valuation</b>			
at 1 April 2021	57,012	48,354	105,366
Additions	3	0	3
Revaluation increases/(decreases) recognised in the Revaluation Reserve	9,795	0	9,795
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(30)	0	(30)
<b>at 31 March 2022</b>	<b>66,780</b>	<b>48,354</b>	<b>115,134</b>
<b>Accumulated Depreciation and Impairment</b>			
at 1 April 2021	(7,416)	(19,660)	(27,076)
Depreciation charge	(801)	(668)	(1,469)
<b>at 31 March 2022</b>	<b>(8,217)</b>	<b>(20,328)</b>	<b>(28,545)</b>
<b>Net Book Value</b>			
<b>at 31 March 2022</b>	<b>58,563</b>	<b>28,026</b>	<b>86,589</b>
<b>at 1 April 2021</b>	<b>49,596</b>	<b>28,694</b>	<b>78,290</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 are included in the Balance Sheet.

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.

**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.

**Movement in PFI Liabilities**

<b>2022/23</b>	<b>Centres for Learning £000</b>	<b>Street Lighting £000</b>	<b>Total £000</b>
Balance outstanding at start of year	(88,102)	(26,230)	(114,332)
Payments during the year	5,160	1,033	6,193
<b>Balance outstanding at year-end</b>	<b>(82,942)</b>	<b>(25,197)</b>	<b>(108,139)</b>

<b>2021/22</b>	<b>Centres for Learning £000</b>	<b>Street Lighting £000</b>	<b>Total £000</b>
Balance outstanding at start of year	(92,769)	(27,158)	(119,927)
Payments during the year	4,667	928	5,595
<b>Balance outstanding at year-end</b>	<b>(88,102)</b>	<b>(26,230)</b>	<b>(114,332)</b>

**Payments due under PFI schemes 2022/23**

<b>Reimbursement of Capital Expenditure</b>	<b>Centres for Learning £000</b>	<b>Street Lighting £000</b>	<b>Total £000</b>
Payable within one year	5,787	1,150	6,937
Payable within two to five years	25,366	5,558	30,924
Payable within six to ten years	38,097	8,400	46,497
Payable within eleven to fifteen years	13,692	10,089	23,781
<b>Total</b>	<b>82,942</b>	<b>25,197</b>	<b>108,139</b>

<b>Interest Payments</b>	<b>Centres for Learning £000</b>	<b>Street Lighting £000</b>	<b>Total £000</b>
Payable within one year	6,250	2,289	8,539
Payable within two to five years	20,431	7,942	28,373
Payable within six to ten years	13,660	6,994	20,654
Payable within eleven to fifteen years	1,051	1,681	2,732
<b>Total</b>	<b>41,392</b>	<b>18,906</b>	<b>60,298</b>

<b>Payment for Services</b>	<b>Centres for Learning £000</b>	<b>Street Lighting £000</b>	<b>Total £000</b>
Payable within one year	4,640	1,813	6,453
Payable within two to five years	20,644	8,168	28,812
Payable within six to ten years	30,743	13,252	43,995
Payable within eleven to fifteen years	8,590	8,349	16,939
<b>Total</b>	<b>64,617</b>	<b>31,582</b>	<b>96,199</b>

#### **Note 40 - Termination Benefits**

The Council terminated the contracts of 41 employees during 2022/23, incurring liabilities of £0.230m (47 employees costing £0.390m in 2021/22). 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 41 - 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 a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of the Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The total contributions made to the Teachers Pensions Scheme by the Council in the year to 31 March 2023 was £1.163m (£1.243m in 2021/22).

The total contributions expected to be made to the Teachers Pensions Scheme by the Council in the year to 31 March 2024 is £1.280m.

##### **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 2022/23 the Council paid £0.084m to the NHS Pension Scheme (£0.103m in 2021/22).

## **Note 42 - 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 2022/23 Comprehensive Income and Expenditure Statement in respect of the Council's pension 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 2023 was £4.770m (£5.062m in 2021/22).

