

KNOWSLEY METROPOLITAN BOROUGH COUNCIL

# Statement of Accounts for the year 2023/24



Knowsley Council

## Contents

Narrative Report on the 2023/24 Statement of Accounts.....	3
Statement of Responsibilities .....	15
Comprehensive Income and Expenditure Statement.....	16
Movement in Reserves Statement.....	17
Balance Sheet.....	19
Cash Flow Statement.....	19
Note 1 - Accounting Policies.....	21
Note 2 - Accounting Standards Issued, Not Adopted.....	40
Note 3 - Critical Judgements in Applying Accounting Policies .....	40
Note 4 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty.....	42
Note 5 - Events After the Balance Sheet Date.....	43
Note 6 - Expenditure and Funding Analysis.....	44
Note 6a - Note to the Expenditure and Funding Analysis .....	45
Note 6b - Segmental Analysis of Income and Expenditure .....	47
Note 6c - Expenditure and Income Analysed by Nature .....	48
Note 7 - Adjustments between Accounting Basis and Funding Basis under Regulations....	49
Note 8 - Transfers to/from Earmarked Reserves .....	52
Note 9 - Other Operating Expenditure .....	54
Note 10 - Financing and Investment Income and Expenditure.....	54
Note 11 - Taxation and Non-Specific Grant Income .....	54
Note 12 - Property, Plant and Equipment .....	55
Note 13 – Infrastructure Assets .....	58
Note 14 - Heritage Assets .....	59
Note 15 - Investment Properties.....	60
Note 16 - Intangible Assets .....	61
Note 17 - Capital Commitments .....	62
Note 18 - Financial Instruments.....	63
Note 18a - Fair Value of Assets and Liabilities .....	68
Note 19 - Debtors.....	71
Note 20 - Cash and Cash Equivalents.....	71
Note 21 - Assets Held for Sale .....	72
Note 22 - Creditors.....	72
Note 23 - Provisions.....	73
Note 24 - Usable Reserves .....	76
Note 25 - Unusable Reserves .....	77
Note 26 - Cash Flow from Operating Activities .....	83

Note 27 - Cash Flow from Investing Activities .....	84
Note 28 - Cash Flow from Financing Activities .....	84
Note 29 - Reconciliation of Liabilities Arising from Financing Activities .....	85
Note 30 - Pooled Budgets .....	86
Note 31 - Members' Allowances .....	86
Note 32 - Senior Officers' Remuneration .....	87
Note 33 - External Audit Costs .....	92
Note 34 - Dedicated Schools Grant .....	93
Note 35 - Grant Income .....	95
Note 36 - Related Parties .....	98
Note 37 - Capital Expenditure and Capital Financing .....	101
Note 38 - Leases .....	102
Note 39 - Service Concession Arrangements .....	102
Note 40 - Termination Benefits .....	1066
Note 41 - Pension Schemes Accounted for as Defined Contribution Schemes .....	1066
Note 42 - Defined Benefit Pension Scheme .....	108
Note 43 - Nature and Extent of Risks Arising from Financial Instruments .....	117
Note 44 - Trust Funds .....	123
Collection Fund .....	124
Notes to the Collection Fund .....	125
Independent Auditor's Report to the Members of Knowlsey Metropolitan Borough Council .....	127
Glossary .....	132

## **NARRATIVE REPORT ON THE 2023/24 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 2024; 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.

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. It also shows how much money has actually been added to the Council's General Fund at the end of the year.

**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.

This 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 Statement includes adjustments for expenditure that relates to the Council's overall operations (rather than specific service provision); excludes amounts set aside by the Council in reserves; and makes statutory adjustments that the Government requires to avoid undue impact on the Council Taxpayer. These adjustments are recorded in the Movement in Reserves Statement.

**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 Comprehensive Income and Expenditure Statement reflects the Council's final 2023/24 Budget Monitoring position reported to the Council's Cabinet on 5 June 2024.

On 6 March 2023 the Council approved its Net Revenue Budget for 2023/24. The net budget of £216.894m (£190.556m in 2022/23) was funded by Retained Business Rates and Grant Funding of £122.744m (£108.386m in 2022/23), other Government Grants of £26.092m (£18.881m in 2022/23) and Council Tax receipts of £68.058m (£63.299m in 2022/23).

Financial performance against the approved service budgets has been monitored and reported to Members throughout the year. The final 2023/24 Budget Monitoring Report explains a budget deficit of £1.351m at the end of the year - an improvement of £2.697m since the Quarter 2 forecast was reported to the Cabinet on 21 February 2024. Through effective budget monitoring work, the Council had previously anticipated a year-end deficit position and had therefore acted to set aside sufficient one-off resources to manage this position. It is therefore able to report a balanced overall position at the end of the year.

Inflation pressures continued to have a significant impact on the costs of providing essential public services during 2023/24 – with an overall impact on service budgets of £2.048m. Excluding the impact of inflation Council services are reporting an overall operational deficit of £3.255m at the outturn stage – which represents 1.6% of total service budgets. This underlying service deficit reflects significant cost and demand concerns which have been reported throughout the year – primarily a deficit of £4.323m in relation to Children's Services. The main component of this is increased costs of placements for looked after children due to greater demand, duration, and complexity of care needs. The Children's Services Department is also incurring significant increases in spending on Home to School Transport provision as a result of additional demand and provider costs.

The Children's Service budget deficit is offset by surpluses across all other Council service areas – which demonstrates the continuing effectiveness of actions being taken by service managers across the Council to manage budget pressures, and also the continued importance of Council-wide restrictions on non-essential expenditure.

The position in respect of Council-wide and contingency budgets (after funding inflation) is a surplus of £1.904m, which reduces the overall Council deficit to £1.351m. While the underlying budget pressure in 2023/24 can be managed through the planned allocation of one-off resources, the Council's ongoing budget is facing increasingly difficult challenges. Significant investment has been included in the 2024/25 budget to address future spending pressures in relation to Adult and Children's Social Care - but those budgets remain highly volatile and will require close monitoring in the coming months.

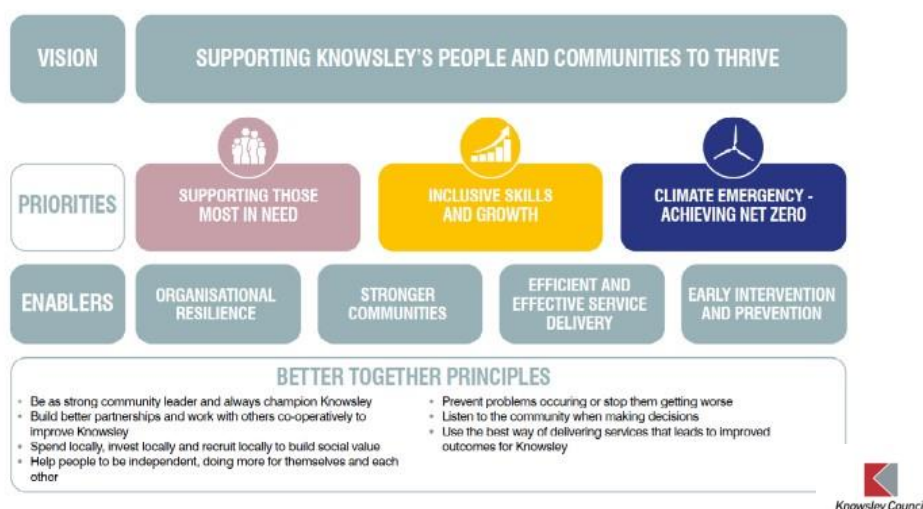
## 5. REVIEW OF COUNCIL PERFORMANCE DURING THE YEAR

### Performance against the Council Plan 2022-25

The Knowsley Council Plan 2022-25 sets out the key strategic priorities for the Council. The Council Plan includes a detailed delivery plan which is updated annually and monitored regularly as part of the Council’s overall performance and risk management framework. The annual delivery plan for 2023/24 was approved by the Cabinet in March 2023.

The key strategic priorities in the Council Plan are outline below:-

## Council Plan 2022/25



The annual outturn monitoring report for the Council Plan was presented to Cabinet on 5 June 2024. The report recognises the significant progress which the Council has continued to make in relation to the delivery of its key priorities, and also highlights the significant challenges faced and the areas where further focus and work is needed.

The main issues identified in the Cabinet report are as follows:

### 5.1 Supporting Those Most in Need

- (i) Continuing to support those most in need was a key priority for the Council and its partners during the year. The 2023/24 Household Support Fund and Knowsley Better Together Hardship Fund programmes were delivered successfully by maximising the available resources to ensure the highest level of support possible to residents. This included the provision of £15 food vouchers to the families of over 8,500 schoolchildren who are eligible for free school meals while the children are not in school.

(ii) The Affordable Housing Access Fund was approved by Cabinet on 13 September 2023. This £2.2m Fund has been established from Section 106 Agreement contributions which the Council negotiated and secured from developers in order to deliver affordable homes across the Borough. Two key priority areas have been identified for the Fund to support the delivery of additional affordable housing:-

- A Private Rented Sector Rescue Scheme – funding for registered housing providers to support the purchase of homes where private landlords are exiting the market and the tenants are therefore at risk of homelessness; and,
- Support for Affordable Housing Developments – funding for registered housing providers to support and address viability issues impacting on the development of new affordable housing.

The Strategic Housing service has purchased six properties to address the pressure on temporary accommodation. Overall, there are currently 76 units of dispersed temporary accommodation using a combination of purchased and leased properties across the Borough. The Council continues to work towards having c.100 properties available to meet demand for temporary accommodation and to reduce the use of hotel/bed and breakfast accommodation.

The Affordable Housing Programme (with grant funding provided by Homes England) remains on course to deliver around 1,150 units by 2026. Out of a total of 962 new homes delivered in Knowsley during 2023/24, 504 are affordable homes.

(iii) Northwood has the most significant deprivation levels in the Borough and a number of projects to reduce inequalities have been progressed in that Ward. Knowsley's first Family Hub opened in September 2023 and provides a range of support around the "Start for Life" offer. Next steps include further development of the integrated co-located delivery model focussed on the vision for integration and scope for joint workforce development across the Council and partner agencies who make up the multi-agency workforce in the Hub. There has been further enhanced delivery in the Northwood Family Hub with an 18% increase in families accessing provision since opening. Plans to meet the additional requirements of the national programme as part of a refresh of Year 3 of the delivery plan are being put in place.

(iv) Knowsley has continued to develop its Youth Offer, which includes a diverse range of youth opportunities and activities available to children and young people. To further improve the Offer, the Council and partner agencies have been actively seeking funding opportunities. Working in partnership with several community organisations and key partner agencies, the Council successfully secured a grant of £3.868m to deliver both a capital and revenue programme of work across four sites in the Borough - Tower Hill Boxing Club and Southdene Community Association in Kirkby, Karma in the Community in Huyton, and Halewood Youth and Community Centre. This builds upon a sum of £0.836m secured earlier in 2023 by the L14 community group in Huyton.



- (v) The Council has continued to support and recognise the invaluable work delivered by the community sector. During the summer of 2023, applications were invited to access the Council's £0.280m Stronger Communities Fund, which supports the Borough's voluntary, community, faith and social enterprise sector to contribute towards the priorities outlined in the Knowsley Council Plan. Council officers have also supported nine community groups to submit applications into the King's Award for Voluntary Service, the highest award given to local voluntary groups in the country. The LiveWell Directory has been reviewed and updated, with the number of groups registered increasing from 250 to over 500.
- (vi) Improving Children's Social Care is a key priority for the Council. During 2023/24, significant work has continued to improve quality and practice.
- Improvement Board meetings are held bi-monthly to ensure scrutiny and assurance across the service. Whilst many of the actions included in the Improvement Plan have been completed across the four priorities, there remains a strong focus on practice improvement, particularly in respect of case and staff supervision, management oversight, the quality of plans and focusing on core standards and "non-negotiable" performance targets. There has been significant improvement against key compliance performance targets, including assessment timeliness (from 75% to 99%), case supervision (from 55% to 83%), and child in need visits and reviews (from 47% to 74% and 78% respectively).
  - New plans across eight key areas (Workforce, Practice Improvement, Child in Need and Child Protection, Cared for Children and Care Experienced People, Sufficiency, Children with Disability, Quality and Assurance, and Edge of Care and Targeted Services) have been streamlined to ensure priorities are focused and achievable.
  - The Ofsted inspections undertaken during 2023/24 confirm that all current Council-run children's residential facilities are officially rated as "Good".
  - Whilst there is stability in Cared for Children placements (both short- and long-term), challenges remain nationally and locally in terms of the sufficiency of placements, particularly in respect of teenagers and young people with complex needs. Levels of complexity have had a significant impact on the placement budget. Similarly, there are budget pressures in respect of special educational needs and/or disabilities, and particularly in relation to Home to School Transport and High Needs Funding. Close monitoring of these key pressures is under way and senior Council officers are being tasked with exploring all possible actions to mitigate the impact.

