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Town Hall  
Trinity Road  
Bootle  
L20 7AE

Date: 19/11/24

**Contact:** Amy Dyson  
**Contact Number:** 0151 934 3173  
**e-mail:** amy.dyson@sefton.gov.uk

Dear Councillor,

## **AUDIT AND GOVERNANCE COMMITTEE - WEDNESDAY 20TH NOVEMBER, 2024**

I refer to the agenda for the above meeting and now enclose the following report which was unavailable when the agenda was published.

<b>Agenda No.</b>	<b>Item</b>
4	<b>Statement of Accounts 2021/22 and 2022/23</b> (Pages 3 - 416) Report of the Executive Director of Corporate Services and Commercial

Yours faithfully,

Democratic Services

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**Report Title: Statement of Accounts 2021/22 and 2022/23**

Date of meeting:	20 November 2024		
Report to:	Audit and Governance Committee		
Report of:	Executive Director of Corporate Services and Commercial		
Portfolio:	Corporate Services		
Wards affected:	All wards		
Is this a key decision:	No	Included in Forward Plan:	No
Exempt/confidential report:	No		

**Summary:**

To present the final audited Statement of Accounts for 2021/22 and 2022/23, including the updated Annual Governance Statements, for consideration and approval, and also to consider the Completion Report from Ernst & Young LLP (EY).

In addition, the proposed “Letter of Representation” document to be provided by Sefton to EY is attached for approval.

**Recommendation(s):**

That Audit and Governance Committee:

- (1) Approve the Statement of Accounts for 2021/22 and 2022/23, subject to the final completion of the audit.
- (2) Delegate authority to the Chair to approve the final Statement of Accounts, on behalf of Audit and Governance Committee, following completion of the audit, should any changes be required to the current version approved by this Committee.
- (3) Approve the updated Annual Governance Statements for 2021/22 and 2022/23 (Section 11 of the Statement of Accounts).
- (4) Note the comments of Ernst & Young LLP within their Completion Report.
- (5) Approve the Letter of Representation, subject to completion of the audit, and Authorise the Chair and the Executive Director of Corporate Services and Commercial to sign it on the Council’s behalf.

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- (6) Delegate authority to the Chair and the Executive Director of Corporate Services and Commercial to sign on the Council's behalf a revised Letter of Representation should the approved version need to be updated following the completion of the audit.

## **The Rationale and Evidence for the Recommendations**

The Council, or nominated Committee charged with responsibility for Governance, must approve the Statement of Accounts, including the Annual Governance Statement. The Audit and Governance Committee has been delegated with this responsibility and is required to approve the audited Statement of Accounts prior to their publication.

The deadline for publication of the final approved Statement of Accounts for 2021/22 was 30 November 2022, and for 2022/23 was 30 September 2023. However, the regulations allow for a delay in publication where the audit has not yet been completed. As a backstop date has been set for 13 December 2024 for audits to be finalised (for Statement of Accounts outstanding from 2022/23 and earlier years), so the Statement of Accounts are now being presented for approval in advance of this deadline.

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## 1 Background

- 1.1 Since 2010/11 the Audit and Governance Committee has only been required to approve the Statement of Accounts following the completion of the Audit. In 2017/18 approval and publication of the audited Statement of Accounts was required by 31 July (previously 30 September).
- 1.2 However, since 2019/20 the deadlines for approval and publication of the audited Statement of Accounts has been changed a number of times. For 2019/20 the deadline was extended to 30 November 2020 to take into account the impact of COVID19 on the ability of finance teams and external auditors to complete the work required. For 2020/21 the deadline was extended to 30 September 2021 (from the statutory deadline of 31<sup>st</sup> July) and for 2021/22 was extended to 30 November 2022 (with a deadline of 31 July for the publication of the draft accounts). This was in response to the Redmond Review into the audit of local government which highlighted the fragility of the local audit market.
- 1.3 The previous Government implemented legislation that from 2022/2023 (to 2027/2028) the deadline for approving the audited Statement of Accounts would be 30 September rather than 31 July (with a deadline of 31 May for the publication of the draft accounts).
- 1.4 Although regulations require the publication of the Statement of Accounts by specific deadlines, the same regulations allow for this to be delayed where the audit has yet to be concluded. This delay needs to be published on our website. The publication of the final Statement of Accounts needs to take place *“as soon as reasonably practicable after the receipt of any report from the auditor which contains the auditor’s final findings from the audit which is issued before the conclusion of the audit”*.
- 1.5 Members will recall that an updated Statement of Accounts for 2021/22 was presented at a special meeting of the Committee on 27<sup>th</sup> September 2023, as were the draft Statement of Accounts for 2022/23. The final Statement of Accounts for 2021/22 and 2022/23 are now presented for approval.
- 1.6 Members will also recall that the Government has issued proposals to try to resolve the issue of numerous local government audits still being outstanding. An overview of these proposals were reported to Audit and Governance in September 2024. The main impact on Sefton’s outstanding audits for 2021/22 and 2022/23 was the introduction of a backstop date of 13<sup>th</sup> December 2024. By this date the Statement of Accounts would need to be approved and the audits completed.

## 2 Current Position on the Completion of the Audit of the Statement of Accounts 2021/22

- 2.1 Committee on 27 September 2023 approved the 2021/22 Statement of Accounts, subject to the final completion of the audit. It should be noted that the vast majority of the audit had been completed when Committee approved the Statement of Accounts for 2021/22 in September 2023. However, a “disclaimed” opinion relating to the Statement of Accounts will still need to be issued.
- 2.3 The final Statement of Accounts for 2021/22 is attached as **Appendix A**. Since the previous approval of the Statement of Accounts in September 2023 the document has been updated for the following:
  - Some of the prior period comparators have been updated to take account of the final approved and audited Statement of Accounts for 2020/21.

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- An adjustment between Debtors and Receipts in Advance identified during the audit has been made.
- The Annual Governance Statement has been updated to reflect activity since the Statement was originally signed.

## **3 Current Position on the Completion of the audit of the Statement of Accounts 2022/23**

- 3.1 The draft Statement of Accounts for 2022/23 were presented to the Committee on 27 September 2023. The report noted that valuations of the Council's assets hadn't yet been finalised, so the impact had yet to be included in the financial statements. In addition a small number of notes hadn't been completed. The valuations were finalised by late October 2023 and a revised Statement of Accounts, including the impact of the valuations and the missing notes, was published at the beginning of November 2023.
- 3.2 It should be noted that, unlike for 2021/22, very little audit work has taken place on the Statement of Accounts for 2022/23. A "disclaimed" opinion on the Statement of Accounts will therefore need to be issued.
- 3.3 The final Statement of Accounts for 2022/23 is attached as **Appendix B**. Since the Statement of Accounts was previously considered by the Committee in September 2023 the document has been updated for the following:
- A small number of adjustments were identified following the publication of the Statement of Accounts in November 2023. These adjustments were outlined in the Notes of the Statement of Accounts for 2023/24 and prior period comparators were amended to reflect these changes.
  - A further adjustment relating to 2022/23 was identified during the audit of the Statement of Accounts for 2023/24. This relates to the derecognition of schools converting to academy status.
  - The Annual Governance Statement has been updated to reflect activity since the Statement was originally signed.

## **4 Annual Governance Statement**

- 4.1 The "Annual Governance Statement" is required to be presented with the Statement of Accounts. The updated statements for 2021/22 and 2022/23 are included as section 11 of the Council's Accounts and need to be formally accepted by this Committee.

## **5 Ernst & Young's Report to those charged with Governance.**

- 5.1 The EY Completion Report for those charged with Governance is attached at **Appendix C**. The report covers the audit of the Statement of Accounts and Value for Money work undertaken by EY covering the years 2021/22 and 2022/23. Staff from EY will be present at the meeting to provide a summary of the issues contained in the report and to answer any questions Members may have.

## **6 Letter of Representation**

- 6.1 The Council is required to provide a letter of representation to the Auditor at the conclusion of the audit. This acknowledges the **Page 6**<sup>s</sup> responsibilities in preparing the Accounts

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and provides the assurance to EY that no new information or decisions have been taken that would materially affect the Statement of Accounts for the year. Sefton's letter is attached at **Appendix D**. No issues or decisions have been made / need to be disclosed. The letter has to be signed by the Chair of the Audit and Governance Committee and the Executive Director of Corporate Services and Commercial.

- 6.2 Should the approved version need to be updated following the completion of the audit, it is proposed to delegate authority to the Chair and the Executive Director of Corporate Services and Commercial to sign on the Council's behalf a revised Letter of Representation.

## Financial Implications

None

## Legal Implications

The Accounts and Audit Regulations (2015) will be amended through secondary legislation.

## Corporate Risk Implications

The reporting of the Council's financial position each year through the Statement of Accounts, and the subsequent issuing an audit opinion from the Council's external auditor, supports its Financial Sustainability in 2024/25 and future years.

## Staffing HR Implications

None

## Conclusion

The introduction of measures by the Government means that the outstanding audits for 2021/22 and 2022/23 need to be finalised by the 13 December 2024. This report presents the final Statement of Accounts for 2021/22 and 2022/23 for approval.

## Alternative Options Considered and Rejected

None.

<b>Equality Implications:</b>
There are no equality implications.
<b>Impact on Children and Young People:</b>
None.
<b>Climate Emergency Implications:</b>

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The recommendations within this report will have a neutral impact.

## What consultations have taken place on the proposals and when?

### (A) Internal Consultations

The Executive Director of Corporate Services and Commercial is the author of this report (FD7857/24/24).

The Chief Legal and Democratic Officer (LD5958/24) has been consulted and any comments have been incorporated into the report.

### (B) External Consultations

None

## Implementation Date for the Decision:

Immediately following the meeting.

Contact Officer:	Paul Reilly
Telephone Number:	0151 934 4106
Email Address:	Paul.Reilly@sefton.gov.uk

## Appendices:

The following appendices are attached to this report:

Appendix A – Statement of Accounts 2021/22

Appendix B – Statement of Accounts 2022/23

Appendix C – Completion Report for Those Charged with Governance– years ended 31 March 2022, 31 March and 2023 - Ernst & Young LLP

Appendix D – Letter of Representation - years ended 31 March 2022, and 31 March 2023

## Background Papers:

There are no background papers to this report.





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# STATEMENT OF ACCOUNTS 2021/2022

**As Presented to Audit and  
Governance Committee on 20<sup>th</sup>  
November 2024**

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**1 NARRATIVE REPORT****Introduction**

Sefton is a Metropolitan Borough Council, providing the full range of local authority services to the residents of Sefton. These services include planning, licensing, street cleansing, highways maintenance, and refuse collection, as well as safeguarding vulnerable children and helping older people retain their independence.

Located on the west coast of England between Liverpool in the south and Lancashire in the north / northwest, the Council covers the area from Bootle in the South, through Seaforth, Waterloo, Crosby, Thornton, Altcar, Ince Blundell, Lunt, Freshfield and Formby, up to and including Birkdale, Ainsdale, Southport and Crossens in the North. It also includes the areas of Maghull, Lydiate and parts of Melling and Aintree. It is responsible for providing services to approximately 276,000 residents, local businesses and industry.

As a local authority, Sefton is accountable to Central Government and the electorate. It is responsible for continuously looking to improve its services to ensure that it meets the needs of the local community. Each service must ensure that the local taxpayers are receiving "value for money" by delivering high quality outcomes.

The Council has continued to face significant financial challenges in 2021/2022. As a result of the Government's previous austerity program, the Council's core grant funding was reduced every year over a ten-year period between 2010/2011 and 2019/20. By 2019/2020 core Government grant funding had reduced by more than 50%. As a result of the cuts in grant funding, local authorities are now more reliant on local sources of income such as Council Tax and Business Rates. During this period the Council has also seen a rise in demand for statutory services, most notably social care services provided to vulnerable adults and children.

For 2021/22, the Government announced a £3.5 million (3.4%) increase in the Sefton Council's core grant funding, which included a £2.5 million increase in Social Care Grant in recognition of the social care pressures faced by local authorities. This is the second year in which funding has increased since 2010/11, however, core grant funding remains lower than it was in 2015/16 in cash terms.

As a result of the previous funding cuts and the increase in demand for statutory services, the Council has needed to identify and agree savings of £233 million within its financial plans between 2010/11 and 2019/20. The impact of these savings required a radical change to the way that the Council operates and provides services. To facilitate this change, the Council undertook a major consultation exercise in 2016 to identify the areas that local residents thought the Council should prioritise for use of its resources (Sefton 2030 Vision and Council Core Purpose). The outcome of this consultation is summarised later in this document. The Council also invited the LGA to undertake a peer group review which was undertaken in September 2018, the recommendations of this review have been implemented over the following years. The LGA were due to follow up the initial review with a visit in 2020, however, this was postponed because of the coronavirus pandemic. The LGA have since revisited the Council in April 2022 to assess progress against their recommendations.

In order to facilitate the changes required to meet the Council's future priorities, we have developed a Framework for Change program. This program covers three main strands, Economic Growth and Strategic Investment, Council of 2023 and Demand Management. The Council has also developed a Climate Change Emergency Plan that represents its commitment to reducing carbon emissions.

The challenges faced by the Council have been compounded over the past two years as a result of the Coronavirus (COVID-19) pandemic, which has resulted in further increases in demand for services, loss of income from fees and charges and reductions in business rates and council tax receipts compared to pre-pandemic levels.

The recent sharp increases in energy costs and other inflationary pressures such as the fuel price increases have added further pressure on the Councils budget for 2022/23 and in the medium term, however, the Council continues to closely monitor its financial position and is taking steps to mitigate these pressures.

## Coronavirus (COVID-19)

The coronavirus pandemic has affected all our lives over the past 2 years resulting in a most complex set of circumstances. Protecting the health of our staff, members of our community, and visitors to our area, whilst continuing to provide vital services to the most vulnerable has been our priority during this crisis. We have done this in partnership with the Government, other local councils, partner agencies and businesses.

### Economic Impact

The economic impacts on Sefton were still being felt during 2021/22, with 8,200 jobs furloughed in the borough in May 2021, 7,200 individuals claiming through the self-employed income support scheme (SEISS) in July 2021, and 1,300 more working age households claiming council tax support in June 2021 compared to February 2020.

### Support for Businesses and Residents

Sefton has continued to support its residents and businesses during 2021/22, making around 24,000 grant payments to businesses worth over £101 million since the start of the pandemic, awarding £16.063 million of Covid-19 related business rate reliefs (expanded retail discounts and nursery relief) in 2021/22 and using the Government's Covid Support Funding to provide food vouchers to children who qualified for free school meals over the Christmas, half term and summer holidays as well as emergency living assistance and other types of support as shown below:

Covid Support Funding 2021/22	Local Support Grant £ million	Household Support Fund £ million
Affordable Warmth Team	0.023	0.066
ASDA Vouchers	0.000	0.162
Emergency Living Assistance	0.128	0.619
Energy Project Plus – Meter top-up vouchers	0.000	0.011
Free School Meals (Food Vouchers)	0.945	1.301
Foodbank – Contribution to foodbanks	0.000	0.035
Winter safe packs – Distributed by the Fire Service	0.000	0.020
Winter Coat Project / Winter Pyjamas	0.000	0.054
Admin & Management	0.057	0.167
<b>Total</b>	<b>1.153</b>	<b>2.435</b>

### Impact on Council Services

Covid-19 has had a significant impact on both demand for existing services as well as demand for new services. Adult social care has been disproportionately affected by COVID-19, particularly in relation to the impact on care homes. Children's Services has also experienced significant demand increases. This has led to a significant increase in the overall cost of service provision.

The pandemic has continued to have a significant impact on the Councils income streams in 2021/22:

- Fees and charges for car parking, leisure facilities, and adult social care have experienced reductions as a result of the continuation of Covid restrictions in 2021.
- Business rates income collection rates remain lower than pre-pandemic levels (97.3% in 2021/22 compared to 99.0% in 2018/19).
- Council tax income collection rates remain lower than pre-pandemic levels (94.8% in 2021/22 compared to 96.0% in 2018/19).

It is anticipated that it will now be more difficult to achieve the savings targets set out in the Council's 'Framework for Change' programme.

To assist Council's the Government continued to provide additional COVID support funding during 2021/22.

## **An overview of Sefton Council**

### **Sefton Councillors in 2021/2022**

The Council is composed of 66 councillors (three for each of the Borough's 22 wards), with one-third elected three years in every four. The political analysis of the councillors as at 31 March 2022 is identified below:

Labour	43
Liberal Democrat and Progressive Alliance Group	8
Conservative	8
Lydiate, Maghull, Aintree & Lunt Community Independents	5
Independents Group	2

Councillors are democratically accountable to residents of their ward. The overriding duty of councillors is to the whole community, but they have a special duty to their constituents, including those who did not vote for them.

Councillors have to agree to follow a Code of Conduct to ensure high standards in the way they undertake their duties. The Audit and Governance Committee trains and advises them on the Code of Conduct which is set out in Chapter 2 of the Council's Constitution.

### **Management Structure**

#### Councillors

Along with many other authorities, a Leader and Cabinet management structure has been adopted. The Council appoints the Leader of the Council, approves those matters which are part of the Council's policy framework and provides an opportunity through questioning and debate for the Cabinet to be held to account.

The Cabinet has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide.

Individual Members of the Cabinet make decisions on service issues within their area of responsibility (portfolio) under delegated powers set out in Chapter 5 of the Constitution.

There are four Overview and Scrutiny Committees which support the work of the Cabinet and the Council as a whole. They allow citizens to have a greater say in Council matters by holding public inquiries into matters of local concern:

- Overview and Scrutiny Committee (Adult Social Care and Health)
- Overview and Scrutiny Committee (Children's Services and Safeguarding)
- Overview and Scrutiny Committee (Regeneration and Skills)
- Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services)

These lead to reports and recommendations which advise the Cabinet and the Council as a whole on its policies, budget and service delivery. The Committees also monitor the decisions of the Cabinet.

There is also the opportunity for the public to ask questions or submit petitions directly to the Council.

The Leader of the Labour Group, Councillor Ian Maher, is the Leader of the Council.

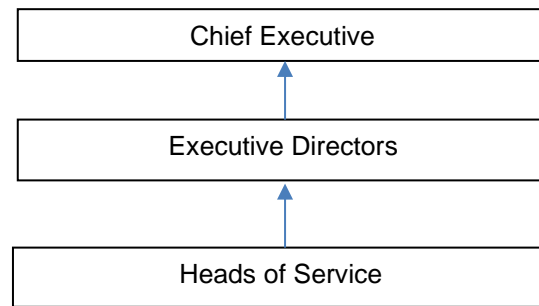
#### Strategic Management

The senior management structure aims to reflect the need for departments to collaboratively work together as 'One Council' and thereby maximise capacity and avoid duplication. In support of the politicians, the senior management structure is identified below.

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Narrative

The posts shown below formed the Strategic Leadership Board in April 2022.



Executive Directors: (1) Adult Social Care and Health, (2) Children's Social Care and Education, (3) Corporate Resources and Customer Services, (4) People, (5) Place.

Heads of Service: (1) Adult Social Care, (2) Children's Social Care, (3) Communities, (4) Commercial Development, (5) Economic Growth and Housing, (6) Education (7) Highways and Public Protection, (8) Legal and Democratic Officer / Monitoring Officer, (9) Operational In-House Services, (10) Public Health & Wellbeing, and (11) Strategic Support.

The changes to the Strategic Leadership Board in recent years have reduced the number of heads of service reporting directly to the Chief Executive. The changes are intended to provide for clearer reporting lines (with appropriate span of control) and concentration on key strategic areas.

## Other Employees

At the end of 2021/2022 the Council employed 2,752 people (full time equivalents, excluding school-based employees). As part of the process to reduce costs to ensure a balanced budget, roles and responsibilities have changed and the number of employees has reduced considerably over recent years. Since 2010, when the austerity measures were imposed, the Council has reduced the number of full-time equivalent staff by 24%.

## **Sefton 2030 Vision and Council Core Purpose**

In November 2016, the Council approved the Sefton 2030 Vision and the Council Core purpose. This was developed following an extensive consultation with residents, businesses and many visitors to the borough. In their thousands, these groups told the Council they want to be involved in planning the future, what matters to them and how all stakeholders need to work together to make the vision happen. The Vision will enable the Council and partners to demonstrate the connected thinking and action. It will also enable the Council to bring about meaningful and measurable plans with targets, timescales and a performance management framework.

In supporting the delivery of the Vision, the Council approved the following refined Core Purpose to articulate its role in delivering the 2030 vision.

- **Protect the most vulnerable:** i.e. those people who have complex care needs with no capacity to care for themselves and no other networks to support them. For those who are the most vulnerable we will have a helping role to play, we will challenge others to ensure we all protect the most vulnerable and where we need to, we will intervene to help improve lives.
- **Facilitate confident and resilient communities:** The Council will be less about doing things to and for residents and communities and more about creating the capacity and motivation for people to get involved, do it for themselves and help one another. We will create an environment in which residents are less reliant on public sector support and which have well developed and effective social support.
- **Commission, broker and provide core services:** The Council will directly deliver fewer services but will act as a broker and commissioner of services which meet the defined needs of communities, are person-centred and localised where possible. We will deliver services which can't be duplicated elsewhere or where we add value.
- **Place-leadership and influencer:** Making sure what we and what others do are in the best interests of Sefton and its residents and has a contributing role to the 2030 vision of the borough. This includes strong leadership and influencing partner organisations to work towards common goals and building pride in the borough.



- **Drivers of change and reform:** The Council will play a key role in leading change and reform to improve outcomes for Sefton residents and continuously improve the borough.
- **Facilitate sustainable economic prosperity:** That is, people having the level of money they need to take care of themselves and their family; creating the conditions where relatively low unemployment and high income prevail, leading to high purchasing power; and having enough money to invest in infrastructure.
- **Generate income for social reinvestment:** The Council will develop a commercial nature and look to what it can do either by itself or with others to generate income and profit that can be reinvested into delivering social purpose.
- **Cleaner and Greener:** The Council will work with others to maintain Sefton's natural beauty and ensure that its many assets provide a contribution to Sefton's economy, peoples wellbeing and the achievement of the 2030 Vision.

The Council is due to start to review its Vision and the Council Core purpose again in 2023, building upon the work previously undertaken, assessing the impact of Vision 2030 and developing Vision 2035.

## Governance / VFM / Risk

The Council is required to review its governance arrangements on an annual basis, along with its arrangements for achieving economy, efficiency and effectiveness, and ensuring it is identifying and managing risk effectively.

The annual review has been undertaken and the outcome of that review is reported in the annual governance statement (AGS) which is published as part of the statement of accounts. A copy of the AGS can be found in section 11 of this document.

## LGA Peer Group Review

In September 2018, a six-strong team of expert local government officers and councillors were invited in by the council and spent four days talking to over 140 staff, councillors of all parties, and public and private partners.

The peer review team considered five core themes; understanding local context and priority setting, leadership of place, financial planning and viability, organisational leadership and governance and capacity to deliver.

Throughout the review, they commented on how impressed they were by the energy, commitment and appetite for change held by the workforce which they felt put the council in a strong position to continue its transformation journey and effectively play its role in achieving the Sefton 2030 vision.

Their independent findings also praised the council for listening to and serving its communities well through a challenging period of austerity and highlighted the council's knowledge of Sefton.

They recognised Sefton's combined strong political and managerial leadership as a key driver of success in managing a 51% reduction in grant funding through effective budget planning.

In a full feedback report, the peer review team suggested some areas of improvement for the council to consider going forward, including prioritising the refresh of the core purpose, accelerating work on a local economic growth strategy and clearer parameters around commercialisation.

The Council's Cabinet agreed that their recommendations be accepted, and authorised officers to develop an associated action plan; this plan was agreed by Cabinet in January 2019. Since then a progress report and updated action plan has been considered and approved by Cabinet in March 2020.

The LGA were due to follow up the initial review with a visit in 2020, however, this was postponed because of the coronavirus pandemic. The LGA have since revisited the Council in April 2022 to assess progress against their recommendations. A report was presented to Cabinet on 28 June 2022, which concluded that the Council had worked purposefully and had seen an improved approach across all the areas.

## Framework for Change 2020 programme

In March 2021, the Council approved the continuation of the Framework for Change 2020 Programme as part of its budget setting process along with the commencement of all appropriate activity required to deliver the programme as it develops.

This is a comprehensive and ambitious programme that seeks to support the delivery of the Council's core purpose and vision for 2030. The programme is complex and spans a number of financial years. It aims to develop new ways of working that will improve efficiency and deliver a balanced and sustainable budget.

The Framework for Change 2020 programme is focussed on the following themes:

Theme	Workstreams
Council of 2023	<ul style="list-style-type: none"> <li>- Service inputs and new operating models</li> <li>- New Ways of Working and Taking Advantage of Technology</li> <li>- Workforce Development</li> <li>- Organisation design across the Council</li> </ul>
Demand Management	<ul style="list-style-type: none"> <li>- Localities - further embedding early intervention and prevention</li> <li>- Children's Social Care – Delivering the Children's Plan</li> <li>- Adults' Social Care</li> <li>- Streetscene</li> <li>- Education Excellence</li> <li>- Special Educational Needs and Disability (SEND)</li> </ul>
Economic Growth and Strategic Investment	Town Centre Regeneration, Large Employment Sites, Strategic Transport Schemes, Coast Access Gateways, Industry sector development, Housing, Employment and Skills, and Investment.

## Climate Change Emergency

As a coastal borough, Sefton feels the effects of climate change more keenly than other parts of the UK. Extreme weather will impact negatively on our communities and businesses and we must do all in our power to reduce the likelihood of an extreme weather event.

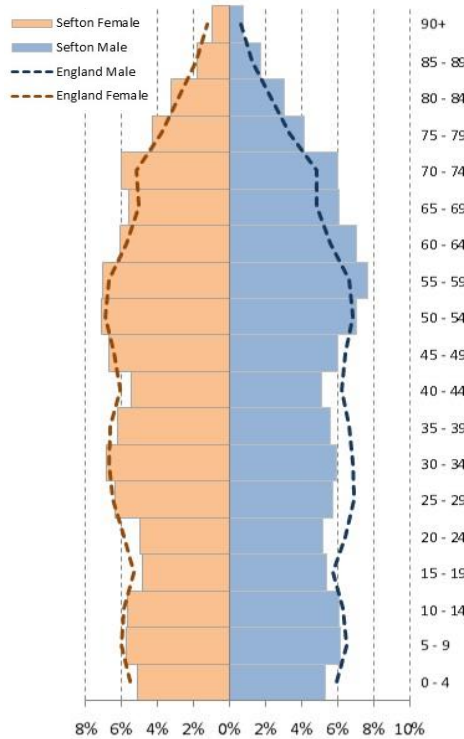
On 18<sup>th</sup> July 2019, Sefton joined 60% of UK local authorities in declaring a climate emergency in response to the growing consensus worldwide that urgent action. The Council has since developed a Climate Emergency Strategy and a Climate Change Emergency Action Plan in response to the declaration.

Sefton Council will focus its efforts on energy use reduction as well as exploring the potential for green infrastructure and offsetting. This work will be aligned to the delivery of the Sefton 2030 Vision and the Council's Core Purpose with the aim of making Sefton a better place to live and work. The Council's aim is to achieve 100% clean energy by 2030 and reduce demand across our organisation to work towards becoming net carbon zero by 2030.

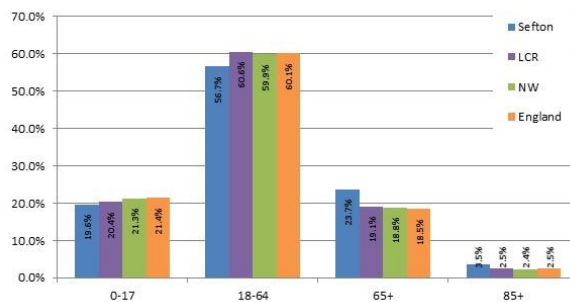
Achieving these aims will require investment in developing renewable energy generation, use of biogas produced through waste streams and agricultural waste stock, carbon offsetting, and moving to low carbon fleet vehicles as well as adapting the way we deliver services to reduce energy usage.

## Age Profile of Sefton Residents

The age profile of residents is important to local authorities as it influences where / what services are provided. The latest Office for National Statistics Mid-Year Estimates for 2020, indicated that Sefton's total population was 275,899. The figures also showed that 24% of Sefton's residents are aged 65 and over; this is above the Liverpool City Region - LCR, North West and England averages (all 19%). Sefton is ranked 71<sup>st</sup> out of 309 local authorities for the rate of residents aged 65 or over. The high proportion of older residents has an impact on the level of resources that the Authority requires for elderly care provision. Sefton is in the highest 25% of Local Authorities for the proportions of elderly residents across the country.



Comparison of Sefton's Age Profile to LCR, NW & England (2019)



At 24%, Sefton has the 6<sup>th</sup> highest proportion of over 65's across the 39 North West local authorities and is highest of the six Liverpool City Region (LCR) authorities.

Sefton is the 41<sup>st</sup> highest LA for the proportion of residents aged 85 and over throughout England and is the 5<sup>th</sup> highest in the North West, at 3.5% of the overall population, Sefton is again higher than the LCR, North West and national proportions of 2%. The Borough is again the highest of the six LCR authorities.

The number of residents over 65 is projected to increase steadily between 2018 and 2043. For males, the increase is projected to be 36% (28,132 to 26,617) and an increase for females of 31% (35,900 to 46,938). This means an overall 65+ population increase of 36% rising from 62,600 in 2016 to 85,000 by 2037.

Greatest increases are amongst those aged 85 and above with an overall increase of 73% (9,309 to 16,134). The male over 85 population rising by 104% (3,146 to 6,418) between 2018 and 2043. For females, the increase is projected to be 58% (6,163 to 9,716).

The rate of increase in the over 65 population of 33% compared to overall population increases of just 6% means that by 2043 approximately one in three Sefton residents will be age 65 or over.