The total contributions expected to be made to the Merseyside Pension Fund by the Council in the year to 31 March 2024 is £16.284m. This increase is due to the prepayment of the Future Service Rate that the Council had agreed with Merseyside Pension Fund that was paid during 2020/21 for the years 2020/21 to 2022/23.

**General Fund Transactions**

**Comprehensive Income and Expenditure Statement**

2021/22				2022/23		
LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000		LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000
			<b>Service cost comprising:</b>			
31,610	0	<b>31,610</b>	Current service cost	36,339	0	<b>36,339</b>
64	0	<b>64</b>	Past service cost	37	0	<b>37</b>
409	0	<b>409</b>	Administration expenses	467	0	<b>467</b>
			<b>Financing and Investment Income and Expenditure:</b>			
7,313	272	<b>7,585</b>	Net interest expense	9,462	337	<b>9,799</b>
<b>39,396</b>	<b>272</b>	<b>39,668</b>	<b>Total charged to Surplus and Deficit on Provision of Services</b>	<b>46,305</b>	<b>337</b>	<b>46,642</b>

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

2021/22				2022/23		
LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000		LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000
			<b>Re-measurement of the net defined benefit liability comprising:</b>			
(57,766)	0	<b>(57,766)</b>	Return on plan assets (excluding the amount included in the net interest expense)	52,627	0	<b>52,627</b>
47,500	37	<b>47,537</b>	Actuarial gains and losses - experience	82,724	71	<b>82,795</b>
(15,399)	(124)	<b>(15,523)</b>	Actuarial gains and losses arising on changes in demographic assumptions	0	(13)	<b>(13)</b>
(19,125)	95	<b>(19,030)</b>	Actuarial gains and losses arising on changes in financial assumptions	(486,358)	(2,040)	<b>(488,398)</b>
<b>(44,790)</b>	<b>8</b>	<b>(44,782)</b>	<b>Total charged to Other Comprehensive Income and Expenditure Statement</b>	<b>(351,007)</b>	<b>(1,982)</b>	<b>(352,989)</b>
<b>(5,394)</b>	<b>280</b>	<b>(5,114)</b>	<b>Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>(304,702)</b>	<b>(1,645)</b>	<b>(306,347)</b>

### Movement in Reserves Statement

2021/22				2022/23		
LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000		LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000
(39,396)	(272)	<b>(39,668)</b>	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(46,305)	(337)	<b>(46,642)</b>
			<b>Actual amount charged against the general fund balance for pensions in the year:</b>			
15,043	1,243	<b>16,286</b>	Employers' contributions payable to scheme	14,546	1,163	<b>15,709</b>
<b>(24,353)</b>	<b>971</b>	<b>(23,382)</b>	<b>Total amount shown in the Movement in Reserves Statement</b>	<b>(31,759)</b>	<b>826</b>	<b>(30,933)</b>

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

2021/22				2022/23		
LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000		LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000
(1,251,241)	(12,632)	<b>(1,263,873)</b>	Present value of the defined obligation	(891,883)	(9,824)	<b>(901,707)</b>
910,964	0	<b>910,964</b>	Fair value of plan assets	861,078	0	<b>861,078</b>
<b>(340,277)</b>	<b>(12,632)</b>	<b>(352,909)</b>	<b>Net (liability) / asset arising from the defined benefit obligation</b>	<b>(30,805)</b>	<b>(9,824)</b>	<b>(40,629)</b>



The overall net liability for retirement benefits has decreased significantly during the twelve-month period to 31 March 2023. This reduction is mainly due to the significant increases in the discount rate used by the Fund’s actuaries to estimate the current value of future pension liabilities. The discount rate is linked to interest rates, so that as interest rates rise the actuary assumes a higher rate of return on the Fund’s assets – which means that the current value of the Fund’s liabilities reduces.

### Movement in the Value of Scheme Assets

There are no assets to cover the Teachers’ added years’ liabilities. The movement in assets relating to the LGPS is provided in the following table.