- (vii) Placement sufficiency and foster carer recruitment remain key priorities for many local authorities. Funding has been secured from the Department for Education (£2.3m) to transform fostering recruitment and retention across Cheshire and Merseyside. The Council is working with seven other local authorities to deliver a more joined-up approach to foster care recruitment and provide an attractive and supportive offer to prospective foster carers.
- (viii) Improving outcomes for children and young people with special educational needs and/or disabilities remains a key priority. There were 2,392 children with Education, Health and Care Plans in Knowsley at 31 March 2024 - an increase of 37% since 2021. The increased demand has impacted significantly on costs and the timeliness of assessments. A review is in progress to ensure that the system and process can meet such increased demand.
- (ix) The Council continues to improve its Adult Social Care services. The Council's Multi-Agency Safeguarding arrangements were subject to a Local Government Association Peer Review in April 2023. The Review found that practice is safe, thresholds are appropriate, and responses are timely. Furthermore, an inspection of the Council's in-house respite service by the Care Quality Commission in June 2023 resulted in the service retaining its overall rating of "Good".
- (x) During 2023/24 the Council invested £11.8m in the Adult Social Care provider market so that providers could pay their staff at least the Real Living Wage. In June 2023, the Council published its refreshed Market Position Statement, which outlines medium-term expectations for Adult Social Care provision up to 2026. Furthermore, in March 2024, the Council made further investment of £10.3m to support the Adult Social Care provider in 2024/25. This investment is enabling the Council to continue to pay rates which are sufficient to ensure that front line provider staff are paid at least at the level of the Real Living Wage.
- (xi) Improvements continue to be made in Adult Social Care. Current performance in the "front door" pilot scheme shows that there are minimal new contacts currently awaiting an initial allocation (the front door pending tray is regularly below 20 cases waiting in total) and are generally allocated within two days. Performance in the turnaround time of cases is also very positive with 75% of cases being closed within the four-week target.

## 5.2 Inclusive Skills and Growth

- (i) Despite the significant economic challenges across the country, the Borough continued to make significant progress with major residential and commercial development programmes during 2023/24. Since being awarded £15.3m from Round Two of the Levelling Up Fund for major improvements in Halewood, the Council has prepared a comprehensive Investment Masterplan to show how this funding will be delivered. Consultation on the Halewood Investment Plans and Masterplan was completed in February 2024 and, whilst timescales remain challenging to ensure full spend of the Levelling Up funds, this important step will assist with accelerating through the next stage of detailed design and then delivery.

- (ii) Significant progress also continues to be made with the delivery of new homes at East of Halewood and Halsnead Garden Village. At Halsnead Garden Village, outline planning permission was granted in January 2024 to Your Housing Group for a 100% affordable housing scheme of up to 377 new homes. This portion of the development alone would equate to 23.6% of all 1,600 homes proposed.
- (iii) Following the Government’s announcement of the Long-Term Plan for Towns Fund in September 2023, a requirement of the funding was to establish a Town Board for Kirkby by 1 April 2024, with the Government setting out specific guidance on who should be represented on the Board. Knowsley is one of the few local authorities to meet this deadline, and the first meeting of the board was held in April 2024. The Kirkby Town Board will develop and implement a Long-Term Plan for Kirkby, setting out a vision for the town and priorities for investment and regeneration, building on the significant investment and development that has taken place in Kirkby to date.
- (iv) Progress continues to be made on the development of Huyton Village Centre. Proposals to complete site investigation activity, and to prepare and secure planning permission for a package of enabling works and wider land assembly, are now complete on the Council’s seven-acre civic campus site. Acquisition of properties in Cavendish Walk was also completed in March 2024 to ensure that the Council can continue to proactively progress plans for the overall regeneration of Huyton Village Centre.
- (v) In Prescott, the works to the roof of the Picture Palace have been completed, with works to the façade now underway. Firm developer interest is now being seen in respect of the wider Sewell Street Gateway Site. Firm offers have also been received for the regeneration of the Prescott Shopping Centre site, with evaluation of the offers currently underway.
- (vi) Resources from the Strategic Investment Fund were allocated by the Combined Authority to fund Employment Initiatives activity between September 2023 and March 2024 as a bridge between the end of European Social Fund and implementation of United Kingdom Shared Prosperity Fund allocations. The Strategic Investment Fund-funded activity has now ended, and targets were surpassed by 193%. United Kingdom Shared Prosperity Fund delivery started in Knowsley in April 2024 but the amount of funding has reduced by 40% compared to previous European funding. This is a significant reduction, which will potentially have major implications for Knowsley’s offer to residents in terms of supporting them to address issues of worklessness.

### 5.3 Climate Emergency – Achieving Net Zero

- (i) Significant progress has continued to be made in implementing the Council’s Net Zero Delivery Plan. Delivery of the Public Sector Decarbonisation schemes at Court Hey Park, Huyton Library, the River Alt Resource Centre and Kirkby Leisure Centre have all been completed. The Council is delivering actions to reduce energy consumption across the Borough’s lighting infrastructure, through decarbonisation of the Council’s fleet vehicles and wider actions to address climate change via the Borough’s parks and green spaces. The Street Lighting

Replacement Programme continues to be delivered ahead of schedule with 15,624 (77%) LED lanterns installed as at April 2024.

- (ii) A number of significant green space infrastructure schemes have been completed during 2023/24, including Phase 2 of the new public open space at Tower Hill (Kirkby) to enhance the play offer, the Mellors Pond and Windy Arbor infrastructure improvements as part of the wider Halsnead Garden Village Green Infrastructure Scheme (Whiston), and a new play area at Bowring Park (Huyton). Knowsley's network of passionate Green Space Volunteers, together with the Council's own Grounds Maintenance team, have enabled the retention of Green Flag status for 19 parks across the Borough.

## **Performance Management**

Detailed Department and Service Plans were again produced which underpin the delivery of the Council Plan and its associated Annual Delivery Plan for 2023/24. 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.

A review of the Council's Strategic Risk Register is also reported to the independently chaired Governance and Audit Committee.

## **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.

General Balances represent a financial safety net in the event of unforeseen costs or emergencies. The Council has previously set its level of General Balances to take into account the strategic, operational, and financial risks facing the Authority. The Council's Balance Sheet shows that at 1 April 2023, the Authority's General Balances stood at £8.575m which represented 4.5% of the 2023/24 net Revenue Budget.

The Medium-Term Financial Strategy report to the Council on 6 March 2024 notes that it was considered necessary to increase the Council's General Balances in view of the greater levels of financial risk caused by continuing social care pressures and future financial uncertainty. The Council agreed to increase General Balances to £8.975m at 31 March 2024 - equivalent to 3.8% of the 2024/25 net revenue budget. This would represent two years of funding a similar in-year deficit to that faced in 2023/24 and provides a "safety net" to deal with deficits whilst implementing mitigating solutions.

The Council's Balance Sheet also shows the earmarked reserves held by the Council. At 31 March 2024 these included funding for the Council's Private Finance initiative (£31.7m), reserves held by Schools (£5.1m) and reserves earmarked for Public Health initiatives (£2.8m). In addition to these, a total of £54.7m of reserves 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 reserves to address the growing costs

of social care; investment in the Borough's Town Centres; investment in improved jobs and employment opportunities; improvements in education; support for homelessness; and a range of 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 retained in reserves 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 inflationary and other demand-related pressures which must be reflected in the Council's future budget setting process.

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 2023/24 was reported to the Governance and Audit Committee on 30 January 2023 and was subsequently approved by the Council on 8 March 2023.

The authorised limit for external debt for the Council for 2023/24 was £330m (£360m in 2022/23). The actual level of outstanding long-term and short-term debt at the year-end totalled £217m which included £101m of liabilities related to the Council's Private Finance Initiative schemes (£224m as at 31 March 2023 including £108m of liabilities relating to the Private Finance Initiative schemes).

At 31 March 2024, the Council had £107.948m of long-term borrowing (compared to £107.725m in 2022/23). This included £100.079m of loans from the Public Works Loans Board. Included in the balance is £0.246m relating to debt transferred on the local government reorganisation in 1974 and 1986. At 31 March 2024 the Council held cash and investments of £45.511m (the 2022/23 figure totalled £73.205m).

The Council paid £8.539m of interest and similar charges in year for its Private Finance Initiative schemes (2022/23 £9.037m) and a further £4.656m (2022/23 £4.633m) on its treasury management activities. The Council received £3.825m of interest on its investments during the year (2022/23 £2.314m).

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 2023/24, 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 (£7.0m); Street Lighting LED Replacement Programme (£2.5m); Acquisition of Cavendish Walk (£2.3m); Kirkby Town Centre Multi-Story Car Park Refurbishment (£2.1m); Vehicle Replacement Scheme (£2.0m); further work on the development of Kirkby Town Centre (£1.6m), and the creation of new pupil places at Plantation Primary School (£1.6m). The total amount of grant and other contributions that was spent during 2023/24 was £26.969m. There were also schemes totalling £7.207m 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 2024. At the end of 2023/24 the Council's share of the overall Fund (excluding Teachers) was a net liability of £16m compared to £31m the previous year. This reduction is mainly due to the increase 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 2024, 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.

## **7. MAJOR INFLUENCES ON THE 2023/24 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.

### Audit of Local Government Accounts

The national pressure on external audit capacity is continuing to have an impact on the ability of external auditors to complete their work programmes within the government's formal timescales.

In April 2024, Knowsley's external auditors (Grant Thornton UK LLP) confirmed that the audit plan would be issued in June 2024, and that work on the audit of the 2023/24 Accounts would commence in Autumn 2024. In light of this the Council was able to build additional time into its programme for producing the draft Accounts – which helped to reduce pressure on officer capacity and allowed additional quality assurance work to be undertaken.

### Local Government Funding

For the fifth year in succession the Local Government Finance Settlement for 2023/24 was for one-year only - which continued the climate of uncertainty regarding future funding levels. The Government approach has severely limited the Council's ability to plan for the medium term.

The 2023/24 funding from the Government continued to fall short of covering the full impact of price and wage inflation and the increasing demand for Council services. To keep up with inflation, Knowsley's funding should have gone up by £90m more than it actually has done over the last 10 years. These financial challenges come 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. Knowsley suffered the biggest funding cuts of any council in the country – with our funding being cut by £1,290 per household over the last 10 years – compared to a national average of £556 per household. 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.

Despite these varied and unprecedented financial challenges the Council has managed to achieve a relatively positive financial position. The Council was able to set a budget for 2023/24 which required no new permanent savings, and indeed included new permanent investment in key services. 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 – particularly the cost and demand of social care provision, the 2024/25 local government pay award, and future Government policy on local government funding. The Council will monitor these uncertainties closely as part of developing its future financial strategy.

## **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 COUNCIL'S CHIEF FINANCE OFFICER'S RESPONSIBILITIES**

The Council's Chief Finance Officer 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 Council's Chief Finance Officer 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 Council's Chief Finance Officer 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.

### **THE COUNCIL'S CHIEF FINANCE OFFICER'S STATEMENT**

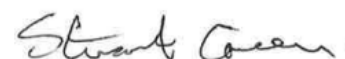
I certify that the Council's 2023/24 Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2024 and its income and expenditure for the year ended 31 March 2024.



**DAN BARLOW CPFA**  
Head of Finance  
10 February 2025

### **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 10 February 2025.



**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.

2022/23					2023/24		
Expenditure £000	Income £000	Net £000	Notes		Expenditure £000	Income £000	Net £000
225,582	(165,284)	60,298		Children's Services	244,534	(179,432)	65,102
45,486	(27,410)	18,076		Communities and Neighbourhoods	47,068	(29,118)	17,950
22,919	(12,941)	9,978		Council Wide	10,670	(10,782)	(112)
148,420	(71,168)	77,252		Health and Social Care	161,331	(77,633)	83,698
35,040	(16,958)	18,082		Regeneration and Economic Development	34,857	(20,866)	13,991
89,765	(59,187)	30,578		Resources	87,849	(59,640)	28,209
<b>567,212</b>	<b>(352,948)</b>	<b>214,264</b>		<b>Cost of Services</b>	<b>586,309</b>	<b>(377,471)</b>	<b>208,838</b>
21,179	0	21,179	9	Other Operating Expenditure	24,942	0	24,942
54,173	(37,194)	16,979	10	Financing and Investment Income and Expenditure	59,421	(50,955)	8,466
0	(233,812)	(233,812)	11	Taxation and Non-Specific Grant Income	0	(251,817)	(251,817)
<b>642,564</b>	<b>(623,954)</b>	<b>18,610</b>		<b>(Surplus) or Deficit on Provision of Services</b>	<b>670,672</b>	<b>(680,243)</b>	<b>(9,571)</b>
		9,042	25	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(5,631)
		182	25	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income and expenditure			(26)
		(352,989)	42	Remeasurement of the net defined benefit liability / asset			(32,256)
		0	42	Asset Ceiling Adjustment			16,072
		<b>(343,765)</b>		<b>Other Comprehensive Income and Expenditure</b>			<b>(21,841)</b>
		<b>(325,155)</b>		<b>Total Comprehensive Income and Expenditure</b>			<b>(31,412)</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.