Projected reductions in working age population (16 to 65-year olds) of 3% compared to increases in the over 65 population will mean the proportion of the adult population of the borough that is of pensionable age will be 29% by 2043, compared to 23% in 2018.

[Source: Mid-Year Population Estimates 2020 / Population Projections 2018]

## **Performance information**

### **Core Funding**

**Business Rates:** There was no change in the standard business rate multiplier in 2021/22. The Council billed £58.224m of business rates charges in 2021/22 (excludes prior year adjustments), this was £25.061m higher than the net amount billed in 2020/21. The increase in business rates charges was largely due to a reduction in retail discounts from 1 July 2021, as the Government wound down the level of support provided to businesses following the removal of Coronavirus restrictions. The council collected 97.3% of the amount billed in the year, up from 96.4% in 2020/21. A deficit of £11.810m is reported in the Collection Fund in 2021/22 of which Sefton Council's retained share is £11.692m (99.0%). A large proportion of this deficit is due to the continuation of expanded retail discounts in 2021/22 which the Government announced in March 2021 after the Council's budget was set. This additional relief is fully funded by Section 31 Grant, leaving an underlying surplus of £4.189m in 2021/22. The underlying surplus was largely due to a reduction in the provision for appeals as a large number of appeals against the 2010 Rating List were settled in the year. The deficit recorded on the Collection Fund will be recovered over the next two years (2022/23 and 2023/24).

**Council Tax:** The Council increased its council tax band D charge by £81.49 (4.99%) in 2021/22. This included a social care precept of 3.0%. The Council billed £179.126m of council tax charges in 2021/22 (including precepts) of which 94.8% was collected in the year, down from 95.0% in 2020/21. A surplus of £3.842m is reported in the Collection Fund in 2021/22 of which Sefton Council's share is £3.229m (84.0%). The surplus is largely due to housing growth and a reduction in council tax support claimants (compared to the number estimated). The surplus recorded on the Collection Fund will be distributed over the two years (2022/23 and 2023/24).

**Government Grant Funding:** During 2021/2022, Sefton's core grant funding (including Settlement Funding Assessment, New Homes Bonus, Improved Better Care Fund, and Social Care Grant) increased by £3.5m (3.4%), which included a £2.5 million increase in Social Care Grant in recognition of the increased social care pressures faced by local authorities.

**Future Funding:** In December 2021, the Secretary of State for Levelling Up, Housing and Communities announced a one-year finance settlement for local government which once again included a significant amount of one-off funding which may not continue in future years. The Government has previously announced their intention to introduce a new funding distribution formula using updated population data as well as resetting business rate retention baselines from 2022/23. The impact of these changes is currently unknown and recent political and economic developments mean that it is uncertain that they will be implemented. This leaves Sefton's future funding levels uncertain and makes medium-term financial planning difficult. Also, the long-term impact of the Covid-19 pandemic, increasing demand for services, the impact of Brexit, and the recent spike in inflation (fuel and energy costs in particular) has significantly increased the financial pressure on local government. Despite this uncertainty, the Council has prepared and agreed a Medium-Term Financial Plan for the period 2022/23 to 2024/25 setting out its approach to funding service provision over the next three years. This plan will be subject to review and revision as impact of current economic pressures develops and additional information on future funding levels becomes available.

## Economy

The Borough has a mixed economy ranging from industry, commerce and tourism. The east bank of the Port of Liverpool is actually in Sefton, not Liverpool. The opening of “Liverpool 2”, the new deep-water container terminal is expected to provide many opportunities to improve the economy further.

Sefton is part of the Liverpool City Region and the embryonic “Northern Power House” which is expected to provide further impetus to the local economy in the future.

### Latest available key data on the Sefton economy

- The unemployment benefit claimant rate in Sefton in February 2022 was 4.8%. Sefton is slightly lower than the rates seen across LCR (5.3%) and the North West (4.9%) yet is higher than the national rate (4.4%). Compared to the previous year the number of unemployed people in Sefton has considerably reduced (approximately 3,795 / 33%), 2022 has the second highest number of claimants in the last nine years (with 2021 having the highest).
- The economic activity rate in Sefton is 75.8%, lower than the rates seen across the city region (77.1%), the regionally (76.9%) and nationally (79.1%)
- There are currently 121,700 Sefton residents in employment (73.2% employment rate).
- 61.4% of residents are educated to NVQ Level 3 or above similar to the national average (61.2%).
- In 2021, the average full-time earnings for residents of Sefton is £589 per week, or £30,508 per annum, 4% lower than the English average.
- The National Living Wage increased to £9.50 per hour in April 2022 for over-23s only.
- Sefton’s Rank of Average Score in the Indices of Multiple Deprivation (IMD) 2019 was 89th out of 317 local authorities (317 being the least deprived).
- There are 38 Sefton LSOA’s (Lower Super Output Area – used in census collection) in the most deprived 10% of LSOAs across England. Seven of the 38 LSOA’s are in the most deprived 1% of LSOA’s nationally, six are in Linacre Ward; the other is in Derby Ward.
- 50 out of 189 LSOAs have a deprivation score less than in 2015 indicating that deprivation has reduced in the area. Meaning nearly three quarters of the areas have an increased deprivation score, indicating they have become more deprived.
- Sefton is ranked 89<sup>th</sup> out of 317 local authorities for deprivation affecting Children and 72<sup>nd</sup> for deprivation affecting Older people in 2019.
- 31 LSOA’s across Sefton fall in to the most deprived 10% areas for children, with 31 being in the most deprived 10% for older people. Five of the 31 fall within the top 1% of deprived areas nationally for children (located in Linacre – 3, Derby -1 and Litherland -1 wards). One LSOA is in the top 1% of deprived areas in England for older people (located in Deby ward).
- 80 of Sefton LSOA’s have seen the child related deprivation score (and therefore the deprivation affecting children) increase from 2015 to 2019, with 97 Sefton LSOA’s seeing increases in older people related deprivation.

[Source: NOMIS Claimant count by sex and age February 2022, ONS Annual Population Survey October 2020 September 2021 / January to December 2020, ONS Annual Survey of Hours and Earnings – Residents Analysis 2021, The National Minimum Wage 2022, IMD 2015/19]

## Social Care

Sefton’s Adult Social Care dealt with 23,280 contacts during 21/22, 33% of these related to new clients. Sefton supported 5498 clients in long term community or residential services during the year, along with providing support to 378 carers.

At the 31<sup>st</sup> March 2021, there were 2,165 Children in Need, a rate of 400.2 per 10,000 population aged 0 to 17, considerably higher than that of England (321.2), North West (367) and Sefton’s Statistical Neighbours average (360.2). At the same time 252 children were subject to a Child Protection Plan which was 46.6 per 10,000 population aged 0 -17, again higher than the national figure (41.4), but lower than the Borough’s Statistical neighbour (47.5) and regionally (47). With 613 children recorded as Looked After as at 31<sup>st</sup> March 2021, as with Children in Need and Child Protection Plans, the

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Children Looked After rate is considerably higher than that seen nationally (113 compared to 67 per 10,000 children aged 0 - 17) the Statistical Neighbour group (88.7) and North West (97) were also considerably lower.

The second extension year of the Sefton Turnaround Programme was completed on 31st March 2021. The target of 357 families was reached with the cohort being 'turned around' meaning that the LA could draw down funding from the government of £800 per family. This generated £285 600 worth of funding to support interventions provided by Social Workers to support families. The second extension year commenced on 1st April 2021 and is due to end on 31st March 2022. The target is to turn 357 families round within the timeframe which will generate a further £285 600 of funding. The name and marketing of the Turnaround Programme has now been changed to the 'Supporting Families' Programme.

The second extension year of the Sefton Turnaround Programme commenced on 1st April 2021 and ended on 31st March 2022. The target was to turn 372 families round within the timeframe which was met. This has generated a further £297 600 of funding to support interventions provided by Social Workers to support families. The name and marketing of the Turnaround Programme has now been changed to the 'Supporting Families' Programme.

[Sources: Sefton Adult Social Care, B1 Children in Need and Episodes of Need 2021, D4 Child Protection Plans 2021, LA – Children looked after 31 March by Characteristics 2021, LAIT April 2021, Turnaround Families Database]

## Tourism

Sefton has over 22 miles of coastline boasting a number of beautiful beaches and stunning natural beauty. Attractions range from Gormley's "Iron Men" on the beach in Crosby, to the Pinewoods (and red squirrels) in Formby, to the iconic attraction of Southport, with its elegant shopping in classic Victorian surroundings.

Southport has hotels, attractions, restaurants and pubs, with the oldest cast iron pier in the UK stretching across Southport beach. It is rumoured that Napoleon re-modelled certain parts of Paris based on his knowledge of Southport during his stay in the town back in the mid-19th century. Southport also hosts a superb events programme including the annual Air Show, Fireworks Championship and Flower Show while Sefton is also home of the Grand National.

There are many world class golf courses within Sefton, Royal Birkdale regularly hosts The Open while Hillside Golf club has recently hosted The British Masters. The area's reputation for golf is known nationwide and is known as "England's Golfing Capital" due to the number and variety of top-quality courses. This attracts visitors from across the UK and many from the United States, Europe and Japan.

## Technology / Systems

The Council is now in the fourth year of a five-year contract with Agilisys Ltd for the provision of IT services to the Council. This agreement has enabled the Council to reduce the annual costs of IT services, and it has also allowed the Council to benefit from the innovation and best practice which Agilisys has implemented for other local authorities.

The Council has continued to develop its agile working which enables Council officers to work from various locations as required by their role, and the Council is using new IT initiatives to support this. The Council has upgraded its main telephony system to a cloud-hosted solution so that calls can be made and received irrespective of location. Increased use of the Microsoft Teams solution allows officers to hold meetings online this reducing the requirement to travel, which aligns with the Council's aspirations to reduce its impact on the environment. In addition, the Council is nearing the completion of the migration of its Council systems and data to cloud hosting.

An improved broadband offer to Sefton schools has been implemented, which provides faster connectivity and better value for money.

Councillors continue to use new mobile devices and technology which allows them to conduct their duties more efficiently by granting access to key information and electronic communication with citizens whilst on the move. This has resulted in a reduction in the use of paper and printing for Council meeting documentation.

The Council continues to improve and develop its digital offering to customers. The Council website has been redesigned in early 2022 and further improvements will be made as part of the continuing website development programme. The development and deployment of a new digital Customer Experience platform is in progress, which will increase and enhance self-service on a variety of services 24 hours a day.

The Council is also looking to rationalise its use of systems to leverage use of existing investments, deploy better integration between systems and reduce the overall spend in this area. Continued leverage of the Council's Microsoft software is constantly being explored and progressed; this provides efficiency improvements to the Council and ensures we maximise our financial investment. The Council is also working on further rollout of intelligent automation technology to improve and streamline back-office processes.

In response to Sefton's wider Digital offer and Sefton's newly published Technology Enabled Care Solutions Strategy 2021-24, the Council is actively exploring the design and implementation of TEC solutions which will allow older and/or vulnerable adults to live independently at home. The Council launched Ask SARA, an online self-assessment, information and guidance tool, which is designed to provide individuals, their families and carers, with advice and guidance to access equipment to support independent living, and is piloting Brain in Hand, an app for young people aged 16-25 with low level mental health diagnoses who will benefit from using the app to support them to achieve greater independence and autonomy over their own wellbeing. The Council is also planning pilots in 22/23 to support development in remote monitoring to support independent living in shared settings.

## **Financial Overview**

### **Revenue Budget Process / Council Tax**

Unlike in previous years, the Council was unable to formulate a multi-year budget plan due to the one year Local Government Finance Settlement and the lack of clarity over future settlements. The Council identified a budget shortfall for 2021/2022 of £8.997m. Specific options to contribute to the budget shortfall in 2021/2022 were identified, including a 4.99% increase in Council Tax (including a 3% increase for the Adult Social Care Precept). Councillors were reminded that the use of one-off resources should only occur in setting a robust financial plan when there is a clear short-term requirement and that these are not used to avoid making budget savings.

The Council experienced significant budget pressures in some service areas, particularly Children's Social Care, Children with Disabilities, Home to School Transport and Operational In-House Services. However, the Council did identify underspending in other areas as well as implementing various mitigating actions during the year to ensure there would be no overspend, particularly in light of the financial pressures due to COVID19. These measures enabled the outturn position to be a net underspend of £2.021m.

### **Financial risks up to 2022/2023**

The budget reductions identified in the budget for 2021/2022 highlight the growing level of financial risks the Council will be facing over the coming years and the level of risk which it is possible to mitigate. The financial forecasts themselves are only estimates of future political, economic, environmental and demographic forecasts which contain many variables and degrees of uncertainty.

The budget proposals made to date contain some risks, given the extent and the impact of the £233m savings Sefton had faced to March 2020. The Council has been made aware of the consultations conducted since 2011 in determining the equality impact and risks of the reductions and reconfigurations of services. All options require close monitoring of implementation and delivery and any non-achievement reported and corrected in a timely way.

The 2021/2022 budget represented the twelfth successive year of budget reductions for Sefton Council and has required more challenging solutions to achieve a balanced budget for 2021/2022.

Delivering savings over such a long period has had a significant impact on the delivery of Council services. In developing the approach to delivering the savings it was important to balance the delivery of savings with the protection of those services which contribute the most to the delivery of the Vision and Core Purpose.

Achieving the ambitions of Sefton 2030 also requires the Council to be financially sustainable, to ensure services align with the core purpose and that the Council works with partners to achieve better outcomes.

In order to meet this challenge, the Council has developed a 'Framework for Change' which is comprised of the following pillars which will help the Council deliver against its stated objectives including financial sustainability. These are:

- Economic Growth and Strategic Investment;
- Council of 2023;
- Demand Management.

Each of these themes will contribute towards delivering the Sefton 2030 Vision and a financially sustainable Council.

## Revenue Financial Performance of the Council 2021/2022

### Non-School General Fund Net Expenditure

The General Fund encompasses expenditure relating to the day-to-day running of the Council. Transactions relating to Schools' delegated budgets are included within the General Fund but because Schools are entitled to retain any year-end balances for future use, the General Fund balances are analysed according to whether or not they belong to Schools.

On 4 March 2021, the Council approved a revenue budget for 2021/2022 of £191.974m, which included £1.208m relating to the expenditure of Parish Councils. At that time, it was anticipated that balances for non-school budgets would total £9.984m at 31 March 2022. As a result of an underspend of £2.794m in 2020/2021 the anticipated year-end balances position was revised to £12.778m. The 2021/2022 Budget assumed an increase in general balances of £1.5m as part of a strategy to increase balances and ensure financial resilience.

Overall, actual expenditure for 2021/2022 on General Fund services (excluding Schools' delegated expenditure) was £2.021m lower than the Base Estimates which has increased General Fund Balances further.

The Authority's reported Non-School General Fund balances at 31 March 2022 are therefore £14.799m as shown in the following table:

<b><u>Non-School General Fund Balances</u></b>	<b><u>£m</u></b>
Actual Non-School General Fund Balances at 31 March 2021	-11.278
Plus Budgeted Contribution to Balances	-1.500
Plus underspend in comparison to the 2021/2022 Base Estimate:	-2.021
<b>Actual Non-School General Fund Balances at 31 March 2022</b>	<b>-14.799</b>



A comparison of actual expenditure to budgeted expenditure is shown below:

<b>Net Revenue Expenditure</b>	<b>Budget</b>	<b>Net Expenditure Chargeable to General Fund Balances (per EFA)</b>	<b>Adjustments for Internal Recharges / Earmarked Reserves</b>	<b>Outturn Expenditure against Budget for Monitoring Purposes</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Services</b>					
Strategic Management	4.015	1.120	2.914	4.034	0.019
Adult Social Care	98.125	92.715	2.255	94.970	-3.155
Children's Social Care	47.754	52.883	-0.242	52.641	4.887
Communities	17.274	16.126	-0.987	15.139	-2.135
Corporate Resources	4.828	26.051	-21.799	4.252	-0.576
Economic Growth & Housing	6.548	3.120	2.924	6.044	-0.504
Education Excellence	11.000	10.811	0.247	11.058	0.058
Education Excellence - Schools	0.000	-5.143	5.143	0.000	0.000
Health and Wellbeing	18.724	17.216	0.697	17.913	-0.811
Highways & Public Protection	11.231	7.442	3.339	10.781	-0.450
Operational In-House Services	14.004	13.814	0.437	14.251	0.247
Other Services	2.923	2.072	0.745	2.817	-0.106
<b>Total Service Net Expenditure</b>	<b>236.426</b>	<b>238.227</b>	<b>-4.327</b>	<b>233.900</b>	<b>-2.526</b>
Corporate Items	-18.871	21.611	-39.927	-18.316	0.555
Levies	34.568	34.568	-	34.568	-
Parish Precepts	1.208	1.208	-	1.208	-
<b>Total Net Expenditure</b>	<b>253.331</b>	<b>295.614</b>	<b>-44.254</b>	<b>251.360</b>	<b>-1.971</b>
<b>Financed by:</b>					
Council Tax Payers	-141.553	-141.553	-	-141.553	-
Business Rates Top-Up	-21.315	-21.315	-	-21.315	-
Retained Business Rates	-29.105	-29.105	-	-29.105	-
General Government Grants	-62.858	-92.714	29.806	-62.908	-0.050
<b>Total Financing</b>	<b>-254.831</b>	<b>-284.687</b>	<b>29.806</b>	<b>-254.881</b>	<b>-0.050</b>
<b>Amount Funded from / contributed to (-) General Balances</b>	<b>-1.500</b>	<b>10.927</b>	<b>-14.448</b>	<b>-3.521</b>	<b>-2.021</b>

Note: The total of the figures shown above for Other Services and Corporate Items are categorised differently in the Expenditure & Funding Analysis (total of Corporate Unallocated Costs and Financing and Investment Income & Expenditure)

For clarity, brief definitions some services are noted below to help the reader understand what some of the functions that are provided: -

- Communities – Services include amenities and support for local neighbourhoods, youths, libraries and arts, sports and families.

- Operational In-House Services – The delivery of key services including refuse collection / recycling, street cleansing, burials and cremation, school meals, crossing patrols, parks, coast and countryside.

The main variances relate to four key areas:

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Adult Social Care – Adult Social Care underspent in 2021/22 by £3.155m. Reports to Cabinet during the year highlighted that there were a number of significant assumptions and uncertainties relating to COVID-19 and other areas that would impact on the outturn position at the year-end. The Demand Management Programme continued throughout the year, and further savings were identified that had a significant part-year impact in 2021/22 which was a major factor in the service underspending. Monthly budget monitoring reports later in 2021/22 made reference to these issues and an underspend of £2.3m was included in the forecast pending finalisation of the issues.

Children's Social Care: Children's Social Care overspent in 2021/22 by £4.887m. A significant overspend was forecast consistently through the year and relates to the overspends on accommodation and Agency workers. This budget is demand led, and as such, is particularly volatile, depending on the increasing numbers of children becoming looked after and where they are accommodated. The overspend increased towards the end of the year, which was as a result of some high-cost cases and highlights the pressures that the budget can experience, together with the higher than budgeted for costs of agency members of staff that are required as a result of increased demand and a lack of permanent staff who are available in the labour market.

Communities: The surplus of £2.135m primarily relates to reduced expenditure on sports facilities due to them being closed in line with COVID19 guidance and reduced activity when they were allowed to open. There were other vacancy savings across the Council, as well as additional grant funding made available to offset existing costs in the year.

Health and Wellbeing - A net surplus of £0.811m was brought about primarily due to savings on contracts procured during the year, including on substance misuse and health prevention services.

## Schools

In accordance with the Fair Funding Scheme for Financing Schools, individual schools are able to carry forward any underspend on their budgets. Conversely, an overspend against budgets become the first call on future available resources. Net expenditure on schools, whether incurred directly from delegated budgets or spent against centrally retained budgets by the LEA in support of schools, is funded from the ring-fenced Dedicated Schools Grant (DSG).

The DSG was underspent by £2.613m in 2021/2022. This comprised an underspend of £2.767m across Individual Schools' delegated budgets, and a decrease in the level of DSG school funds held by the Local Authority during 2021/2022 in respect of the Supply Teachers scheme (£0.107m) and the Business Rates scheme (£0.047m). Movements in Schools' balances during 2021/2022 can be summarised as follows:

<b>Schools' Balances</b>	<b>£m</b>
Schools' balances as at 1 April 2021	-15.676
Overspend on Schools' Delegated Budgets	-2.613
Schools' balances at 31 March 2022	-18.289

The Council's Centrally Retained DSG balances are separate to its Maintained Schools' balances. These are in respect of Schools' Central Support services; Early Years (non-schools) provision and High Needs (non-schools) provision. The net opening balance of these reserves, as at 1 April 2021, was a deficit of £6.615m. During 2021/2022, this deficit has grown considerably, mostly due to the significant overspending of High Needs. This has taken the balances into a net deficit position of £11.097m (see below).

<b><u>Centrally Retained DSG Balances</u></b>	<b><u>1 April 2021</u></b>	<b><u>Movement 2021/2022</u></b>	<b><u>31 March 2022</u></b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Schools Block	-0.521	-0.240	-0.761
Early Years Block	-1.113	0.477	-0.636
High Needs Block	8.249	4.245	12.494
	6.615	4.482	11.097

DfE permit Local Authorities to carry forward a deficit on their DSG Centrally Retained balances, without any obligations on behalf of Local Authorities to support a deficit position out of non-school Council balances. As a result of the statutory requirements introduced for 2020/21, this balance is now held on the Balance Sheet as an Unusable Reserve, the Dedicated Schools Grant Adjustment Account.

They DfE have offered to work more closely and in cooperation with Local Authorities, to support them in trying to reduce spending, particularly across High Needs, where most Authorities have been struggling to manage. The first requirement will be for the Authority to have plans to balance their in-year spending. They will still be required to provide evidence, at the DfE's request, that overspending issues have been reported regularly to Schools Forum; and that measures are in place to arrest the situation, at least, over a three-year planned period. In addition, the Council is participating in the DfE's Delivering Better Value Programme, which will provide additional support to help the Council move into a financially sustainable position on High Needs. It has been acknowledged that the full recovery of accumulated deficits, however, may not be possible, even over many years, and it is not certain at this stage, whether the DfE may consider, on a case by case basis, some additional funding, to write down some, or all, of their accumulated deficits in this respect.

With the review of High Needs underway, and the actions being taken as explained above, together with the increased settlement for High Needs funding in 2022/2023, work will continue to bring expenditure in line with the budget available and then start to repay the existing deficit so as to reduce the financial risk to the Council.

### Capital Strategy / Programme 2021/2022

The Capital Programme Capital Allocation 2021/2022 report was approved by Council on 4 March 2021. As part of Central Government's austerity measures the capital grants previously available to local authorities have reduced year on year. As a result, the previous flexibility afforded to councils to establish a single capital pot from which capital and investment decisions could be made has been eliminated. The three remaining grant allocations received by the Council are in respect of schools, transport and social care (i.e. Better Care Fund) and due to the funding conditions of these grants are utilised within the relevant services.

Capital requirements that reflect the councils Framework for Change programme are considered by the Strategic Capital Investment Group (SCIG). SCIG consists of Cabinet members and its purpose is to review and assess capital funding plans. Recommendations are made to Cabinet and Council for a Capital Investment Plan.

Capital expenditure is principally funded from four areas:

Capital Grants and Contributions – grants from Central Government and other grant funding bodies such as European grants, lottery funding and contributions from private developers.

Capital Receipts – proceeds from the sale of the Council's capital assets.

Revenue – financing capital expenditure from the Council's revenue resources.

Prudential Borrowing – this is external borrowing undertaken by the Council that must be repaid. The Council will only borrow where plans are sustainable, affordable, prudent and offer value for money.

The Capital Programme 2021/2022 report highlighted Government grant funding for 2021/2022 of £1.812m for schools, £3.865m for transport and £4.251m for Better Care Fund, giving a total grant allocation of £9.928m. Of the £1.812m for schools, £0.346m was ring-fenced Devolved Formula Capital Grant (DFC), and £1.466m was Capital Maintenance Grant. Of the £3.865m for transport,

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£0.990m was the Local Integrated Transport Block Grant, £1.800m was the Highway Maintenance Block Grant, £0.900m was the Additional Key Route Network Grant, and £0.175m was Pothole Funding.

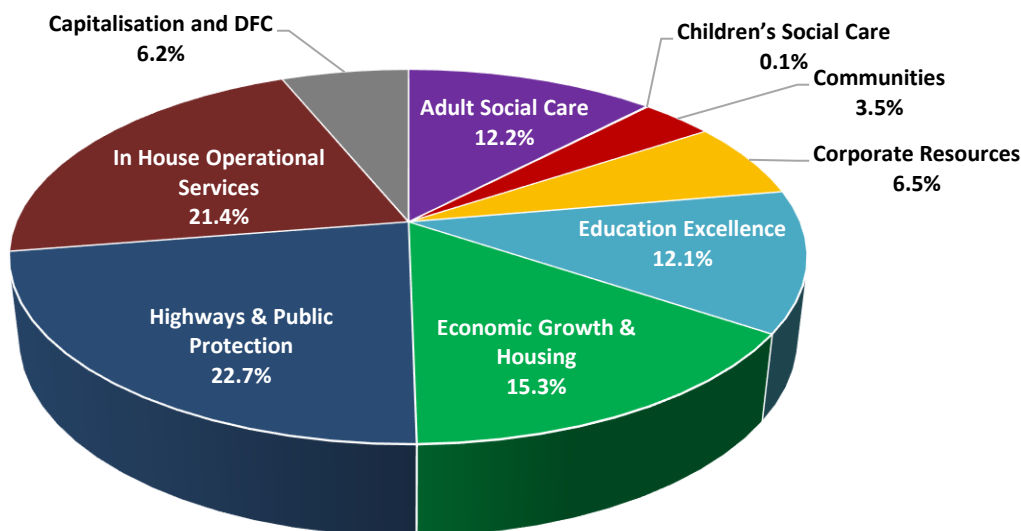
## Capital Expenditure in 2021/2022

In 2021/2022 the Authority spent £32.536m on capital projects. Examples of some of the major areas of spend include expenditure on Schools programme (£3.952m), Highways Integrated schemes (£1.924m), Highways Carriageway maintenance (£3.227m), LED Street Lighting Scheme (£1.595m), Adult Social Care (£3.932m), Growth and Strategic Investment projects (£4.445m), and the Vehicle Replacement Programme (£5.247m).

The analysis of capital spending (by departmental categories) and its financing is summarised below-

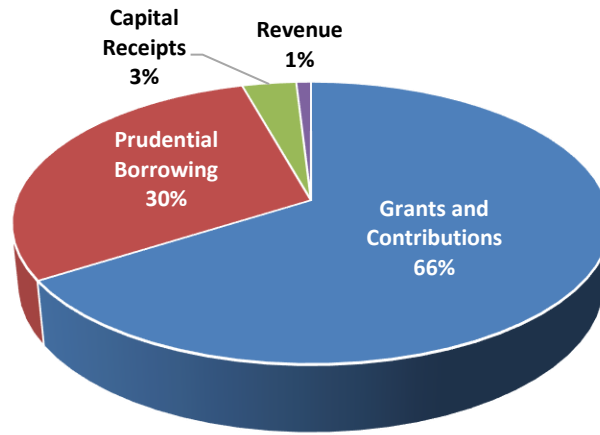
### Sefton's Capital Expenditure for 2021/2022

	<u>£m</u>	<u>%</u>
Adult Social Care	3.932	12.2
Children's Social Care	0.025	0.1
Communities	1.150	3.5
Corporate Resources	2.131	6.5
Economic Growth & Housing	4.990	15.3
Education Excellence	3.952	12.1
Highways & Public Protection	7.400	22.7
In House Operational Services	6.951	21.4
Capitalisation and DFC	2.005	6.2
	32.536	100.0



### Financing of Sefton's 2021/2022 Capital Expenditure

<u>Source of Finance</u>	<u>£m</u>	<u>%</u>
Grants and Contributions	21.474	66
Prudential Borrowing	9.650	30
Capital Receipts	1.110	3
Revenue	0.302	1
	32.536	100



Total capital expenditure consists of the following additions:

<u>Type of Asset</u>	<u>£m</u>
Fixed Assets:	
- Property, Plant & Equipment	16.276
- Infrastructure	9.149
- Investment Properties	1.113
- Assets Under Construction	0.945
Intangible Assets (e.g. software licences)	1.345
Revenue Expenditure Funded from Capital Under Statute	3.708
	<u>32.536</u>

## An explanation of the Financial Statements

The Statement of Accounts is intended to give clear information about the Authority's finances. It is intended to answer:

- What did the Authority's services cost in the year of account?
- Where did the money come from to pay for these services?
- What were the Authority's assets and liabilities at the year-end?

Wherever possible the contents have been written in plain English and technical terms have been used sparingly. Where the use of technical terms has been unavoidable, a simple explanation has been included in the Glossary (see pages 151 to 158).

The Authority is required by law to follow proper accounting practices and this Statement of Accounts attempts to present fairly the financial position and transactions of the Authority.

The Statement was certified by the Executive Director of Corporate Services and Commercial on 12 November 2024.

In accordance with recommended practice, the Authority's Accounts present:

### (a) Comprehensive Income and Expenditure Statement (page 27)

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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

(b) Movement in Reserves Statement (page 29)

This statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

(c) Balance Sheet (pages 31 - 32)

The Balance Sheet shows the value as at 31 March 2022 of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves, and any statutory limitations on their use. The second category of reserves are those that the Authority is not able to use to provide services.

(d) Cash Flow Statement (page 33)

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

(e) Notes to the Financial Statements - Expenditure and Funding Analysis (page 35 - 36)

This analysis shows how annual expenditure is used and funded from resources (government grants, rents, 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 directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

(f) Other Notes to the Financial Statements (pages 37 - 110)

The notes to the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement. It also includes the accounting policies employed by Sefton to comply with the CIPFA Code of Practice of Local Authority Accounting subject to any exceptions detailed in the note.