<b>2021/22</b> <b>£000</b>		<b>2022/23</b> <b>£000</b>
861,364	Opening fair value of scheme assets	910,964
17,820	Interest income	25,199
	Re-measurement gain / (loss):	
57,766	- The return on plan assets, excluding the amount included in the net interest expense	(52,627)
6,305	Contributions from employer	5,933
5,445	Contributions from employees into the scheme	6,112
(37,327)	Benefits / transfers paid	(34,036)
(409)	Administration expenses	(467)
<b>910,964</b>	<b>Closing value of scheme assets</b>	<b>861,078</b>

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

31 March 2022				31 March 2023		
Quoted £000	Unquoted £000	Total £000		Quoted £000	Unquoted £000	Total £000
			<b>Equities</b>			
133,802	15,137	148,939	UK	115,499	9,689	125,188
203,321	99,792	303,113	Global	191,903	99,691	291,594
<b>337,123</b>	<b>114,929</b>	<b>452,052</b>	<b>Subtotal Equities</b>	<b>307,402</b>	<b>109,380</b>	<b>416,782</b>
			<b>Bonds</b>			
9,812	0	9,812	UK Government	10,794	0	10,794
26,643	0	26,643	UK Corporate	18,890	0	18,890
76,180	0	76,180	UK Index Linked	79,005	0	79,005
4,467	0	4,467	Overseas Corporate	5,025	0	5,025
0	(2,990)	(2,990)	Derivative Contracts	0	(3,994)	(3,994)
0	0	0	Overseas Government	510	0	510
0	0	0	Collateralized Bonds	558	0	558
<b>117,102</b>	<b>(2,990)</b>	<b>114,112</b>	<b>Subtotal Bonds</b>	<b>114,782</b>	<b>(3,994)</b>	<b>110,788</b>
			<b>Property</b>			
0	49,335	49,335	UK Direct Property	0	38,500	38,500
1,121	14,016	15,137	UK Property Managed	765	27,621	28,386
0	22,799	22,799	Global Property Managed	0	26,686	26,686
<b>1,121</b>	<b>86,150</b>	<b>87,271</b>	<b>Subtotal Property</b>	<b>765</b>	<b>92,807</b>	<b>93,572</b>
			<b>Alternatives</b>			
0	25,882	25,882	UK Private Equity	85	32,125	32,210
93	56,810	56,903	Global Private Equity	0	49,208	49,208
1,402	3,738	5,140	Other Alternatives UK	0	170	170
0	31,956	31,956	Other Alternatives Global	0	20,822	20,822
0	27,284	27,284	Global Infrastructure	0	26,261	26,261
0	40,832	40,832	UK Infrastructure	0	46,573	46,573
0	16,819	16,819	UK Opportunities	0	12,748	12,748
1,495	31,675	33,170	Global Opportunities	1,360	28,981	30,341
0	0	0	Global Multi Asset	0	3,060	3,060
0	0	0	Global Goodhart	0	3,654	3,654
<b>2,990</b>	<b>234,996</b>	<b>237,986</b>	<b>Subtotal Alternatives</b>	<b>1,445</b>	<b>223,602</b>	<b>225,047</b>
<b>19,543</b>	<b>0</b>	<b>19,543</b>	<b>Cash and cash equivalents</b>	<b>14,889</b>	<b>0</b>	<b>14,889</b>
<b>477,879</b>	<b>433,085</b>	<b>910,964</b>	<b>Total Assets</b>	<b>439,283</b>	<b>421,795</b>	<b>861,078</b>