	Note	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 2023</b>		(8,575)	(100,446)	(109,021)	0	(4,177)	(113,198)	(316,873)	(430,071)
<b>Movement in reserves during 2023/24</b>									
(Surplus) or deficit on the provision of services		(9,571)	0	(9,571)	0	0	(9,571)	0	(9,571)
Other Comprehensive Income / Expenditure		0	0	0	0	0	0	(21,841)	(21,841)
<b>Total Comprehensive Income and Expenditure</b>		<b>(9,571)</b>	<b>0</b>	<b>(9,571)</b>	<b>0</b>	<b>0</b>	<b>(9,571)</b>	<b>(21,841)</b>	<b>(31,412)</b>
Adjustments between accounting basis and funding basis under regulations	7	15,290	0	15,290	(28)	(5,284)	9,978	(9,978)	0
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>		<b>5,719</b>	<b>0</b>	<b>5,719</b>	<b>(28)</b>	<b>(5,284)</b>	<b>407</b>	<b>(31,819)</b>	<b>(31,412)</b>
Transfers to / from Earmarked Reserves	8	(6,119)	6,119	0	0	0	0	0	0
<b>Increase or Decrease in 2023/24</b>		<b>(400)</b>	<b>6,119</b>	<b>5,719</b>	<b>(28)</b>	<b>(5,284)</b>	<b>407</b>	<b>(31,819)</b>	<b>(31,412)</b>
<b>Balance at 31 March 2024</b>		<b>(8,975)</b>	<b>(94,327)</b>	<b>(103,302)</b>	<b>(28)</b>	<b>(9,461)</b>	<b>(112,791)</b>	<b>(348,692)</b>	<b>(461,483)</b>

Knowsley Metropolitan Borough Council – Statement of Accounts 2023/24

	Note	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>		(8,575)	(110,715)	(119,290)	(4,449)	(350)	(124,089)	19,173	(104,916)
<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	7	(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	8	(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>

**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'.

<b>31 March 2023 Restated* £000</b>	<b>Notes</b>		<b>31 March 2024 £000</b>
337,018	12	Property, Plant and Equipment	359,431
208,718	13	Infrastructure Assets	214,412
580	14	Heritage Assets	580
87,621	15	Investment Property	93,008
479	16	Intangible Assets	642
26,113	18	Long-Term Investments	26,623
599		Long-Term Debtors	647
<b>661,128</b>		<b>Long Term Assets</b>	<b>695,343</b>
0	18	Short-Term Investments	3,026
17,965	21	Assets Held for Sale	1,364
343		Inventories	373
65,155	19	Short-Term Debtors	75,022
54,627*	20	Cash and Cash Equivalents	20,667
<b>138,090</b>		<b>Current Assets</b>	<b>100,452</b>
(8,094)	18	Short-Term Borrowing	(8,271)
(7,535)*	20	Cash Overdrawn on Bank Accounts	(4,805)
(79,587)	22	Short-Term Creditors	(74,982)
(688)	23	Provisions	(2,428)
(10,653)	35	Grants Receipts in Advance - Revenue	(5,390)
(2,198)	35	Grants Receipts in Advance - Capital	(2,525)
<b>(108,755)</b>		<b>Current Liabilities</b>	<b>(98,401)</b>
(10,836)	23	Provisions	(9,154)
(107,725)	18	Long-Term Borrowing	(107,948)
(101,202)	39	Other Long-Term Liabilities	(93,755)
(40,629)	42	Net Pension Liability	(25,054)
<b>(260,392)</b>		<b>Long Term Liabilities</b>	<b>(235,911)</b>
<b>430,071</b>		<b>Net Assets</b>	<b>461,483</b>
(113,198)	24	Usable Reserves	(112,791)
(316,873)	25	Unusable Reserves	(348,692)
<b>(430,071)</b>		<b>Total Reserves</b>	<b>(461,483)</b>

\* See Note 20 Cash and Cash Equivalents

**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>2022/23</b> <b>£000</b>		<b>2023/24</b> <b>£000</b>
18,610	Net (surplus) or deficit on the provision of services (Comprehensive Income & Expenditure Statement)	(9,571)
(44,027)	Adjustment to surplus or deficit on the provision of services for non-cash movements (Note 26)	(5,114)
28,268	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities (Note 26)	32,990
<b>2,851</b>	<b>Net cash flows from operating activities</b>	<b>18,305</b>
(8,293)	Net cash flows from investing activities (Note 27)	5,467
8,895	Net cash flows from financing activities (Note 28)	7,458
<b>3,453</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>31,230</b>
50,545	Cash and cash equivalents at the beginning of the reporting period (Balance Sheet)	47,092
<b>47,092</b>	<b>Cash and cash equivalents at the end of the reporting period (Balance Sheet)</b>	<b>15,862</b>

## Note 1 - Accounting Policies

### **1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its overall financial position as at 31 March 2024. 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 comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), supported by International Financial Reporting Standards (IFRS).

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

### **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.

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 current 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 three years. All valuations are carried out internally (with the exception of Kirkby Town Centre that is valued by an external valuer) 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 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.

## **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 His 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 2023/24 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:

- IFRS 16 Leases came into effect on 1 April 2024.
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020;
- Lease Liability in a Sale and Leaseback (Amendment to IFRS 16) issued in September 2022;
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022;
- International Tax Reform: Pillar To Model Rules (Amendment to IAS 12) issued in May 2023; and
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issues in May 2023.

IFRS 16 sets out how the Council should account for leases. It applies to leases that the Council enters into as a lessee (i.e. the Council receives the lease), but has minimal impact on leases where the Council is the lessor (i.e. the Council provides the lease).

Under the new standard, all leases for greater than 12 months will be classed as a finance lease (unless they are of a minor value) and therefore included as an asset in the Council's balance sheet. This means that there will be a greater value of assets reflected in the accounts, however, there will also be a corresponding liability to reflect the outstanding lease payments that still need to be made. There will be no impact on the year end net revenue position and initial work undertaken has concluded that the value of additional assets and liabilities added to the Balance Sheet will be in the region of £7m.

The remaining 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 18 Community Schools on its Balance Sheet as it directly owns those assets. For the 26 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.

#### 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 had previously categorised its Strategic Housing Land Sites as Assets Held for Sale on the Balance Sheet. Developers have been granted a building lease for the provision of housing until the freehold of the individual houses have been sold. Therefore, the Council kept these sites on Balance Sheet until houses have been sold to individuals. During 2023/24 the sale of freeholds has fallen and therefore the Council feels that these sites no longer meet the definition of Assets Held for Sale. During 2023/24 £17.965m of these Strategic Housing Land Sites have been transferred to Surplus Assets held under Property, Plant and Equipment on the Balance Sheet.

#### **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 2024 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 2024, the value of depreciable non-current assets held on the Balance Sheet is £443.310m. A 10% reduction in the Net Book Value would equate to £44.331m. It is estimated that the annual depreciation charge for assets would increase by £1.140m for every year that useful lives were 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 2024, the value of Investment Properties is £93.008m. 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 107. As at 31 March 2024, the total net pension liability, including Teachers Pensions is £25.054m, however a 0.1% increase in the assumed discount rate would reduce the net pension liability by £13.067m, and a 1-year increase in assumed life expectancy would increase the net liability by £23.619m. The Council's net pension liability included in the Balance Sheet and disclosed at Note 42, includes an estimate of the total value of the Council's share of the Merseyside Pension Fund investment assets.

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

The Statement of Accounts was authorised for issue by the Executive Director (Resources) on 26 June 2024.

There are no events after the balance sheet date 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.

2022/23				2023/24		
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
45,425	14,871	60,296	Children's Services	59,826	5,276	65,102
12,349	5,727	18,076	Communities and Neighbourhoods	14,903	3,047	17,950
11,362	(1,384)	9,978	Council Wide	(312)	200	(112)
69,035	8,219	77,254	Health and Social Care	79,115	4,583	83,698
9,841	8,241	18,082	Regeneration and Economic Development	7,909	6,082	13,991
30,697	(119)	30,578	Resources	28,895	(686)	28,209
<b>178,709</b>	<b>35,555</b>	<b>214,264</b>	<b>Net Cost of Services</b>	<b>190,336</b>	<b>18,502</b>	<b>208,838</b>
(168,440)	(27,214)	(195,654)	Other Income and Expenditure	(184,617)	(33,792)	(218,409)
<b>10,269</b>	<b>8,341</b>	<b>18,610</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>5,719</b>	<b>(15,290)</b>	<b>(9,571)</b>
(119,290)			Opening Combined General Fund Balance	(109,021)		
10,269			Plus / less (Surplus) or Deficit on the General Fund Balance for the Year (Statutory basis)	5,719		
<b>(109,021)</b>			<b>Closing Combined General Fund Balance</b>	<b>(103,302)</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>2023/24</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	5,682	(406)	0	5,276
Communities and Neighbourhoods	3,215	(168)	0	3,047
Council Wide	81	119	0	200
Health and Social Care	4,732	(149)	0	4,583
Regeneration and Economic Development	6,143	(61)	0	6,082
Resources	(472)	(214)	0	(686)
<b>Net Cost of Services</b>	<b>19,381</b>	<b>(879)</b>	<b>0</b>	<b>18,502</b>
Other Income and Expenditure	(38,368)	1,488	3,088	(33,792)
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>(18,987)</b>	<b>609</b>	<b>3,088</b>	<b>(15,290)</b>

<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>

#### 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>2023/24</b>	<b>Revenues from External Customers £000</b>	<b>Depreciation and Amortisation £000</b>
Children's Services	(1,423)	3,786
Communities and Neighbourhoods	(9,590)	2,131
Council Wide	(10,219)	209
Health and Social Care	(18,216)	1,509
Regeneration and Economic Development Resources	(11,551)	8,101
	(6,835)	1,654
<b>Total Managed by Segments</b>	<b>(57,834)</b>	<b>17,390</b>

<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)	6,486
	(6,649)	1,213
<b>Total Managed by Segments</b>	<b>(48,784)</b>	<b>14,692</b>



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

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

<b>2022/23 £000</b>	<b>Nature of Expenditure or Income</b>	<b>2023/24 £000</b>
187,063	Employee benefits expenses	189,457
48,668	Interest payments	55,697
21,150	Precepts and levies	21,600
14,933	Depreciation, amortisation and impairment	18,126
9,850	Support service recharge expenditure	9,850
1	Payments to Housing Capital Receipts Pool	3
360,899	Other service expenses	375,939
(294,326)	Government grants and contributions	(310,605)
(189,080)	Income from local taxation	(197,111)
(9,850)	Support Service recharge income	(9,850)
(37,194)	Interest and investment income	(50,571)
28	Gain or loss on disposal of non-current assets	3,339
3,089	Movement in fair value of Financial Instruments	(384)
(96,621)	Fees, charges and other service income	(115,061)
<b>18,610</b>	<b>(Surplus) or Deficit for Year</b>	<b>(9,571)</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.

2023/24	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)	(609)	0	0	609
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	384	0	0	(384)
Council tax and NDR (transfers to or from the Collection Fund)	4,579	0	0	(4,579)
Holiday pay (transferred to the Accumulated Absences reserve)	2,667	0	0	(2,667)
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)	(6,534)	0	0	6,534
Dedicated Schools Grant Deficit (transferred to the Dedicated Schools Grant Adjustment Account)	(8,093)	0	0	8,093
<b>Total Adjustments to Revenue Resources</b>	<b>(7,564)</b>	<b>0</b>	<b>0</b>	<b>7,564</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	31	(31)	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)	(3)	3	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	6,787	0	0	(6,787)
Transfer of capital grants and contributions to Capital Grants Unapplied	9,209	0	(9,209)	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	6,830	0	0	(6,830)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>22,854</b>	<b>(28)</b>	<b>(9,209)</b>	<b>(13,617)</b>
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	0
Application of capital grants to finance capital expenditure	0	0	3,925	(3,925)
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>3,925</b>	<b>(3,925)</b>
<b>Total Adjustments</b>	<b>15,290</b>	<b>(28)</b>	<b>(5,284)</b>	<b>(9,978)</b>

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)
<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>

**Note 8 - Transfers to/from Earmarked Reserves**

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

	Balance at 31 March 2022 £000	Transfers In 2022/23 £000	Transfers Out 2022/23 £000	Balance at 31 March 2023 £000	Transfers In 2023/24 £000	Transfers Out 2023/24 £000	Balance at 31 March 2024 £000
<b>General Fund Reserves:</b>							
Approved Budget Investments	(27,113)	(7,743)	11,972	(22,884)	(5,088)	13,461	(14,511)
Service Commitments	(46,405)	(9,115)	21,643	(33,877)	(7,728)	10,121	(31,484)
Budget Strategy Reserve	(3,306)	(3,578)	889	(5,995)	(8,438)	4,474	(9,959)
Workforce Remodelling	(1,984)	(1,047)	145	(2,886)	0	1,286	(1,600)
Centres for Learning	(23,395)	(4,758)	0	(28,153)	(2,010)	0	(30,163)
Insurance Fund	(1,261)	0	1,261	0	0	0	0
Street Lighting PFI	(1,987)	(1,881)	1,593	(2,275)	(2)	733	(1,544)
School Balances	(5,265)	(3,916)	4,804	(4,377)	(5,046)	4,356	(5,067)
<b>Total General Fund</b>	<b>(110,715)</b>	<b>(32,038)</b>	<b>42,307</b>	<b>(100,446)</b>	<b>(28,312)</b>	<b>34,431</b>	<b>(94,327)</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) Centres 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>2022/23 £000</b>		<b>2023/24 £000</b>
1,441	Precepts	1,460
19,709	Levies	20,140
1	Payments to the Government Housing Capital Receipts Pool	3
28	(Gains)/losses on the Disposal of Non-Current Assets	3,339
<b>21,179</b>	<b>Total Other Operating Expenditure</b>	<b>24,942</b>

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

<b>2022/23 £000</b>		<b>2023/24 £000</b>
13,670	Interest payable and similar charges	13,195
9,799	Net interest on the net defined benefit liability (asset)	1,488
(2,314)	Interest receivable and similar income	(3,825)
(7,265)	Income and expenditure in relation to investment properties and changes in their fair value	(2,008)
3,089	Movement in fair value of financial instruments	(384)
<b>16,979</b>	<b>Total Financing and Investment Income and Expenditure</b>	<b>8,466</b>

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

<b>2022/23 £000</b>		<b>2023/24 £000</b>
(65,295)	Council tax income	(68,532)
(123,785)	Non-domestic rates income	(128,579)
(18,977)	Non-ringfenced government grants	(27,774)
(25,755)	Capital grants and contributions	(26,932)
<b>(233,812)</b>	<b>Total Taxation and Non-Specific Grant Income</b>	<b>(251,817)</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 at 1 April 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>
Additions	9,034	5,324	1,487	658	232	16,735
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,277	0	0	355	0	5,632
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,527)	0	0	2,241	0	(2,286)
Derecognition – disposals	(38,059)	(10,399)	0	0	0	(48,458)
Reclassifications and transfer	0	0	0	(460)	0	(460)
Assets reclassified (to)/from Held for Sale	0	0	0	20,421	0	20,421
Other movements in cost or valuation	(7,738)	0	0	(2,697)	0	(10,435)
<b>at 31 March 2024</b>	<b>299,262</b>	<b>15,437</b>	<b>16,376</b>	<b>50,047</b>	<b>337</b>	<b>381,459</b>
<b>Accumulated Depreciation and Impairment at 1 April 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>
Depreciation charge	(6,473)	(3,894)	(277)	0	0	(10,644)
Impairment losses/(reversals) recognised in the Revaluation Reserve	(2)	0	0	0	0	(2)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(241)	0	0	(495)	0	(736)
Derecognition – disposals	34,689	10,399	0	0	0	45,088
Assets reclassified (to)/from Held for Sale	0	0	0	(2,877)	0	(2,877)
Other movements in depreciation and impairment	7,558	0	0	2,877	0	10,435
<b>at 31 March 2024</b>	<b>(7,973)</b>	<b>(8,871)</b>	<b>(2,618)</b>	<b>(2,566)</b>	<b>0</b>	<b>(22,028)</b>
<b>Net Book Value</b>						
<b>at 31 March 2024</b>	<b>291,289</b>	<b>6,566</b>	<b>13,758</b>	<b>47,481</b>	<b>337</b>	<b>359,431</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>



During 2023/24 the Council derecognised the gross cost and depreciation values of assets that had been fully depreciated over previous years and had no remaining useful life. The value of these assets was £45.125m and are included in the Derecognition-Disposals lines within the above table. These changes do not impact on the net book value of assets shown in the Balance Sheet.