(g) Collection Fund (pages 111 - 114)

This statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund in accordance with section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992).

The Collection Fund shows the transactions of the Billing Authority in relation to the collection of Council Tax and Non-Domestic rates and provides details of how this income has been distributed to Sefton MBC (including Parish Precepts), the Merseyside Police and Crime Commissioner, the Merseyside Fire and Rescue Authority, and Central Government.

(h) Group Accounts (pages 115 – 130)

This section incorporates the accounts of both Sefton and its wholly owned subsidiaries, Sefton New Directions Limited, Sefton (ACS) Development Company Limited (Sandway Homes) and Sefton Hospitality Operations Limited, to provide details of the Council's financial activities as a Group.

(i) Annual Governance Statement (pages 131 - 146)

The Annual Governance Statement is the formal statement that recognises, records and publishes an authority's governance arrangements as defined in the CIPFA / SOLACE Governance Framework. It is required to be published with the accounting statements but does not form part of the accounting statement and is therefore not covered by the Auditors' opinion.

(j) Independent Auditors' Report to the Members of Sefton Metropolitan Borough Council (pages 147 - 150)

(k) Glossary (pages 151 - 158)

(l) Abbreviations (pages 159 – 160)

(m) Useful Addresses (page 161)

### Changes to Accounting Policy during the Year

This Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/2022 (the Code).

There have been no material changes to the accounting policies in 2021/22.

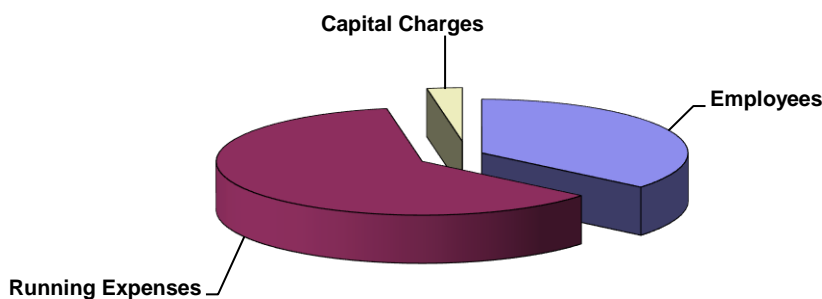
However, it should be noted that for the valuation of infrastructure assets, the same method has been used as used in the draft 2020/2021 accounts. There is an ongoing consultation about the methodology for valuation of such assets which has the potential to require both the 2020/2021 and the 2021/22 accounts to be restated.

### Analysis of the Income and Expenditure Account

The tables and charts below summarise the Authority's **gross** revenue expenditure within the General Fund for 2021/2022 and highlights the main sources of General Fund Financing for 2021/2022.

#### Gross Expenditure on Services (including Levies) (by Expenditure Type)

<u>Expenditure Type</u>	<u>£m</u>	<u>%</u>
Employees	258.634	36
Running Expenses	437.762	61
Capital Charges	19.721	3
	716,117	100

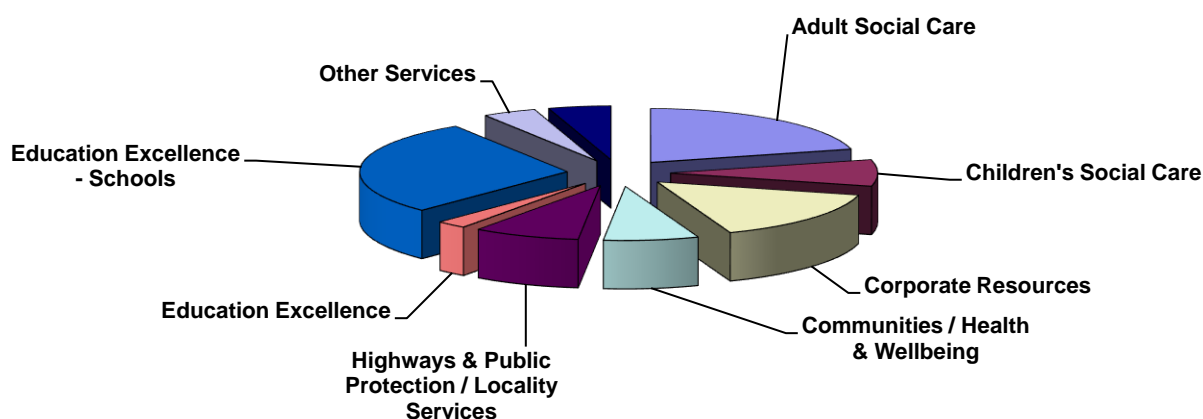


# Agenda Item 4

Narrative

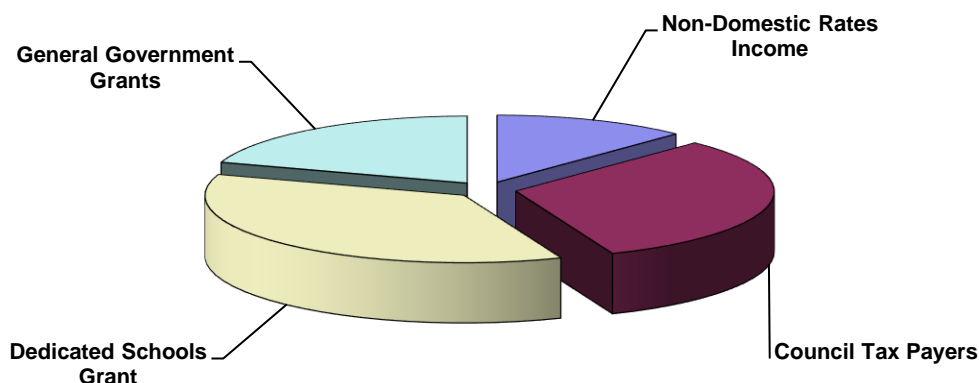
## Gross General Fund Expenditure on Services (including Levies)

<u>Service</u>	<u>£m</u>	<u>%</u>
Adult Social Care	150.016	21
Children's Social Care	56.406	8
Corporate Resources	109.668	15
Communities / Health & Wellbeing	52.766	8
Highways and Public Protection / Operational In-House Services	59.057	8
Education Excellence - Non-School	16.730	2
- Schools	204.436	29
Other Services	32.376	4
Levies	34.662	5
	<u>716.117</u>	<u>100</u>



## Main Sources of General Fund Financing for 2021/2022

<u>Source of Income</u>	<u>£m</u>	<u>%</u>
General Government Grants	92.023	20
Non-Domestic Rates Income	56.227	12
Council Tax Payers	146.265	32
Dedicated Schools Grant	166.617	36
	<u>461.132</u>	<u>100</u>



The Gross expenditure is financed by the major grants shown above, other smaller revenue grants and contributions received by the Council (Note 17 on page 55) and fees and charges.



## Other Financial Commitments

The Council's most significant other financial commitments are the long-term contracts it has entered into with Agilisys, Formby Pool Trust, Sefton New Directions Limited and Waterfront Leisure (Crosby) Limited.

## Borrowing / Investments

The Council's arrangements for long-term borrowing and investments correspond to the Council's Treasury Management Policy and Strategy documents. These were drawn up to comply with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Local Authorities.

Under Section 3(1) of the Local Government Act 2003, the Council must approve an overall borrowing limit before the beginning of each financial year. For 2021/2022 this limit was set at £245m; the Council stayed within this figure during the year.

As at 31 March 2022, the Council had outstanding borrowing of £168.433m (£186.790m as at 31 March 2021). This includes local authority bonds, stocks, mortgages and loans from the Public Works Loans Board (PWLB). At 31 March 2022, accrued interest of £1.208m, was due to be repaid within 12 months.

During 2021/2022, no new long-term borrowing from the PWLB was required to fund capital expenditure. Principal of £18.229m was repaid during the year of which £14.520m related to Equal Instalments of Principal (EIP) loans and £3.708m related to Annuity loans.

Interest on long-term borrowing from the PWLB totalled £6.526m during the year (£6.932m in 2020/2021).

In line with its Treasury Management Policy and Strategy the Council makes daily investment decisions. At 31 March 2022, the Council had short-term investments of £93.690m (£65.260m at 31 March 2021). The Council had no short-term deposits with banks and building societies (£0.000m at 31 March 2021). The Council had long term investments with the Church and Charities Local Authority (CCLA) Property Fund (£6.319m).

## Pension Liability

As at 31 March 2022 the Pensions Liability figure in the Balance Sheet includes a net deficit on the Local Government Pension Scheme Fund attributable to Sefton of £390.099m (£448.597m as at 31 March 2021). The deficit is reviewed periodically (normally every three years) by the Fund's actuary and steps are taken to address the deficit via increased contributions over the remaining working life of employees. However, it should be noted that the notional figure included in the Statement of Accounts is calculated using a different set of assumptions (in line with accounting practice) than those used to calculate the deficit repayments required.

The latest valuation was completed during 2019/2020 and has set the contribution rates for 2020/2021 to 2022/2023. There has been a significant improvement in the Council's funding position resulting in the Council's overall deficit being £4m. However, it should be noted that the value of the deficit is highly dependent on market conditions at the time of the valuation and can vary significantly between valuations.

As at 31 March 2022 there was a net deficit relating to unfunded Teachers' Pensions attributable to Sefton of £5.699m (£6.316m as at 31 March 2021). The Council has budgeted to make these payments until there is no longer a liability.

## Provisions, Contingencies, Write-Offs and Material Charges or Credits

The 2021/2022 accounts include a provision for the cost of NNDR checks, challenges and appeals. The total value of the Provision as at 31 March 2022 is £21.354m (£23.886m as at 31 March 2021). Sefton's share of the Provision as at 31 March 2022 is £21.140m (£23.647 as at 31 March 2021).

The only material write-offs in 2021/2022 relate to revaluation losses on the Authority's assets. These total £0.6m (£6.0m in 2020/2021).

## General Balances and Reserves

The Financial Overview on pages 12 to 15 show the General Balances of the Council split between Delegated Schools' and Non-Delegated Services. The Council's Non-Delegated Services' General Balances are £14.799m. This level of Balances is considered the least necessary given the financial risks faced by the Council, including the impact of current levels of inflation, Children's Social Care and other pressures on the Council's financial position in 2021/2022 and future years.

The Council has £30.122m of capital resources available as at 31 March 2022 (£27.530m as at 31 March 2021). These are amounts already received that will be used to fund the Council's Capital Investment Plan in 2022/2023 and future years (see pages 15 to 17). This Plan will be vital in assisting the Borough's recovery from the pandemic.

The Council also has £81.253m of Earmarked Reserves as at 31 March 2022 (£98.313m as at 31 March 2021). These are described in Note 35. This includes previously received revenue grants and contributions that have yet to be applied. The significant amount in Earmarked Reserves is mainly due to S31 Business Rates grants received to compensate the Council for the loss of income due to the government introducing an expanded retail relief scheme (this grant will offset the resulting deficit in 2022/2023) as well as COVID19 funding received in 2021/2022 which will be utilised in 2022/2023. Earmarked Reserves are held by the Council to fund anticipated future expenditure of a non-recurring nature. If these resources were not available, then the expenditure would need to be funded from the Council's in-year Revenue Budget which would require additional savings to be made in order to make funding available. Given the financial challenges from COVID-19, the Council may need to utilise its Earmarked Reserves to temporarily fund costs / loss of income not covered by Government support. These reserves will need to be replenished in future years which will require savings to be achieved.

The Council also has negative £98.669m of Unusable Reserves as at 31 March 2022 (negative £218.967m as at 31 March 2021). These are accounts required under accounting regulations and are not available to support, or a call against, Council expenditure. Unusable Reserves are negative mainly due to the notional deficit on the Pension Reserve of £396m (£390m relating to the Local Government Pension Scheme). As explained in the Pension Liability section on page 21, this is a notional figure and is calculated using a different set of assumptions (in line with accounting practice) than those used to calculate the deficit repayments required. The latest valuation was completed during 2019/2020 and there has been a significant improvement in the Council's funding position resulting in the Council no longer being in deficit. However, it should be noted that the value of the deficit is highly dependent on market conditions at the time of the valuation and can vary significantly between valuations.

Due to the notional deficit on the Pension Reserve the Council's overall reserves are a net positive £45.793m. This reduced positive position does not give rise to the same risks to financial sustainability as it would for a company in the private sector due to the deficit on the Pension Fund being notional rather than impacting on the cash flows of the Council.

## Material Events after the Reporting Date

There are no material events after the reporting date.

## **Conclusion**

During the 2021/2022 financial year, the Council has continued to experience significant additional spending pressures but has been able to contain such costs within the overall budget. The overall outturn position is an underspend which has been added to General Balances.

Decisions taken for the agreed 2022/2023 budget will increase General Fund balances from the 31 March 2022 position by £2.9m. However, the challenges presented by the significant impact of inflation mean that the Council will need to utilise some of these balances in order to stabilise local authority finances in the short term whilst the economy recovers. We will be looking to the Government to provide additional financial support beyond the amounts already announced. Maintaining financial sustainability will be a key part of the Council's recovery plan in order to continue to provide support to its residents, service users, council tax payers and the business community.

The Statement of Accounts is a complex document and is prepared within the guidelines set by the Chartered Institute of Public Finance and Accountancy. However, I would be interested to receive any suggestions as to how the Accounts, or the Executive Summary, could be improved. Please contact me at the address on page 161 of this document.

Stephan Van Arendsen

**Executive Director of Corporate Services and Commercial**

# Agenda Item 4

Narrative

## 2 **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Authority's Responsibilities**

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Sefton that officer is the Executive Director of Corporate Resources and Customer Services.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### **The Executive Director of Corporate Resources and Customer Services Responsibilities**

The Executive Director of Corporate Resources and Customer Services is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Executive Director of Corporate Resources and Customer Services has:

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

The Executive Director of Corporate Resources and Customer Services has also:

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

### **Executive Director of Corporate Resources and Customer Services Statement**

I certify that this Statement of Accounts gives a true and fair view of the financial position of Sefton Metropolitan Borough Council at 31 March 2022, and its income and expenditure for the financial year ended 31 March 2022.

Stephan Van Arendsen  
Executive Director of Corporate Services and Commercial  
Date: 20th November 2024

# Agenda Item 4

Responsibilities

## **Statement by the Chair of the Audit and Governance Committee**

I confirm on behalf of the Council that these accounts were approved by the Audit and Governance Committee at its meeting held on 20 November 2024.

Councillor Dave Robinson  
**Chair, Audit and Governance Committee**  
Date: 20 November 2024

## 3 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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2020/2021			Note	2021/2022		
Gross Expenditure	Gross Income	Net Expenditure / Income (-)		Gross Expenditure	Gross Income	Net Expenditure / Income (-)
£000s	£000s	£000s		£000s	£000s	£000s
1,235	-89	1,146	<u>Continuing Operations</u>	1,232	-8	1,224
149,663	-58,055	91,608	Strategic Management	150,016	-59,773	90,243
42,322	-243	42,079	Adult Social Care	56,406	-2,094	54,312
40,161	-7,647	32,514	Children's Social Care	31,283	-11,896	19,387
113,624	-78,354	35,270	Communities	110,508	-78,126	32,382
15,731	-8,259	7,472	Corporate Resources	11,313	-11,433	-120
14,716	-1,810	12,906	Economic Growth and Housing	16,730	-2,243	14,487
187,329	-187,489	-160	Education Excellence	204,436	-196,789	7,647
18,138	-23,383	-5,245	Education Excellence - Schools	21,483	-27,988	-6,505
24,492	-7,360	17,132	Health and Wellbeing	29,259	-9,301	19,958
27,021	-9,468	17,553	Highways and Public Protection	29,798	-10,453	19,345
16,139	-6,184	9,955	Operational In-House Services	18,991	-13,200	5,791
<b>650,571</b>	<b>-388,341</b>	<b>262,230</b>	Corporate Unallocated Costs			
			<b>Net Cost of Services</b>	<b>681,455</b>	<b>-423,304</b>	<b>258,151</b>
			<u>Other Operating Income and Expenditure</u>			
		1,179	Precepts paid to Parish Councils			1,208
		34,795	Levies			34,662
		-1,937	Loss / Gain (-) on the disposal of non-current assets			-10
		3,629	Derecognition of land no longer owned by the Council			0
		-950	8 Other Operating Income			-973
		37,999				34,887
			<u>Financing and Investment Income &amp; Expenditure</u>			
		8,066	9 Interest payable and similar charges			7,268
		8,527	51 Net Interest on the Net Pension Defined Benefit Liability			9,158
		-431	Interest Receivable			-326
		-2,196	20 Income and Expenditure on Investment Properties			-2,459
		4,631	20 Changes in the Fair Value of Investment Properties			-3,076
		38	Changes in the Fair Value of Financial Instruments			-944
		18,635				9,621
			<u>Taxation and Non-specific Grant Income</u>			
		-135,944	Income from Council Tax			-146,265
		-19,504	Non-Domestic Rates Income			-56,227
		-130,688	17 Non-Ringfenced Government Grants			-76,078
		-20,725	17 Capital Grants and Contributions			-19,043
		-306,861				-297,613
		<b>10,720</b>	<b>5 Surplus (-) / Deficit on Provision of Services</b>			<b>5,046</b>
		-1,418	38 Surplus (-) / Deficit on Revaluation of non-current assets			-24,591
		31,613	40 Re-measurement of the Net Defined Benefit Liability			-58,455
		30,195	<b>Other Comprehensive Income and Expenditure</b>			<b>-83,046</b>
		<b>40,915</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>-78,000</b>

# Agenda Item 4

Income and Expenditure Statement



## 4 MOVEMENT IN RESERVES STATEMENT

This statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

<b><u>Movements in Reserves in 2021/2022</u></b>	General Fund Balance	Earmarked Reserves Account	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Notes 38 to 43)	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2021</b>	-26,954	-98,313	-6,464	-22,742	-154,473	222,596	68,123
<b><u>Movements in Year</u></b>							
<b>Total Comprehensive Income and Expenditure</b>	5,046	0	0	0	5,046	-83,046	-78,000
Adjustments between accounting basis and funding basis under regulations (Note 7)	5,881	0	204	-1,120	4,965	-4,965	0
<b>Net Increase before Transfers to Earmarked Reserves</b>	10,927	0	204	-1,120	10,011	-88,011	-78,000
Transfers to / from Earmarked Reserves (Note 35)	-17,060	17,060	0	0	0	0	0
<b>Decrease / Increase (-) in Year</b>	-6,133	17,060	204	-1,120	10,011	-88,011	-78,000
<b>Balance at 31 March 2022</b>	-33,087	-81,253	-6,260	-23,862	-144,462	134,585	-9,877

<b><u>Movements in Reserves in 2020/2021</u></b>	General Fund Balance	Earmarked Reserves Account	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Notes 38 to 43)	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2020</b>	-17,807	-35,888	-2,877	-17,757	-74,329	101,572	27,243
Reporting of DSG Reserves Deficit to new Adjustment Account at 1 April 2020	0	-4,385	0	0	-4,385	4,385	0
<b>Restated Balance at 1 April 2020</b>	-17,807	-40,273	-2,877	-17,757	-78,714	105,957	27,243
<b><u>Movements in Year</u></b>							
<b>Total Comprehensive Income and Expenditure</b>	10,720	0	0	0	10,720	30,195	40,915
Adjustments between accounting basis and funding basis under regulations (Note 7)	-77,907	0	-3,587	-4,985	-86,479	86,479	0
<b>Net Increase before Transfers to Earmarked Reserves</b>	-67,187	0	-3,587	-4,985	-75,759	116,674	40,915
Transfers to / from Earmarked Reserves (Note 35)	58,040	-58,040	0	0	0	0	0
<b>Decrease / Increase (-) in Year</b>	-9,147	-55,810	-3,587	-4,985	-75,759	116,674	40,915
<b>Balance at 31 March 2021</b>	-26,954	-98,313	-6,464	-22,742	-154,473	222,631	68,158

# Agenda Item 4

Movement in Reserves

## 5 BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (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 Authority 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'.

<u>31 March</u> <u>2021</u> £000s		<u>Note</u>	<u>31 March</u> <u>2022</u> £000s
469,750	Property, Plant and Equipment	18	501,885
11,532	Heritage Assets	19	11,532
29,991	Investment Property	20	32,338
1,092	Intangible Assets		896
6,502	Long Term Investments	23	13,064
5,207	Long Term Debtors	24	8,072
<b>524,039</b>	<b>Long-Term Assets</b>		<b>567,787</b>
163	Short Term Investments	25	0
11,513	Assets Held for Sale	26	12,004
710	Inventories		623
49,618	Short Term Debtors	27	43,560
33,154	Prepayments	27	19,156
68,086	Cash and Cash Equivalents	28	98,328
<b>163,244</b>	<b>Current Assets</b>		<b>173,671</b>
-21,567	Current Portion of Long-Term Borrowing	54	-34,719
-56,951	Short Term Creditors	29	-59,355
-18,168	Receipts in Advance	30	-44,531
-942	Deferred Liabilities	32	-934
<b>-97,628</b>	<b>Current Liabilities</b>		<b>-139,539</b>
-28,260	Provisions	31	-24,985
-167,225	Long Term Borrowing	54	-133,714
-7,415	Deferred Liabilities	32	-6,481
-454,913	Pensions Liability	51	-426,862
<b>-657,813</b>	<b>Long Term Liabilities</b>		<b>-592,042</b>
<b>-68,158</b>	<b>Net Assets / Liabilities (-)</b>		<b>9,877</b>

# Agenda Item 4

Balance Sheet

31 March 2021 £000s	Balance Sheet (Continued)	Note	31 March 2022 £000s
	<b><u>Reserves</u></b>		
	<u>Usable Reserves</u>		
-15,676	General Fund - Delegated Schools	34	-18,288
-11,278	General Fund - Non Delegated Services	34	-14,799
-98,313	Earmarked Reserves	35	-81,253
-6,464	Capital Receipts Reserve	36	-6,260
-22,742	Capital Grants and Contributions Unapplied	37	-23,862
-154,473			-144,462
	<u>Unusable Reserves</u>		
-68,324	Revaluation Reserve	38	-91,720
-225,369	Capital Adjustment Account	39	-233,805
310	Financial Instruments Adjustment Account		251
-376	Pooled Investment Funds Adjustment Account		-1,319
454,913	Pensions Reserve	40	426,862
49,481	Collection Fund Adjustment Account	41	17,646
5,381	Accumulated Absences Account	42	5,573
6,615	Dedicated Schools Grant Adjustment Account	43	11,097
222,631			134,585
<b>68,158</b>	<b>Total Reserves</b>		<b>-9,877</b>

The Notes on pages 35 to 110 form part of the financial statements.

## 6 CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting year. The statement shows how the Authority 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 Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

<u>2020/2021</u> £000s		Note	<u>2021/2022</u> £000s
	<b><u>Operating Activities</u></b>		
10,720	Net deficit on the provision of services		5,046
-40,218	Adjustments to net surplus or deficit on the provision of services for non-cash movements	46	-90,534
23,180	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	46	20,939
-6,318	Net cash flows from Operating Activities		-64,549
	<b><u>Investing Activities</u></b>		
21,524	Purchase of property, plant and equipment, investment property and intangible assets		28,408
999	Purchase of short-term and long-term investments		5,618
-4,751	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		-885
-19,310	Other receipts from investing activities		-18,862
-1,538	Net cash flows from Investing Activities		14,279
	<b><u>Financing Activities</u></b>		
-43,561	Cash receipts of short- and long-term borrowing		0
0	Other receipts from financing activities		-1,143
480	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		504
21,239	Repayments of short- and long-term borrowing		20,667
600	Other payments for financing activities		0
-21,242	Net cash flows from Financing Activities	46	20,028
<b>-29,098</b>	<b>Net decrease / (increase) in cash and cash equivalents</b>		<b>-30,242</b>
-38,988	Cash and cash equivalents at the beginning of the reporting period		-68,086
<b>-68,086</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	28	<b>-98,328</b>

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Cash Flow

## 7 NOTES TO THE FINANCIAL STATEMENTS - EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, 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 directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

<u>2021/2022</u>	Net Expenditure Chargeable to General Fund Balances	Adjustments between the Funding and Accounting Basis (Note 6)	Net Expenditure in the Comprehensive Income and Expenditure Statement
Strategic Management	1,120	104	1,224
Adult Social Care	92,715	-2,472	90,243
Children's Social Care	52,883	1,429	54,312
Communities	16,126	3,261	19,387
Corporate Resources	26,051	6,331	32,382
Economic Growth and Housing	3,120	-3,240	-120
Education Excellence	10,811	3,676	14,487
Education Excellence - Schools	-5,143	12,790	7,647
Health and Wellbeing	17,216	-23,721	-6,505
Highways and Public Protection	7,442	12,516	19,958
Operational In-House Services	13,814	5,531	19,345
Corporate Unallocated Costs	13,956	-8,165	5,791
<b>Net Cost of Services</b>	<b>250,111</b>	<b>8,040</b>	<b>258,151</b>
Other Operating Income and Expenditure	35,776	-889	34,887
Financing and Investment Income & Expenditure	9,727	-106	9,621
Taxation and Non-specific Grant Income	-284,687	-12,926	-297,613
<b>Other Income and Expenditure</b>	<b>-239,184</b>	<b>-13,921</b>	<b>-253,105</b>
<b>Deficit/(Surplus) on Provision of Services</b>	<b>10,927</b>	<b>-5,881</b>	<b>5,046</b>

<b>Opening General Fund Balance</b>	<b>-125,267</b>
Plus: Surplus in the Year	10,927
<b>Closing General Fund Balance</b>	<b>-114,340</b>
Analysis of Closing General Fund Balance:	
General Fund - Delegated Schools	-18,288
General Fund - Non-Delegated Services	-14,799
Earmarked Reserves	-81,253
<b>Closing General Fund Balance</b>	<b>-114,340</b>

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The following table shows the comparative information for 2020/2021:

<b>2020/2021</b>	<b>Net Expenditure Chargeable to General Fund Balances</b>	<b>Adjustments between the Funding and Accounting Basis (Note 6)</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>
Strategic Management	1,042	104	1,146
Adult Social Care	99,936	-8,328	91,608
Children's Social Care	40,981	1,098	42,079
Communities	22,508	10,006	32,514
Corporate Resources	30,708	4,562	35,270
Economic Growth and Housing	5,747	1,725	7,472
Education Excellence	9,154	3,752	12,906
Education Excellence - Schools	-7,207	7,047	-160
Health and Wellbeing	16,405	-21,650	-5,245
Highways and Public Protection	9,380	7,752	17,132
Operational In-House Services	13,491	4,062	17,553
Corporate Unallocated Costs	13,524	-3,569	9,955
<b>Net Cost of Services</b>	<b>255,669</b>	<b>6,561</b>	<b>262,230</b>
Other Operating Income and Expenditure	35,880	836	36,716
Financing and Investment Income & Expenditure	9,461	9,174	18,635
Taxation and Non-specific Grant Income	-368,197	61,366	-306,861
<b>Other Income and Expenditure</b>	<b>-322,856</b>	<b>71,346</b>	<b>-251,510</b>
<b>Deficit/(Surplus) on Provision of Services</b>	<b>-67,187</b>	<b>77,907</b>	<b>10,720</b>

<b>Opening General Fund Balance</b>	<b>-58,080</b>
Plus: Surplus in the Year	-67,187
<b>Closing General Fund Balance</b>	<b>-125,267</b>
Analysis of Closing General Fund Balance:	
General Fund - Delegated Schools	-15,676
General Fund - Non-Delegated Services	-11,278
Earmarked Reserves	-98,313
<b>Closing General Fund Balance</b>	<b>-125,267</b>



## **8 OTHER NOTES TO THE FINANCIAL STATEMENTS**

### **1 PRIOR PERIOD COMPARATORS - TRANSFERS OF FUNCTIONS BETWEEN SERVICES**

During 2021/2022 the Council transferred some elements of the Communities service into Children's Social Care and Education Excellence. In addition, an element of Corporate Resources transferred to Adult Social Care. The amounts are not considered material enough to warrant a Prior Period Adjustment to ensure comparability between the two years.

### **2 ACCOUNTING STANDARDS ISSUED BUT HAVE NOT YET BEEN ADOPTED**

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

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 Agriculture – will only apply to local authorities in limited circumstances.

These changes are not expected to have a material impact on the Council's single entity statements or group statements.

### **3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in Note 54, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government (see Narrative Report). However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has a material interest in Sefton New Directions Limited, an entity which conducts some of the Council's adult and social care activities. It has been deemed that Sefton New Directions Limited is a subsidiary of the Council and group accounts are required to be prepared.
- The Council has a material interest in Sandway Homes Limited, an entity which engages in housebuilding activity. It has been deemed that Sandway Homes Limited is a subsidiary of the Council and group accounts are required to be prepared.
- The Council has a material interest in Sefton Hospitality Operations Limited, an entity which engages in hospitality activity. It has been deemed that Sefton Hospitality Operations Limited is a subsidiary of the Council and group accounts are required to be prepared.
- The Council has joint working arrangements with NHS CCGs in Sefton for the provision of intensive care packages for service users with a learning disability and the provision of an Integrated Community Equipment Service. In total £4.024m has been expended on both services in 2021/22. The Council does not consolidate both elements into its financial statements but only accounts for its own expenditure (see Note 10).
- The Council has given a number of warranties for up to 17 years (One Vision Housing Limited) and 35 years (Prudential Trustee Company Limited) in respect of statements, title, encumbrances, planning matters, statutory obligations, adverse orders, tenancies, information and statistics supplied, sales off, disputes and litigation, rights of entry to maintain and repair, absence of

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Notes to the Financial Statements

adverse replies, electricity sub-stations and shop leases, leasehold property, way leaves, telecommunications and works undertaken. In addition, warranties for 20 years have been given to both parties in respect of claims for asbestos and a warranty not exceeding £100,500,000 for up to 20 years in respect of environmental pollution has been given to One Vision Housing Limited. There is currently no liability. However, the Council has set aside resources in an earmarked reserve in case it is required to pay out under these warranties.