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

2021/22				2022/23		
LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000		LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000
(1,212,097)	(13,595)	<b>(1,225,692)</b>	Opening balance at 1 April	(1,251,241)	(12,632)	<b>(1,263,873)</b>
(31,610)	0	<b>(31,610)</b>	Current service cost	(36,339)	0	<b>(36,339)</b>
(25,133)	(272)	<b>(25,405)</b>	Interest cost	(34,661)	(337)	<b>(34,998)</b>
(5,445)	0	<b>(5,445)</b>	Contributions from scheme participants	(6,112)	0	<b>(6,112)</b>
			Re-measurement gains and losses:			
(47,500)	(37)	<b>(47,537)</b>	- Actuarial gains / (losses) - experience	(82,724)	(71)	<b>(82,795)</b>
15,399	124	<b>15,523</b>	- Actuarial gains / (losses) from changes in demographic assumptions	0	13	<b>13</b>
19,125	(95)	<b>19,030</b>	- Actuarial gains / (losses) from changes in financial assumptions	486,358	2,040	<b>488,398</b>
(64)	0	<b>(64)</b>	Past service cost	(37)	0	<b>(37)</b>
0	0	<b>0</b>	Gains / (losses) on curtailments			
36,084	1,243	<b>37,327</b>	Benefits / transfers paid	32,873	1,163	<b>34,036</b>
<b>(1,251,241)</b>	<b>(12,632)</b>	<b>(1,263,873)</b>	<b>Balance as at 31 March</b>	<b>(891,883)</b>	<b>(9,824)</b>	<b>(901,707)</b>

### Basis for Estimating Assets and Liabilities

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

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

2021/22	Local Government Pension Scheme	2022/23
	<b>Mortality assumptions</b>	
	<b>Longevity at retirement for current pensioners</b>	
21.2	Men	21.2
23.6	Women	23.7
	<b>Longevity at retirement for future pensioners</b>	
22.5	Men	22.6
25.4	Women	25.5
	<b>Other assumptions</b>	
3.3%	Rate of inflation	2.7%
4.8%	Rate of increase in salaries	4.2%
3.4%	Rate of increase in pensions	2.8%
2.8%	Rate for discounting scheme liabilities	4.8%

2021/22	Teachers Additional Unfunded Pensions	2022/23
	<b>Mortality assumptions</b>	
	<b>Longevity at retirement for current pensioners aged 65</b>	
20.9	Men	21.2
24.0	Women	23.7
	<b>Longevity at retirement for current pensioners aged 75</b>	
12.5	Men	12.8
15.0	Women	14.8
	<b>Other assumptions</b>	
3.5%	Rate of inflation	2.7%
3.6%	Rate of increase in pensions	2.8%
2.8%	Rate for discounting scheme liabilities	4.9%

**Impact of assumptions on the obligation:**

<b>Increase by 0.1% (Gain) or Loss Assumption</b>	<b>LGPS £000</b>	<b>Teachers Additional Unfunded Pensions £000</b>
Longevity	18,602	466
Rate of inflation	14,744	60
Rate of increase in salaries	2,317	0
Rate for discounting scheme liabilities	(13,665)	(1,430)

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 total contributions expected to be made to the Merseyside Pension Fund by the Council in the year to 31 March 2024 is £16.284m.

The total payments expected to be made by the Council to former teachers receiving additional unfunded pensions in the year to 31 March 2024 is £1.280m.

The weighted average duration of the defined benefit obligation for Local Government Pension Scheme members is 17 years in 2022/23 (17 years in 2021/22). The weighted average duration for former teachers receiving additional unfunded pensions is 6 years in 2021/22 (8 years in 2021/22).

### **Note 43 – 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 2021).

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 Levelling Up 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 seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- 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

The Council is exposed to credit risk on the following categories of financial assets and commitments held on the balance sheet:

<b>31 March 2022</b> <b>£000</b>	<b>Exposure Category</b>	<b>31 March 2023</b> <b>£000</b>
55,852	Treasury investment	50,949
38,457	Trade and other receivables	45,110
135	Service Investments: loans	135
79,358	Investment property	87,621
<b>173,802</b>	<b>Total Credit Risk exposure</b>	<b>183,815</b>

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 and placing limits on investments with counterparties (other than the UK Government). 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 £77.341m 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 2023 that this was likely to happen.