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

<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>

Property, Plant and Equipment Revaluations

	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture and Equipment £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Total £000</b>
<b>Carried at historical cost</b>	3,352	6,566	13,758	0	<b>23,676</b>
<b>Valued at current / fair value as at:</b>					
31/03/2024	99,425	0	0	47,481	<b>146,906</b>
31/03/2023	103,600	0	0	0	<b>103,600</b>
31/03/2022	84,912	0	0	0	<b>84,912</b>
31/03/2021	0	0	0	0	<b>0</b>
<b>Total Cost or Valuation</b>	<b>291,289</b>	<b>6,566</b>	<b>13,758</b>	<b>47,481</b>	<b>359,094</b>

Note 13 – Infrastructure Assets

<b>2022/23 £000</b>		<b>2023/34 £000</b>
201,822	<b>Net Book Value as at 1 April</b>	208,718
12,969	Additions	11,774
0	Derecognition	(37)
(6,073)	Depreciation	(6,080)
0	Other movement in depreciation and impairment	37
<b>208,718</b>	<b>Net Book Value as at 31 March</b>	<b>214,412</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>2022/23</b>		<b>2023/24</b>
<b>£000</b>	<b>Public Art</b>	<b>£000</b>
604	Opening Balance	580
0	Additions	25
(24)	Depreciation	(25)
<b>580</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 2023/24 further artwork pieces were commissioned for public art installations in Huyton Village.

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 2023</b>		<b>31 March 2024</b>
<b>£000</b>	<b>Investment Property Income and Expenditure</b>	<b>£000</b>
(5,576)	Rental income from investment property	(6,207)
2,416	Direct operating expenses from investment property	3,724
<b>(3,160)</b>	<b>Net (gain)/loss</b>	<b>(2,483)</b>

<b>31 March 2023</b>		<b>31 March 2024</b>
<b>£000</b>	<b>Investment Properties Movement in Year</b>	<b>£000</b>
79,358	Opening Balance	87,621
	Additions:	
868	Purchases	2,300
2,990	Subsequent expenditure	3,102
0	Disposals	0
4,105	Net gains/(losses) from fair value adjustments	(475)
	Transfers:	
300	to/from Property Plant and Equipment	460
<b>87,621</b>	<b>Balance at the end of the year</b>	<b>93,008</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 2023</b> <b>£000</b>	<b>Software</b>	<b>31 March 2024</b> <b>£000</b>
	Balance at start of year:	
2,978	Gross carrying amounts	3,314
(2,469)	Accumulated amortisation	(2,835)
<b>509</b>	<b>Net carrying amount at start of year</b>	<b>479</b>
336	Additions	804
(366)	Amortisation for the period	(641)
<b>479</b>	<b>Net carrying amount at end of year</b>	<b>642</b>
	Comprising:	
3,314	Gross carrying amounts	4,118
(2,835)	Accumulated amortisation	(3,476)
<b>479</b>	<b>Total</b>	<b>642</b>

**Note 17 - Capital Commitments**

At 31 March 2024, the Council had committed to a number of capital projects in 2023/24 and future years. The major commitments are:

<b>31 March 2023 £000</b>	<b>Scheme</b>	<b>Purpose</b>	<b>Expected Period</b>	<b>£000</b>
<b>9,687</b>	Various Highways Schemes	Expenditure within the Highways Capital Programme to be completed by the Council's Highways Maintenance Contractor for the Liverpool City Region Sustainable Transport Scheme (CRSTS) and East of Halewood Highway improvement works.	2024/25 and 2025/26	<b>16,404</b>
<b>6,300</b>	Highways Key route Network Schemes	Additional CRSTS 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.	2024/25 and 2025/26	<b>5,699</b>
<b>4,054</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.	2024/25	<b>2,857</b>
<b>3,310</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 Phase 2 & Phase 3 infrastructure improvements.	2024/25 and 2025/26	<b>1,811</b>
<b>3,271</b>	Kirkby Town Centre Regeneration	The scheme transferred ownership of the existing town centre from St Modwen to the Council enabling the Council to bring forward a new retail development and improvements to Cherryfield Drive.	2024/25	<b>1,030</b>
<b>3,390</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.	2024/25	<b>894</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. 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 2023 £000	31 March 2024 £000	31 March 2023 £000	31 March 2024 £000	31 March 2023 £000	31 March 2024 £000
Fair value through profit and loss	24,076	24,460	0	0	24,076	24,460
Amortised cost	138	238	485	538	623	776
Fair value through other comprehensive income - designated equity instruments	1,899	1,925	0	0	1,899	1,925
<b>Total financial assets</b>	<b>26,113</b>	<b>26,623</b>	<b>485</b>	<b>538</b>	<b>26,598</b>	<b>27,161</b>

### Current Financial Assets

	Investments		Debtors		Cash		Total	
	31 March 2023 £000	31 March 2024 £000	31 March 2023 £000	31 March 2024 £000	31 March 2023 £000	31 March 2024 £000	31 March 2023 £000	31 March 2024 £000
Fair value through profit and loss	0	0	0	0	40,781	14,227	40,781	14,227
Fair value through other comprehensive income - designated equity instruments	0	0	0	0	14	0	14	0
Amortised cost	0	3,026	44,648	40,291	6,297	1,635	50,945	44,952
<b>Total financial assets</b>	<b>0</b>	<b>3,026</b>	<b>44,648</b>	<b>40,291</b>	<b>47,092</b>	<b>15,862</b>	<b>91,740</b>	<b>59,179</b>

The total debtor figures on the balance sheet have been reduced by £34.840m 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 43 – Nature and Extent of Financial Risks, total credit risk exposure at 31 March 2024.

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 £0.493m 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 2023 £000	31 March 2024 £000	31 March 2023 £000	31 March 2024 £000	31 March 2023 £000	31 March 2024 £000
Amortised cost	(107,725)	(107,948)	(101,202)	(93,755)	(208,927)	(201,703)
<b>Total financial Liabilities</b>	<b>(107,725)</b>	<b>(107,948)</b>	<b>(101,202)</b>	<b>(93,755)</b>	<b>(208,927)</b>	<b>(201,703)</b>

### Current Financial Liabilities

	Borrowings		Creditors		Total	
	31 March 2023 £000	31 March 2024 £000	31 March 2023 (Restated) £000	31 March 2024 £000	31 March 2023 (Restated) £000	31 March 2024 £000
Amortised cost	(8,094)	(8,271)	(43,061)	(41,897)	(64,716)	(61,942)
<b>Total financial Liabilities</b>	<b>(8,094)</b>	<b>(8,271)</b>	<b>(43,061)</b>	<b>(41,897)</b>	<b>(64,716)</b>	<b>(61,942)</b>

The creditor figure on the balance sheet has been reduced by £33.085m 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.

The 2022/23 figure for creditors has also been reduced by an additional £13.561m for balances that do not meet the definition of a financial liability.

**Income, Expense, Gains and Losses**

	31 March 2023		31 March 2024	
	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	182	0	(26)
• financial assets measured at fair value through profit or loss	3,089	0	(384)	0
<b>Total net (gains)/losses</b>	<b>3,089</b>	<b>182</b>	<b>(384)</b>	<b>(26)</b>
<b>Interest revenue:</b>				
• financial assets measured at amortised cost	(359)	0	(763)	0
• other financial assets measured at fair value through other comprehensive income	(1,955)	0	(3,062)	0
<b>Total interest revenue</b>	<b>(2,314)</b>	<b>0</b>	<b>(3,825)</b>	<b>0</b>
<b>Interest expense</b>	<b>13,670</b>	<b>0</b>	<b>13,195</b>	<b>0</b>

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

	31 March 2023 £000	31 March 2024 £000
Fundamentum REIT	1,899	1,925
<b>Total</b>	<b>1,899</b>	<b>1,925</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 2024, 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 2024.
- The fair values of finance lease and PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding non-lease 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:

1. Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g., bond prices.
2. 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.
3. 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 2023		31 March 2024	
		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)	(7,160)	(6,078)	(6,928)
PWLB fixed loans	2	(101,530)	(92,990)	(101,534)	(93,706)
Market long term loans	2	(7,473)	(6,429)	(8,114)	(7,223)
PFI and Finance Leases	2	(108,139)	(117,149)	(101,203)	(109,787)
<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	(72,650)	(72,650)	(67,535)	(67,535)
<b>Total Financial Liabilities</b>		<b>(295,869)</b>	<b>(296,378)</b>	<b>(284,464)</b>	<b>(285,179)</b>
<b>Financial Assets held at Amortised Cost</b>					
Cash and Cash Equivalents	2 (Note i)	6,297	6,297	1,635	1,635
Long term deposits	2	138	138	238	238
<b>Assets for which fair value is not disclosed</b>					
Short term deposits	(Note i)	0	0	3,026	3,026
Trade Receivables	(Note i)	65,755	65,755	75,669	75,669
<b>Financial Assets held at Fair Value through Profit and Loss</b>					
Cash Equivalents	1	40,781	40,781	14,227	14,227
Long term deposits	1	24,076	24,076	24,460	24,460
<b>Financial Assets held at Fair Value through Other Comprehensive Income</b>					
Cash Equivalents	1	14	14	0	0
Long term deposits	1	1,899	1,899	1,925	1,925
<b>Total Financial Assets</b>		<b>138,960</b>	<b>138,960</b>	<b>121,180</b>	<b>121,180</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 £0.493m 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 aggregate net present value of future cash flows, discounted using the appropriate premature repayment rate, show the fair value of loans outstanding as at 31 March 2024 is £103.613m. This represents a variance of £9.907m 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 Council's PFI contracts is higher than current long term interest rates. PFI rates also include an element to cover the risks around construction, which is no longer present.

## **Financial Assets**

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

### Financial assets held at amortised costs

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

The long-term investment is an investment in a credit union and the carrying amount is deemed to be a reasonable approximation.

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

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

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

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

**Note 19 - Debtors**

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

<b>31 March 2023</b> <b>£000</b>		<b>31 March 2024</b> <b>£000</b>
17,101	Trade Receivables	22,217
2,838	Prepayments	4,612
	Other Receivable Amounts:	
14,241	- Grants Due	10,895
4,300	- VAT Due from HMRC	4,194
8,983	- Other	8,788
17,692	Collection Fund	24,316
<b>65,155</b>	<b>Total</b>	<b>75,022</b>

Each line is presented net of an allowance for expected credit losses. As at 31 March 2024 the total expected credit loss was £24.299m (£23.895m at 31 March 2023).

**Note 20 - Cash and Cash Equivalents**

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

<b>31 March 2023</b> <b>(Restated)</b> <b>£000</b>		<b>31 March 2024</b> <b>£000</b>
3,398	Cash balances	3,427
(7,535)	Cash overdrawn at bank	(4,805)
51,229	Short Term Deposits	17,240
<b>47,092</b>	<b>Total Cash and Cash Equivalents</b>	<b>15,862</b>

The 2022/23 figures have been restated to separately show the accounts that are overdrawn.