- Investment properties have been estimated using the identifiable criteria under IFRS of being held for rental income or for capital appreciation. These properties have been assessed using these criteria, which is subject to interpretation.
- The Council has examined its leases and classified them as either operational or finance leases. In some cases, the lease transaction is not always conclusive, and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease, the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.
- The Council does not recognise Voluntary Aided, Academies or Free schools on its Balance Sheet. All other types of school are recognised on the Council's Balance Sheet.

## 4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying of assets and liabilities within the next financial year are as follows (note that the percentages quoted are for illustrative purposes only and are not an indication of the potential impact):

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Property, Plant and Equipment</b>	<p>Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets.</p> <p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>The total value of PP&amp;E as at 31 March 2022 is £506.737m.</p>	<p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p> <p>A 10% reduction in Net Book Value would equate to £50.7m.</p> <p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for assets would increase by £1.086m for every year that useful lives had to be reduced.</p>
<b>Investment Properties</b>	<p>The Council's valuers use valuation techniques to determine the fair value of investment property.</p> <p>The total value of Investment Properties as at 31 March 2022 is £32.338m.</p>	<p>Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.</p> <p>A 10% reduction in Net Book Value would equate to £3.2m.</p>

<p><b>Provision for NNDR Checks, Challenges &amp; Appeals</b></p>	<p>A provision has been made in respect of checks, challenges and appeals against the rateable value of business properties. The provision represents the best estimate of the amount that would be repaid to businesses in respect of business rates charged up to 31 March 2022. The total provision recorded on the Collection Fund is £21.353m (Sefton's share is £21.140m).</p> <p>This estimate has been calculated using the Valuation Office Agency (VOA) list of appeals outstanding on the 2010 Rating List and a forecast of potential risk of checks, challenges, and appeals over the life of the 2017 Rating List.</p> <p>The actual number and value of successful appeals may be materially different from the experience of previous rating lists and settled appeals.</p>	<p>An increase of 1% in the reduction in Rateable Value on appeals outstanding against the 2010 Rating List would require an increase of £0.500m in the total provision (Sefton's share would be £0.495m).</p> <p>An increase of 1% in the reduction in Rateable Value on check, challenge, or appeal against the 2017 Rating List at 31 March 2022 would require an increase of £2.977m in the total provision (Sefton's share would be £2.947m).</p>
<p><b>Pensions Liability</b></p>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p> <p>As at 31 March 2022 the value of assets was £1,552.692m and liabilities was £1,156.894m. The net liability is therefore £395.798m.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured.</p> <p>The impact of changes in individual assumptions are shown in Note 49, as required by the Code of Practice.</p>
<p><b>Arrears</b></p>	<p>At 31 March 2022, Sefton had a net balance of sundry debtor accounts issued by the Authority but not yet paid of £27.569m. A review of significant balances suggested that an impairment of doubtful debts of approximately 15% (£4.029m) was appropriate for these accounts.</p> <p>At 31 March 2022, Sefton had a balance of Council Tax arrears (including Court Costs) of £32.691m (Sefton's share only). A review of significant balances suggested that an impairment of doubtful debts of approximately 76% (£24.749m) was appropriate for these accounts.</p> <p>At 31 March 2022, Sefton had a balance of NNDR arrears (including Court Costs) of £9.069m (Sefton's share only). A review of significant balances suggested that an impairment of doubtful debts of approximately 93% (£8.402m) was appropriate for these accounts.</p> <p>At 31 March 2023, Sefton had a balance of Housing Benefit arrears of £5.555m. A review of significant balances suggested that an impairment of doubtful debts of approximately 43% (£2.394m) was appropriate for these accounts.</p> <p>However, in the current economic climate it is possible that such allowances would not be sufficient.</p>	<p>If collection rates were to deteriorate, an increase of 10% in the amount of the impairment of doubtful debts would require an additional £7.248m to be set aside as an allowance.</p>

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Notes to the Financial Statements

## 5 EXPENDITURE AND INCOME ANALYSED BY NATURE

2020/2021 £000s		2021/2022 £000s
	<u>Expenditure</u>	
242,532	Employee benefit expenses	258,634
378,650	Other service expenses	398,821
34,180	Depreciation, amortisation and impairment	25,427
8,068	Interest Payments	7,270
35,974	Precepts and Levies	34,663
-1,937	Gain / Loss on Disposal of Non-Current Assets and Changes in Fair Value of Investment Properties and Financial Instruments	-4,030
3,629	Derecognition of land no longer owned by the Council	0
8,527	Net Interest on the Net Pension Defined Benefit Liability	9,158
<b>709,623</b>	<b>Total Expenditure</b>	<b>729,943</b>
	<u>Income</u>	
-53,460	Fees, charges and other service income	-64,227
-450	Interest and Investment Income	-335
-155,448	Income from council tax and non-domestic rate income	-202,493
-489,545	Government Grants and Contributions	-457,842
<b>-698,903</b>	<b>Total Income</b>	<b>-724,897</b>
<b>10,720</b>	<b>Deficit on the Provision of Services</b>	<b>5,046</b>

## 6 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis in 2021/2022

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement amounts.	Adjustments for Capital Purposes	Net change for the Pensions Adjustment	Other Differences	Total Adjustments
	£000	£000	£000	£000
Strategic Management	0	104	0	104
Adult Social Care	605	1,626	-4,703	-2,472
Children's Social Care	67	1,359	3	1,429
Communities	1,803	1,561	-103	3,261
Corporate Resources	3,847	2,478	6	6,331
Economic Growth and Housing	-3,864	859	-235	-3,240
Education Excellence	3,264	411	1	3,676
Education Excellence - Schools	158	7,995	4,637	12,790
Health and Wellbeing	0	365	-24,086	-23,721
Highways and Public Protection	12,068	669	-221	12,516
Operational In-House Services	3,808	2,600	-877	5,531
Corporate Unallocated Costs	1,376	1,219	-10,760	-8,165
<b>Net Cost of Services</b>	<b>23,132</b>	<b>21,246</b>	<b>-36,338</b>	<b>8,040</b>
Other Income and Expenditure	-32,198	9,158	9,119	-13,921
<b>Surplus (-) or Deficit</b>	<b>-9,066</b>	<b>30,404</b>	<b>-27,219</b>	<b>-5,881</b>

## Adjustments between Funding and Accounting Basis in 2020/2021

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement amounts.	Adjustments for Capital Purposes	Net change for the Pensions Adjustment	Other Differences	Total Adjustments
	£000	£000	£000	£000
Strategic Management	0	104	0	104
Strategic Support Unit	0	0	0	0
Adult Social Care	1,452	1,293	-11,073	-8,328
Children's Social Care	102	999	-3	1,098
Communities	8,825	1,509	-328	10,006
Corporate Resources	2,316	2,251	-5	4,562
Economic Growth and Housing	1,242	721	-238	1,725
Education Excellence	3,476	277	-1	3,752
Education Excellence - Schools	-127	4,270	2,904	7,047
Health and Wellbeing	0	154	-21,804	-21,650
Highways and Public Protection	7,250	598	-96	7,752
Operational In-House Services	2,583	2,312	-833	4,062
Corporate Unallocated Costs	2	-2,067	-1,504	-3,569
<b>Net Cost of Services</b>	<b>27,121</b>	<b>12,421</b>	<b>-32,981</b>	<b>6,561</b>
Other Income and Expenditure	-19,946	8,527	84,995	71,346
<b>Surplus (-) or Deficit</b>	<b>4,945</b>	<b>20,948</b>	<b>52,014</b>	<b>77,907</b>

### Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services 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 throughout 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.

### Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

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

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## Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/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 differences 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 NDR 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.

In addition, this includes differences between how expenditure and income is reported to management and how it needs to be shown in the Income and Expenditure Account, e.g. Public Health Grant and Prudential Borrowing costs charged to Services.

## Segmental Analysis of Revenues from External Customers

<u>2020/2021</u> £000s		<u>2021/2022</u> £000s
-89	Strategic Management	-8
-20,020	Adult Social Care	-20,173
-119	Children's Social Care	-241
-2,214	Communities	-5,544
-4,539	Corporate Resources	-5,928
-3,333	Economic Growth and Housing	-3,763
-854	Education Excellence	-1,304
-2,244	Education Excellence - Schools	-4,175
0	Health and Wellbeing	0
-6,803	Highways and Public Protection	-8,624
-9,035	Operational In-House Services	-9,938
-3,260	Corporate Unallocated Costs	-3,556
<b>-52,510</b>	<b>Net Cost of Services</b>	<b>-63,254</b>
-950	Other Income and Expenditure	-973
<b>-53,460</b>	<b>Surplus on the Provision of Services</b>	<b>-64,227</b>

## 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 Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

Descriptions of the reserves that the adjustments are made against can be found in the relevant notes for each reserve.

<b>Adjustments in 2021/2022</b>	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation of non-current assets	-20,634			20,634
Revaluation losses on non-current assets	-636			636
Movements in the market value of Investment Properties	3,076			-3,076
Amortisation of intangible assets	-448			448
Capital grants and contributions applied	8,679			-8,679
Revenue expenditure funded from capital under statute - Gross	-3,708			3,708
Revenue expenditure funded from capital under statute – Related Capital Grants and Contributions	3,579			-3,579
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	0			0
Amortisation of Deferred Income re. Crosby PFI Scheme	107			-107
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	6,557			-6,557
Capital expenditure charged against the General Fund	302			-302
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	13,079		-13,079	
Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	-2,716		2,716	
Application of grants to capital financing transferred to the Capital Adjustment Account			9,243	-9,243
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	10	-10		
Transfers to Usable Capital Receipts not relating to the disposal of assets	875	-875		
Use of the Capital Receipts Reserve to finance new capital expenditure		1,089		-1,089

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<b>Adjustments in 2021/2022 Continued</b>	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</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	59			-59
<b>Adjustment primarily involving the Pooled Investment Funds Adjustment Account:</b> Amount by which Financial Instruments held under Fair Value through Profit & Loss are subject to MHCLG statutory over-ride.	944			-944
<b>Adjustments primarily involving the Pensions Reserve:</b> Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-52,582			52,582
Employer's pensions contributions and direct payments to pensioners payable in the year	22,178			-22,178
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b> Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rates income calculated for the year in accordance with statutory requirements	31,834			-31,834
<b>Adjustment primarily involving the Accumulated Absences Account:</b> Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-192			192
<b>Adjustment primarily involving the Dedicated Schools Grant Adjustment Account:</b> Transfer of Dedicated Schools Grant (DSG) over/(underspend) to the DSG Adjustment Account	-4,482			4,482
<b>Total Adjustments</b>	<b>5,881</b>	<b>204</b>	<b>-1,120</b>	<b>-4,965</b>

The table below provides comparative figures for 2020/2021:

<b>Adjustments in 2020/2021</b>	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b> <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation of non-current assets	-18,799			18,799
Revaluation losses on non-current assets	-6,065			6,065
Movements in the market value of Investment Properties	-4,631			4,631
Amortisation of intangible assets	-597			597
Capital grants and contributions applied	14,540			-14,540
Revenue expenditure funded from capital under statute - Gross	-4,050			4,050
Revenue expenditure funded from capital under statute – Related Capital Grants and Contributions	3,120			-3,120



<b>Adjustments in 2020/2021 Continued</b>	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-2,060			2,060
Amounts of non-current assets written off on derecognition of land as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-3,629			3,629
Amortisation of Deferred Income re. Crosby PFI Scheme	107			-107
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	6,159			-6,159
Capital expenditure charged against the General Fund	62			-62
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	6,243		-6,243	
Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	-57		57	
Application of grants to capital financing transferred to the Capital Adjustment Account	0		1,201	-1,201
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,998	-3,998		
Transfers to Usable Capital Receipts not relating to the disposal of assets	753	-753		
Use of the Capital Receipts Reserve to finance new capital expenditure		1,164		-1,164
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</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	59			-59
<b>Adjustment primarily involving the Pooled Investment Funds Adjustment Account:</b>				
Amount by which Financial Instruments held under Fair Value through Profit & Loss are subject to MHCLG statutory over-ride.	-38			38
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-42,562			42,562
Employer's pensions contributions and direct payments to pensioners payable in the year	21,614			-21,614
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rates income calculated for the year in accordance with statutory requirements	-49,188			49,188

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## Notes to the Financial Statements

<b>Adjustments in 2020/2021 Continued</b>	<b>General Fund Balance £000</b>	<b>Capital Receipts Reserve £000</b>	<b>Capital Grants Unapplied £000</b>	<b>Unusable Reserves £000</b>
<b>Adjustment primarily involving the Accumulated Absences Account:</b> Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-656			656
<b>Adjustment primarily involving the Dedicated Schools Grant Adjustment Account:</b> Transfer of Dedicated Schools Grant (DSG) over/(underspend) to the DSG Adjustment Account	-2,230			2,230
<b>Total Adjustments</b>	<b>-77,907</b>	<b>-3,589</b>	<b>-4,985</b>	<b>86,479</b>

### 8 **OTHER OPERATING INCOME**

An analysis of amounts of Other Income not included in the Net Cost of Services but credited to the Comprehensive Income and Expenditure Statement is shown below:

<b>2020/2021 £000s</b>	<b>Other Income</b>	<b>2021/2022 £000s</b>
-744	Capital Receipts re. Former Council Dwellings	-775
-9	Other Capital Receipts not relating to the Disposal of Council Assets	-100
-197	Sefton's share of a VAT Shelter Agreement with One Vision Housing	-98
<b>-950</b>		<b>-973</b>

### 9 **INTEREST PAYABLE AND SIMILAR CHARGES**

Charges to the Comprehensive Income and Expenditure Account during the year were as follows:

<b>2020/2021 £000s</b>		<b>2021/2022 £000s</b>
7,081	External Interest Charges	6,597
334	Finance Charge re. Leasing Agreements	317
651	Finance Charge re. PFI Schemes	354
<b>8,066</b>	<b>Total</b>	<b>7,268</b>

### 10 **POOLED BUDGETS**

Under section 75 of the National Health Service Act 2006, local authority and NHS bodies are able to enter into joint working arrangements with the NHS. Pooled funds, with resources provided by local and health authorities, offer the opportunity for the provision of seamless health and social services. Partners remain accountable for their services that are part of the pooled budget. A key feature of the pool is that the use of resources will be dictated by the needs of clients, rather than respective contributions.

#### Provision of intensive care packages for service users with a learning disability

Sefton Council has a joint working arrangement with CCG's in Sefton for the provision of intensive care packages for service users with a learning disability. Contributions of £1.271m from CCG's (£1.349m in 2020/2021) and £1.204m from Sefton Council (£1.648m in 2020/2021), £2.475m in total (£2.997m in 2020/2021), have been fully expended on purchasing of care packages to meet the health and social care needs of this client group. Sefton's contribution has been financed from within the

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Notes to the Financial Statements

Adult Social Care budget and is included in the Comprehensive Income and Expenditure Statement under this heading.

## Provision of an Integrated Community Equipment Service

Sefton has a joint working arrangement within South Sefton Clinical Commissioning Group (CCG) for the provision of an Integrated Community Equipment Service, providing an appropriate range of equipment to meet assessed needs and to support intermediate care, hospital discharge, rehabilitation and independent living in the community. Contributions of £0.783m from South Sefton CCG (£0.722m in 2020/2021) and £0.766m from Sefton Council (£0.721m in 2020/2021); £1.549m in total (£1.443m in 2020/21), have been fully expended on the provision of this service. Sefton's contribution has been financed from within the Adult Social Care budget and is included in the Comprehensive Income and Expenditure Statement under this heading.

## Better Care Fund

The Council operates a pooled fund in partnership with South Sefton Clinical Commissioning Group (CCG) and Southport and Formby CCG. The fund is hosted by the Council.

The Better Care Fund creates a local single pooled budget to incentivise the integration of health and social care and encourage the NHS and Local Government to work more closely together around people, placing their well-being as the focus of health and care services. The key themes underpinning the agreement are:

- Integrated Community Care - building on the existing Virtual Ward and Care Closer to Home initiatives to have a comprehensive, fully integrated model of care built around the communities in localities.
- Long Term Adult Social Care –supporting packages of care and personal budgets and providing additional capacity in social work
- Intermediate Care and Reablement – seeking to reduce hospital admissions and re-admissions, reduce the need for ongoing care and support by assisting with regaining of independence and to reduce the number of long term residential and nursing care placements
- Early Years.
- Early Intervention and Prevention.
- Ageing Well
- Integration and Transformation

The Improved Better Care Fund (iBCF) has also been used to Protect Social Care Fees and used to fund a pilot Rapid Response Reablement Service which has now become a permanent service.

Financial performance in the year was as follows:

<u>2020/2021</u> £'000		<u>2021/2022</u> £'000
	<u>Contributions</u>	
-15,247	South Sefton CCG	-16,782
-10,205	Southport & Formby CCG	-12,072
-20,087	Sefton Council	-20,339
<b>-45,539</b>	<b>Total Contributions</b>	<b>-49,193</b>
<b>43,045</b>	<b>Total Expenditure</b>	<b>48,227</b>
<b>-2,494</b>	<b>Variance</b>	<b>-966</b>

The variance of £0.966m relates to £0.866m of capital expenditure in the pooled fund arrangement and £0.099m of Integration and Transformation expenditure. The 2021/22 Disabled Facilities grant allocation of £4.823m was utilised to fund expenditure of £3.957m in 2021/22, the balance will be carried forward to be used in future years as part of 3-year Capital programming. The surplus from Integration and Transformation posts of £0.099m was due to delay in recruitment to part year posts, this will be placed in reserve and utilised in 2022/23 as agreed by Health & Wellbeing Board.

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## 11 EXTERNAL AUDIT COSTS

The following fees relating to external audit and inspection were charged to the Comprehensive Income and Expenditure Account.

<u>2020/2021</u> £000		<u>2021/2022</u> £000
98	Fees for external audit services carried out by the appointed auditors	153
16	Fees payable for the certification of grant returns	18
0	Fees payable in respect of any other services	0
114	<b>Total</b>	171

## 12 MEMBERS' ALLOWANCES

The Council has a Cabinet style management structure with a scheme for Members' Allowances. The Council is made up of 66 Members. There were 74 Members who were paid allowances in 2021/22 as some were only for part of the year (66 members in 2020/21) as shown below:

<u>2020/2021</u> £000s		<u>2021/2022</u> £000s
622	Basic Allowances	636
232	Special Responsibility Allowances	244
0	Expenses	0
854	<b>Total</b>	880

No Members were paid a salary in either year.

## 13 EXIT PACKAGES / TERMINATION BENEFITS

The number of exit packages with total cost per band and the total cost of the compulsory and other redundancies are set out in the tables below:

### Exit Packages in 2021/2022

<u>Exit Package Cost Band</u>	<u>Number of Compulsory Redundancies</u>	<u>Number of Other Departures Agreed</u>	<u>Total Number of Exit Packages by Cost Band</u>	<u>Total Cost of Exit Packages in each Band</u>
£0 - £20,000	1	61	62	£0.490m
£20,001 - £40,000	0	13	13	£0.359m
£40,001 - £60,000	0	1	1	£0.047m
<b>Total</b>	<b>1</b>	<b>75</b>	<b>76</b>	<b>£0.896m</b>

### Exit Packages in 2020/2021

<u>Exit Package Cost Band</u>	<u>Number of Compulsory Redundancies</u>	<u>Number of Other Departures Agreed</u>	<u>Total Number of Exit Packages by Cost Band</u>	<u>Total Cost of Exit Packages in each Band</u>
£0 - £20,000	27	30	57	£0.261m
£20,001 - £40,000	1	6	7	£0.179m
£40,001 - £60,000	1	2	3	£0.135m
£60,001 - £80,000	1	0	1	£0.062m
<b>Total</b>	<b>30</b>	<b>38</b>	<b>68</b>	<b>£0.637m</b>

## 14 EMPLOYEES' EMOLUMENTS IN EXCESS OF £50,000

The Accounts and Audit (England) Regulations require the Authority to disclose the number of employees (including teaching staff) whose remuneration in the year was £50,000 or more in bands of £5,000. The definition of remuneration excludes employer pension contributions but includes:

- (i) all taxable amounts paid to, or receivable by, employees, including sums due by way of expenses allowances;
- (ii) the estimated money value of all other benefits received by employees, otherwise than in cash; and,
- (iii) redundancy payments paid to employees who have left the employment of the Authority during the year.

Readers should note that the tables below include Senior Officers' remuneration, which is also disclosed separately in Note 18.

<b>Teaching Staff (including Voluntary Aided Schools)</b>				
<u>2020/2021</u>		<u>Remuneration Band</u>	<u>2021/2022</u>	
<u>Employed on 31/03/21</u>	<u>Left during the year</u>		<u>Employed on 31/03/22</u>	<u>Left during the year</u>
82	1	£50,000 - £54,999	74	1
28	1	£55,000 - £59,999	40	2
28	0	£60,000 - £64,999	22	1
29	0	£65,000 - £69,999	23	1
19	0	£70,000 - £74,999	33	0
12	0	£75,000 - £79,999	9	1
6	0	£80,000 - £84,999	6	0
4	0	£85,000 - £89,999	7	0
0	0	£90,000 - £94,999	1	0
1	0	£95,000 - £99,999	1	0
0	0	£100,000 - £104,999	1	0
2	0	£105,000 - £109,999	2	0
0	0	£120,000 - £124,999	1	0
0	0	£130,000 - £134,999	1	0

<b>Non-Teaching Staff (including schools)</b>				
<u>2020/2021</u>		<u>Remuneration Band</u>	<u>2021/2022</u>	
<u>Employed on 31/03/21</u>	<u>Left during the year</u>		<u>Employed on 31/03/22</u>	<u>Left during the year</u>
34	1	£50,000 - £54,999	28	0
26	0	£55,000 - £59,999	33	1
5	1	£60,000 - £64,999	7	0
8	0	£65,000 - £69,999	7	1
0	0	£70,000 - £74,999	4	0
6	0	£75,000 - £79,999	2	1
1	0	£80,000 - £84,999	1	0
7	0	£85,000 - £89,999	7	0
6	0	£115,000 - £119,999	4	0
0	0	£120,000 - £124,999	1	0
1	0	£150,000 - £154,999	0	0
0	0	£155,000 - £159,999	1	0

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## 15 SENIOR OFFICERS' REMUNERATION

The following tables provide details of the remuneration paid to senior officers as defined in the Accounts and Audit Regulations. The pension contribution shown in the tables is the employer's contribution to the local government pension scheme.

### Senior Officers remuneration in 2021/2022:

Post holder Information	Notes	Salary (Including fees and allowances) £	Expense Allowances £	Compensation for loss of office £	Total Remuneration excluding pension contributions £	Pension Contributions £	Total Remuneration including pension contributions £
Chief Executive		158,552	0	0	158,552	28,375	186,927
Executive Director - People		119,884	0	0	119,884	21,381	141,265
Executive Director - Place		119,884	0	0	119,884	21,282	141,166
Executive Director of Adult Social Care and Health		119,884	0	0	119,884	21,456	141,340
Executive Director of Children's Social Care and Education	(a)	31,747	0	0	31,747	5,536	37,283
Executive Director of Corporate Resources and Customer Services		119,884	0	0	119,884	21,362	141,246
Head of Strategic Support		87,547	0	0	87,547	15,652	103,199
Head of Adult Social Care	(b)	99,314	0	0	99,314	17,707	117,021
Head of Children's Social Care		87,547	0	0	87,547	15,514	103,061
Head of Communities	(c)	91,993	0	0	91,993	16,237	108,230
Head of Economic Growth and Housing		87,547	0	0	87,547	15,600	103,147
Head of Education Excellence	(d)	58,364	0	0	58,364	10,500	68,864
Head of Health and Wellbeing (Director of Public Health)		89,913	0	0	89,913	12,830	102,743
Head of Highways and Public Protection		87,547	0	0	87,547	15,873	103,420
Head of Operational In-House Services (previously Locality Services)	(e)	59,776	0	0	59,776	10,901	70,677
Head of Commercial Development		87,547	0	0	87,547	15,636	103,183
Chief Legal and Democratic Officer		84,069	0	0	84,069	15,030	99,099

- a) The Executive Director of Children's Social Care and Education left on 4<sup>th</sup> July 2021. It was then covered on an interim basis by an external contractor for the remainder of the year. The substantive pay for the post is £119,884.
- b) The Head of Adult Social Care post was appointed to on 13<sup>th</sup> December 2021. It had been covered on an interim basis since the beginning of the year. The substantive pay for the post is £87,547.
- c) The Head of Communities post was appointed to on 1<sup>st</sup> October 2021. It had been covered on an interim basis since the beginning of the year. The substantive pay for the post is £87,547.
- d) The Head of Education Excellence post was appointed to on 1<sup>st</sup> August 2021. It had been covered on an interim basis by an external contractor since the beginning of the year. The substantive pay for the post is £87,547.
- e) The Head of Operational In-House Services post was appointed to on 26<sup>th</sup> July 2021. It had previously been vacant since the beginning of the year. The substantive pay for the post is £87,547.

Senior Officers remuneration in 2020/2021:

Post holder Information	Notes	Salary (Including fees and allowances)	Expense Allowances	Compensation for loss of office	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including pension contributions
		£	£	£	£	£	£
Chief Executive		152,481	0	0	152,481	27,629	180,110
Executive Director - People		118,112	0	0	118,112	21,371	139,483
Executive Director - Place	(a)	26,683	0	0	26,683	4,779	31,462
Executive Director of Adult Social Care and Health		118,112	0	0	118,112	21,444	139,556
Executive Director of Children's Social Care and Education		118,112	0	0	118,112	21,391	139,503
Executive Director of Corporate Resources and Customer Services		118,112	0	0	118,112	21,317	139,429
Head of Strategic Support		86,253	0	0	86,253	15,644	101,897
Head of Adult Social Care	(b)	64,690	0	0	64,690	11,719	76,409
Head of Children's Social Care		86,253	0	0	86,253	15,509	101,762
Head of Communities		86,253	0	0	86,253	15,621	101,874
Head of Economic Growth and Housing		86,342	0	0	86,342	15,567	101,909
Head of Education Excellence	(c)	12,531	0	0	12,531	1,799	14,330
Head of Health and Wellbeing (Director of Public Health)		89,888	0	0	89,888	12,942	102,830
Head of Highways and Public Protection		86,253	0	0	86,253	15,607	101,860
Head of Locality Services	(d)	62,401	0	0	62,401	11,045	73,445
Head of Commercial Development		86,253	0	0	86,253	15,600	101,853
Chief Legal and Democratic Officer		75,973	0	0	75,973	13,766	89,739

- f) The previous Executive Director – Place left on 21st April 2020. The previous Executive Director – Projects was appointed to the post on 1<sup>st</sup> February 2021.
- g) The Head of Adult Social Care post was appointed to on an interim basis on 1<sup>st</sup> July 2020. It had previously been vacant.
- h) The previous Head of Education Excellence left their post on 18<sup>th</sup> May 2020. The post has remained vacant but has been covered on an interim basis by an external contractor for the remainder of the year.
- i) The previous Head of Locality Services left their post on 17<sup>th</sup> December 2020. The post remained vacant for the remainder of the year.