The following table summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity. This table also includes credit risk exposure of £0.135m for non-Treasury Management service investments:

31 March 2022			31 March 2023	
Long Term £000	Short Term and Cash Equivalents £000	Credit Rating	Long Term £000	Short Term and Cash Equivalents £000
0	14,005	AAA	0	40,513
3	30,840	UK Government AA-	3	10,433
135	0	UK Credit Union	135	0
0	11,004	Unrated Local Authority	0	0
<b>138</b>	<b>55,849</b>	<b>Total Credit Risk Exposure of Investments</b>	<b>138</b>	<b>50,946</b>
29,246	248	Credit Risk not applicable *	25,975	282
<b>29,384</b>	<b>56,097</b>	<b>Total Treasury Investments</b>	<b>26,113</b>	<b>51,228</b>

\* Credit risk is not applicable to shareholdings and pooled funds where the Council has no contractual right to receive any particular sum of money.

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

The Council has held investment properties for a long time and its intention is to continue to hold them in the long-term as they not only provide an income stream, but also provide local facilities and employment opportunities for the Borough's residents. The Council is not proposing to sell these investments and therefore they are considered secure. If the Council needed to raise money quickly, then other sources of finance would be considered first.

The Council assesses the risk of loss before entering into (and whilst holding) property investments, for example by completing due diligence checks on companies before leases are signed. Although investments in most cases are made for service provision and to promote the regeneration of the Borough, income generation is also an aim and therefore regular monitoring of rental incomes is important. There is also a risk that properties will lose value, but the Council's intention is to hold these assets in the long-term and therefore short-term fluctuations in value are not a primary concern.



The following analysis summarises the Council’s potential maximum exposure to credit loss based on past experience of default and uncollectability, adjusted to reflect current market conditions. Only receivables meeting the definition of a financial asset are included. The adjusted credit risk exposure therefore differs to the balance sheet figures by excluding debtor related services covered by statute and those that are not contractually based where the credit risk is deemed minimal:

<b>Estimated maximum exposure to default 31 March 2022 £000</b>		<b>Balance Sheet 31 March 2023 £000</b>	<b>Total credit risk exposure 31 March 2023 £000</b>	<b>Expected credit loss 31 March 2023 £000</b>	<b>Estimated Maximum Exposure to default 31 March 2023 £000</b>
0	Total Investments	77,341	51,084	0	0
0	Employee Related Debtors	118	118	0	0
29,108	Trade and Other Debtors	44,992	45,015	(5,715)	39,300
<b>29,108</b>	<b>Total</b>	<b>122,451</b>	<b>96,217</b>	<b>(5,715)</b>	<b>39,300</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.

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 2023 £12.940m 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:

<b>31 March 2022 £000</b>		<b>31 March 2023 £000</b>
4,114	Less than one month	3,810
2,200	one to six months	2,716
879	Six months to one year	1,396
3,078	More than one year	5,018
<b>10,271</b>	<b>Total</b>	<b>12,940</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 following table:

## Liquidity Risk

<b>2022/23</b>	<b>Upper Limit of Fixed rate Borrowing to mature in each period</b>	<b>Public Works Loan Board Maturity at 31 March £000</b>	<b>Lender Offer Borrower Option Maturity at 31 March £000</b>	<b>Long Term Loans at 31 March £000</b>	<b>Temporary Loans Maturity at 31 March £000</b>	<b>Total Maturity at 31 March £000</b>	<b>Actual % Maturity of Fixed rate Borrowing at 31 March</b>
Under 12 months	50%	1,452	6,077	106	0	7,635	7%
1-2 years	50%	0	0	0	0	0	0%
2-5 years	50%	3,059	0	0	0	3,059	3%
5-10 years	80%	6,309	0	0	0	6,309	5%
10 years and above	100%	90,710	0	6,300	0	97,010	85%
		<b>101,530</b>	<b>6,077</b>	<b>6,406</b>	<b>0</b>	<b>114,013</b>	