**Note 21 - Assets Held for Sale**

<b>31 March 2023 £000</b>	<b>Current Assets Held for Sale</b>	<b>31 March 2024 £000</b>
18,042	Balance outstanding at start of year	17,965
0	Newly acquired assets	944
0	Assets newly classified as held for sale: - Property Plant and Equipment	420
0	Assets declassified as held for sale: - Property Plant and Equipment	(17,965)
(77)	Assets sold	0
<b>17,965</b>	<b>Balance Outstanding year end</b>	<b>1,364</b>

**Note 22 - Creditors**

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

<b>31 March 2023 £000</b>		<b>31 March 2024 £000</b>
(29,361)	Trade payables	(34,793)
	Other payables	
(8,402)	- Employee Absences Accrual	(5,735)
(6,747)	- Other Employee Related	(6,562)
(4,682)	- Grants	(4,167)
(7,430)	- Other	(2,414)
(15,973)	Income in Advance	(16,208)
(6,992)	Collection Fund	(5,103)
<b>(79,587)</b>	<b>Total Creditors</b>	<b>(74,982)</b>

**Note 23 – Provisions**

A number of provisions have been set aside at 31 March 2024 to cover the following liabilities:

**Current Provisions**

<b>2023/24</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	0	(172)	(410)	(106)	<b>(688)</b>
Increase in provision during year	0	(1,973)	0	(63)	<b>(2,036)</b>
Utilised during year	0	172	0	0	<b>172</b>
Unused Amounts Reversed	0	0	114	10	<b>124</b>
<b>Closing Balance</b>	<b>0</b>	<b>(1,973)</b>	<b>(296)</b>	<b>(159)</b>	<b>(2,428)</b>

<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)	<b>(1,169)</b>
Increase in provision during year	0	0	0	0	<b>0</b>
Utilised during year	0	399	66	0	<b>465</b>
Unused Amounts Reversed	16	0	0	0	<b>16</b>
<b>Closing Balance</b>	<b>0</b>	<b>(172)</b>	<b>(410)</b>	<b>(106)</b>	<b>(688)</b>

### Long Term Provisions

<b>2023/24</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	(1,230)	(7,114)	0	(2,472)	(5)	(15)	<b>(10,836)</b>
Increase in provision during year	0	(1,881)	0	(160)	0	0	<b>(2,041)</b>
Utilised during year	1,230	2,251	0	222	0	0	<b>3,703</b>
Unused Amounts Reversed	0	0	0	0	5	15	<b>20</b>
<b>Closing Balance</b>	<b>0</b>	<b>(6,744)</b>	<b>0</b>	<b>(2,410)</b>	<b>0</b>	<b>0</b>	<b>(9,154)</b>

<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>
Utilised during year	2,853	1,446	0	152	0	0	<b>4,451</b>
Unused Amounts Reversed	0	0	145	0	0	0	<b>145</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>

### 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 £1.973m 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: 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 2023</b> <b>£000</b>		<b>31 March 2024</b> <b>£000</b>
(8,575)	General Fund Balance	(8,975)
(100,446)	Earmarked General Fund Reserves	(94,327)
0	Capital Receipts Reserve	(28)
(4,177)	Capital Grants Unapplied	(9,461)
<b>(113,198)</b>	<b>Total</b>	<b>(112,791)</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 2023</b> <b>£000</b>		<b>31 March 2024</b> <b>£000</b>
(4,449)	Balance 1 April	0
(439)	Capital Receipts in year	(31)
0	Deferred Capital Receipts Realised	0
1	Capital Receipts Pooled	3
4,887	Capital Receipts used for financing	0
<b>0</b>	<b>Balance 31 March</b>	<b>(28)</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 2023</b> <b>£000</b>		<b>31 March 2024</b> <b>£000</b>
(350)	Balance 1 April	(4,177)
(5,121)	Capital grants recognised in year	(9,209)
1,294	Capital grants and contributions applied	3,925
<b>(4,177)</b>	<b>Balance 31 March</b>	<b>(9,461)</b>

**Note 25 - Unusable Reserves**

31 March 2023 £000		31 March 2024 £000
(117,499)	Revaluation Reserve	(121,468)
(254,974)	Capital Adjustment Account	(267,644)
101	Financial Instruments Revaluation Reserve	75
1,784	Financial Instruments Adjustment Account	1,742
1,924	Pooled Investment Fund Adjustment Account	1,540
40,629	Pension Reserve	25,054
(454)	Deferred Capital Receipts Reserve	(454)
(1,624)	Collection Fund Adjustment Account	(6,203)
8,402	Accumulated Absences Account	5,735
4,838	Dedicated Schools Grant Adjustment Account	12,931
<b>(316,873)</b>	<b>Total</b>	<b>(348,692)</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 2023 £000		31 March 2024 £000
(128,086)	<b>Balance 1 April</b>	(117,499)
(6,055)	Upward revaluation of assets	(13,475)
15,097	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	7,844
<b>9,042</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>(5,631)</b>
1,538	Difference between fair value depreciation and historical cost depreciation	1,662
7	Accumulated gains on assets sold or scrapped	0
<b>1,545</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>1,662</b>
<b>(117,499)</b>	<b>Balance 31 March</b>	<b>(121,468)</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.

31 March 2023 £000		31 March 2024 £000
(230,494)	<b>Balance 1 April</b>	(254,974)
14,567	Charges for depreciation and impairment of non-current assets	17,485
2,053	Revaluation losses on non-current assets	2,286
366	Amortisation of intangible assets	641
4,506	Revenue expenditure funded from capital under statute	5,321
467	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	3,370
<b>21,959</b>	<b>Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>	<b>29,103</b>
(1,545)	Adjusting Amounts written out of the Revaluation Reserve	(1,662)
<b>20,414</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>27,441</b>
(4,887)	Use of Capital Receipts Reserve to finance new capital expenditure	0
(26,434)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(26,969)
(6,501)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(6,787)
(2,967)	Capital expenditure charged against the General Fund	(6,830)
<b>(40,789)</b>	<b>Capital financing applied in year</b>	<b>(40,586)</b>
(4,105)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	475
<b>(254,974)</b>	<b>Balance 31 March</b>	<b>(267,644)</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 2023 £000		31 March 2024 £000
(81)	<b>Balance 1 April</b>	101
0	Upward revaluation of investments	(26)
182	Downward revaluation of investments	0
<b>182</b>	<b>Total Changes in revaluation and impairment during the year</b>	<b>(26)</b>
<b>101</b>	<b>Balance 31 March</b>	<b>75</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 2023 £000		31 March 2024 £000
1,826	<b>Balance 1 April</b>	1,784
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
(42)	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(42)
<b>(42)</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>1,784</b>	<b>Balance 31 March</b>	<b>1,742</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 2023 £000		31 March 2024 £000
(1,165)	<b>Balance 1 April</b>	1,924
3,089	Changes in fair value of Pooled Investments	(384)
<b>1,924</b>	<b>Balance 31 March</b>	<b>1,540</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.

In 2023/24, the actuarial valuation for the Council's element of the pension scheme has seen a significant movement from a £30.805m deficit to a £0.007m surplus position. Under the International Accounting Standard (IAS 19) the Council must disclose the lower of the actuarial valuation or Asset Ceiling calculation. The Asset Ceiling calculation resulted in a lower valuation which moved the fund back into a deficit position of £16.065m and this figure has therefore been included within the accounts for 2023/24.

31 March 2023 £000		31 March 2024 £000
362,685	<b>Balance 1 April</b>	40,629
(352,989)	Remeasurements of the net defined benefit (liability)/asset	(32,256)
46,642	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	20,183
(15,709)	Employer's pensions contributions and direct payments to pensioners payable in the year	(19,574)
0	Asset Ceiling Adjustment	16,072
<b>40,629</b>	<b>Balance 31 March</b>	<b>25,054</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.

31 March 2023 £000		31 March 2024 £000
0	<b>Balance 1 April</b>	(454)
(454)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
<b>(454)</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.

31 March 2023 £000		31 March 2024 £000
7,503	<b>Balance 1 April</b>	(1,624)
(9,127)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(4,579)
<b>(1,624)</b>	<b>Balance 31 March</b>	<b>(6,203)</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.

<b>31 March 2023</b> <b>£000</b>		<b>31 March 2024</b> <b>£000</b>
4,098	<b>Balance 1 April</b>	8,402
(4,098)	Settlement or cancellation of accrual made at the end of the preceding year	(8,402)
8,402	Amounts accrued at the end of the current year	5,735
<b>4,304</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>(2,667)</b>
<b>8,402</b>	<b>Balance 31 March</b>	<b>5,735</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.

<b>31 March 2023</b> <b>£000</b>		<b>31 March 2024</b> <b>£000</b>
2,887	<b>Balance 1 April</b>	4,838
1,951	Overspend / (underspend) against Budget	8,093
<b>4,838</b>	<b>Balance 31 March</b>	<b>12,931</b>

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

The cash flows for operating activities included the following items:

<b>31 March 2023</b> <b>£000</b>		<b>31 March 2024</b> <b>£000</b>
(2,420)	Interest received	(3,863)
13,649	Interest paid	13,190
(108)	Dividends received	(195)
<b>11,121</b>	<b>Total</b>	<b>9,132</b>

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

<b>31 March 2023</b> <b>£000</b>		<b>31 March 2024</b> <b>£000</b>
(14,326)	Depreciation	(16,749)
(2,294)	Impairment and downward valuations	(3,022)
(366)	Amortisation	(641)
(2,476)	(Increase)/decrease in creditors	10,406
9,679	Increase/(decrease) in debtors	8,971
(37)	Increase/(decrease) in inventories	29
(30,933)	Movement in pension liability	(609)
(467)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(3,370)
(2,807)	Other non-cash movements charged to the surplus or deficit on provision of services	(129)
<b>(44,027)</b>	<b>Total</b>	<b>(5,114)</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 2023</b> <b>£000</b>		<b>31 March 2024</b> <b>£000</b>
1,662	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	706
439	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	31
26,167	Capital grants credited to surplus or deficit on the provision of services	32,253
<b>28,268</b>	<b>Total</b>	<b>32,990</b>

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

The cash flows for investment activities included the following items:

<b>31 March 2023</b> <b>£000</b>		<b>31 March 2024</b> <b>£000</b>
33,079	Purchase of property, plant and equipment, investment property and intangible assets	35,684
271,216	Purchase of short-term and long-term investments	256,760
454	Other payments for investing activities	0
(438)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(31)
(278,880)	Proceeds from short-term and long-term investments	(254,366)
(33,724)	Capital grants received for investing activities	(32,580)
<b>(8,293)</b>	<b>Net cash flows from investing activities</b>	<b>5,467</b>

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

<b>31 March 2023</b> <b>£000</b>		<b>31 March 2024</b> <b>£000</b>
42	Cash receipts of short-term and long-term borrowing	(642)
6,193	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	6,937
2,274	Repayments of short-term and long-term borrowing	247
386	Other payments for financing activities	916
<b>8,895</b>	<b>Net cash flows from financing activities</b>	<b>7,458</b>

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

<b>2023/24</b>	<b>1 April 2023 £000</b>	<b>Financing cash flows £000</b>	<b>Non-cash changes £000</b>	<b>31 March 2024 £000</b>
Long-term borrowings	(107,725)	(854)	631	(107,948)
Short-term borrowings	(8,095)	460	(636)	(8,271)
On balance sheet PFI liabilities	(108,139)	6,937	0	(101,202)
<b>Total liabilities from financing activities</b>	<b>(223,959)</b>	<b>6,543</b>	<b>(5)</b>	<b>(217,421)</b>

<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)	(1,067)	483	(107,725)
Short-term borrowings	(7,907)	274	(462)	(8,095)
On balance sheet PFI liabilities	(114,332)	6,193	0	(108,139)
<b>Total liabilities from financing activities</b>	<b>(229,380)</b>	<b>5,400</b>	<b>21</b>	<b>(223,959)</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 2023/24, 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>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
(42,272)	Knowsley MBC Funding	(49,732)
(22,248)	Knowsley CCG / ICB Funding	(26,379)
<b>(64,520)</b>	<b>Total Funding</b>	<b>(76,111)</b>
41,655	Knowsley MBC Expenditure	48,563
21,923	Knowsley CCG / ICB Expenditure	25,759
<b>63,578</b>	<b>Total Expenditure</b>	<b>74,322</b>
<b>(942)</b>	<b>Net (Surplus) / Deficit on the Pooled Budget</b>	<b>(1,789)</b>
<b>(617)</b>	<b>Knowsley MBC Share of the Net (Surplus) / Deficit</b>	<b>(1,169)</b>

### Note 31 - Members’ Allowances

<b>31 March 2023</b>		<b>31 March 2024</b>
<b>£000</b>		<b>£000</b>
688	Allowances and Expenses	787
<b>688</b>	<b>Total Members' Allowances and Expenses</b>	<b>787</b>

Expenses included in the above are trivial in nature at £13.

**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.

Post	Year	Salary, Fees and Allowances £	Pension Contribution £	Total £	Notes
Chief Executive - M Harden	2023/24	184,872	34,464	219,336	1
	2022/23	179,022	29,897	208,919	
Executive Director (Resources)	2023/24	130,299	24,236	154,535	2
	2022/23	125,893	21,024	146,917	
Executive Director (Communities and Neighbourhoods)	2023/24	130,130	24,236	154,366	
	2022/23	125,893	21,024	146,917	
Executive Director (Health and Social Care)	2023/24	130,051	24,236	154,287	3
	2022/23	122,205	20,408	142,613	
Executive Director (Children's Services)	2023/24	135,985	24,999	160,984	4
	2022/23	125,893	21,024	146,917	
Executive Director (Regeneration and Economic Development)	2023/24	130,299	24,236	154,535	
	2022/23	125,893	21,024	146,917	
Assistant Executive Director (Adult Social Care)	2023/24	121,264	22,915	144,179	5
	2022/23	92,345	15,422	107,767	
Assistant Executive Director (Early Help and Children's Social Care)	2023/24	97,305	18,099	115,404	
	2022/23	92,345	15,422	107,767	
Assistant Executive Director (Corporate Support)	2023/24	115,083	21,409	136,492	6
	2022/23	111,280	18,584	129,864	



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

<b>Post</b>	<b>Year</b>	<b>Salary, Fees and Allowances £</b>	<b>Pension Contribution £</b>	<b>Total £</b>	<b>Notes</b>
<b>Assistant Executive Director (Neighbourhoods and Commercial Services)</b>	<b>2023/24</b>	97,547	18,168	<b>115,715</b>	7
	<b>2022/23</b>	92,673	15,476	<b>108,149</b>	
<b>Assistant Executive Director (Development and Infrastructure)</b>	<b>2023/24</b>	114,788	21,415	<b>136,203</b>	
	<b>2022/23</b>	111,280	18,584	<b>129,864</b>	
<b>Assistant Executive Director (Education and Inclusion)</b>	<b>2023/24</b>	109,116	20,583	<b>129,699</b>	8
	<b>2022/23</b>	109,180	18,233	<b>127,413</b>	
<b>Assistant Executive Director (Governance and Assets)</b>	<b>2023/24</b>	101,240	18,831	<b>120,071</b>	9
	<b>2022/23</b>	97,887	16,347	<b>114,234</b>	
<b>Assistant Executive Director (Public Health)</b>	<b>2023/24</b>	104,585	15,039	<b>119,624</b>	10
	<b>2022/23</b>	95,787	13,774	<b>109,561</b>	
<b>Interim Assistant Executive Director (Culture and Regulation)</b>	<b>2023/24</b>	13,932	1,559	<b>15,491</b>	11
	<b>2022/23</b>	94,014	15,700	<b>109,714</b>	
<b>Total</b>	<b>2023/24</b>	<b>1,716,496</b>	<b>314,425</b>	<b>2,030,921</b>	
	<b>2022/23</b>	<b>1,701,590</b>	<b>281,943</b>	<b>1,983,533</b>	

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 2023/24 (approved by the Council on 8 March 2023) 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 Executive Director (Health and Social Care) also fulfils the statutory responsibility of Director of Adult Social Services as set out in the Local Authority Social Services Act 1970.
4. The Executive Director (Children's Services) also fulfils the statutory role of Director of Children's Services as set out in the Children's Act 2004. A new post-holder was appointed to the role on 18 December 2023 to replace the previous post-holder who retired on 4 January 2024.
5. The Assistant Executive Director (Adult Social Care) postholder commenced a period of maternity leave during 2023/24. An interim appointment to the post was made on 1 November 2023.
6. The Assistant Executive Director (Corporate Support) post also fulfils the statutory responsibility of Scrutiny Officer as set out in the Local Government Act 2000.
7. 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.
8. The Assistant Executive Director (Education and Inclusion) left the Council's employment on 31 August 2023. An interim appointment to the post was made on 1 August 2023.
9. 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.
10. 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.
11. The Interim Assistant Executive Director (Culture and Regulation) post was a temporary post established on 9 September 2020 to cover additional duties relating to Communities and Neighbourhoods Department services. The postholder left the Council's employment on 30 April 2023, and the post was subsequently deleted.