**16 DEDICATED SCHOOLS' GRANT**

The council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools' Budget, as defined in the School Finance and Early Years (England) Regulations 2015. The Schools' Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2021/2022 are as follows:

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Notes to the Financial Statements

	<u>Central Expenditure</u> £000s	<u>Individual Schools Budget</u> £000s	<u>Total</u> £000s
Final DSG for 2021/22 before academy and high needs recoupmnt			-233,804
Academy and high needs figure recouped for 2021/22			66,595
Total DSG after Academy and high needs recoupmnt for 2021/22			-167,209
Plus: Brought forward from 2020/21			-0
Less: Carry forward to 2022/23 agreed in advance			0
Agreed initial budgeted distribution in 2021/22	-48,710	-118,499	-167,209
In year adjustments	353	8	361
Final budgeted distribution for 2021/22	-48,357	-118,491	-166,848
Actual central expenditure	52,839		52,839
Actual ISB deployed to schools		118,491	118,491
Local authority contributions in 2021/22	0	0	0
<b>In Year Carry forward to 2022/23</b>	<b>4,482</b>	<b>0</b>	<b>4,482</b>
Carry forward to 2022/23 agreed in advance			0
DSG unusable reserve at end of 2020/21			-6,615
Addition to DSG unusable reserve at end of 2021/22			-4,482
Total of DSG unusable reserve at end of 2021/22			-11,097
<b>Net DSG position at the end of 2021/22</b>			<b>-11,097</b>

## 17 GRANT INCOME

### Grants and contributions credited to the Comprehensive Income and Expenditure Statement

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

<u>2020/2021</u> £000s	<u>Credited to Taxation and Non-specific Grant Income</u>	<u>2021/2022</u> £000s
	<u>Non-Ringfenced Government Grants</u>	
-21,249	Non-Domestic Rates Top-Up Grant	-21,315
-421	New Homes Bonus	-155
-51,114	Business Rates Relief - S31 Grant	-26,408
-2,107	Independent Living Fund - Transition Funding	-2,107
-9,315	Additional Social Care Funding	-11,820
0	Council Tax Support Grant	-3,473
0	Lower Tier Services Grant	-430
-13,692	COVID-19 Emergency Funding	-8,063
-32,338	Other Specific COVID Funding	-1,544
-452	Other Non-Ringfenced Government Grants	-763
<b>-130,688</b>		<b>-76,078</b>



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Notes to the Financial Statements

2020/2021 £000s	Credited to Taxation and Non-specific Grant Income	2021/2022 £000s
	<u>Capital Grants and Contributions</u>	
-7,028	Liverpool City Region Combined Authority – Transport Grants	-5,681
-3,869	Better Care Fund	-4,823
-2,721	Liverpool City Region Combined Authority – Growth Projects Grants	-3,358
-1,996	Department for Education Capital Grants	-3,239
0	MHCLG - Towns Fund	-1,875
-574	Environment Agency - Northwest Regional Coastal Monitoring Grant	-851
-3,117	Department of Transport Capital Grants	0
-1,477	Other Capital Grants and Contributions	-1,932
57	Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	2,716
-20,725		-19,043

2020/2021 £000s	Grants Credited to Services	2021/2022 £000s
	<u>Revenue Grants</u>	
-155,710	Dedicated Schools Grant	-166,617
-68,270	Housing Benefit Subsidy	-64,672
-21,803	Public Health Grant	-22,006
-9,106	Pupil Premium	-9,153
-11,070	Adult Social Care Covid Funding	-10,638
0	Additional Restrictions Grant to support businesses	-5,968
-3,274	Education Funding Agency	-3,471
-1,489	SMART Testing	-2,604
0	Household Support Fund	-2,435
-2,574	Universal Infant Free School Meals	-2,428
0	Contain Outbreak Management Fund	-2,081
0	Omicron Hospitality and Leisure Grant	-1,998
-1,251	COVID Pupil Premium Catch-up	-1,418
-1,302	PE and Sport Funding	-1,302
0	Test & Trace Support Payments	-1,191
0	COVID Local Support Grant	-1,153
-818	Skills Funding Agency	-1,084
-757	Retrofit Grant	-1,066
-962	Housing Benefit Administration	-916
-899	Supporting Families Programme (previously Troubled Families)	-843
0	Green Homes Grant	-840
-829	Arts Council	-727
-925	Discretionary Housing Payments	-699
0	Ways to Work	-643
0	Domestic Abuse - New Burdens	-606
-395	Rough Sleeper Initiative	-580
-561	PFI Grant	-561
0	Work Programmes	-525
-342	Police and Crime Commissioner	-509
0	Homelessness Reduction - New Burdens Grant	-501
0	School Led Tutoring Grant	-494
0	Drug Treatment Grant	-489
0	DfE Leeds Family Values Model	-448
0	Holiday Activity Fund	-427
-417	Local Council Tax Support Administration	-426
-4,577	Teachers' Employer Pension Grant	-399
-347	Youth Justice Board	-376
0	Adult Weight Management	-346
0	Community Connectors	-340
-305	NNDR Administration Grant	-302
-313	School Improvement Grant	-293
-312	Unaccompanied Asylum-Seeking Children	-238
-1,513	Teachers Pay Grant	-141
-1,109	COVID Winter Grant	-108

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Notes to the Financial Statements

<u>2020/2021</u> £000s	<u>Grants Credited to Services (continued)</u>	<u>2021/2022</u> £000s
-70	Syrian Refugees (Home Office)	-81
-2,238	Discretionary Business Grant Funding	0
-1,424	COVID Clinically Extremely Vulnerable Grant	0
-355	Free School Meals Supplementary Grant	0
-342	Next Steps Accommodation Programme	0
-280	Transformation Challenge Award Fund	0
-4,090	Other Revenue Grants	-4,528
<b>-300,029</b>		<b>-318,671</b>
	<u>Capital Grants</u>	
-3,120	Capital Grants utilised to fund Revenue Expenditure Funded from Capital Under Statute	-3,579
	<u>Contributions</u>	
-25,653	Health Contributions	-27,943
-3,697	School Contributions and Donations	-5,521
-1,013	Other Local Authorities	-1,806
-4,620	Other Contributions	-5,201
<b>-34,983</b>		<b>-40,471</b>
<b>-489,545</b>	<b>Total Revenue and Capital Grants</b>	<b>-457,842</b>

## 18 PROPERTY PLANT AND EQUIPMENT

### Movement on Balances

Movements in 2021/2022:

	<u>Other Land and Buildings (OL&amp;B)</u>	<u>Vehicles Plant and Equipment</u>	<u>Infrastructure Assets</u>	<u>Community Assets</u>	<u>Surplus Assets</u>	<u>Assets Under Construction</u>	<u>Total</u>
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b><u>Cost or Valuation</u></b>							
At 1 April 2021	308,776	22,541	246,233	23,133	4,379	0	605,062
Additions	9,020	6,845	9,150	410	62	945	26,432
Revaluations - recognised in the Revaluation Reserve	24,379	0	0	0	-1,155	0	23,224
Revaluations – recognised in the Surplus/Deficit on the Provision of Services	-11,200	0	0	0	-738	0	-11,938
Derecognition - Disposals	-23	-8,942	0	0	0	0	-8,965
Reclassifications:							
To Assets Held for Sale	-200	0	0	0	-291	0	-491
To Surplus Assets	-5,858	0	0	-410	6,268	0	0
From Investment Properties	0	0	0	0	1,781	0	1,781
At 31 March 2022	324,894	20,444	255,383	23,133	10,306	945	635,105
<b><u>Accumulated Depreciation and Impairment</u></b>							
At 1 April 2021	-41,547	-15,878	-76,795	0	0	0	-134,220
Depreciation Charge	-9,309	-4,014	-7,311	0	0	0	-20,634
Revaluations - recognised in the Revaluation Reserve	1,367	0	0	0	0	0	1,367
Accumulated Depreciation written out upon impairment	11,302	0	0	0	0	0	11,302
Derecognition - Disposals	23	8,942	0	0	0	0	8,965
Reclassifications	0	0	0	0	0	0	0
At 31 March 2022	-38,164	-10,950	-84,106	0	0	0	-133,220
<b><u>Net Book Value</u></b>							
At 1 April 2021	267,229	6,663	169,438	23,133	4,379	0	470,842
At 31 March 2022	286,730	9,494	171,277	23,133	10,306	945	501,885

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Movements in 2020/2021:

	Other Land and Buildings (OL&B)	Vehicles Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Cost or Valuation</b>							
At 1 April 2020	311,124	17,001	235,875	22,862	16,728	0	603,590
Additions	7,891	2,554	10,358	271	0	0	21,074
Revaluations - recognised in the Revaluation Reserve	666	0	0	0	752	0	1,418
Revaluations – recognised in the Surplus/Deficit on the Provision of Services	-9,169	0	0	-35	-273	0	-9,442
Derecognition - Other	-590	0	0	0	-1,470	0	-2,060
Derecognition of land no longer owned by the Council	0	0	0	0	-3,629		-3,629
Reclassifications:							
To Assets Held for Sale	-2,264	0	0	0	-7,999	0	-10,263
From Investment Properties	1,118	0	0	0	270	0	1,388
At 31 March 2021	308,776	19,555	246,233	23,098	4,379	0	602,041
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2020	-35,480	-1,388	-70,071	0	0	0	-116,939
Depreciation Charge	-9,479	-2,596	-6,724	0	0	0	-18,799
Revaluations - recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Accumulated Depreciation written out upon impairment	3,412	0	0	0	0	0	3,412
Derecognition - Other	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
At 31 March 2021	-41,547	-13,984	-76,795	0	0	0	-132,326
<b>Net Book Value</b>							
At 1 April 2020	275,644	5,613	165,804	22,862	16,728	0	486,651
At 31 March 2021	267,229	5,571	169,438	23,133	4,379	0	469,715

## Depreciation

Depreciation is provided for on the straight-line basis over an asset's estimated useful life as detailed below:

Asset Type	Basis	Estimated Life
Other Land and Buildings	Straight-line	10 to 75 Years
Vehicles, Plant and Equipment (Computers)	Straight-line	5 Years
Vehicles, Plant and Equipment (Other)	Straight-line	5 to 10 Years
Infrastructure Assets (Capitalised Highways Maintenance)	Straight-line	10 Years
Infrastructure Assets (Other)	Straight-line	40 Years
Community Assets	Not Depreciated	-
Surplus Assets	Not Depreciated	-
Assets Under Construction	Not Depreciated	-

The usual estimated useful life of different categories of Other Land and Buildings assets are detailed below. For individual assets the valuer may determine that a lower estimated useful life is more appropriate for that asset:

Asset Type	Estimated Life
Southport Cultural Centre (The Atkinson)	75 Years
Schools and Educational Establishments	50 Years
Civic Buildings	50 Years
Social Care Establishments	40 to 50 Years
Libraries	40 Years
Leisure Facilities	30 Years
Garages / Depots	10 Years

### **Capital Commitments**

At 31 March 2022, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2022/2023 and future years which are budgeted to cost £18.418m. Similar commitments at 31 March 2021 were £7.170m. The major commitments are:

Scheme	Expenditure approved and contracted at 31 March 2022 £000s
LED Street Lighting Upgrade	10,000
Marine Lake Events Centre	3,176
Crosby Lakeside Redevelopment	1,545
Highways Accessibility Programme - Scarisbrick Avenue	822
Dunes Splashworld – Essential Repairs	565

### **Revaluations**

Valuations are carried out as part of a rolling programme over a five-year cycle.

All freehold and leasehold land and properties which comprise the Authority's property portfolio have been valued by Mr. A. Bond (MRICS). Mr Bond is part of the Council's own qualified in-house valuers. The only exception is for the Strand Shopping Centre which was valued by Andrew Watson (MRICS) who works for an external valuation company, GVA.

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The Council's own in-house valuers have considered valuation uncertainty and market instability insofar as those properties valued this year are concerned and reflected any changes in the valuations supplied.

The table below will show the dates and amounts of valuations for each class of Property, Plant and equipment included in the balance sheet:

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	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Cost or Valuation</b>							
<u>Valued at Current Value in:</u>							
2021/2022	166,876	0	0	0	6,321	0	173,197
2020/2021	32,287	0	0	0	1,011	0	33,298
2019/2020	13,961	0	0	0	1,979	0	15,940
2018/2019	102,471	0	0	0	309	0	102,780
2017/2018	2,321	0	0	0	579	0	2,900
Assets valued at Historic Cost	0	20,444	255,383	23,133	107	945	300,012
Assets not subject to Revaluation	6,978	0	0	0	0	0	6,978
At 31 March 2022	324,894	20,444	255,383	23,133	10,306	945	635,105

Notes:

- Surplus Assets shown as valued at Historic Cost relates to land valued at historic cost upon purchase.
- Other Land and Buildings not subject to revaluation mainly relates to office refurbishments being depreciated.

## 19 HERITAGE ASSETS

A heritage asset is an asset that is held due to its historical, artistic, scientific, technological, or environmental qualities, and is maintained principally for its contribution to knowledge and culture.

Movements in Heritage Assets during the year were as follows:

2020/2021				2021/2022		
Art Collection	Other	Total		Art Collection	Other	Total
£000s	£000s	£000s		£000s	£000s	£000s
10,675	857	11,532	Balance at the start of the year	10,675	857	11,532
0	0	0	Additions (Expenditure)	0	0	0
0	0	0	Disposals	0	0	0
0	0	0	Revaluations	0	0	0
0	0	0	Depreciation	0	0	0
<b>10,675</b>	<b>857</b>	<b>11,532</b>	<b>Balance at the end of the year</b>	<b>10,675</b>	<b>857</b>	<b>11,532</b>

The Art Collection consists principally of a ceramic collection, a silver collection, works of art and an Egyptology collection and is described in more detail below. Other Heritage Assets consists of several war memorials and the art installation "Another Place".

### CERAMICS

The Authority owns a large collection of ceramics and china. The collection consists of 163 pieces of Crown Derby "Imari", and 757 pieces of Tuscan Ware, and is mainly held at Bootle Town Hall with further collections at the Atkinson. Due to the age of the collection no accurate records are maintained

of how the collection was acquired. An inventory of the collection is made at both Bootle and Town Hall and the Atkinson.

A Collection Development Policy is in place which defines the scope of future collecting activity. When assets are bequeathed to the Authority appropriate documentation is completed to transfer the right of ownership to the Authority. It is not the Authority's policy to dispose of these assets although appropriate procedures and documentation are available for completion should an asset be disposed of. Loans of heritage assets are made to other registered museums and galleries.

Certain items are on public display within Bootle and Southport Town Halls and the Atkinson. Requests to view those items not on public display would require written request to be submitted.

The Authority has a conservation management policy and plan for heritage assets.

## SILVER

The Authority owns a collection of silverware, consisting of an eclectic mix of cups, salvers, and civic regalia. The collection was principally acquired by donation. An inventory of the collection is held at both Bootle and Southport Town Halls.

The policy for acquisition, disposal, management, and public access of the silver collection is the same as for the ceramic collection. However, those assets in use, such as maces, are regularly reviewed for wear and tear that requires repair.

## ARTWORKS

The Authority holds approximately 3,500 artworks at the Atkinson with a further 30,000 items of social and natural history. The gallery collection consists of paintings, prints, and sculpture. The museum collection consists of paintings, photographs, postcards, furniture, costume, natural history, archaeology, and Egyptology. The majority of assets were donated to the Authority, although some items were purchased, whilst others were transferred from other museums.

Some records of assets are held on various systems, but an ongoing project is in place to document all items on the Authority's collection management database. This process is documented within the Authority's Documentation Procedural Manual, a copy of which is available from the Authority.

The policy for acquisitions and disposals are contained within the Collection Development Policy for the Atkinson, copies of which are available from the Authority.

The Authority does loan such items to other galleries and museums. In addition, it may receive loans of artworks from other galleries and museums which are insured by the Council.

The Authority has a conservation management policy and plan for heritage assets. An Emergency Plan is in place in case of an incident of fire or flood.

The Art Collection is reported in the Balance Sheet at insurance valuation which is based on market values. The insurance valuation for the collection of oil paintings was last updated in 2005. The Authority considers that obtaining updated valuations for the collection would involve disproportionate cost. This is because of the diverse nature of the assets and the lack of comparable market values makes valuation expensive. As the valuations are for insurance purposes only, there is an inherent limitation on the precise valuation of Heritage Assets.

## **20 INVESTMENT PROPERTY**

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

<u>2020/2021</u> £000s		<u>2021/2022</u> £000s
-2,320	Rental Income from Investment Property	-2,680
124	Direct operating expenses arising from Investment Property	221
<b>-2,196</b>	<b>Net gain</b>	<b>-2,459</b>

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

At 31 March 2022, the Authority had no contractual obligations for the construction or enhancement of investment property in 2022/2023 and future years. There were also no similar commitments at 31 March 2021.

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

<u>2020/2021</u> £000s		<u>2021/2022</u> £000s
36,181	Balance at the start of the year	29,991
1,079	Additions – Subsequent expenditure	1,052
0	Disposals	0
-4,631	Net gains / losses (-) from fair value adjustments	3,076
	<u>Reclassifications:</u>	
-1,118	- To Other Land and Buildings	0
-270	- To Surplus Assets	-1,781
-1,250	- To Assets Held for Sale	0
<b>29,991</b>	<b>Balance at the end of the year</b>	<b>32,338</b>

## Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Note 56 Statement of Accounting Policies (i) for an explanation of the fair value levels).

## Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

The fair value of investment property has been measured using inputs other than quoted prices that are observable for the asset, either directly or indirectly, assets being valued using applicable comparative evidence.

In estimating the fair value of the Council's properties, the highest and best use has been considered as part of the valuation process.

## 21 INTANGIBLE ASSETS

Intangible assets held by the Authority relate entirely to purchased software licences. Expenditure on purchased software licences is amortised to the relevant service revenue accounts on a straight-line basis over an estimated economic life of three years.

The amortisation of £0.448m charged to revenue in 2021/2022 (£0.000m in 2020/2021) was charged to the ICT Administration, Adult Social Care and Green Sefton cost centres and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

At 31 March 2022, the Authority had contractual obligations for the construction or enhancement of intangible assets in 2022/2023 and future years of £0.376m. There were also no similar commitments at 31 March 2021.

Movements in purchased software licences during the year were as follows:



2020/2021 £000s	<b>Purchased Software Licences</b>	2021/2022 £000s
2,986	Gross Carrying Amount	0
-1,297	Accumulated Amortisation	0
<b>1,689</b>	<b>Net carrying amount at start of the year</b>	<b>0</b>
0	Purchases in the year	1,345
-597	Amortisation in the year	-448
0	Revaluations	0
<b>1,092</b>	<b>Net carrying amount at the year end</b>	<b>897</b>
	<u>Comprising:</u>	
2,986	Gross Carrying Amount	1,345
-1,894	Accumulated Amortisation	-448
<b>1,092</b>		<b>897</b>

## 22 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

2020/2021 £000s	<b>Capital Financing Requirement</b>	2021/2022 £000s
230,300	Opening Capital Financing Requirement	230,150
	<u>Capital Expenditure</u>	
21,074	Property, Plant and Equipment	26,432
1,079	Investment Properties	1,051
0	Intangible Assets	1,345
4,050	Revenue expenditure funded from capital under statute	3,708
	<u>Sources of Finance</u>	
-1,164	Capital Receipts	-1,089
-18,860	Grants and Contributions	-21,501
-62	Direct Revenue Contributions	-302
	<u>Provision for Repayment of Debt</u>	
-6,159	Statutory Provision for financing capital investment	-6,557
-108	Amortisation of Deferred Income re. Crosby PFI	-107
<b>230,150</b>	<b>Closing Capital Financing Requirement</b>	<b>233,130</b>

2020/2021 £000s	<b>Explanation of movements in the year</b>	2021/2022 £000s
	<u>Decrease (-) / Increase in underlying need to borrow:</u>	
6,117	Increase in underlying need to borrow	9,644
-6,267	Provision for Repayment of Debt	-6,664
<b>150</b>	<b>Increase (+) / Decrease (-) in Capital Financing Requirement</b>	<b>2,980</b>

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## 23 LONG TERM INVESTMENTS

<u>31 March</u> <u>2021</u> £000s		<u>31 March</u> <u>2022</u> £000s
5,376	Churches & Charities Local Authority LAMIT Property Fund	6,320
1	Sefton New Directions (see Note 54 for more details)	1
1,125	Sandway Homes (see Note 54 for more details)	6,743
<b>6,502</b>	<b>Total</b>	<b>13,064</b>

The Long-Term Investment in Sandway Homes relates to loans made to the Company to cover its working capital requirements (as approved by the Council's Cabinet). The Company pays interest on these loans at an agreed commercial rate and the loans will be repaid across the period of its Business Plan covering Phase 1 of its development programme.

In addition to the shares in Sefton New Directions, the Council is the sole shareholder in Sandway Homes (£100), and Sefton Hospitality Operation Limited (£1). The investments in all three subsidiaries is shown at amortised cost.

## 24 LONG TERM DEBTORS

<u>31 March</u> <u>2021</u> £000s		<u>31 March</u> <u>2022</u> £000s
87	<u>Transferred Services</u> Merseyside Residuary Body	80
87		80
5,048	<u>Other</u> Long Term Sundry Debtor Accounts	7,927
72	Loan to Plaza Community Cinema	65
5,120		7,992
<b>5,207</b>	<b>Total</b>	<b>8,072</b>

## 25 SHORT TERM INVESTMENTS

Sefton held no Short-Term Investments with banks at the balance sheet date. However, accrued interest receipts on the Council's Long-Term Investments are shown as Short-Term Investments in the Balance Sheet as shown below:

<u>31 March</u> <u>2021</u> £000s		<u>31 March</u> <u>2022</u> £000s
163	Accrued Interest Receipts	0
<b>163</b>	<b>Total</b>	<b>0</b>

**26 ASSETS HELD FOR SALE**

<u>2020/2021</u> £000s	<b>Movements in the year</b>	<u>2021/2022</u> £000s
0	Balance Outstanding at start of the year	11,513
	<u>Assets newly classified as held for sale:</u>	
2,264	- Other Land and Buildings	200
7,999	- Surplus Assets	2,185
1,250	- Investment Properties	0
	<u>Assets declassified as held for sale:</u>	
0	- Surplus Assets	-1,894
<b>11,513</b>	<b>Balance Outstanding at the year-end</b>	<b>12,004</b>

Fair Value Hierarchy

The Council's Assets Held for Sale are valued using the fair value hierarchy for valuation purposes (see Note 56 Statement of Accounting Policies (i) for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Assets Held for Sale

The fair value of Assets Held for Sale has been measured at level 2 using inputs other than quoted prices that are observable for the asset, either directly or indirectly, assets being valued using applicable comparative evidence.

In estimating the fair value of the Council's properties, the highest and best use has been considered as part of the valuation process.

**27 SHORT TERM DEBTORS AND PREPAYMENTS**

<u>31 March</u> <u>2021</u> £000s	<b>Short Term Debtors</b>	<u>31 March</u> <u>2022</u> £000s
	<u>Amounts Falling Due Within One Year</u>	
8,440	Central Government Bodies	3,292
3,600	HM Revenue and Customs	3,920
328	Academies	289
7,905	Other Local Authorities	8,267
7,331	NHS Bodies	11,413
27,421	Council Tax Payers	31,963
7,687	NNDR Payers	9,069
0	Accrued Interest on Investments	101
19,805	Other Entities and Individuals	14,821
82,517		83,135
	<u>Less Impairment</u>	
-20,244	Council Tax Payers	-24,749
-7,124	NNDR Payers	-8,402
-5,531	Other Entities and Individuals	-6,424
-32,899		-39,575
<b>49,618</b>	<b>Net Debtors</b>	<b>43,560</b>

<u>31 March</u> <u>2021</u> £000s	<b>Prepayments</b>	<u>31 March</u> <u>2022</u> £000s
2,007	Early Years Providers	2,204
1,005	ICT Contracts	1,453
853	Direct Payments	611
28,272	Payment of Pension Contributions to Merseyside Pension Fund	14,023
1,017	Other	865
<b>33,154</b>	<b>Net Debtors</b>	<b>19,156</b>

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## 28 CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2021 £000s		31 March 2022 £000s
59	Cash in hand of officers	64
2,761	Bank current accounts	4,539
65,266	Short-term deposits with banks and building societies	93,725
<b>68,086</b>	<b>Total Cash and Cash Equivalents</b>	<b>98,328</b>

The Bank Current Accounts balance includes funds held by a third party on the Council's behalf relating to the operation of the Strand Shopping Centre.

## 29 SHORT TERM CREDITORS

31 March 2021 £000s		31 March 2022 £000s
-4,752	HM Revenue and Customs	-4,682
-20,100	Government Departments	-14,787
-3,049	Other Local Authorities	-2,661
-1,520	NHS Bodies	-2,873
-22,149	Other entities and individuals	-28,779
-5,381	Accumulated Absences	-5,573
<b>-56,951</b>	<b>Total</b>	<b>-59,355</b>

## 30 RECEIPTS IN ADVANCE

31 March 2021 £000s		31 March 2022 £000s
-4,417	Planning Section 106 Agreements	-5,524
-3,073	Rechargeable Works	-4,144
-930	Council Tax Payers	-1,187
-3,099	NDR Payers	-3,025
0	COVID Additional Relief Fund	-4,478
0	Council Tax Energy Rebate Scheme	-17,140
-6,649	Other entities and individuals	-9,033
<b>-18,168</b>	<b>Total</b>	<b>-44,531</b>

## 31 PROVISIONS

Movements in provisions during 2021/2022 were as follows:

		1 April 2021 £000s	Additions in Year £000s	Applied In Year £000s	Released In Year £000s	31 March 2022 £000s
	<b>Long-term</b>					
(a)	Internal Insurance Cover	-4,613	-743	524	987	-3,845
(b)	Provision for NDR Appeals	-23,647	-789	3,296	0	-21,140
		<b>-28,260</b>	<b>-1,532</b>	<b>3,820</b>	<b>987</b>	<b>-24,985</b>

Movements in provisions during 2020/2021 were as follows:

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		1 April 2020 £000s	Additions in Year £000s	Applied In Year £000s	Released In Year £000s	31 March 2021 £000s
	<b>Long-term</b>					
(a)	Internal Insurance Cover	-3,997	-1,298	682	0	-4,613
(b)	Provision for NDR Appeals	-18,702	-6,693	1,748	0	-23,647
		<b>-22,699</b>	<b>-7,991</b>	<b>2,430</b>	<b>0</b>	<b>-28,260</b>

(a) **Internal Insurance Cover** - The purpose of the insurance provision is to enable certain known uninsured losses to be met centrally, i.e., losses arising from the excesses that apply to the Authority's main insurance policies (Public Liability, Property, Employers Liability and Motor Insurance). The amount required to cover these uninsured losses is based on claims actually reported as outstanding. The timing of settlement of these claims is uncertain but is likely to be over a number of years. Based on an assessment by Sefton's insurance advisors (AON), the resources available in the Authority's Insurance Fund are in excess of known liabilities.

Included within this balance is an amount to cover potential liabilities following the announcement on the 13 November 2012 that the Municipal Mutual Insurance Limited (MMI) Scheme of Arrangement has now been triggered.

MMI was formed as a limited company by guarantee in 1903 and by 1974 some 90% of local authorities were insured by the company. Due to dramatic increases in claims, coincidental with a fall in the property market and poor investment environment, along with its inability to raise capital because of its mutual status, MMI's net assets fell below the minimum regulatory solvency requirement and the company went into run-off in September 1992.

The amount paid to the Council plus the amount outstanding under this arrangement is £3.743m, and under the Scheme or Arrangement a levy is chargeable on this amount. After the imposition of the levy, the Council is also liable to contribute to each and every subsequent claim paid by MMI on the Council's behalf, thereby creating an on-going financial obligation. The initial levy requested by the scheme administrator from the Council is a percentage of the total sum paid on behalf of the Council by MMI since 30 September 1992, less the first £50,000 of such payments. As a result, and following assessment by a scheme actuary, a levy rate of 25% is being applied creating a liability to the Council of £0.901m (£0.541m of which was paid in January 2014 with £0.360m paid in May 2016). There is a possibility that the ultimate levy rate could eventually be higher than this and as such the Council has made a specific provision of an additional £0.478m million in the accounts to cover this potential liability, based on an assessment by Sefton's insurance advisors.

The liability upon the Council as a scheme creditor cannot be fully estimated at this stage for unknown claims incurred but not reported between 1974 and 1992. Whilst the Council has considered the financial impact in producing its Statement of Accounts, by including resources in its Insurance Provision, there is a risk that the Council's financial liability could increase from this level.

(b) **Provision for NDR Appeals** – Following the introduction of business rates retention on 1 April 2013, the Council assumed the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties. The timing of these refunds is uncertain but is expected to be made over several years (which is the reason why the whole provision is treated as long-term). The provision covers the Council's locally retained share of the liability which increased from 49% in 2016/17 to 99% in 2017/18 as a result of the Council's participation in the Liverpool City Region Business Rates Pilot Scheme from 1 April 2017. The Council's share of potential repayments has been estimated at £21.140m based on the rateable value of properties still subject to appeal on the 2010 Rating List and an assessment of future threats from checks, challenges, and appeals against the rateable value of properties on the 2017 Rating List at 31 March 2022 (£23.647m on 31 March 2021).

The provision made is the Council's best estimate of the actual liability as at the 31 March 2022. There is a potential risk that the value of refunds due as a result of checks, challenges and appeals lodged with the Valuation Office Agency will exceed the provision made in the accounts.

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## 32 DEFERRED LIABILITIES

31 March 2021 £000s		31 March 2022 £000s
	<b>Short Term</b>	
-438	Merseyside Residuary Body	-438
-214	Finance Lease Liability – Crosby Baths PFI	-187
-183	Finance Lease Liability – Property, Plant and Equipment	-202
-107	PFI Deferred Income	-107
<b>-942</b>	<b>Total Short Term</b>	<b>-934</b>
	<b>Long Term</b>	
-1,750	Merseyside Residuary Body	-1,313
-1,859	Finance Lease Liability – Crosby Baths PFI	-1,671
-3,162	Finance Lease Liability – Property, Plant and Equipment	-2,960
-644	PFI Deferred Income	-537
<b>-7,415</b>	<b>Total Long Term</b>	<b>-6,481</b>

Wirral MBC manages debt on behalf of the former Merseyside Residuary Body. Sefton MBC (along with the other Merseyside Districts, Precepting and Levying Bodies), as a successor body, inherited debt relating to services transferred to its control. The amount outstanding in respect of Sefton MBC was £1.751m at 31 March 2022 (£2.188m at 31 March 2021).

## 33 TRUST FUNDS

The Council acts as Sole Trustee of a number of legacies and bequests. Details of the transactions and the Committees controlling the funds are shown below. In compliance with the Code, Trust Funds have been excluded from the Council's Balance Sheet.

Portfolio and Name of Trust	Balance at 1 April 2021 £	Income £	Expenditure £	Balance at 31 March 2022 £
<u>Children's Services</u>				
Bootle Holiday Camp - Children	23,699	65	0	23,764
Wignall Scholarship	12,708	35	0	12,743
<u>Corporate Services</u>				
Netherton Green Trust	14,046	0	0	14,046
<u>Other</u>				
Mayor of Sefton's Charity Fund	12,885	33,170	38,933	7,122
Total	63,338	33,270	38,933	57,675
<u>The balances are invested as follows:</u>				
Government Securities	300			300
Sefton Cash Balances	63,038			57,375
Total	63,338			57,675

### Children's Services Trust Funds

The Educational Trust Funds aim to help in the advancement of education and training of young people within the Sefton area by providing financial assistance to those who have difficulty in paying fees and by the award of prizes as rewards to deserving students.

### Netherton Green Trust

The Netherton Green Trust Fund was set up prior to 1974 as a bequest, converted into shares with the former Mersey Docks and Harbour Company. These were subsequently redeemed in 2005/2006.

The original sum was applied towards the upkeep of an area within the Borough called Netherton Green.

Mayor of Sefton's Charity Fund

This fund has a year-end of 30 June. The opening balance included in the Trust Fund Statement above is therefore as at 1 July 2021. Also, the movements in the year relate to the transactions between 1 July 2021 and 30 June 2022. The opening balance in this note has been adjusted to reflect the Charity Fund's final accounts for 2020/2021.

**34      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 accounting 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.