<b>2021/22</b>	<b>Upper Limit of Fixed rate Borrowing to mature in each period</b>	<b>Public Works Loan Board Maturity at 31 March £000</b>	<b>Lender Offer Borrower Option Maturity at 31 March £000</b>	<b>Long Term Loans at 31 March £000</b>	<b>Temporary Loans Maturity at 31 March £000</b>	<b>Total Maturity at 31 March £000</b>	<b>Actual % Maturity of Fixed rate Borrowing at 31 March</b>
Under 12 months	50%	1,478	6,077	106	0	7,661	7%
1-2 years	50%	5	0	0	0	5	0%
2-5 years	50%	1,158	0	0	0	1,158	1%
5-10 years	80%	2,489	0	0	0	2,489	2%
10 years and above	100%	96,447	0	6,300	0	102,747	90%
		<b>101,577</b>	<b>6,077</b>	<b>6,406</b>	<b>0</b>	<b>114,060</b>	

Transferred debt of £0.740m has been excluded from the above table as it is not a contractual obligation and not considered a liquidity risk. The debt was created through local government reorganisation in 1974 and 1986 and administered by other local authorities on behalf of the Council.

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

If a LOBO is called and the rate changed by the Lender, the Council will have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay this loan. The maturity date is therefore uncertain, but the Council shows all LOBOs 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 2023. 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 2023, 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 2023 with all other variables held constant, the financial effect would be a decrease in fair value of fixed rate borrowings liabilities of £14.261m (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 no financial assets denominated in foreign currencies. The Council is not exposed to any significant risk of adverse movements in the currency exchange rate.

Price risk

The market prices of the Council's fixed 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 31st March 2023 would result in a £0.100m charge to Other Comprehensive Income and Expenditure which would be reflected in the Financial Instruments Revaluation Reserve.

Note 44 - Trust Funds

2021/22 Capital Value of Fund £000	Fund	2022/23 Capital Value of Fund £000
830	King George V Playing Fields	830
25	Mayor's Charity	20
7	Other	30
<b>862</b>		<b>880</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 Mayor's Charity) are included within the Cash and Cash Equivalents figure on the Council's Balance Sheet.

The Council also administers the Mayor's 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 2022			Collection Fund	31 March 2023		
Business Rates £000	Council Tax £000	Total £000		Business Rates £000	Council Tax £000	Total £000
0	(76,770)	(76,770)	<b>INCOME:</b>			
(43,031)	0	(43,031)	Council Tax Receivable	0	(80,553)	(80,553)
			Business Rates Receivable	(45,567)	0	(45,567)
<b>(43,031)</b>	<b>(76,770)</b>	<b>(119,801)</b>	<b>Total amounts to be credited</b>	<b>(45,567)</b>	<b>(80,553)</b>	<b>(126,120)</b>
			<b>EXPENDITURE:</b>			
			<b>Apportionment of Previous Year's Estimated Surplus/(Deficit):</b>			
(12,509)	605	(11,904)	Knowsley MBC	(8,344)	215	(8,129)
(126)	31	(95)	Merseyside Fire and Rescue Authority	(84)	11	(73)
0	81	81	Police and Crime Commissioner for Merseyside	0	30	30
0	7	7	Liverpool City Region Metro Mayor	0	2	2
			<b>Precepts, demands and shares:</b>			
47,666	61,556	109,222	Knowsley MBC	46,063	64,740	110,803
481	3,045	3,526	Merseyside Fire and Rescue Authority	465	3,169	3,634
0	8,427	8,427	Police and Crime Commissioner for Merseyside	0	8,983	8,983
0	706	706	Liverpool City Region Metro Mayor	0	720	720
			<b>Charges to Collection Fund:</b>			
(1,511)	2,248	737	Increase/(decrease) in allowance for impairment	1,548	2,014	3,562
(2,598)	0	(2,598)	Increase/(decrease) in allowance for appeals	(3,284)	0	(3,284)
237	0	237	Transitional Protection Payments Payable	413	0	413
133	0	133	Charge to General Fund for allowable collection costs for non-domestic rates	131	0	131
<b>31,773</b>	<b>76,706</b>	<b>108,479</b>	<b>Total amounts to be debited</b>	<b>36,908</b>	<b>79,884</b>	<b>116,792</b>
<b>(11,258)</b>	<b>(64)</b>	<b>(11,322)</b>	<b>(Surplus)/Deficit arising during the year</b>	<b>(8,659)</b>	<b>(669)</b>	<b>(9,328)</b>
<b>19,058</b>	<b>(194)</b>	<b>18,864</b>	<b>(Surplus)/Deficit b/f at 1 April</b>	<b>7,800</b>	<b>(258)</b>	<b>7,542</b>
<b>7,800</b>	<b>(258)</b>	<b>7,542</b>	<b>(Surplus)/Deficit c/f at 31 March</b>	<b>(859)</b>	<b>(927)</b>	<b>(1,786)</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 2022/23 was 37,907 (37,130 in 2021/22). The tax base was approved at the Council meeting on 19 January 2022 and was calculated as follows:

<b>2022/23</b>				
<b>Band</b>	<b>Valuation band limits £</b>	<b>Calculated no of dwellings No</b>	<b>Ratio to band D</b>	<b>Equated No of dwellings No</b>
A	Up to and including - 40,000	38,013	6/9	25,342
B	40,001 - 52,000	14,814	7/9	11,522
C	52,001 - 68,000	10,092	8/9	7,815
D	68,001 - 88,000	4,654	9/9	4,654
E	88,001 - 120,000	1,867	11/9	2,282
F	120,001 - 160,000	322	13/9	465
G	160,001 - 320,000	132	15/9	220
H	More than - 320,001	17	18/9	34
Adjustment				(14,427)
<b>Council Tax Base</b>				<b>37,907</b>

<b>2021/22</b>				
<b>Band</b>	<b>Valuation band limits £</b>	<b>Calculated no of dwellings No</b>	<b>Ratio to band D</b>	<b>Equated No of dwellings No</b>
A	Up to and including - 40,000	38,016	6/9	25,344
B	40,001 - 52,000	14,623	7/9	11,373
C	52,001 - 68,000	9,891	8/9	8,792
D	68,001 - 88,000	4,497	9/9	4,497
E	88,001 - 120,000	1,813	11/9	2,216
F	120,001 - 160,000	316	13/9	456
G	160,001 - 320,000	133	15/9	222
H	More than - 320,001	17	18/9	34
Adjustment				(15,804)
<b>Council Tax Base</b>				<b>37,130</b>

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 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 2022 it was estimated that there would be a £0.258m council tax surplus on the Collection Fund (£0.724m surplus in January 2021) and therefore this would be distributed to the relevant preceptors in 2022/23.

## **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 2022/23 the total rateable value at the year end is £113.7m (£112.1m in 2021/22). The national multipliers for 2022/23 were 49.9p for qualifying small businesses, with the standard multiplier being 51.2p for all other businesses (also 49.9p and 51.2p respectively in 2021/2022).

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 2022/23 were estimated before the start of the financial year as £46.063m to Knowsley and £0.465m to MFRA. These sums have been paid in 2022/23 and charged to the Collection Fund in year. The actual income from business ratepayers for 2022/23 was £46.759m (£46.770m in 2021/22), which now presents an in-year surplus as the additional retail reliefs awarded in respect of the Covid-19 pandemic have greatly reduced.

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 2023. 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 2022/23 was £3.284m, leaving a total of £1.417m at 31 March 2023 to cover future payments for those appeals still pending. Knowsley's 99% share of the provision (£1.402m) 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 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, 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 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

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 2023 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 2022/23 as amended by the Code Update.

### 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.

### 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, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, 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 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. The Executive Director (Resources) is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in 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 the Executive Director (Resources)'s 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 2022/23 as amended by the Code Update, 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 2022/23 as amended by the Code Update 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Governance and Audit Committee as to whether the Council is in compliance with laws and regulations, and discussing their 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.

We evaluated the Executive Director (Resources) 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 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) 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 February 2023.

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 2023.

We have nothing to report in this respect.

### **Responsibilities of the Accounting Officer**

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Council's 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, and to report where we have not been able to satisfy ourselves that it has done so. 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 January 2023.

### **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..



Daniel Watson – Key Audit Partner

For and on behalf of Mazars LLP  
One St Peter's Square  
Manchester  
M2 3DE

13 March 2024

## 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 Rates are 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 on 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.