## 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 before the deduction of employee's pension contributions, and 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 but excludes employer's pension contributions.

	Number of Employees	
	2022/23	2023/24
£50,001 to £55,000	102	146
£55,001 to £60,000	45	64
£60,001 to £65,000	32	49
£65,001 to £70,000	34	28
£70,001 to £75,000	24	24
£75,001 to £80,000	14	17
£80,001 to £85,000	16	20
£85,001 to £90,000	16	14
£90,001 to £95,000	5	7
£95,001 to £100,000	2	4
£100,001 to £105,000	0	3
£105,001 to £110,000	2	0
£110,001 to £115,000	2	1
£115,001 to £120,000	1	1
£120,001 to £125,000	1	0
£125,001 to £130,000	4	1
£130,001 to £135,000	0	4
£175,000 to £180,000	1	0
£180,000 to £185,000	0	1
<b>Total</b>	<b>301</b>	<b>384</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 (£)	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
£0-£20,000	9	0	30	12	39	12	136,435	56,178
£20,001 - £40,000	0	1	1	3	1	4	22,683	106,140
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	1	0	1	0	71,009	0
<b>Total</b>	<b>9</b>	<b>1</b>	<b>32</b>	<b>15</b>	<b>41</b>	<b>16</b>	<b>230,127</b>	<b>162,318</b>

**Note 33 - External Audit Costs**

From 1 April 2023, Grant Thornton LLP were appointed as the external auditors of the Council. In 2023/24, Knowsley MBC incurred the following fees relating to external audit:

<b>2022/23 £000</b>		<b>2023/24 £000</b>
112	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	323
15	Fees payable in respect of other services provided by external auditors during the year	13
<b>127</b>	<b>Total</b>	<b>336</b>

The amount disclosed is the planned audit fee for the financial year of audit, the majority of this is recognised in expenditure in the following financial year to reflect when the work is completed. The £0.013m classed as other services reflects grant audit work undertaken by the Council's previous external auditors.

**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 2023/24 are shown in the following table.

<b>DSG Receivable for 2023/24</b>	<b>Central Expenditure £000</b>	<b>Individual Schools Budget £000</b>	<b>Total £000</b>
Final DSG for year before Academies recoupment			(167,234)
Academy figure recouped for year			60,165
<b>Total DSG after academy recoupment</b>			<b>(107,069)</b>
Plus: Brought forward from previous year			0
Less: Carry forward to following year (agreed in advance)			0
<b>Agreed initial budgeted distribution in year</b>	<b>(27,509)</b>	<b>(79,560)</b>	<b>(107,069)</b>
In year adjustments	0	262	262
<b>Final budget distribution for year</b>	<b>(27,509)</b>	<b>(79,298)</b>	<b>(106,807)</b>
Less: Actual central expenditure	35,310	0	35,310
Less: Actual ISB deployed to schools	0	79,590	79,590
<b>In year carry forward to 2024/25</b>	<b>7,801</b>	<b>292</b>	<b>8,093</b>
Plus / Less: DSG unusable reserve at the end of 2022/23			4,838
Addition to DSG Unusable Reserve at end of 2023/24			8,093
<b>Net DSG position at the end of 2023/24</b>			<b>12,931</b>

<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
<b>In year carry forward to 2023/24</b>	<b>2,890</b>	<b>1,948</b>	<b>4,838</b>
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>

**Note 35 - Grant Income**

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

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
	Non-Ringfenced Grant:	
(12,110)	- Social Care Grant	(19,284)
(4,301)	- Services Grant	(2,523)
0	- Market Sustainability and Improvement Fund	(2,288)
0	- Adult Social Care Discharge Fund	(1,701)
0	- Family Hubs Grant	(1,198)
0	- Council Tax Support Grant	(482)
(1,562)	- New Homes Bonus	(298)
(660)	- Market Sustainability and Fair Cost of Care	0
(344)	- Lower Tier Services Grant	0
(4,633)	Education Funding Agency	(8,264)
(7,162)	City Region Sustainable Travel Scheme	(7,006)
(3,165)	Liverpool City Region Combined Authority	(3,363)
(941)	Private Developers	(2,266)
(374)	Department for Transport	(1,106)
(5,196)	Shakespeare North Playhouse	(383)
(2,962)	Public Sector Decarbonisation Grant	0
(1,322)	Other	(4,544)
<b>(44,732)</b>	<b>Total</b>	<b>(54,706)</b>

In the 2022/23 Statement of Accounts income from Private Developers was included within the Other line.



**Grant Income Credited to Services**

<b>2022/23</b> <b>£000</b>		<b>2023/24</b> <b>£000</b>
(105,926)	Dedicated Schools Grant	(106,807)
(46,307)	Housing Benefit Rebates Grant	(46,746)
(23,125)	Private Finance Initiative Subsidy	(23,157)
(18,089)	Public Health Grant	(18,679)
(17,034)	Better Care Fund	(17,998)
(7,150)	Pupil Premium	(7,483)
0	Household Support Fund	(3,592)
(2,749)	Disabled Facilities Grant	(2,996)
(1,259)	Universal Infant School Meals	(1,539)
(1,610)	Education Funding Agency	(1,506)
0	Market Sustainability Improvement Grant	(1,486)
(6,680)	COVID-19 Government Grants	(1,463)
(219)	Basic Need	(1,289)
(1,912)	Adult Social Care Discharge Fund	(1,261)
(1,022)	Adoption Support Fund	(1,128)
(1,249)	Stronger Families	(1,077)
0	Substance Misuse Treatment and Recovery	(1,012)
(923)	Holiday Activity Fund	(922)
0	Education Priority Area Funding	(876)
(1,387)	European Funding	(869)
(62)	Teachers Pay Reform Grant	(826)
(768)	Unaccompanied Asylum-Seeking Children	(818)
(734)	PE and Sports	(722)
(502)	ESFA Schools Support	(713)
(1,011)	Benefit Verification Framework / Fraud Incentive / Tax Credits	(660)
(478)	Homelessness	(493)
(361)	Homes for Ukraine and Ukraine Education Grants	(471)
(438)	Youth Justice Board	(462)
(391)	Housing Benefits Discretionary Housing Payments	(128)
(42)	Ministry of Justice Turnaround Programme	(110)
(777)	Liverpool City Region Combined Authority	(100)
(628)	ADDER Grant	(95)
(186)	Teachers' Pension Grant	(21)
(696)	Welfare Reform Grant	0
(672)	Independent Living Fund	0
(574)	Council Tax Energy Rebate – Discretionary Element	0
(84)	Winter Funding	0
(4,549)	Other	(8,394)
<b>(249,594)</b>	<b>Total</b>	<b>(255,899)</b>

In the 2022/23 Statement of Accounts the Basic Need grant was included in the Other line.

### 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:

31 March 2023 £000		31 March 2024 £000
(1,352)	Refugee Resettlement Programme Grants	(1,366)
(669)	FACE	(861)
(271)	Section 31 Grants	(375)
(264)	Preventing Homelessness	(343)
(238)	Ministry of Justice Remand Grant	(326)
(203)	Pupil Premium	(308)
(1,151)	Dedicated Schools Grant	(282)
(51)	Council Tax (Energy Bills) Rebate Scheme	(60)
(3,986)	COVID-19 Local Restrictions Support Grant	0
(487)	Energy Bills Support Scheme Alternative Funding Grant	0
(1,981)	Other	(1,469)
<b>(10,653)</b>	<b>Total</b>	<b>(5,390)</b>

In the 2022/23 Statement of Accounts the Section 31 grants, Preventing Homelessness, Ministry of Justice and Pupil Premium grants were included within the Other line.

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

31 March 2023 £000		31 March 2024 £000
(930)	Standards Fund	(1,104)
0	Levelling Up Fund	(482)
(23)	Housing Capital Grants	(465)
(62)	Transport Capital Grant	(62)
(731)	Active Travel Fund	(57)
(198)	Forestry Commission	0
(254)	Other	(355)
<b>(2,198)</b>	<b>Total</b>	<b>(2,525)</b>

In the 2022/23 Statement of Accounts the Housing Capital Grants were included within the Other line.

### **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 2023/24:

#### **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 2024 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 2023/24 the Council incurred £2.337m of expenditure and received £5.991m of income from Volair (£2.386m of expenditure and £6.647m of income in 2022/23).

There was one Council Member who expressed an interest. At 31 March 2024 outstanding debtors totalled £0.834m (no outstanding debtors at 31 March 2023) and creditors totalled £0.706m (£0.391m at 31 March 2023).

#### **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 £0.574m of expenditure and received £0.932m of income (£0.628m of expenditure and £0.728m of income in 2022/23).

There was one member who expressed an interest in Livv Housing Trust. At 31 March 2024 outstanding debtors totalled £0.031m (no outstanding debtors at 31 March 2023) and £0.214m creditors (£0.035m creditors at 31 March 2023).

Transactions relating to Other Bodies also included:

- **Merseytravel**

The Council incurred £0.357m of expenditure and received £0.241m of income (£0.250m of expenditure and received £0.251m of income in 2022/23).

The Board includes one Council Member out of the two who expressed an interest. At 31 March 2024 there were £12.724m debtors (£14.415m at 31 March 2023) and £0.193m creditors (£0.897m at 31 March 2023).

- **Police and Crime Commissioner for Merseyside**

The Council incurred £0.164m of expenditure and received £0.342m of income (£0.145m of expenditure and received no income in 2022/23).

At 31 March 2024 outstanding debtors totalled £0.098m (there were no outstanding debtors at 31 March 2023) and £0.117m creditors (£0.095m at 31 March 2023).

- **Merseyside Fire Authority**

The Council incurred £0.047m of expenditure and received £0.003m of income (£0.499m of expenditure and received no income in 2022/23).

The Board included two Council Members out of the three who expressed an interest. At 31 March 2024 there were no outstanding debtors (no debtors at 31 March 2023) and no creditors (no creditors at 31 March 2023).

- **Liverpool City Region Combined Authority**

The Council incurred £0.049m expenditure as well as from the Levy and £0.078m of income (apart from the Levy, there were £0.083m of expenditure and £0.096m of income in 2022/23).

The Board includes one Council Member out of the 14 Members who have expressed an interest. At 31 March 2024 outstanding debtors totalled £1.059m (£1.158m at 31 March 2023) and creditors totalled £0.048m (£0.115m creditors at 31 March 2023).

- **Merseyside Recycling and Waste Authority**

The Council incurred no other expenditure apart from the Levy and received £0.417m of income (apart from the Levy, there were no other expenditure transactions and £0.405m income in 2022/23).

The Board included one Council Member out of the two Members who have expressed an interest. At 31 March 2024 outstanding debtors totalled £0.027m (£0.035m at 31 March 2023) and no creditors (no creditors at 31 March 2023).

- **Wirral MBC**

The Council incurred £4.087m of expenditure and received £0.368m of income (£2.168m of expenditure and received £0.820m of income 2022/23).

There were no expressions of interest in Wirral MBC. At 31 March 2024 outstanding debtors totalled £0.048m (No debtors at 31 March 2023) and £0.258m creditors (£2.678m creditors at 31 March 2023).

- **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 £1.075m of expenditure (£6.340m of expenditure in 2022/23) and received £0.002m of Income (£1.305m of income in 2022/23) relating to Shakespeare North Trust during 2023/24.

The board included one officer who expressed an interest. At 31 March 2024 outstanding debtors totalled £1.574m (no outstanding debtors at 31 March 2023) and £0.240m creditors (no creditors at 31 March 2023).

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

Members of the Council have direct control over the Council's financial and operational policies. During 2023/24, works and services totalling £12.163m of expenditure and £0.130m of income were commissioned from organisations in which seven Members had an interest. This included £12.085m of expenditure and £0.127m of income to Tarmac that related to highways work and materials, and £0.085m of expenditure and £0.001m of income related to Southdene Community Centre. Contracts were entered into in full compliance with the Council's Constitution. Payments and grants totalling £29.444m of expenditure and £1.130m of income were paid and received, to and from housing associations, hospital trusts, and voluntary organisations, in which there were 79 expressions of interest from Members and from two officers. 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.