General Fund Balances arise due to planned contributions or underspends in previous years. Amounts held by schools are to fund expenditure in future years and as a prudent measure against future uncertainty. General Fund Balances attributable to the Council are held as a prudent measure against future uncertainty.

<u>2020/2021</u> £000s	<b>Non-School General Fund Balances</b>	<u>2021/2022</u> £000s
-6,984	Balance at 1 April	-11,278
-4,294	Increase in Balances	-3,521
<b>-11,278</b>	<b>Balance at 31 March</b>	<b>-14,799</b>

<u>2020/2021</u> £000s	<b>School General Fund Balances</b>	<u>2021/2022</u> £000s
-10,823	Balance at 1 April	-15,676
-4,853	Increase in Balances	-2,612
<b>-15,676</b>	<b>Balance at 31 March</b>	<b>-18,288</b>

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## 35 EARMARKED RESERVES

The movements in earmarked reserves during the last two years are shown below:

	<b>Movements in 2021/2022</b>	<u>1 April</u> <u>2021</u> £000s	<u>Transfers</u> <u>in</u> £000s	<u>Transfers</u> <u>Out</u> £000s	<u>31 March</u> <u>2022</u> £000s
(a)	Environmental Warranty	-9,000	0	0	-9,000
(b)	Insurance Fund	-961	-987	0	-1,948
(c)	Transforming Sefton	-3,503	-691	1,961	-2,233
(d)	Redundancy Reserve	-1,326	0	0	-1,326
(e)	Community Transition Fund	-481	0	96	-385
(f)	Contamination Clearance	-1,438	0	59	-1,379
(g)	Rating Appeals / Reduction in NDR Income Reserve	-38,784	-17,981	38,460	-18,305
(h)	Secondary School Deficit Reserve	-750	-250	0	-1,000
(i)	Council Tax - spreading of 2020/2021 Deficit Reserve	0	-2,872	0	-2,872
(j)	Business Rates - spreading of 2020/2021 Deficit	0	-3,265	0	-3,265
(k)	Revenue Grants and Contributions Unapplied	-30,754	-15,852	18,136	-28,470
(l)	Other Earmarked Reserves	-11,316	-1,885	2,133	-11,069
	<b>Total</b>	<b>-98,313</b>	<b>-43,784</b>	<b>60,844</b>	<b>-81,253</b>

	<b>Movements in 2020/2021</b>	<u>1 April</u> <u>2020</u> £000s	<u>Transfers</u> <u>in</u> £000s	<u>Transfers</u> <u>Out</u> £000s	<u>31 March</u> <u>2021</u> £000s
(a)	Environmental Warranty	-9,000	0	0	-9,000
(b)	Insurance Fund	-1,371	0	410	-961
(c)	Transforming Sefton	-5,466	-639	2,602	-3,503
(d)	Redundancy Reserve	-2,000	0	674	-1,326
	Capital Priorities Fund	-42	0	42	0
(e)	Community Transition Fund	-659	0	178	-481
(f)	Contamination Clearance	-1,500	0	62	-1,438
(g)	Rating Appeals / Reduction in NDR Income Reserve	0	-38,784	0	-38,784
(h)	Secondary School Deficit Reserve	0	-750	0	-750
	Regeneration Schemes Reserve	-193	0	193	0
(k)	Revenue Grants and Contributions Unapplied	-14,616	-18,286	2,148	-30,754
(l)	Other Earmarked Reserves	-5,426	-6,517	627	-11,316
	<b>Total</b>	<b>-40,273</b>	<b>-64,976</b>	<b>6,936</b>	<b>-98,313</b>

(a) **Environmental Warranty** - The Council has provided a 35-year environmental warranty for the land / property that has been transferred to One Vision Housing Limited. This warranty requires the Council to remediate any environmental contamination found on these sites during the life of the warranty. Resources are being set-aside over the coming years as a prudent measure against a potential cost.

(b) **Insurance Fund** – Any resources available in the Authority’s Insurance Fund in excess of known liabilities are included in an Earmarked Reserve.

(c) **Transforming Sefton** – The Council is currently undertaking a Transformation Programme to deliver customer focussed services through a high-performance culture whilst achieving significant ongoing savings. A reserve has been created to enable Sefton to progress the Programme over the next few years. In addition, it will be used to fund initiatives to support economic development in the Borough.



(d) **Redundancy Reserve** – The Council may be required to make significant savings in future years in order to meet the demands of reducing external resources and increased spending pressures which may result in redundancy costs associated with making these savings. In addition, the Council is required to pay contributions to Merseyside Pension Fund for the additional costs arising from employees taking early retirement. Resources have been set aside to fund these costs over the coming years.

(e) **Community Transition Fund** - Council on 28 February 2013 agreed to the establishment of a new one-off Community Transition Fund. The aim of this resource was to facilitate, where possible, the transfer of certain services to become community run and self-sustaining. Cabinet on 3 September 2015 agreed to increase the reserve by £1.000m as a result of the underspend achieved in 2015/2016. Cabinet on 6 December 2018 agreed to increase the reserve by a further £0.500m from a review of uncommitted Earmarked Reserves.

(f) **Contamination Clearance Reserve** - During 2011/2012 it was identified there was a site in the Borough that was contaminated and there could be significant costs associated with clearing the contamination. It was therefore considered prudent to set resources aside to cover these potential costs.

(g) **Rating Appeals / Reduction in NDR Income Reserve** - In response to COVID19, the Government introduced an expanded Business Rates retail relief scheme in 2020/2021. This resulted in a significant deficit on the Collection Fund which will be recovered in 2021/22. However, the Council received S31 grants to offset the reliefs granted which were received in 2020/21. These have therefore been reserved so they can be used to offset the deficit in 2021/22.

(h) **Secondary School Deficit Reserve** – Budget Council in February 2020 approved the creation of a reserve to fund the potential deficits of Secondary Schools should they transfer to academy status. A contribution of £0.250m was included in the 2021/22 budget.

(i) **Council Tax - spreading of 2020/2021 Deficit Reserve**– Due to the impact of COVID19 on collection rates and the number of claimants of Council Tax Reduction Scheme support, the Government amended regulations so that the resulting deficit could be spread across future years rather than all in the following year. The 2021/2022 budget included a contribution to a reserve which will be utilised to offset the impact of the deficit on the 2022/2023 and 2023/2024 budgets.

(j) **Business Rates - spreading of 2020/2021 Deficit Reserve**– Due to the impact of COVID19 on collection rates, the Government amended regulations so that the resulting deficit could be spread across future years rather than all in the following year. The 2021/2022 budget included a contribution to a reserve which will be utilised to offset the impact of the deficit on the 2022/2023 and 2023/2024 budgets.

(k) **Revenue Grants and Contributions Unapplied** – In line with proper accounting practice, the Council credits the Income and Expenditure Account with grants and contributions as and when conditions for claiming the grant or contribution have been met. However, these amounts are required to fund expenditure on specific schemes in future years. They are therefore reserved to offset this future expenditure.

(l) **Other Earmarked Reserves** – There are a number of other earmarked reserves held by the Council. These include reserves for Adult Social Care Pressures (£2.743m), Economic Recovery (£1.500m), the Formby Pool Sinking Fund (£1.428m) and the Investment Strategy Reserve (£0.557m).

## 36 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 the year-end.

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<u>2020/2021</u> £000s		<u>2021/2022</u> £000s
-2,877	Balance at 1 April	-6,464
	<u>Receipts in the Year</u>	
-3,998	Sale proceeds credited to the Comprehensive Income and Expenditure Account as part of the gain/loss on disposal of non-current assets	-10
-744	Capital Receipts from Former Council House Sales	-775
-9	Other Capital Receipts not relating to the Disposal of Council Assets	-100
	<u>Applied in the Year</u>	
1,164	Applied to finance new capital expenditure	1,089
<b>-6,464</b>	<b>Balance at 31 March</b>	<b>-6,260</b>

## 37 CAPITAL GRANTS AND CONTRIBUTIONS UNAPPLIED

The Capital Grants and Contributions Unapplied Account (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.

<u>2020/2021</u> £000s		<u>2021/2022</u> £000s
-17,757	Balance at 1 April	-22,742
-6,243	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-13,079
58	Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	2,716
1,200	Transferred to the Capital Adjustment Account	9,243
<b>-22,742</b>	<b>Balance at 31 March</b>	<b>-23,862</b>

## 38 REVALUATION RESERVE

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). 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.

2020/2021 £000s		2021/2022 £000s
-69,636	<b>Balance at 1 April</b>	-68,324
-5,083	Upward revaluation of assets	-36,897
3,665	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	12,306
-1,418	Surplus (-) / Deficit on revaluation of non-current assets not posted to the Surplus / Deficit on the Provision of Services	-24,591
1,187	Difference between fair value depreciation and historical cost depreciation	1,195
1,543	Accumulated gains on assets sold or scrapped	0
2,730	Amount written off to the Capital Adjustment Account	1,195
-68,324	<b>Balance at 31 March</b>	<b>-91,720</b>

### 39 CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

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.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve and Deferred Capital Receipts Reserve.

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2020/2021 £000s		2021/2022 £000s
-236,118	<b>Balance at 1 April</b>	-225,404
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</u>	
18,799	Depreciation of non-current assets	20,634
6,065	Revaluation of non-current assets	636
597	Amortisation of intangible assets	448
930	Revenue expenditure funded from capital under statute	129
2,060	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	0
3,629	Amounts of non-current assets written off on derecognition of land no longer owned by the Council to the Comprehensive Income and Expenditure Statement	0
-107	Amortisation of Deferred Income re. Crosby PFI Scheme	-107
31,973		21,740
	<u>Amounts written out to the Revaluation Reserve</u>	
-1,187	Difference between fair value depreciation and historical cost depreciation	-1,195
-1,543	Accumulated gains on assets sold or scrapped	0
-2,730		-1,195
	<u>Capital financing applied in the year</u>	
-1,164	Capital receipts applied to finance capital expenditure	-1,089
-14,540	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to finance capital expenditure	-8,679
-1,200	Transfer from the Capital Grants and Contributions Unapplied Account to finance capital expenditure	-9,243
-6,159	Statutory provision for the financing of capital investment	-6,557
-62	Capital expenditure charged to the General Fund	-302
-23,125		-25,870
	<u>Other Movements</u>	
4,631	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-3,076
4,631		-3,076
-225,369	<b>Balance at 31 March</b>	-233,805

## 40 PENSIONS RESERVE

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore

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shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2020/2021 £000s		2021/2022 £000s
402,352	<b>Balance at 1 April</b>	454,913
31,613	Re-measurements (Liabilities and Assets)	-58,455
42,562	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	52,582
-21,614	Employer's pensions contributions and direct payments to pensioners payable in the year	-22,178
<b>454,913</b>	<b>Balance at 31 March</b>	<b>426,862</b>

## 41 COLLECTION FUND ADJUSTMENT ACCOUNT

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

2020/2021 £000s		2021/2022 £000s
293	<b>Balance at 1 April</b>	49,481
49,188	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	-31,835
<b>49,481</b>	<b>Balance at 31 March</b>	<b>17,646</b>

## 42 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.

2020/2021 £000s		2021/2022 £000s
4,725	<b>Balance at 1 April</b>	5,381
	<u>Transactions in Year</u>	
-4,725	Settlement or cancellation of accrual made at the end of the preceding year	-5,381
5,381	Amounts accrued at the end of the current year	5,573
656	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	192
<b>5,381</b>	<b>Balance at 31 March</b>	<b>5,573</b>

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## 43 DEDICATED SCHOOLS GRANT ADJUSTMENT ACCOUNT

Regulations effective from 1 April 2020 require that a Schools Budget deficit must be carried forward to be funded from future Dedicated Schools Grant (DSG) income, unless permission is sought from the Secretary of State for Education to fund the deficit from the General Fund. They also require that where a local authority 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, but instead record any such deficit in a separate account. The Dedicated Schools Grant Adjustment Account has been created for that purpose and the in-year deficit for 2020/21 and cumulative deficit brought forward as at 1 April 2020 have been transferred into that account.

Further details on the deployment of DSG are provided in Note 16.

<u>2020/2021</u> £000s		<u>2021/2022</u> £000s
0	<b>Balance at 1 April</b>	6,615
4,385	transfer of the opening Dedicated Schools Grant deficit from Earmarked Reserves	0
2,230	Reversal of the deficit on the Dedicated Schools Grant within the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	4,482
<b>6,615</b>	<b>Balance at 31 March</b>	<b>11,097</b>

## 44 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Executive Director of Corporate Resources and Customer Services on 19 September 2023. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 45 RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the Council. Disclosure of these transactions allows an assessment of the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. All related party transactions have been entered into on an arm's length basis.

### 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, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g., Housing Benefits). Grants received from government departments are set out in the analysis in Note 17. In addition, Sefton paid £16.229m to HM Revenue and Customs for Employers' National Insurance Contributions. Amounts owed from and to Central Government at 31 March 2022 are shown in Notes 26 and 28.

### Members' Interests

Members of the Council have direct control over the Council's financial and operating policies. During 2021/2022, works and services to the value of £0.337m were commissioned from companies in which one or more Members have declared an interest. These are shown in the table below. Contracts were entered into in full compliance with the Council's standing orders. In addition, grants and payments for goods and services totalling £0.478m were made to voluntary organisations in which one or more Members have declared an interest. The most significant of these are shown in the table below. The grants were awarded by the Cabinet Member – Regulatory, Compliance and Corporate Services and were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relat

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Notes to the Financial Statements

<u>2021/2022</u>	Income £000s	Expenditure £000s	Debtors £000s	Creditors £000s
One Vision Housing	-1,161	337	1	-30
Bosco Society	-1	478	0	0

<u>2020/2021</u>	Income £000s	Expenditure £000s	Debtors £000s	Creditors £000s
One Vision Housing	-186	519	31	-3
Bosco Society	-1	616	0	0

### Other Public Bodies

A number of Councillors are nominated to serve as representatives on other public bodies. These include, for example, Aintree University Hospital NHS Foundation Trust, British Destinations, Formby Pool Trust, Merseyside Fire and Rescue Authority, Merseyside Integrated Transport Authority, Merseyside Pension Fund, Merseyside Police Authority, Merseyside Recycling and Waste Authority, Sandway Homes, Sefton Council for Voluntary Service and Sefton New Directions.

Significant transactions during the year and balances at year-end with related public bodies included:

<u>2021/2022</u>	Income £000s	Expenditure £000s	Debtors £000s	Creditors £000s
Merseyside Police and Crime Commissioner	-331	19,105	596	-12
Merseyside Fire and Rescue Authority	-471	7,516	190	-57
Parish Councils	0	1,208	0	0
Liverpool City Region Combined Authority	-74	18,828	1	0
Merseyside Recycling and Waste Authority	-1,689	15,511	355	0
Merseyside Pensions Authority - Employers' Contributions	0	4,392	0	-930
MerseyCare NHS Foundation	-676	10,244	401	-966
Sefton New Directions Limited	-46	9,970	29	-103
Sandway Homes	-108	1,200	0	0
Sefton CVS	-6	2,161	0	0

<u>2020/2021</u>	Income £000s	Expenditure £000s	Debtors £000s	Creditors £000s
Merseyside Police and Crime Commissioner	-549	18,095	145	-1,111
Merseyside Fire and Rescue Authority	-124	7,525	6	-616
Parish Councils	-48	1,177	5	-16
Liverpool City Region Combined Authority	0	18,851	48	0
Merseyside Recycling and Waste Authority	-1,919	15,622	40	0
Merseyside Pensions Authority - Employers' Contributions	0	19,080	0	0
MerseyCare NHS Foundation	-17	3,916	124	-433
Sefton New Directions Limited	-57	10,946	21	-24
Sandway Homes	-2,424	1,391	3,556	0
Sefton CVS	-1	2,159	0	0

The amounts owed by the Merseyside Police Authority and Merseyside Fire and Rescue Authority are the net amounts of Council Tax outstanding (after allowing for the Provision for Bad and Doubtful Debts) that relates to these bodies. There is no Provision for Bad and Doubtful Debts for amounts due from other bodies as all amounts have been assessed as being fully collectable.

### Officers' Interests

The current Assistant Director of People (Operational In-House Services) (formerly the Head of Operational In-House Services) is a Council appointed representative on the Formby Pool Trust Board. There are no other senior officer relationships. Any significant financial transactions for any relevant organisations would be disclosed in the table above under Other Public Bodies.

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There are no senior officer car loans outstanding at the end of 2021/2022.

## Subsidiary and associated companies

Details of the Council's interest in companies is set out in Note 45.

Note: If organisations are no longer related parties in 2021/2022, they are not shown in 2020/2021.

## 46 CASH FLOW STATEMENT

### OPERATING ACTIVITIES

The surplus or deficit on the provision of services has been adjusted for the following items:

<u>2020/2021</u> £000s		<u>2021/2022</u> £000s
	<u>Adjustments to net surplus or deficit on the provision of services for non-cash movements</u>	
-18,799	Depreciation charged to CIES	-20,634
-6,065	Revaluation Losses charged to CIES	-636
-4,631	Movements in the Market Value of Investment Properties	3,076
-597	Amortisation of Intangible Assets	-448
-3,629	Derecognition of land no longer owned by the Council	0
-20,948	Reversal of non-cash items relating to retirement benefits debited to the CIES	-30,404
413	Movement in Long-Term Debtors	2,879
-20	Movement in Inventories	-87
-1,335	Movement in Short-term Debtors	-5,267
31,385	Movement in Prepayments	-13,998
-17,809	Movement in Short-term Creditors	-1,927
7,377	Movement in Receipts in Advance	-26,363
-5,561	Movement in Provisions (Long-Term)	3,275
<b>-40,218</b>		<b>-90,534</b>
	<u>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</u>	
1,937	Gain (+) / Loss (-) on Sale of Fixed Assets	10
20,726	Capital Grants and Contributions credited to the CIES	19,042
753	Capital receipts not related to disposals	875
-236	Other Adjustments	1,012
<b>23,180</b>		<b>20,939</b>

The cash flows for operating activities include the following items:

<u>2020/2021</u> £000s	The cash flows for operating activities include the following items:	<u>2021/2022</u> £000s
-367	Interest received	-388
7,805	Interest Paid	7,398

### FINANCING ACTIVITIES

The following table provides a reconciliation between the movements on the Balance Sheet during the year and net cash flows from financing activities in the Cash Flow Statement:



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Notes to the Financial Statements

<u>2021/2022</u>	<u>31 March 2021</u>	Financing Cash Flows	Acquisitions	Other non-financing Cash Flows	<u>31 March 2022</u>
	£000s	£000s	£000s	£000s	£000s
Current Portion of Long-term Borrowing	-21,567	-13,282	0	130	-34,719
Long-term Borrowing	-167,225	33,511	0	0	-133,714
Short-term Deferred Liabilities	-942	8	0	0	-934
Long-term Deferred Liabilities	-7,415	934	0	0	-6,481
Short-Term Debtors	49,618	-1,086	0	5,127	53,659
Short-Term Creditors	-56,951	-57	0	-5,526	-62,534
<b>Total</b>	<b>-204,482</b>	<b>20,028</b>	<b>0</b>	<b>-269</b>	<b>-184,723</b>

The movements in short-term debtors and short-term creditors shown under Financing Cash Flows relate to the net amounts owed to or from the Government and Major Preceptors in respect of their share of council tax and business rates balances which are accounted for on an agency basis. The movements recorded under Other Cash Flows relate to operating and investing activities.

<u>2020/2021</u>	<u>31 March 2020</u>	Financing Cash Flows	Acquisitions	Other non-financing Cash Flows	<u>31 March 2021</u>
	£000s	£000s	£000s	£000s	£000s
Current Portion of Long-term Borrowing	-16,617	-4,689	0	-261	-21,567
Long-term Borrowing	-149,153	-18,072	0	0	-167,225
Short-term Deferred Liabilities	-918	-24	0	0	-942
Long-term Deferred Liabilities	-8,357	942	0	0	-7,415
Short-Term Debtors	49,131	395	0	92	49,618
Short-Term Creditors	-41,868	206	0	-15,289	-56,951
<b>Total</b>	<b>-167,782</b>	<b>-21,242</b>	<b>0</b>	<b>-15,458</b>	<b>-204,482</b>

## 47 INTEREST IN COMPANIES

### Sefton New Directions Limited

Sefton New Directions Limited was incorporated on 15 January 2007 and began trading on 1 April 2007. It is a wholly owned subsidiary of the Council. Its principal activity is providing Social Care Services for Adults and those with Learning and / or Physical Disabilities.

The Company's accounts for 2021/2022 will be able to be obtained from The Company Secretary, Sefton New Directions Head Office, Third Floor, Burlington House, Crosby Road North, Waterloo, Liverpool, Merseyside, United Kingdom, L22 0PJ.

### Sandway Homes

On 19 July 2018 Sefton (ACS) Development Company Limited, a company limited by shares and wholly owned by Sefton MBC, was incorporated. On 29 October 2018 Sandway Homes Limited, a company limited by share and wholly owned by Sefton (ACS) Developments Limited, was incorporated. The nature of business of Sandway Homes Limited is registered as development of building projects. The filing of accounts of both companies is required by Companies House by 31 December 2022.

### Sefton Hospitality Operations Ltd

In May 2021 Sefton Hospitality Operations Limited, a company limited by shares and wholly owned by Sefton MBC, was incorporated. The Company is registered as providing hospitality services.

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The Company is in the process of producing accounts for 2021/2022 which will need to be filed at Companies House by 31 December 2022. However, as the Company has undertaken limited trading during 2021/2022 (the Company's main trading operation at Crosby Lakeside, The Lake House, opened in August 2022) the accounts of the Company will not be consolidated into the Group Accounts on the grounds of materiality.

## 48 OPERATING LEASES

### Authority as a Lessee

The Council employs operating leases to obtain the use of certain vehicles and equipment. During 2021/2022 operating lease payments totalled £0.015m (£0.027m in 2020/2021).

In addition, the Council leases a number of properties from third parties under operating lease agreements. During 2021/2022 lease rentals paid for properties under these lease agreements totalled £0.093m (£0.118m in 2020/2021).

The future lease payments due under non-cancellable leases in future years are:

<u>31 March</u> <u>2021</u> £000s		<u>31 March</u> <u>2022</u> £000s
118	Not later than one year	68
251	Later than one year and not later than five years	237
2,321	Later than five years	2,321
<b>2,690</b>		<b>2,626</b>

### Authority as a Lessor

The Council leases a number of properties to third parties under operating lease agreements. The assets leased include shops, offices, land and other commercial properties. These property leases are for economic development purposes to provide suitable affordable accommodation for local businesses. During 2021/2022 lease rentals received from these operating lease agreements totalled £5.417m (£5.222m in 2020/2021).

The future lease payments receivable under non-cancellable leases in future years are:

<u>31 March</u> <u>2021</u> £000s		<u>31 March</u> <u>2022</u> £000s
5,030	Not later than one year	4,975
15,690	Later than one year and not later than five years	15,225
277,294	Later than five years	273,699
<b>298,014</b>		<b>293,900</b>

## 49 FINANCE LEASES

### Authority as Lessee

The Council has acquired a number of administrative buildings under finance leases.

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

<u>31 March</u> <u>2021</u> £000s		<u>31 March</u> <u>2022</u> £000s
2,017	Other Land and Buildings	1,830
<b>2,017</b>		<b>1,830</b>

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

<u>31 March</u> <u>2021</u> £000s		<u>31 March</u> <u>2022</u> £000s
	Finance lease liabilities (net present value of minimum lease payments):	
183	• Current	202
3,162	• Non-current	2,960
1,833	Finance costs payable in future years	1,536
5,178	Minimum lease payments	4,698

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

	Minimum Lease Payments		Finance Lease Liabilities	
	<u>31 March</u> <u>2021</u> £000s	<u>31 March</u> <u>2022</u> £000s	<u>31 March</u> <u>2021</u> £000s	<u>31 March</u> <u>2022</u> £000s
Not later than one year	480	480	183	202
Later than one year and not later than five years	1,920	1,920	942	1,040
Later than five years	2,777	2,297	2,220	1,920
	5,177	4,697	3,345	3,162

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2021/2022 £0.020m contingent rents were payable by the Authority (£0.020m were paid in 2020/2021).

### **Authority as Lessor**

The Authority did not lease out any properties on finance leases in 2021/2022 (none in 2020/21).

## **50 PFI AGREEMENT / SERVICE CONCESSION**

### **Crosby Leisure Centre**

On 18 September 2001, the Council entered into an agreement under a Private Finance Initiative with Waterfront Leisure (Crosby) Limited for the provision and operation of a leisure centre in Crosby. Under the terms of the agreement Waterfront Leisure constructed the centre and will operate it for a period of 25 years in accordance with the Council's specification. The contractor has the obligation to maintain the building to a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the leisure centre. The building and any plant and equipment installed will be transferred to the Council at the end of the 25-year contract for nil consideration. The Council only has the right to terminate the contract if it pays within three months:

1. the senior cost;
2. any redundancy payments of the contractor that have been reasonably incurred;
3. all amounts shown in the base financial model as payable by the contractor from the termination date.

### **Payments**

The Council will pay an annual unitary charge for the serviced facility. At the start of the contract it was estimated this would total £23.860m over the life of the concession period (25 years). The figure is

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subject to inflationary increases with potential reductions should the service provided fall below specified standards. The charge is also eligible for government grant. The centre was opened on 17 February 2003. Payments to the contractor in 2021/2022 were £1.297m (£1.607m in 2020/2021) with government grants of £0.561m received in the year (£0.561m in 2020/2021).

The outstanding commitments (Unitary Payments) due to be made to Waterfront Leisure (Crosby) Limited each year until the end of the contract in 2028 are required to be brought in to the Comprehensive Income and Expenditure Statement. In addition to this unitary payment, Waterfront Leisure generates income through the provision of goods and services, which has enabled a lower unitary payment charge.

The table below shows the outstanding commitment for the PFI contract and has been split between the key elements. It should be noted that the outstanding commitment has been inflated using the inflationary factors included within the original contract.

Commitments under PFI Contract	Reimbursement of Capital Expenditure £000s	Interest £000s	Service Charge £000s
Contract Payments in 2022/2023	187	254	877
Contract Payments between 2023/2024 and 2026/2027	1,252	862	3,383
Contract Payments between 2027/2028	419	112	901

## Liabilities

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

2020/2021 £000s		2021/2022 £000s
-2,279	Balance outstanding at start of year	-2,072
207	Payments during the year	213
-2,072	Balance outstanding at the year-end	-1,859

## Property Plant and Equipment

The assets used to provide services at Crosby Leisure Centre are recognised on the Council's Balance Sheet. The following table shows the value of assets held under Crosby Leisure Centre PFI scheme at each Balance Sheet date and an analysis of the movement in those values:

2020/2021 £000s	Other Land & Buildings: PFI Assets	2021/2022 £000s
	<u>Cost or Valuation</u>	
9,680	Opening Balance at 1 April	9,680
0	Additions	0
0	Revaluations	1,676
9,680	Closing Balance at 31 March	11,356
	<u>Depreciation and Impairments</u>	
-813	Opening Balance at 1 April	-1,090
-277	Depreciation Charge	-277
0	Revaluations	1,367
-1,090	Closing Balance at 31 March	0

2020/2021 £000s	Other Land & Buildings: PFI Assets	2021/2022 £000s
	<u>Balance Sheet Amount</u>	
8,867	Opening Balance at 1 April	8,590
8,590	Closing Balance at 31 March	11,356

## 51 PARTICIPATION IN PENSION SCHEMES

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although retirement benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in three pension schemes:

### Pension Schemes Accounted for as Defined Contribution Schemes

#### Teachers' Pension Scheme (TPS)

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education. It provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs of making contributions based on a percentage of members' pensionable salaries.

The Scheme is a multi-employer defined benefit scheme. 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. Valuations of the notional fund are undertaken every four years.

The scheme has approximately 12,200 participating employers and consequently the Authority 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 purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2022, the Authority's own contributions equate to approximately 0.22%.

In 2021/2022, the Council paid £14.394m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of teachers' pensionable pay. The figures for 2020/2021 were £14.171m and 23.68%. Contributions of £1.200m remained payable at the year-end. The contributions due to be paid in 2022/2023 are estimated to be £14.374m.

In cases of redundancy or early retirement in the interests of the efficiency of the service, the Authority is responsible for the cost of any additional benefits awarded that are outside the terms of the teachers' scheme. In 2021/2022 these contributions amounted to £0.744m, representing 1.22% of teachers' pensionable pay. The figures for 2020/2021 were £0.902m and 1.51%.

#### NHS Pension Scheme

As a result of the transfer of responsibility for Public Health to local authorities in April 2013, a number of staff also transferred who are members of the NHS Pension Scheme, administered by NHS Pensions on behalf of the Department of Health. It provides staff with specified benefits upon their retirement, and the Authority contributes towards the costs of making contributions based on a percentage of members' pensionable salaries.

The Scheme is a multi-employer defined benefit scheme. The scheme is unfunded, and the Department of Health uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has approximately 8,000 participating employers and consequently the Authority 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 purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the NHS Pension Scheme during 2021/2022, the Authority's own contributions equate to less than 0.001% (0.001% in 2020/2021).

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In 2021/2022, the Council paid £0.026m to NHS Pensions in respect of retirement benefits, representing 16.3% of the employees' pensionable pay. The figures for 2020/2021 were £0.026m and 16.3%. Contributions of £0.002m remained payable at 31 March 2022 (£0.002m at 31 March 2021). The contributions due to be paid in 2022/2023 are estimated to be £0.026m.

## Defined Benefit Schemes

### Local Government Pension Scheme (LGPS)

All employees not eligible to join the Teachers' Pension Scheme or the NHS Pension Scheme are, subject to certain qualifying criteria, eligible to join the Local Government Pension Scheme. Wirral Metropolitan Borough Council acts as the administering authority of the LGPS as lead authority for the Merseyside councils' scheme, the Merseyside Pension Fund (MPF). This is a funded defined benefit final salary scheme (career average revalued earnings scheme from 1 April 2014), meaning that the Authority and employees pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets.