31 March 2023 £000		31 March 2024 £000
283,095	Opening Capital Financing Requirement	279,891
	<b>Capital Investment:</b>	
15,916	Property Plant and Equipment	16,735
12,969	Infrastructure Assets	11,774
3,858	Investment Property	5,402
0	Assets Held for Sale	944
336	Intangible Assets	804
0	Heritage Assets	25
4,506	Revenue Expenditure Funded from Capital Under Statute	5,321
<b>37,585</b>	<b>Total Capital Spending</b>	<b>41,005</b>
	<b>Sources of Finance:</b>	
(4,887)	Capital receipts	0
(26,434)	Government Grants and other contributions	(26,969)
	<b>Sums set aside from revenue:</b>	
(2,967)	- Direct revenue contributions	(6,830)
(6,501)	- Minimum revenue provision	(6,787)
<b>(40,789)</b>	<b>Total Sources of Finance</b>	<b>(40,586)</b>
<b>279,891</b>	<b>Closing Capital Financing Requirement</b>	<b>(280,310)</b>

**Explanation of movements in year**

31 March 2023 £000		31 March 2024 £000
(3,204)	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	419
<b>(3,204)</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>419</b>

**Note 38 - Leases**

The Council has no significant leases as at 31 March 2024.

**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>2023/24</b>	<b>Centres for Learning £000</b>	<b>Street Lighting £000</b>	<b>Total £000</b>
<b>Cost or Valuation</b>			
at 1 April 2023	59,368	29,209	88,577
Additions	141	0	141
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,009	0	5,009
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0
Other Movements in cost or valuation	(1,213)	0	(1,213)
<b>at 31 March 2024</b>	<b>63,305</b>	<b>29,209</b>	<b>92,514</b>
<b>Accumulated Depreciation and Impairment</b>			
at 1 April 2023	(1,486)	(5,950)	(7,436)
Depreciation charge	(1,059)	(584)	(1,643)
Other Movements in depreciation and impairment	1,213	0	1,213
<b>at 31 March 2024</b>	<b>(1,332)</b>	<b>(6,534)</b>	<b>(7,866)</b>
<b>Net Book Value</b>			
<b>at 31 March 2024</b>	<b>61,973</b>	<b>22,675</b>	<b>84,648</b>
<b>at 1 April 2023</b>	<b>57,882</b>	<b>23,259</b>	<b>81,141</b>

<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	58,973	29,209	88,182
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>59,368</b>	<b>29,209</b>	<b>88,577</b>
<b>Accumulated Depreciation and Impairment</b>			
at 1 April 2022	(410)	(5,366)	(5,776)
Depreciation charge	(1,076)	(584)	(1,660)
<b>at 31 March 2023</b>	<b>(1,486)</b>	<b>(5,950)</b>	<b>(7,436)</b>
<b>Net Book Value</b>			
<b>at 31 March 2023</b>	<b>57,882</b>	<b>23,259</b>	<b>81,141</b>
<b>at 1 April 2022</b>	<b>58,563</b>	<b>23,843</b>	<b>82,406</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>2023/24</b>	<b>Centres for Learning £000</b>	<b>Street Lighting £000</b>	<b>Total £000</b>
Balance outstanding at start of year	(82,942)	(25,197)	(108,139)
Payments during the year	5,787	1,150	6,937
<b>Balance outstanding at year-end</b>	<b>(77,155)</b>	<b>(24,047)</b>	<b>(101,202)</b>

<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>

**Payments due under PFI schemes 2023/24**

<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	6,173	1,274	7,447
Payable within two to five years	26,185	5,427	31,612
Payable within six to ten years	40,457	9,977	50,434
Payable within eleven to fifteen years	4,340	7,369	11,709
<b>Total</b>	<b>77,155</b>	<b>24,047</b>	<b>101,202</b>

<b>Interest Payments</b>	<b>Centres for Learning £000</b>	<b>Street Lighting £000</b>	<b>Total £000</b>
Payable within one year	5,799	2,178	7,977
Payable within two to five years	18,495	7,432	25,927
Payable within six to ten years	10,681	6,149	16,830
Payable within eleven to fifteen years	167	858	1,025
<b>Total</b>	<b>35,142</b>	<b>16,617</b>	<b>51,759</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	4,678	1,865	6,543
Payable within two to five years	21,659	9,082	30,741
Payable within six to ten years	31,246	12,879	44,125
Payable within eleven to fifteen years	2,393	5,944	8,337
<b>Total</b>	<b>59,976</b>	<b>29,770</b>	<b>89,746</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 16 employees during 2023/24, incurring liabilities of £0.162m (41 employees costing £0.230m in 2022/23). See Note 32c for the number of exit packages and total cost per band.

#### **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 2024 was £1.193m (£1.163m in 2022/23).

The total contributions expected to be made to the Teachers Pensions Scheme by the Council in the year to 31 March 2025 is £1.193m.

### **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 2023/24 the Council paid £0.064m to the NHS Pension Scheme (£0.084m in 2022/23).

## 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 2023/24 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 overall net liability for retirement benefits has decreased during the twelve-month period to 31 March 2024. This reduction is mainly due to the slight increase 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.

The total contributions made to the Merseyside Pension Fund by the Council in the year to 31 March 2024 was £18.381m (£4.770m in 2022/23). 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.

The total contributions expected to be made to the Merseyside Pension Fund by the Council in the year to 31 March 2025 is £18.246m.

**General Fund Transactions**

**Comprehensive Income and Expenditure Statement**

2022/23				2023/24		
LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000		LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000
36,339	0	<b>36,339</b>	<b>Service cost comprising:</b>	18,164	0	<b>18,164</b>
37	0	<b>37</b>	Current service cost	8	0	<b>8</b>
0	0	<b>0</b>	Past service cost	3	0	<b>3</b>
467	0	<b>467</b>	(Gain) / Loss from curtailments	520	0	<b>520</b>
			Administration expenses			
			<b>Financing and Investment Income and Expenditure:</b>			
9,462	337	<b>9,799</b>	Net interest expense	1,036	452	<b>1,488</b>
<b>46,305</b>	<b>337</b>	<b>46,642</b>	<b>Total charged to Surplus and Deficit on Provision of Services</b>	<b>19,731</b>	<b>452</b>	<b>20,183</b>

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

2022/23				2023/34		
LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000		LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000
			<b>Remeasurement of the net defined benefit liability comprising:</b>			
52,627	0	<b>52,627</b>	Return on plan assets (excluding the amount included in the net interest expense)	(13,459)	0	<b>(13,459)</b>
82,724	71	<b>82,795</b>	Actuarial gains and losses - experience	7,061	57	<b>7,118</b>
0	(13)	<b>(13)</b>	Actuarial gains and losses arising on changes in demographic assumptions	(11,765)	(151)	<b>(11,916)</b>
(486,358)	(2,040)	<b>(488,398)</b>	Actuarial gains and losses arising on changes in financial assumptions	(13,999)	0	<b>(13,999)</b>
<b>(351,007)</b>	<b>(1,982)</b>	<b>(352,989)</b>	<b>Total charged to Other Comprehensive Income and Expenditure Statement</b>	<b>(32,162)</b>	<b>(94)</b>	<b>(32,256)</b>
<b>(304,702)</b>	<b>(1,645)</b>	<b>(306,347)</b>	<b>Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>(12,431)</b>	<b>358</b>	<b>(12,073)</b>

### Movement in Reserves Statement

2022/23				2023/24		
LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000		LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000
(46,305)	(337)	<b>(46,642)</b>	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(19,731)	(452)	<b>(20,183)</b>
			<b>Actual amount charged against the general fund balance for pensions in the year:</b>			
14,546	1,163	<b>15,709</b>	Employers' contributions payable to scheme	18,381	1,193	<b>19,574</b>
<b>(31,759)</b>	<b>826</b>	<b>(30,933)</b>	<b>Total amount shown in the Movement in Reserves Statement</b>	<b>(1,350)</b>	<b>741</b>	<b>(609)</b>

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

2022/23				2023/24		
LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000		LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000
(874,657)	(9,824)	<b>(884,481)</b>	Present value of the defined obligation – funded	(885,710)	(8,989)	<b>(894,699)</b>
(17,226)	0	<b>(17,226)</b>	Present value of the defined obligation – unfunded	(16,065)	0	<b>(16,065)</b>
861,078	0	<b>861,078</b>	Fair value of plan assets	901,782	0	<b>901,782</b>
0	0	<b>0</b>	Asset Ceiling Adjustment	(16,072)	0	<b>(16,072)</b>
<b>(30,805)</b>	<b>(9,824)</b>	<b>(40,629)</b>	<b>Net (liability) / asset arising from the defined benefit obligation</b>	<b>(16,065)</b>	<b>(8,989)</b>	<b>(25,054)</b>



### Asset Ceiling

Following the pensions valuation by the Councils actuary, the Council determined that the fair value of its pension plan assets outweighed the present value of the plan obligations at 31 March 2024 resulting in a pension plan asset for the first time. IAS 19 Employee Benefits requires that, where a pension plan asset exists, it is measured at the lower of:

- The surplus in the defined benefit plan; and
- The asset ceiling.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The Council's actuaries calculated the asset ceiling as the net present value of future service costs less net present value of future contributions. However, this asset ceiling calculation is larger than the asset and therefore the fund is back in deficit again. The adjustment has been recognised within other comprehensive income and expenditure of the CIES.

### **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>2022/23</b> <b>£000</b>		<b>2023/24</b> <b>£000</b>
910,964	Opening fair value of scheme assets	861,078
25,199	Interest income	41,014
	Remeasurement gain / (loss):	
(52,627)	- The return on plan assets, excluding the amount included in the net interest expense	13,459
5,933	Contributions from employer	18,381
6,112	Contributions from employees into the scheme	6,713
(34,036)	Benefits / transfers paid	(38,343)
(467)	Administration expenses	(520)
<b>861,078</b>	<b>Closing value of scheme assets</b>	<b>901,782</b>

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

31 March 2023				31 March 2024		
Quoted £000	Unquoted £000	Total £000		Quoted £000	Unquoted £000	Total £000
			<b>Equities</b>			
115,499	9,689	125,188	UK	114,215	2,870	117,085
191,903	99,691	291,594	Global	222,022	130,955	352,977
<b>307,402</b>	<b>109,380</b>	<b>416,782</b>	<b>Subtotal Equities</b>	<b>336,237</b>	<b>133,825</b>	<b>470,062</b>
			<b>Bonds</b>			
10,794	0	10,794	UK Government	4,295	0	4,295
18,890	0	18,890	UK Corporate	7,992	0	7,992
79,005	0	79,005	UK Index Linked	44,743	0	44,743
5,025	0	5,025	Overseas Corporate	5,980	0	5,980
0	(3,994)	(3,994)	Derivative Contracts	0	574	574
510	0	510	Overseas Government	3,539	0	3,539
558	0	558	Collateralized Bonds	326	0	326
<b>114,782</b>	<b>(3,994)</b>	<b>110,788</b>	<b>Subtotal Bonds</b>	<b>66,875</b>	<b>574</b>	<b>67,449</b>
			<b>Property</b>			
0	38,500	38,500	UK Direct Property	0	40,272	40,272
765	27,621	28,386	UK Property Managed	765	36,541	37,306
0	26,686	26,686	Global Property Managed	0	27,932	27,932
<b>765</b>	<b>92,807</b>	<b>93,572</b>	<b>Subtotal Property</b>	<b>765</b>	<b>104,745</b>	<b>105,510</b>
			<b>Alternatives</b>			
85	32,125	32,210	UK Private Equity	96	40,463	40,559
0	49,208	49,208	Global Private Equity	478	46,298	46,776
0	170	170	Other Alternatives UK	0	287	287
0	20,822	20,822	Other Alternatives Global	0	23,149	23,149
0	26,261	26,261	Global Infrastructure	0	30,037	30,037
0	46,573	46,573	UK Infrastructure	0	54,429	54,429
0	12,748	12,748	UK Opportunities	287	13,009	13,296
1,360	28,981	30,341	Global Opportunities	1,244	31,567	32,811
0	3,060	3,060	Global Multi Asset	0	3,635	3,635
0	3,654	3,654	Global Goodhart	0	4,974	4,974
<b>1,445</b>	<b>223,602</b>	<b>225,047</b>	<b>Subtotal Alternatives</b>	<b>2,105</b>	<b>247,848</b>	<b>249,953</b>
<b>14,889</b>	<b>0</b>	<b>14,889</b>	<b>Cash and cash equivalents</b>	<b>8,808</b>	<b>0</b>	<b>8,808</b>
<b>439,283</b>	<b>421,795</b>	<b>861,078</b>	<b>Total Assets</b>	<b>414,790</b>	<b>486,992</b>	<b>901,782</b>

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

2022/23				2023/24		
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>	Opening balance at 1 April	(891,883)	(9,824)	<b>(901,707)</b>
(36,339)	0	<b>(36,339)</b>	Current service cost	(18,164)	0	<b>(18,164)</b>
(34,661)	(337)	<b>(34,998)</b>	Interest cost	(42,050)	(452)	<b>(42,502)</b>
(6,112)	0	<b>(6,112)</b>	Contributions from scheme participants	(6,713)	0	<b>(6,713)</b>
			Remeasurement gains and losses:			
(82,724)	(71)	<b>(82,795)</b>	- Actuarial gains / (losses) - experience	(7,061)	(57)	<b>(7,118)</b>
0	13	<b>13</b>	- Actuarial gains / (losses) from changes in demographic assumptions	11,765	151	<b>11,916</b>
486,358	2,040	<b>488,398</b>	- Actuarial gains / (losses) from changes in financial assumptions	13,999	0	<b>13,999</b>
(37)	0	<b>(37)</b>	Past service cost	(8)	0	<b>(8)</b>
0	0	<b>0</b>	Gains / (losses) on curtailments	(3)	0	<b>(3)</b>
32,873	1,163	<b>34,036</b>	Benefits / transfers paid	38,343	1,193	<b>39,536</b>
<b>(891,883)</b>	<b>(9,824)</b>	<b>(901,707)</b>	<b>Balance as at 31 March</b>	<b>(901,775)</b>	<b>(8,989)</b>	<b>(910,764)</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 2022.