In 2021/2022, the Council paid £19.006m to the MPF in respect of retirement benefits, representing 17.13% of employees' pensionable pay. The figures for 2020/2021 were £18.428m and 17.14%. Contributions of £0.930m remained payable at 31 March 2022 (£0.843m at 31 March 2021).

In cases of redundancy or early retirement in the interests of the efficiency of the service, the cost of any added years awarded is borne by the Council and not the Local Government Pension Scheme. In 2021/2022 these contributions amounted to £1.290m representing 1.16% of pensionable pay. The figures for 2020/2021 were £1.351m and 1.26%.

The principal risks of the scheme to the Authority 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. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amounts required by statute, as described in the accounting policies note.

### Transactions Relating to Post-Employment Benefits

The cost of retirement benefits is recognised in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits are reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2020/2021		<b>Comprehensive Income and Expenditure Statement</b>	2021/2022	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
33,333	0	<u>Cost of Services:</u> Current Service Cost	42,719	0
153	0	Curtailment Cost	154	0
538	0	Administration Expenses	551	0
0	0	Effect of Settlements	0	0
11	0	Past Service Cost	0	0
8,373	154	<u>Financing and Investment Income and Expenditure:</u> Net Interest Cost	9,033	125
42,408	154	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	52,457	125
31,403	210	Re-measurement of the Net Defined Benefit Liability	-58,457	2
73,811	364	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	-6,000	127

<u>2020/2021</u>		<b>Movement in Reserves Statement</b>	<u>2021/2022</u>	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
-42,408	-154	Reversal of net charges made to the Deficit for the Provision of Services for post-employment benefits in accordance with the Code	-52,457	-125
		<u>Actual amount charged against the General Fund for pensions in the year:</u>		
20,712	902	<ul style="list-style-type: none"> <li>• employers' contributions payable to the scheme</li> <li>• retirement benefits payable direct to pensioners</li> </ul>	21,434	744

### **Assets and Liabilities in Relation to Retirement Benefits**

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

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

<u>2020/2021</u>			<u>2021/2022</u>	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
-1,513,855	-6,316	Present Value of the Defined Benefit Obligation	-1,566,809	-5,699
1,065,258	0	Fair Value of Plan Assets	1,145,646	0
-448,597	-6,316	Net Liability arising from defined benefit obligation	-421,163	-5,699

#### Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

<u>2020/2021</u>			<u>2021/2022</u>	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
1,302,339	6,854	Opening Balance at 1 April	1,513,855	6,316
33,333	0	Current Service Cost	42,719	0
30,900	154	Interest Cost on Pension Liabilities	31,454	125
6,784	0	Contributions from scheme participants	7,033	0
0	0	Remeasurement Gains (-) and Losses:		
		- Actuarial Gains / Losses arising from changes in demographic assumptions	-19,573	-47
203,173	312	- Actuarial Gains / Losses arising from changes in financial assumptions	-23,772	32
-26,280	-102	- Experience Gains / Losses	54,101	17
-36,558	-902	Benefits paid	-39,162	-744
153	0	Curtailment Cost	154	0
0	0	Settlements	0	0
11	0	Past Service Cost	0	0
1,513,855	6,316	Closing Balance at 31 March	1,566,809	5,699

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## Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets

2020/2021			2021/2022	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
906,841	0	Opening Balance at 1 April	1,065,258	0
22,527	0	Interest Income	22,421	0
145,490	0	Remeasurement Gains / Losses (-): - The return on plan assets, excluding the amount included in the net operating expense	69,213	0
20,712	902	Contributions from Employer	21,434	744
6,784	0	Contributions from Employees into the Scheme	7,033	0
-36,558	-902	Benefits paid	-39,162	-744
-538	0	Administration Expenses	-551	0
1,065,258	0	Closing Balance at 31 March	1,145,646	0

## Local Government Pension Scheme Assets Comprised:

2020/2021			2021/2022	
Quoted £000s	Unquoted £000s		Quoted £000s	Unquoted £000s
<b>24,075</b>	<b>0</b>	Cash and Cash Equivalents	<b>24,578</b>	<b>0</b>
		Equities:		
161,174	21,199	- UK	168,272	19,036
249,483	109,615	- Global	255,700	125,500
<b>410,657</b>	<b>130,814</b>		<b>423,972</b>	<b>144,536</b>
		Bonds:		
13,742	0	- UK Government	12,339	0
35,473	0	- UK Corporate	33,507	0
84,368	0	- UK Index Linked	95,805	0
5,752	0	- Overseas Corporate	5,618	0
-3,515	0	- Derivative Contracts	-3,760	0
<b>135,820</b>	<b>0</b>		<b>143,509</b>	<b>0</b>
		Property:		
0	50,493	- UK Direct Property	0	62,045
1,917	18,749	- Property Managed (UK)	1,410	17,626
0	24,394	- Property Managed (Global)	0	28,672
<b>1,917</b>	<b>93,636</b>		<b>1,410</b>	<b>108,343</b>
		Alternatives:		
0	21,305	- Private Equity (UK)	0	32,550
0	69,135	- Private Equity (Global)	118	71,446
1,704	6,392	- Other Alternatives (UK)	1,763	4,700
0	39,628	- Other Alternatives (Global)	0	40,188
1,385	38,669	- Infrastructure (UK)	0	51,352
0	30,360	- Infrastructure (Global)	0	34,313
320	20,879	- Opportunities (UK)	0	21,152
1,491	37,071	- Opportunities (Global)	1,880	39,836
<b>4,900</b>	<b>263,439</b>		<b>3,761</b>	<b>295,537</b>
<b>577,369</b>	<b>487,899</b>	<b>Total Assets (Quoted / Unquoted)</b>	<b>597,230</b>	<b>548,416</b>
	<b>1,065,258</b>	<b>Total Assets</b>		<b>1,145,646</b>



## Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary have been:

2020/2021		2021/2022
	<u>Mortality assumptions (years):</u>	
	Local Government Pension Scheme:	
21.0	Longevity at 65 for current pensioners: Men	21.2
24.1	Longevity at 65 for current pensioners: Women	23.6
22.6	Longevity at 65 for future pensioners: Men	22.5
26.0	Longevity at 65 for future pensioners: Women	25.4
	Teachers' Pension Scheme Unfunded Liabilities:	
21.0	Longevity at 65 for current pensioners – aged 65: Men	20.9
24.1	Longevity at 65 for current pensioners – aged 65: Women	24.0
12.5	Longevity at 65 for current pensioners – aged 75: Men	12.5
15.0	Longevity at 65 for current pensioners – aged 75: Women	15.0
	<u>Other assumptions</u>	
2.7%	Rate of Inflation - CPI	3.3%
4.2%	Rate of increase in salaries	4.8%
2.8%	Rate of increase in pensions	3.4%
2.1%	Rate for discounting scheme liabilities (LGPS)	2.8%
2.1%	Rate for discounting scheme liabilities (TPS Unfunded Liabilities)	2.8%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions for longevity, for example, assume that life expectancy increases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions are interrelated. The estimations in the sensitivity analysis have followed the accounting policies of the scheme, i.e. on an actuarial basis using the projected unit cost method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption	Decrease in Assumption
	£000s	£000s
<b><u>Local Government Pension Scheme</u></b>		
Longevity (increase or decrease in 1 year)	47,146	-47,146
Rate of Inflation (increase or decrease by 0.1%)	24,962	-24,962
Rate of Increase in Salaries (increase or decrease by 0.1%)	2,732	-2,732
Rate of Increase in Pensions (increase or decrease by 0.1%)	24,962	-24,962
Rate for Discounting Scheme Liabilities (increase or decrease by 0.1%)	-24,565	24,565
Investment Returns (increase or decrease by 1%)	-11,609	11,609
<b><u>Teachers' Additional Unfunded Pensions</u></b>		
Longevity (increase or decrease in 1 year)	344	-344
Rate of Inflation (increase or decrease by 0.1%)	32	-32
Rate for Discounting Scheme Liabilities (increase or decrease by 0.1%)	-32	32

## Impact on the Authority's Cash Flows

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

The total payments expected to be made to the local government pension scheme by the Council in the year to 31 March 2023 is £20.596m.

The total payments expected to be made by the Council to former teachers receiving additional unfunded pensions in the year to 31 March 2023 is £0.744m.

The weighted average duration of the defined benefit obligation for Local Government Pension Scheme members is 16 years in 2021/2022 (16 years in 2020/2021). The weighted average duration for former teachers receiving additional unfunded pensions is 6 years in 2021/2022 (6 years in 2020/2021).

## 52 CONTINGENT LIABILITIES

### Collateral warranty by the Council in favour of the Security Trustee (Prudential Trustee Company Limited)

The Council has given a number of warranties for up to 35 years in respect of environmental pollution, statements, title, encumbrances, planning matters, statutory obligations, adverse orders, tenancies, information and statistics supplied, sales off, disputes and litigation, rights of entry to maintain and repair, absence of adverse replies, electricity sub-stations and shop leases, leasehold property, wayleaves, telecommunications and works undertaken.

In addition, the following specific warranties have been given from the date of transfer (30 October 2006):

- Unlimited warranty for up to 35 years in respect of vires claims
- Warranty for up to 20 years in respect of claims in relation to asbestos, except that this shall not apply in respect of the first £10,675,780 of costs and expenses incurred in aggregate on asbestos works.

In aggregate, the value of these warranties is limited to £100,500,000 plus any costs associated with interest and loan breakage costs due under the One Vision Loan Agreement.

### Collateral warranty by the Council in favour of One Vision Housing Limited

The Council has given a number of warranties for up to 17 years in respect of statements, title, encumbrances, planning matters, statutory obligations, adverse orders, tenancies, information and statistics supplied, sales off, disputes and litigation, rights of entry to maintain and repair, absence of adverse replies, electricity sub-stations and shop leases, leasehold property, wayleaves, telecommunications and works undertaken.

In addition, the following specific warranties have been given from the date of transfer (30 October 2006):

- Warranty not exceeding £100,500,000 for up to 20 years in respect of environmental pollution.
- Warranty for up to 20 years in respect of claims in relation to asbestos, except that this shall not apply in respect of the first £8,439,750 of costs and expenses incurred in aggregate on asbestos works.
- Unlimited warranty for up to 17 years in respect of vires claims.

Contamination Costs: During 2011/2012, it was identified there was a site in the Borough that was contaminated and there would be significant costs associated with clearing the contamination. Sefton has an Earmarked Reserve of £1.380m to cover potential costs associated with clearing the contamination. There is a potential further liability if the costs of clearing the contamination are greater than currently envisaged.

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Merseyside Pension Fund - Contractor Admission Bodies: The Council provides guarantees for any potential unfunded liabilities on the Merseyside Pension Fund for Sefton New Directions Limited and Agilisys Limited. The most recently notified value of the guarantees was nil for Sefton New Directions Limited and £1.077m for Agilisys Limited. The values are highly dependent on market conditions at the time of the valuation and can vary significantly between valuations.

## 53 CONTINGENT ASSETS

Receipts from Former Council House Sales: The Council agreed to share any proceeds of former council house sales if they were subsequently sold by One Vision Housing Limited. The arrangement lasts until 31 March 2037 and the amount received will depend on the number of sales each year.

VAT Sharing Arrangement: As part of the voluntary stock transfer an agreement was reached with One Vision Housing Limited to share their VAT that they can claim from HM Revenue and Customs. This arrangement is unique to councils and registered social landlords upon transfer. This arrangement was due to end on 30 October 2016 but has now been extended until 2027. Sefton's share of reclaimable VAT is estimated to be in the region of £0.4m until the end of the arrangement.

## 54 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another. Typical financial instruments include trade creditors and borrowings (liabilities) and investments and trade debtors (assets).

Financial Instruments in so far as the Authority is concerned relate to investments, cash and cash equivalents, loans receivable, borrowings, trade creditors and debtors.

The following categories of financial instrument are carried in the Balance Sheet:

<b><u>FINANCIAL ASSETS</u></b>	Long Term		Current	
	31/03/2021 £000s	31/03/2022 £000s	31/03/2021 £000s	31/03/2022 £000s
<b>Fair Value through Profit or Loss</b>				
Investments	6,502	13,064	163	101
<b>Amortised Cost</b>				
Debtors	5,207	5,825	41,877	44,960
Cash and cash equivalents	0	0	66,410	98,328
<b>Total Financial Assets</b>	<b>11,709</b>	<b>18,889</b>	<b>108,450</b>	<b>143,389</b>
Non-financial assets - Debtors	0	0	7,741	8,609
<b>Total</b>	<b>11,709</b>	<b>18,889</b>	<b>116,191</b>	<b>151,998</b>

<b><u>FINANCIAL LIABILITIES</u></b>	Long Term		Current	
	31/03/2021 £000s	31/03/2022 £000s	31/03/2021 £000s	31/03/2022 £000s
<b>Amortised Cost</b>				
Borrowing	167,225	133,714	21,567	34,719
Creditors	0	0	60,100	62,534
Service Concessions and Finance Lease Liabilities	7,415	6,481	942	934
<b>Total Financial Liabilities</b>	<b>174,640</b>	<b>140,195</b>	<b>82,609</b>	<b>98,187</b>

### **Designated to fair value through profit and loss and statutory override**

The Council holds a £5m pooled investment in a property fund. As a result of the change in accounting standards for 2018/2019, under IFRS 9, this investment had been reclassified as Fair Value through Profit and Loss. To avoid any impact on the General Fund balance, the Ministry of Housing, Communities and Local Government have agreed a temporary override to allow English Local Authorities time to adjust their portfolio of all pooled investments. This override commences on the

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1st April 2018 and lasts for five years. The Council will use the statutory override to account for any changes in the fair value on its pooled investments.

## Items of income, expense, gains or losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to the above financial instruments are made up as follows:

	31 March 2022		
	Surplus or Deficit on the Provision of Services £000s	Other Comprehensive Income and Expenditure £000s	Total £000s
<b>Net Gains/ Losses on:</b>			
Financial assets measured at fair value through profit or loss	944	0	944
<b>Total net gains/ losses (-)</b>	<b>944</b>	<b>0</b>	<b>944</b>
<b>Interest Revenue</b>			
Financial assets measured at fair value through profit or loss	326	0	326
<b>Total Interest Revenue</b>	<b>326</b>	<b>0</b>	<b>326</b>
<b>Interest Expense</b>	<b>7,268</b>	<b>0</b>	<b>7,268</b>

Comparative figures for the previous financial year are made up as follows:

	31 March 2021		
	Surplus or Deficit on the Provision of Services £000s	Other Comprehensive Income and Expenditure £000s	Total £000s
<b>Net Gains/ Losses on:</b>			
Financial assets measured at fair value through profit or loss	-38	0	-38
<b>Total net gains/ losses (-)</b>	<b>-38</b>	<b>0</b>	<b>-38</b>
<b>Interest Revenue</b>			
Financial assets measured at fair value through profit or loss	431	0	431
<b>Total Interest Revenue</b>	<b>431</b>	<b>0</b>	<b>431</b>
<b>Interest Expense</b>	<b>-8,066</b>	<b>0</b>	<b>-8,066</b>

## Fair Value of Assets and Liabilities.

The Churches and Charities Local Authority LAMIT Property Fund asset is measured in the balance sheet (Long Term Investments) at fair value on a recurring basis.

Recurring Fair Value Measurements	Input level in Fair Value Hierarchy	Valuation technique used to measure Fair Value	31 March 2021 £000s	31 March 2022 £000s
Financial Instruments - CCLA	Level 1	Unadjusted quoted prices in active markets for identical shares	5,376	6,319

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Notes to the Financial Statements

The Fair Values of Financial Assets and Liabilities that are not measured at Fair Value but require a Fair Value disclosure.

Financial liabilities and financial assets represented by loans and debtors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments (Level 2 Input – inputs other than quoted prices that are observable for the financial asset/ liability). We have used the following assumptions:

- The discount rate used in the net present value calculation is equal to the current rate in relation to the same instrument from a comparable lender. This rate will be the rate applicable in the market on the date of valuation (31<sup>st</sup> March 2022), for an instrument of the same duration.
- For PWLB debt the new borrowing rate has been used, as opposed to the premature repayment rate.

The fair value calculation has been based on the comparable new borrowing / deposit rate for the same financial instruments from a comparable lender. A consistent approach has been applied to assets and liabilities.

The purpose of the fair value valuation is to allow evaluation quantitatively of the Authority's financial position and performance with regard to each class of financial instrument, and also to indicate the extent of the Authority's risk exposure arising as a result of these transactions. The fair value also indicates the cost / benefits to the Council of retaining fixed interest borrowings and investments to maturity.

The fair values calculated are as follows:

<b>FINANCIAL LIABILITIES</b>	31 March 2021		31 March 2022	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
<b>Financial Liabilities held at amortised cost</b>				
Borrowing-PWLB	186,770	220,831	168,413	182,714
Borrowing-Other	2,022	2,022	20	20
Short-term Creditors	56,951	56,951	62,534	62,534
PFI and finance lease liabilities	8,357	8,357	7,415	7,415
<b>Total</b>	<b>254,100</b>	<b>288,161</b>	<b>238,382</b>	<b>252,683</b>

The fair value is more than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above the current market rate increases the amount that the Authority would have to pay if the lender requested or agreed to early repayment of the loan.

<b>FINANCIAL ASSETS</b>	31 March 2021		31 March 2022	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Investments	163	163	101	101
Cash and Cash Equivalents	66,410	66,410	98,328	98,328
Short-term Debtors	41,877	41,877	44,960	44,960
Long-term Debtors	5,207	5,207	5,825	5,825
<b>Total</b>	<b>113,657</b>	<b>113,657</b>	<b>149,214</b>	<b>149,214</b>

No fixed rate investments were held at the Balance Sheet date therefore, the fair value is the same as the carrying amount as all investments are at current market rates.

Short term debtors and creditors are carried at cost as this is a fair approximation of the value.

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## 55 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Authority is required to disclose information, which enables the user of these statements of accounts to evaluate the nature and extent of any risk arising from Financial Instruments.

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

- i) Credit risk – the possibility that other parties may fail to pay amounts due to the Authority;
- ii) Liquidity risk – the possibility that the Authority may not have funds available to meet its commitments to make payments;
- iii) Market risk – the possibility that financial loss may arise for the Authority as a result of changes in such measures as interest rates or stock market movements.

The Treasury Management Policy and Strategy documents approved by Council annually seek to limit the risk of potential adverse effects on resources available to fund services arising due to the impact of unpredictable movements in the financial markets on treasury management activity undertaken by the in-house team.

### Credit Risk

The main element of credit risk the Authority is exposed to arises from deposits with banks, building societies and money market funds, as well as credit exposures to the Authority's customers.

This risk is managed through the Authority's Treasury Management Policy and Strategy documents approved by Council annually. These documents set out the limits in terms of value and duration over which investment can be made with the various Banks and Building Societies included on the Authority's Counter Party lending list. This counter party list is made up of the institutions that have been rated using the Fitch scoring methodologies and any changes to the institutions rating that result in a non-compliance with the minimum criteria will see the institution taken off the counter party list.

Credit rating agencies such as Fitch rate institutions depending upon:

- Long term ability to meet all of their most senior financial obligations on a timely basis
- Short term ability to meet financial obligations within a relatively short time period
- Viability rating attempts to assess how a bank would be viewed if it was entirely independent of any external support
- Sovereign rating reflects the strength of a country's economy, and hence the ability of a country's Government to support its financial institutions.

The credit criteria in respect of Financial Assets held by the Authority is as detailed below:

Financial Asset Category	Criteria	Maximum Investment
Deposits with banks	Sovereign rating: AA+ Short Term: F1 Long Term: A- Viability rating: A Active in sterling markets	£25m (the Authority currently operates an operational limit of £10m)
Deposits with building societies	Short Term: F1 (Fitch) / P-1 (Moody) Active in sterling markets Minimum total assets: £2,000m	£25m (the Authority currently operates an operational limit of £10m)
Deposits with money market funds	Sovereign rating: AAA	£15m

The above table demonstrates that the Authority will only invest in institutions that have the highest credit rating scores. For Banks, a risk score of F1+ (exceptionally strong credit quality), A- (High credit quality - low credit risk and very strong capacity to pay financial commitments), Building Societies that have a risk score of F1 (highest credit quality), P-1 (low risk) and Money Market Funds rating of AAA (highest credit quality).

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## Notes to the Financial Statements

The following analysis summarises the Authority's potential maximum exposure to credit risk at the balance sheet date. The figures represent the actual investment made and, based on experience of default and uncollectability over the last 15 financial years, adjusted to reflect current market conditions:

Estimated maximum exposure at 31/03/21		Amount at 31/03/22	Historical experience of default	Historical experience adjusted for market conditions at 31/03/22	Estimated maximum exposure to default & uncollectability at 31/03/22
£000s		£000s A		C	£000s (A x C)
0	Deposits with Banks	9,000	0	0	0
0	Deposits with Money Market	84,725	0	0	0
0	Deposits Other	0	0	0	0
730	Customers	27,569	3.29%	3.29%	907
<b>696</b>					<b>907</b>

The Authority has no history of non-repayment of investments. There were no instances of counterparties failing to meet contractual obligations in relation to deposits during the financial year, and whilst no guarantee can be given against default, the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority also reduces its exposure of credit risk by limiting the number of investments with a maturity period of between 1 and 5 years to a maximum of 40% of our total investments. This ensures that the Authority does not tie up all its funds for a long period of time, increasing the risk of a bank running into financial problems.

As mentioned previously, the Authority has changed its investment policy with banks and when investing in banks it now only invests with extremely highly rated ones (with a Sovereign rating: AA+) that are backed by the Government in which the bank is situated. The Authority currently has no investments with banks. The Council does have an investment with the Churches & Charities Local Authority LAMIT Property Fund (CCLA) – this investment is in accordance with the Council's Treasury Management Policy.

The profile of investments by country is shown below:

	Total Investments at 31 March 2021 £000s	Total Investments at 31 March 2022 £000s
United Kingdom Banks	0	9,000
Other: CCLA	5,376	6,319
	5,376	15,319

Although the Authority does not generally allow credit for customers, £15.301m of the £27.569m balance is past its due date for payment. The total debt amount can be analysed by age as follows:

	31 March 2021 £000s	31 March 2022 £000s
Less than three months	9,841	15,415
Three months to one year	5,748	4,676
More than one year	6,604	7,478
	22,193	27,569

A provision for bad debts relating to customers exists which totals £4.029m at 31 March 2022 (£2.955m at 31 March 2021). This provision relates to a wide variety of assets of which none are individually significant. The provision was increased by £1.075m in 2021/2022 (£0.319m in 2020/2021) and £0.001m was written-off during the year (£0.045m in 2020/2021).

Of this debt £5.680m is secured against properties at 31 March 2022 (£5.048m as at 31 March 2021). These properties are held as collateral but cannot be pledged or resold unless the owner defaults.

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## Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the Public Works Loans Board (PWLB) and Money Markets as a result of the annual Treasury Management Policy and Strategy documents approved by Council. The authority has set an affordable borrowing limit that reflects its underlying need to borrow for a capital purpose, and this includes an allowance for exceptional cash flow movements. There is thus no significant risk that the Authority will be unable to raise finance to meet its commitments.

The risk for the Authority is that it will need to replace its borrowings at a time when interest rates are unfavourable, leading to additional ongoing financing costs. The strategy for the Council is to ensure that by careful planning of the repayment date for new and replacement loans, and (when economic to do so) the restructuring of debt, the maturity profile of its fixed rate loans do not exceed or fall below the limits for the periods set out below. These limits also ensure that the Authority does not have significant amounts of variable borrowing in the long term, exposing itself to major movements in interest rates. Analyses of the Council's debt by type and maturity are shown in the following tables.

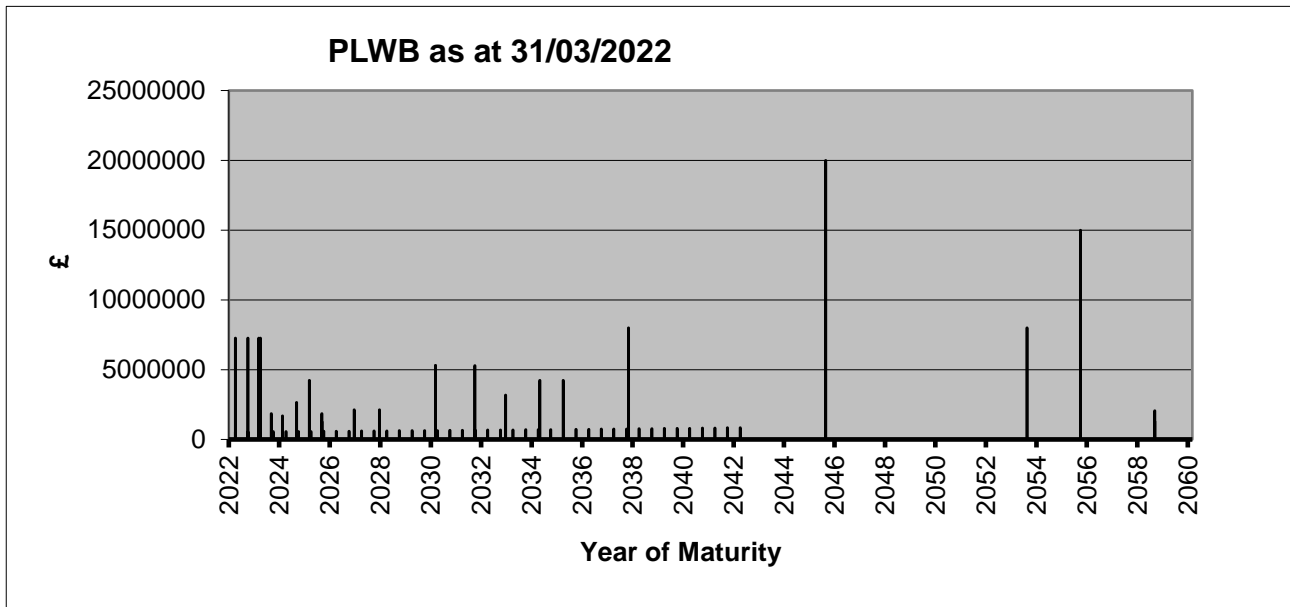
<u>Without Interest 31 March 2021</u> £000s	<u>With Interest Due 31 March 2021</u> £000s	<b>Analysis of Loans by Type:</b>	Range of Interest Rates Payable (%)	<u>Without Interest 31 March 2022</u> £000s	<u>With Interest Due 31 March 2022</u> £000s
186,770	273,518	Public Works Loan Board	1.91 – 7.13	168,413	248,506
0	0	Money Market		0	0
16	16	Individuals	0.00	16	16
0	0	Other Local Authorities		0	0
2,006	2,006	Other	0.00 – 6.50	4	4
<b>188,792</b>	<b>275,540</b>	<b>Total</b>		<b>168,433</b>	<b>248,526</b>

<u>Without Interest 31 March 2021</u> £000s	<u>With Interest Due 31 March 2021</u> £000s	<b>Analysis of Loans by Maturity:</b>	<u>Without Interest 31 March 2022</u> £000s	<u>With Interest Due 31 March 2022</u> £000s
21,587	28,242	Maturing within one year	34,738	40,904
33,511	39,676	Maturing in 1-2 years	11,916	16,690
24,211	37,544	Maturing in 2-5 years	15,599	28,144
21,021	39,628	Maturing in 5-10 years	24,333	42,111
23,861	37,555	Maturing in 10-15 years	18,728	31,505
15,747	25,535	Maturing in 15-20 years	15,920	25,174
22,496	30,320	Maturing in 20-25 years	20,841	28,079
0	5,608	Maturing in 25-30 years	0	5,608
23,000	27,698	Maturing in 30-35 years	23,000	26,727
3,358	3,734	Maturing in 35-40 years	3,358	3,584
0	0	Maturing in 40-45 years	0	0
0	0	Maturing in more than 45 years	0	0
<b>188,792</b>	<b>275,540</b>	<b>Total</b>	<b>168,433</b>	<b>248,526</b>

The Analysis of Loans by Maturity shows the total of loans that are due to be repaid within one year (shown as Current Portion of Long-Term Borrowing on the Balance Sheet) and those due to be repaid in more than one year (shown as Long-Term Borrowing on the Balance Sheet).

The maturity profile of the Council's PWLB debt only is shown in the following chart.





All trade and other creditors are due to be repaid within one year.

## Market Risk

### a) Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies, and thus has no exposure to loss arising from movements in exchange rates.

### b) Price Risk

Price risk arises on financial assets because of changes in commodity prices or equity prices. The Authority's holdings in the CCLA Local Authority Property Fund are held on the Balance Sheet at bid price. This is the expected return if the Authority decided to sell its holdings. The asset value will reflect fluctuations in Property Values and rents and are therefore exposed to risk arising from movements in the price of such assets due to changes in general economic conditions. The property fund is classified at fair value through profit or loss, meaning that all movements in price will impact on gains and losses recognised in the surplus or deficit on the provision of services. However, for a five-year period commencing the 1<sup>st</sup> April 2018, there is a statutory override to avoid such an impact.

### c) Interest Rate Risk

The Authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. As an example of this, a rise in interest rate has the following effects:

- i) Borrowings at variable rates – the interest expense charged to the surplus or deficit on the provision of services will rise;
- ii) Borrowings at fixed rates – the fair value of the loan will fall;
- iii) Investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise;
- iv) Investments at fixed rates – the fair value of the investment will fall.

Borrowings are carried at amortised cost on the Balance Sheet not fair value, and so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in variable rates on borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The annual Treasury Management Policy and Strategy documents approved by Council contain a number of strategies for managing interest rate risk. To guard against the impact of adverse changes in interest rates, the maximum proportion of borrowing subject to variable interest rates is limited to 33% along with a maximum proportion of investments subject to variable rates limited to 40%.