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

2022/23	Local Government Pension Scheme	2023/24
	<b>Mortality assumptions</b>	
	<b>Longevity at retirement for current pensioners</b>	
21.2	Men	20.9
23.7	Women	23.4
	<b>Longevity at retirement for future pensioners</b>	
22.6	Men	22.2
25.5	Women	25.2
	<b>Other assumptions</b>	
2.7%	Rate of inflation	2.7%
4.2%	Rate of increase in salaries	4.2%
2.8%	Rate of increase in pensions	2.8%
4.8%	Rate for discounting scheme liabilities	4.9%

2022/23	Teachers Additional Unfunded Pensions	2023/24
	<b>Mortality assumptions</b>	
	<b>Longevity at retirement for current pensioners aged 65</b>	
21.2	Men	20.9
23.7	Women	23.4
	<b>Longevity at retirement for current pensioners aged 75</b>	
12.8	Men	12.6
14.8	Women	14.5
	<b>Other assumptions</b>	
2.7%	Rate of inflation	2.7%
2.8%	Rate of increase in pensions	2.8%
4.9%	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	23,189	430
Rate of inflation	13,765	55
Rate of increase in salaries	2,292	0
Rate for discounting scheme liabilities	(13,015)	(52)

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 2025 is £18.246m.

The weighted average duration of the defined benefit obligation for Local Government Pension Scheme members is 17 years in 2023/24 (17 years in 2022/23). The weighted average duration for former teachers receiving additional unfunded pensions is 6 years in 2023/24 (6 years in 2022/23).

### 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 2023 (Restated) £000</b>	<b>Exposure Category</b>	<b>31 March 2024 £000</b>
50,949	Treasury investment	20,043
45,110	Trade and other receivables	46,632
135	Service Investments: loans	235
<b>96,194</b>	<b>Total Credit Risk exposure</b>	<b>66,910</b>

The 2022/23 figures have been amended to reflect the removal of Investment Properties of £89.621m that do not meet the definition of a Financial Instrument.

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 £46.889m 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 2024 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 £0.235m for non-Treasury Management service investments:

31 March 2023			31 March 2024	
Long Term £000	Short Term and Cash Equivalents £000	Credit Rating	Long Term £000	Short Term and Cash Equivalents £000
0	40,513	AAA	0	14,001
0	0	A+	0	1,005
3	10,433	UK Government AA-	3	0
135	0	UK Credit Union	235	0
0	0	Unrated Local Authority	0	5,034
<b>138</b>	<b>50,946</b>	<b>Total Credit Risk Exposure of Investments</b>	<b>238</b>	<b>20,040</b>
25,975	282	Credit Risk not applicable *	26,385	226
<b>26,113</b>	<b>51,228</b>	<b>Total Treasury Investments</b>	<b>26,623</b>	<b>20,266</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 following analysis summarises the Council's potential maximum exposure to credit loss.

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

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. The expected credit loss calculation for investments is based on historical default data published by credit rating agencies, multiplied by 86% to adjust for current and forecast economic conditions. This was calculated as very close to 0 and therefore not a material figure requiring disclosure.

<b>Estimated maximum exposure to default 31 March 2023 £000</b>		<b>Balance Sheet 31 March 2024 £000</b>	<b>Total credit risk exposure 31 March 2024 £000</b>	<b>Expected credit loss 31 March 2024 £000</b>	<b>Estimated Maximum Exposure to default 31 March 2024 £000</b>
0	Total Investments	46,889	20,278	0	0
0	Employee Related Debtors	306	306	0	0
39,300	Trade and Other Debtors	46,326	40,523	(6,608)	33,915
<b>39,300</b>	<b>Total</b>	<b>93,521</b>	<b>61,107</b>	<b>(6,608)</b>	<b>33,915</b>

Only receivables meeting the definition of a financial asset are included in this table. 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.

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 2024 £11.313m 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 2023 (Restated) £000</b>		<b>31 March 2024 £000</b>
3,727	Less than one month	3,375
2,696	one to six months	1,497
1,211	Six months to one year	1,560
4,095	More than one year	4,881
<b>11,729</b>	<b>Total</b>	<b>11,313</b>

The 2022/23 figures have been amended by £1.211m in total to reflect the removal of credit memos within the debtors system.

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.

### **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>2023/24</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>Other 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%	1,455	6,078	106	385	8,024	7%
1-2 years	50%	1,147	0	0	384	1,531	1%
2-5 years	50%	2,486	0	0	939	3,425	3%
5-10 years	80%	5,736	0	0	0	5,736	5%
10 years and above	100%	90,710	0	6,300	0	97,010	84%
		<b>101,534</b>	<b>6,078</b>	<b>6,406</b>	<b>1,708</b>	<b>115,726</b>	

<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>Other 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>	

Transferred debt of £0.493m 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 2024. 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 2024, 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 2024 with all other variables held constant, the financial effect would be a decrease in fair value of fixed rate borrowings liabilities of £19.254m (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 Councils maximum exposure to equity investments of £19m.

The Council's investment in a real estate investment trust (REIT) is subject to the risk of falling residential property prices. This risk is limited by the Council's maximum exposure to REITs of £2m. A 5% fall in residential property prices at 31 March 2024 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

2022/23 Capital Value of Fund £000	Fund	2023/24 Capital Value of Fund £000
830	King George V Playing Fields	830
20	Mayor's Charity	21
30	Other	31
<b>880</b>		<b>882</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 precepting authorities and the Government of council tax and business rates. The Council's share of the relevant Collection Fund balances are included in the Council's Balance Sheet.

31 March 2023			Collection Fund	31 March 2024		
Business Rates £000	Council Tax £000	Total £000		Business Rates £000	Council Tax £000	Total £000
0	(80,553)	(80,553)	<b>INCOME:</b>			
(45,567)	0	(45,567)	Council Tax Receivable	0	(85,470)	(85,470)
0	0	0	Business Rates Receivable	(51,128)	0	(51,128)
			Transitional Protection Receivable	(3,517)	0	(3,517)
<b>(45,567)</b>	<b>(80,553)</b>	<b>(126,120)</b>	<b>Total amounts to be credited</b>	<b>(54,645)</b>	<b>(85,470)</b>	<b>(140,115)</b>
			<b>EXPENDITURE:</b>			
			<b>Apportionment of Previous Year's Estimated Surplus/(Deficit):</b>			
(8,344)	215	(8,129)	Knowsley MBC	848	866	1,714
(84)	11	(73)	Merseyside Fire and Rescue Authority	9	43	52
0	30	30	Police and Crime Commissioner for Merseyside	0	123	123
0	2	2	Liverpool City Region Metro Mayor	0	10	10
			<b>Precepts, demands and shares:</b>			
46,063	64,740	110,803	Knowsley MBC	47,816	69,518	117,334
465	3,169	3,634	Merseyside Fire and Rescue Authority	483	3,440	3,923
0	8,983	8,983	Police and Crime Commissioner for Merseyside	0	9,781	9,781
0	720	720	Liverpool City Region Metro Mayor	0	738	738
			<b>Charges to Collection Fund:</b>			
1,548	2,014	3,562	Increase/(decrease) in allowance for impairment	(2,259)	2,137	(122)
(3,284)	0	(3,284)	Increase/(decrease) in allowance for appeals	1,993	0	1,993
413	0	413	Transitional Protection payable	0	0	0
131	0	131	Charge to General Fund for allowable collection costs for non-domestic rates	134	0	134
<b>36,908</b>	<b>79,884</b>	<b>116,792</b>	<b>Total amounts to be debited</b>	<b>49,024</b>	<b>86,656</b>	<b>135,680</b>
<b>(8,659)</b>	<b>(669)</b>	<b>(9,328)</b>	<b>(Surplus)/Deficit arising during the year</b>	<b>(5,621)</b>	<b>1,186</b>	<b>(4,435)</b>
<b>7,800</b>	<b>(258)</b>	<b>7,542</b>	<b>(Surplus)/Deficit b/f at 1 April</b>	<b>(859)</b>	<b>(927)</b>	<b>(1,786)</b>
<b>(859)</b>	<b>(927)</b>	<b>(1,786)</b>	<b>(Surplus)/Deficit c/f at 31 March</b>	<b>(6,480)</b>	<b>259</b>	<b>(6,221)</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 2023/24 was 38,820 (37,907 in 2022/23). The tax base was approved at the Council meeting on 25 January 2023 and was calculated as follows:

<b>2023/24</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	38,091	6/9	25,394
B	40,001 - 52,000	14,932	7/9	11,614
C	52,001 - 68,000	10,208	8/9	9,074
D	68,001 - 88,000	4,770	9/9	4,770
E	88,001 - 120,000	1,881	11/9	2,299
F	120,001 - 160,000	325	13/9	469
G	160,001 - 320,000	133	15/9	221
H	More than - 320,001	17	18/9	34
Adjustment				(15,055)
<b>Council Tax Base</b>				<b>38,820</b>

<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>

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 2023 it was estimated that there would be a £1.042m council tax surplus on the Collection Fund (£0.258m surplus in January 2022) and therefore this would be distributed to the relevant preceptors in 2023/24.

## **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 2023/24 the total rateable value at the year end is £129.9m (£113.7m in 2022/23). The national multipliers for 2023/24 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 2022/23).

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 2023/24 were estimated before the start of the financial year as £47.816m to Knowsley and £0.483m to MFRA. These sums have been paid in 2023/24 and charged to the Collection Fund in year. The actual net income from business ratepayers for 2023/24 was £54.777m (£46.759m in 2022/23), which now presents an in-year surplus due largely to the VOA's 2023 Revaluation, which has afforded greater business rates revenues.

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 2024. 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 2023/24 was £1.417m, with a further increase to the provision of £1.993m charged to the Collection Fund in year, leaving a total of £1.993m at 31 March 2024 to cover future payments for those appeals still pending. Knowsley's 99% share of the provision (£1.973m) is included in its balance sheet.

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

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

#### **Qualified opinion on financial statements**

We have audited the financial statements of Knowsley Metropolitan Borough Council (the ‘Authority’) for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, except for the possible effects on the corresponding figures of the matter described in the Basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2024 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### **Basis for qualified opinion**

The Accounts and Audit (Amendment) Regulations 2024 (‘the Regulations’) require the Authority to publish audited financial statements, for the year ended 31 March 2024 by 28 February 2025 (‘the backstop date’). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. The latest date on which unaudited accounts could be published to enable local elector rights to be met in time for the backstop was 16 January 2025. The authority published its unaudited accounts on 26 June 2024.

The Authority’s Balance Sheet includes Property, Plant and Equipment assets with a carrying value of £359.431m. This amount includes two assets, with a combined carrying value of £53.224m, for which the Council was unable to provide suitable valuations as required by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (‘the Code’).

The Shakespeare North Playhouse is included in the Balance Sheet at an accumulated cost of £35.259m and not at current value in accordance with the requirements of the Code. The Authority’s Balance Sheet also includes land assets carried at £17.965m which are categorised as surplus assets. The valuation of this land did not take into account leasehold encumbrances granted by the Authority. As a result of the limitations imposed by the backstop date, we have been unable to obtain sufficient appropriate audit evidence over whether adjustments to the carrying value of these assets might be necessary for the years ended 31 March 2023 and 31 March 2024.

We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be material and our audit opinion on the financial statements for the year ended 31 March 2024 is modified accordingly. This enables the Authority to comply with the requirement of the Regulations to publish the financial statements for the year ended 31 March 2024 by the backstop date.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) (‘the Code of Audit Practice’) approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the financial statements’ section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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

We are responsible for concluding on the appropriateness of the Chief Finance Officer’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor’s opinion. Our conclusions are based on the audit



evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority'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 Chief Finance Officer with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Finance Officer 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.

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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### **Opinion on other matters required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Annual Governance Statement and the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

### **Responsibilities of the Authority and the Chief Finance Officer**

As explained more fully in the Statement of Responsibilities set out on page 15, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. The Chief Finance Officer 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 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972 and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012)).

We enquired of management and the Governance and Audit committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Governance and Audit committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risk was in relation to management override of controls.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on material manual journals, post year-end journals, journals around the year-end, journals posted by unexpected users and journals posted by senior officers,

- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pension liability valuations, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including significant accounting estimates related to property, plant and equipment, investment properties and net pension liability. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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 other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in respect of the above matter except on the 10 February 2025 we identified a significant weakness in the Authority's arrangements for improving economy, efficiency and effectiveness. In November 2024, Ofsted undertook a focused inspection of the Authority's children's services and identified serious and widespread weaknesses. The findings from Ofsted's work indicate weaknesses in the Authority's arrangements existed in 2023/24.

We recommend the Authority should develop and deliver their Children's Services improvement plan to address the significant weakness identified by the November 2024 Ofsted inspection.

## **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## **Report on other legal and regulatory requirements – Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate for Knowsley Metropolitan Borough Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to consolidation returns, including Whole of Government Accounts (WGA), and the National Audit Office has concluded their work in respect of WGA for the year ended 31 March 2024. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

### **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 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 Authority's members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*John Farrar*

John Farrar, Key Audit Partner

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

Liverpool

27 February 2025

## 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 control.

### **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 (PWL B)**

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.