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During periods of falling interest rates, and where economic circumstances make it favourable, the Authority will look to reschedule its loans in order to limit its exposure to losses and so reduce its capital financing costs.

The in-house Treasury Management team receives professional advice and has an active strategy for assessing interest rate exposure via the use of indicators. This is used to establish and monitor the budget for capital financing costs, allowing any adverse changes to be accommodated. The monitoring of interest rate exposure assists with the decision as to whether new borrowing or investment undertaken is fixed or variable.

Based on the assessment strategy for interest rate risk if interest rates had been 1% higher with all other variables held constant on 31 March, the financial effect would be (note that the percentages quoted are for illustrative purposes only and are not an indication of the likely change):

31 March 2021 £000s		31 March 2022 £000s
870	Increase in interest receivable on variable rate investments (and resultant impact on the Surplus or Deficit on the Provision of Services)	1,029
-20,721	Decrease in fair value of fixed rate loans (no impact on Other Comprehensive Income and Expenditure)	16,024
0	Increase in fair value of fixed rate investments (impact on Other Comprehensive Income and Expenditure)	0
0	Increase in fair value of financial liabilities (no impact on Other Comprehensive Income and Expenditure)	0

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The 1% variation chosen for sensitivity analysis can be treated as a flat line change, so a 5% variation will result in amounts totalling five times the amount included in the table above.

The Authority held no loans at variable rate at the Balance Sheet date so any movement in interest rates will have no effect on the Surplus or Deficit on the Provision of Services.

## 56 STATEMENT OF SINGLE ENTITY AND GROUP ACCOUNTING POLICIES

### (a) GOING CONCERN

The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue raising bodies (with limits on their revenue raising powers, arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis.

The accounts are prepared on the expectation that the services and functions of the Council are expected to continue in operational existence for the foreseeable future. Therefore, these financial statements are produced on a going concern basis.

Additionally, management have assessed cash flow modelling through to March 2025 which demonstrates the Council's ability to work within its Capital Financing Requirement and Cash management framework, with appropriate headroom (at least £10m), and identified no significant risks to liquidity within the next twelve months from the date of issue of these financial statements.

The Narrative Report sets out the significant impacts of the current high levels of inflation, and the ongoing impact of the pandemic, on the local economy and on Council finances, as well as the response structures and steps taken to manage the risks and impacts. The Council is still experiencing a reduction in income in the current year, with losses of fees and charges and Council Tax and Business Rates. The current high levels of inflation and the pandemic is also still resulting in the Council bearing significant extra costs, particularly in social care.

The Council has received additional grant support from Government in 2021/22 to fund a proportion of these costs, including emergency funding, and compensation for an element of losses on sales, fees and charges and council tax. It is estimated that this funding will offset a significant proportion of costs and income losses, with no residual losses currently included in the Council's budget monitoring position for the year.

Current cash and cash-equivalents of £98m at the balance sheet date have been modelled, using reasonable assumptions regarding service costs, staff costs and income, for 12 months from the final certification of these statements to March 2025, including downside scenarios for cash collection and the ongoing impact of reduction on fees and charges. The low point in liquidity is in March 2024 due to the cumulative impacts of the downside scenarios modelled and the usual cycle of taxation collection resulting in lower cash income in February and March. The Council remains in a positive cash position for the duration of the forecast.

The Council do not plan for any borrowing to support cashflow until March 2024, and only then in the downside scenario. In line with the treasury management strategy of the Council, planned borrowing is limited to the refinancing of a loan due for repayment. The Council remains within its prudential borrowing limits with sufficient headroom should further need arise.

The Council budget and medium-term financial strategy identify savings requirements over the next three years. The Council plan to move towards the General Fund Balance being maintained above the minimum 6.5% of Council net budget as recommended by the Section 151 officer in the Robustness report to Budget Council. There was no planned use of the Council's General Fund Balances to support the short- or medium-term budgets. However, given the current high levels of inflation and service pressures in areas such as Children's Social Care, the Council agreed to utilise some General Fund Balances to meet these pressures in 2022/2023 – however, they will remain above the absolute minimum level required. The use of these balances will necessitate their replenishment, and plans will be developed to do this in line with the Council's track record of achieving savings required by difficult financial decisions.

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The Council recognise that Collection Fund losses from 2020/2021 can be carried forward and funded over three years in line with Government guidance.

As the cash flow modelling demonstrates that the Council will continue to have liquidity for the next 12 months, to support the continuation of service assumption, management are satisfied that there is no material uncertainty relating to going concern.

## (b) **GENERAL PRINCIPLES**

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year end. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 in accordance with proper accounting practices. These practices are set out primarily the *Code of Practice on Local Authority Accounting in the United Kingdom 2020/2021*.

The accounting convention adopted in the Statement of Accounts is primarily historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

## (c) **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 provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## (d) **BUSINESS IMPROVEMENT DISTRICTS**

A Business Improvement District (BID) scheme applies to an area in Southport Town Centre. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Authority acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

## (e) **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 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.

In the Balance Sheet and 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.

(f) **CHARGES TO REVENUE FOR NON-CURRENT ASSETS**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding Property, Plant and Equipment and Intangible 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, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses are therefore replaced by the contribution in the General Fund Balance (Statutory Provision for the Financing of Capital Investment) by way of an adjusting transaction with the Capital Adjustment Account in the Movement of Reserves Statement for the difference between the two.

(g) **COUNCIL TAX AND NON-DOMESTIC RATES**

Sefton Council as a billing authority acts as an agent, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (Merseyside Police and Crime Commissioner, Merseyside Fire and Rescue Service, and Liverpool City Region Combined Authority) and, as principal, collecting council tax and NDR for the Council. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted. Sefton is part of the Liverpool City Region Business Rate Retention Pilot scheme currently retains 99% of NDR rates, which includes the 50% that would otherwise be due to central government.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) 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 CIES 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 authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

(h) **EMPLOYEE BENEFITS**

**Benefits payable during employment**

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages, 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 for services in the year in which the employees render service for the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu), earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following financial year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year to which the holiday absence occurs.

## **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's appointment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Corporate Unallocated Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority 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 Council are members of three separate pension schemes:

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

These Schemes are defined benefits schemes in that they provide defined benefits to members (retirement lump sums and pensions) earned as employees working for the Council.

However, the arrangements for the Teachers' Pension Scheme and NHS Pension Scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Schools and Families - Schools line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions. The Health and Wellbeing line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to NHS Pensions in the year.

## **The Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the 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 current earnings for current employees.
- Liabilities are discounted to their present value at current prices using a discount rate based on the indicative rate of return on high quality corporate bonds (based on a weighted average of 'spot yields' on AA rated corporate bonds). The discount rate used for the year is disclosed in the Participation in Pension Schemes note.
- The assets of Merseyside Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted Securities – current bid price,
  - Unquoted securities – professional estimate,
  - Unitised securities- current bid price,
  - Property – market value.
- The change in the net pensions' liability is analysed into the following components:

## Service cost comprising:

- 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 employee worked.
- Past Service Cost - the increase in liabilities as a result of scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Unallocated Costs,
- Net Interest on the Net Defined Benefit Liability (Asset), i.e. net interest expense of the Authority - 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 year as a result of contribution and benefit payments.

## Remeasurements comprising:

- The Return on Plan Assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial Gains and Losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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

## Discretionary Benefits

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

## (i) EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date 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.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is **not adjusted** to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

## (j) **FAIR VALUE MEASUREMENT**

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses external valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

## (k) **FINANCIAL INSTRUMENTS**

### **General Comment**

A financial instrument is any contract that gives rise to a financial asset in one entity, and a financial liability in another. Most straight forward financial assets (debtors, bank deposits, investments etc.) and liabilities (creditors, borrowings etc) are covered by this policy.

### **Financial Liabilities**

Financial liabilities 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 and are subsequently 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 investment. 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.

For most of the borrowings that the Council has, this means that the amount 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 Comprehensive Income and Expenditure in the year of repurchases/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 is spread over the life of the loan by an adjustment to the effective interest rate. This is managed by a transfer to or from the Financial Instruments Adjustment Account in Movement in Reserves Statement.

Where premiums and discounts have been charged to CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium payable or discount receivable when it was repaid.



## **Financial Assets**

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

- Amortised costs
- Fair value through profit and loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The Council does not hold investments that are measured fair value through FVOCI.

### **Financial assets measured at amortised cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provision of a financial instrument and are initially valued at fair value. They are subsequently measured at their amortised costs. 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 instrument 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 CIES is the amount receivable for the year in the loan agreement.

### **Financial assets measured at fair value through profit and loss**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provision of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

The fair value measurement is based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the accounting policy set out in section (i) Fair Value Measurement.

Churches & Charities Local Authority LAMIT Property Fund:

The Ministry for Housing, Communities and Local Government introduced a mandatory statutory override requiring local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds to protect the General Fund. This will be effective for 5 years from the financial year commencing 1 April 2018, and upon expiry all fair value movements will then impact on the General Fund Balance.

### **Credit loss model**

The credit risk model allows the authority to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that instrument has increased significantly since initial recognition. To make the assessment the authority compares the risk of a default occurring on the financial instrument. This is carried out with market intelligence supplied by external treasury consultants.

### **Warranties and Guarantees**

The Council has entered into a number of Guarantees that are not required to be accounted for as Financial Instruments. These guarantees are reflected in the Statement of Accounts to the extent that at some future date a provision or earmarked reserve may have to be set up. These guarantees relate to:

- Housing stock transfer warranties,
- Pension guarantees related to contractor admissions bodies, such as New Directions.

## (l) **FOREIGN CURRENCY TRANSLATION**

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

## (m) **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 authority where there is reasonable assurance that:

- The Authority 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 recognised immediately in the CIES, except to the extent that the grant or contribution has a condition(s) relating to initial recognition that the Authority has not satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset received in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant services line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (Non-Ringfenced Government Grants and Capital Grants and Government 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 Reserve. Where it has been applied, it is posted to the Capital Adjustments Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustments Account once they have been applied to fund capital expenditure.

## (n) **HERITAGE ASSETS**

A heritage asset is an asset that is held due to its historical, artistic, scientific, technological, or environmental qualities, and is maintained principally for its contribution to knowledge and culture. The Authority's heritage assets are held in a number of locations, such as Town Halls and the Atkinson Centre.

The collection consists principally of a ceramic collection, a silver collection, works of art, an Egyptology collection, several war memorials, and the art installation "Another Place". The collection is mainly valued on an insurance valuation basis. However, a number of war memorials are held that are valued at a nominal £1.

The assets are felt to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

The Authority considers that obtaining valuations for the collection would involve disproportionate cost. This is because of the diverse nature of the assets and the lack of comparable market values.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment (note (q)). The carrying amounts of Heritage Assets would be reviewed where there was evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise about its authenticity. Any impairment would be recognised and measured in accordance with the Authority's general policies on impairment (see Impairment section of note (v)). If any items were disposed of, the proceeds would be accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

**(o) 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 the future economic benefits or service potential will flow from the intangible asset to the Council.

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

Intangible assets are carried at amortised cost. An intangible asset is amortised over its useful life to the relevant service lines 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 of Reserves Statement and posted to the Capital Adjustments Account and (if sales proceeds exceed £10,000) the Capital Receipts Reserve.

**(p) INTERESTS IN COMPANIES AND OTHER ENTITIES**

The Council has a material interest in companies that are subsidiaries and is required to prepare group accounts. In the Council's own single entity accounts the interest in the companies is recorded as a long-term investment at cost.

In the group accounts transactions and balances between the Council and subsidiary are netted out on consolidation.

**(q) INVENTORIES AND LONG-TERM CONTRACTS**

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. The cost of inventories is assigned using the First-In-First-Out costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

**(r) INVESTMENT PROPERTY**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or the production of goods or is held for sale.

Investment Properties are measured initially at cost. This is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition. They are subsequently measured at fair value, based on the market price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Properties are not depreciated but are revalued. An annual revaluation of all investment properties is undertaken. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

# Agenda Item 4

## (s) JOINT OPERATIONS

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority 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
- its expenses, including its share of any expenses incurred jointly.

## (t) LEASES

Leases have been classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of property from the lessor to the lessee. All other leases are to be 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 a payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### THE COUNCIL AS A LESSEE

#### Finance Leases

Property, plant and equipment held under Finance leases will be recognised on the balance sheet at the commencement of the lease at its fair value measured at the leases inception (or the present value of the minimum lease payments if lower). The asset recognised will be matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments will be apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability,
- 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 is 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 (where ownership of the asset does not transfer to the Council at the end of the lease period).

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 revaluation 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 benefiting from the use of the leased property, plant and 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 (i.e. there is a rent free period at the commencement of the lease).

## **THE COUNCIL AS A 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 Authority's net investment in the lease is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of a gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal) matched by a lease (long term debtor) asset in the balance sheet.

Lease rentals receivable will be apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment - 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 is not permitted by Statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium, 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 lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against council tax, as the cost of Property, Plant and Equipment is fully provided for under separate arrangements for capital financing. Amounts are therefore 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 (i.e. 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 term on the same basis as rental income.

## **(u) OVERHEADS AND SUPPORT SERVICES**

The costs of overhead and support services are charged to those services that benefit from them, in accordance with the Council's arrangements for accountability and financial performance.

(v) **PRIOR YEAR ADJUSTMENTS, CHANGES IN ACCOUNTING POLICY AND ESTIMATES AND ERRORS**

Prior year 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 year adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more clear and reliable information about the effect of transactions, other events and conditions on the Council'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 year as if the new policy had always been applied.

(w) **PRIVATE FINANCE INITIATIVE 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 Authority carries the assets used under the contracts on its Balance Sheet as 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 non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property plant and equipment owned by the Council.

The amounts payable to the PFI operator 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 (the profile of write downs is calculated on the same basis as for a finance lease);
- Lifecycle replacement costs - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

(x) **PROPERTY, PLANT AND EQUIPMENT**

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

**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 authority and the cost of the item can be measured reliably. Expenditure that remains but does not add to an assets potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

All expenditure, regardless of value, is capitalised if it relates to an existing asset. Expenditure on new assets under £10,000 is not capitalised but treated as Revenue Expenditure Funded from Capital Under Statute (REFCUS), with expenditure over £10,000 being capitalised.

## **Measurement**

Assets are initially measured at cost, comprising:

- The purchase price,
- 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 initial estimate of the costs of dismantling and removing the item and restoring the site upon which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying value of the asset given up by the Authority.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost,
- Non HRA dwellings and rented property - current value, determined using the basis of existing use,
- Surplus assets - fair value, determined as the amount that would be paid for the asset in its existing use.
- All other assets - current value, determined as the amount that would be paid for the asset in its existing use.

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

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

Assets included in the balance sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. 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 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 accumulated gains),
- 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 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

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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 accumulated gains),
- 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, such assets that are not yet available for use (i.e. assets under construction) and assets held for a commercial return (i.e. investment properties).

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

For those assets that have major components the percentage of the asset that makes up each component is shown below:

<u>Asset Type</u>	<u>Building</u>	<u>Roof</u>	<u>Services</u>	<u>Externals</u>	<u>Total</u>
Primary Schools	42%	9%	26%	23%	100%
Secondary Schools	50%	11%	22%	17%	100%
Sports Centres	49%	10%	23%	18%	100%
Libraries	49%	8%	28%	15%	100%

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 apparent that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and current value less costs to sell. Where there is a subsequent decrease to current value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in current value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of the 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.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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.

When an asset has been fully depreciated it is assumed, unless otherwise known, that the asset is disposed of or decommissioned in the following year. The gross value of the asset and the matching accumulated depreciation are then written out as disposals in that year.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

The written off value of disposals is not a charge against council tax, as the cost of Property, Plant and Equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the capital adjustments account from the General Fund Balance in the Movement in Reserves Statement.

## **Schools**

When a maintained school transfers to Foundation Trust or Academy status the transfer of the school is treated as a disposal. Voluntary Aided and Voluntary Controlled schools are not recognised on the Council's Balance Sheet. The land and building are owned by the trustees of the school and the Council provides educational services under mere licence with no assignment of rights to the property. The trustees can terminate the arrangement at any time and as such the risks and rewards of the asset have not transferred to the school.

## **(y) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

### **Provisions**

Provisions are made where an event has taken place that gives the Authority 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 authority 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 and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried within the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made) 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. an insurance claim), this is only recognised as income for the relevant service if it is virtually certain the reimbursement will be received if the Council settles the obligation.

Amounts needed to settle any obligation are only discounted where required when included in the accounts.

### **Internal Insurance Cover**

The Authority has established a provision to cover the potential costs of certain known uninsured losses, i.e. losses arising from excesses that apply to the Authority's main insurance policies. This is accounted for in line with the normal policy above.

### **Provision for NDR Appeals**

The Authority has established a provision to cover the potential costs for refunding ratepayers who have successfully appealed against the rateable value of their properties. The provision covers the Council's locally retained share (99%) of the cost. This is accounted for in line with the normal policy above.

## **Contingent liabilities**

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## **Contingent Assets**

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

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

## **(z) RESERVES**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When the expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement of Reserves Statement so that there is no net change against council tax for the expenditure.

Certain reserves are held to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the authority- these reserves are explained in the relevant notes and policies.

## **(aa) REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)**

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

## **(bb) SCHOOLS**

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority-maintained schools (ie those categories of school identified in the School Standards and Framework Act 1998, as amended) 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 (and not the Group Accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

## **(cc) VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## 9 COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2020/2021			<b><u>INCOME AND EXPENDITURE ACCOUNT</u></b>	Note	2021/2022		
<u>Business Rates</u> £000s	<u>Council Tax</u> £000s	<u>Total</u> £000s			<u>Business Rates</u> £000s	<u>Council Tax</u> £000s	<u>Total</u> £000s
			<b><u>INCOME</u></b>				
	-165,572	-165,572	<u>Council Tax</u> Income from Council Tax Payers			-178,820	-178,820
	-2,945	-2,945	<u>Transfers from the General Fund</u> Hardship Relief / Care leavers Discounts			-375	-375
-29,890		-29,890	<u>Business Rates</u> Income from Business Ratepayers	2	-56,440		-56,440
0	-2,348	-2,348	<u>Contributions</u> Contributions towards previous year's deficit	3	-39,206	-1,764	-40,970
<b>-29,890</b>	<b>-170,865</b>	<b>-200,755</b>	<b>TOTAL INCOME</b>		<b>-95,646</b>	<b>-180,959</b>	<b>-276,605</b>
			<b><u>EXPENDITURE</u></b>				
	166,267	166,267	<u>Distribution of Resources</u> Council Tax	5		170,167	170,167
66,838		66,838	Non-domestic Rates Income	6	68,605		68,605
537		537	Transitional Protection Payments		603		603
305	15	305	<u>Transfers to the General Fund</u> Cost of Collection Allowance Council Tax Benefit		303	7	303
4,351	6,857	11,208	<u>Impairment of Debts / Appeals</u> Provision for Bad and Doubtful Debts	7	1,272	5,179	6,451
4,995		4,995	Provision for Appeals	8	-2,533		-2,533
616	0	616	<u>Contributions</u> Contributions towards previous year's surplus	3	0	0	0
<b>77,642</b>	<b>173,139</b>	<b>250,781</b>	<b>TOTAL EXPENDITURE</b>		<b>68,250</b>	<b>175,353</b>	<b>243,603</b>
<b>47,752</b>	<b>2,274</b>	<b>50,026</b>	<b>MOVEMENT ON FUND BALANCE</b>		<b>-27,396</b>	<b>-5,606</b>	<b>-33,002</b>

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Collection Fund

2020/2021			INCOME AND EXPENDITURE ACCOUNT (continued)	Note	2021/2022		
Business Rates	Council Tax	Total			Business Rates	Council Tax	Total
			<b>COLLECTION FUND BALANCES</b>				
-1,746	2,404	658	Balances Brought Forward		46,006	4,678	50,684
47,752	2,274	50,026	Movement in Year		-27,396	-5,606	-33,002
<b>46,006</b>	<b>4,678</b>	<b>50,684</b>	<b>BALANCES AT YEAR END</b>		<b>18,610</b>	<b>-928</b>	<b>17,682</b>
			<b>BALANCES TO BE ALLOCATED</b>				
45,546	3,934	49,480	Sefton MBC		18,424	-778	17,646
0	505	505	Police and Crime Commissioner		0	-110	-110
460	193	653	Fire and Rescue Authority		186	-33	153
0	46	46	Combined Authority		0	-7	-7
<b>46,006</b>	<b>4,678</b>	<b>50,684</b>			<b>18,610</b>	<b>-928</b>	<b>17,682</b>

## NOTES TO THE COLLECTION FUND

### 1 COUNCIL TAX BASE

The Council's tax base, i.e., the number of chargeable dwellings in each valuation band for 2021/2022 (adjusted for dwellings where discounts apply) converted to a number of band D dwellings, has been calculated as follows:

Band	Number of Chargeable Dwellings After Discounts	Proportion of Band D Charge	Band D Equivalent Dwellings
A*	65.2	5/9	36.2
A	11,571.8	6/9	15,047.9
B	20,243.3	7/9	15,744.8
C	25,102.5	8/9	22,313.4
D	13,184.9	9/9	13,184.9
E	7,553.3	11/9	9,231.8
F	3,591.6	13/9	5,187.9
G	2,455.3	15/9	4,092.1
H	216.8	18/9	433.5
	94,984.5		85,272.3
Adjustment for estimated collection rate (98.25%)			-2,558.2
Adjustment for Ministry of Defence properties			8.0
<b>Council Tax Base</b>			<b>82,722.1</b>

\* Properties subject to disabled relief

Band "D" Equivalent is the statutory method of expressing the cost of Council Tax for any given area if all properties are valued as a proportion of a band D property, e.g. band H, which is equivalent to twice the value of band D, would therefore be charged twice the band D equivalent.

## 2 BUSINESS RATES INCOME

Income from business rate payers reported in the Income and Expenditure Account has increased by -£26.550 million in 2021/22 largely as a result of a reduction in the amount of expanded retail discounts and nursery relief. Expanded retail discounts and nursery relief of £15.609m was awarded in 2021/22 (£41.941m awarded in 2020/21). Sefton's share of the cost of these discounts (99%) is fully funded by Central Government via a Section 31 Grant which is paid to the Council's General Fund Income and Expenditure Account.

## 3 COLLECTION FUND SURPLUS / DEFICIT (-) PAYMENTS IN THE YEAR

The following amounts were paid / recouped (-) during the year in respect of the estimated collection fund surplus / deficit:

Council Tax	<u>2020/2021</u> £000	<u>2021/2022</u> £000
Sefton Council	-1,974	-1,484
Merseyside Police and Crime Commissioner	-252	-191
Merseyside Fire and Rescue Service	-98	-72
Liverpool City region Combined Authority	-24	-17
	-2,348	-1,764

Business Rates	<u>2020/2021</u> £000	<u>2021/2022</u> £000
Sefton Council	610	-38,814
Merseyside Fire and Rescue Service	6	-392
	616	-39,206

## 4 BUSINESS RATES MULTIPLIER AND RATEABLE VALUE

Under the arrangements for nationally uniform business rates, the Council collects rates for its area, which are based on local rateable values multiplied by a uniform rate. The business rate multipliers applied are shown below:

Multipliers	2020/2021	2021/2022
Standard Business Rate Multiplier	51.2p	51.2p
Small Business Rate Multiplier	49.9p	49.9p

The total non-domestic rateable value on Sefton's Rating List was £180,991,064 at 31 March 2022 (£181,970,214 at 31 March 2021).

## 5 PRECEPTS AND DEMANDS ON THE COLLECTION FUND

The following precepts and demands have been made on the fund during the year:

Council Tax	<u>2020/2021</u> £000	<u>2021/2022</u> £000
Sefton Council (Including Parish Precepts)	139,830	143,037
Merseyside Police and Crime Commissioner	17,997	18,775
Merseyside Fire & Rescue Authority	6,826	6,783
Liverpool City Region Combined Authority	1,613	1,572
	166,267	170,167

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## 6 SHARES OF NON-DOMESTIC RATES INCOME

Business rates income is shared on the following basis:

Business Rates	Share %	2020/2021 £000	2021/2022 £000
Sefton Council	99%	66,169	67,919
Merseyside Fire & Rescue Authority	1%	668	686
	100%	66,838	68,605

## 7 PROVISION FOR BAD AND DOUBTFUL DEBTS

The Collection Fund provides for bad debts on Council Tax and Business Rates arrears. The following movements on the bad debt provisions were recorded in the year:

Council Tax	2020/2021 £000	2021/2022 £000
Balance at 1 April	-15,030	-21,919
Write-offs in year	-32	-8
Increase / Decrease in Year	-6,857	-5,179
<b>Balance at 31 March</b>	<b>-21,919</b>	<b>27,106</b>

Business Rates	2020/2021 £000	2021/2022 £000
Balance at 1 April	-3,269	-7,019
Written-off in year	601	-23
Increase / Decrease in Year	-4,351	-1,272
<b>Balance at 31 March</b>	<b>-7,019</b>	<b>-8,314</b>

## 8 PROVISION FOR CHECKS, CHALLENGES AND APPEALS

The Collection Fund also makes a provision for checks, challenges, and appeals against rateable values set by the Valuation Office Agency (VOA). The table below shows the movements on the provision in the year:

Business Rates	2020/2021 £000	2021/2022 £000
Balance at 1 April	-18,891	-23,886
Movement in the Year	-4,995	2,533
<b>Balance at 31 March</b>	<b>-23,886</b>	<b>-21,353</b>

## 10 GROUP ACCOUNTS

The standard financial statements consider the Council only as a single entity. Sefton Council conducts some of its adult and social care services activities through a wholly owned company, Sefton New Directions Limited, which began trading on 1 April 2007. In addition, it wholly owns Sandway Homes Limited, a housing development company, and Sefton Hospitality Operations Limited, a hospitality company.

Thus, a full picture of the Council's economic activities, financial position, service position, accountability for resources and exposure to risk is not presented in the Council's single entity financial statements. As a result, group financial statements are used to reflect the full extent of Sefton Council's involvement with its group undertakings in order to provide a clearer picture of the Council's activities as a group.

The following pages include:

- Group Movement in Reserves Statement,
- Group Comprehensive Income and Expenditure Statement,
- Group Balance Sheet,
- Group Cash Flow Statement, and,
- Notes to the Group Accounts.
- A summary of the financial statements for Sefton New Directions and Sandway Homes.

The financial positions of Sefton Council, Sefton New Directions and Sandway Homes have been consolidated to produce the Group Accounts with any transactions and balances between the three organisations netted out on consolidation.

All organisations have a financial year-end of 31 March.

### Sefton New Directions

The main effect of consolidation has been to increase revenue reserves by £4.194m (£0.423m decrease as at 31 March 2021), representing the Authority's 100% share of accumulated net surplus in the Company.

The Group Comprehensive Income and Expenditure Statement records a surplus for Sefton New Directions Limited of £4.700m in 2021/2022 (a £0.506m deficit in 2020/2021). It should be noted that the main reason for the surplus in 2021/2022 is a change in the accounting treatment of the Company's pension liability. As Sefton Council is the full guarantor for the Company's pension liability, the directors have deemed the derecognition of the liability to be appropriate.

After adjusting for Movements on Reserves the surplus recorded by Sefton New Directions Limited was £0.012m in 2021/2022 (a £0.469m deficit in 2020/2021).

No dividend was paid in 2021/2022 (a dividend of £0.111m was paid in 2020/2021).

Copies of the Company's accounts for 2021/2022 will be able to be obtained from The Company Secretary, Sefton New Directions Head Office, Third Floor, Burlington House, Crosby Road North, Waterloo, Liverpool, Merseyside, United Kingdom, L22 0PJ.

### Sandway Homes

On 19 July 2018 Sefton (ACS) Development Company Limited, a company limited by shares and wholly owned by Sefton MBC, was incorporated. On 29 October 2018 Sandway Homes Limited, a company limited by share and wholly owned by Sefton (ACS) Developments Limited, was incorporated. The nature of business of Sandway Homes Limited is registered as development of building projects.

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Group Accounts

The filing of accounts of both companies is required by Companies House by 31 December 2022. The amounts consolidated within the Group Accounts are based on the Company's final accounts. For the year ending 31<sup>st</sup> March 2022, the Company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The main effect of consolidation has been to reduce revenue reserves by £2.234m in 2021/2022 (£1.839m in 2020/2021) representing the Authority's 100% share of accumulated net deficit in the Company.

The Group Comprehensive Income and Expenditure Statement records a deficit for Sandway Homes Limited of £0.396m in 2021/2022 (£0.505m in 2020/2021).

It should be noted that the financial performance in 2021/2022 is reflective of the Company transitioning into the early construction phase of its phase 1 development programme.

## **Sefton Hospitality Operations Limited**

In May 2021 Sefton Hospitality Operations Limited, a company limited by shares and wholly owned by Sefton MBC, was incorporated. The Company is registered as providing hospitality services.

The filing of accounts of the Company is required by Companies House by 31 December 2022. However, as the Company has undertaken limited trading during 2021/2022 (the Company's main trading operation at Crosby Lakeside, The Lake House, opened in August 2022) the accounts of the Company will not be consolidated into the Group Accounts on the grounds of materiality (net expenditure is less than £0.150m).



## GROUP 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.

2020/2021			Note	2021/2022		
Gross Expenditure	Gross Income	Net Expenditure / Income (-)		Gross Expenditure	Gross Income	Net Expenditure / Income (-)
			<u>Continuing Operations</u>			
1,235	-89	1,146	Strategic Management	1,232	-8	1,224
149,663	-58,055	91,608	Adult Social Care	150,016	-59,773	90,243
42,322	-243	42,079	Children's Social Care	56,406	-2,094	54,312
40,161	-7,647	32,514	Communities	31,283	-11,896	19,387
113,624	-78,354	35,270	Corporate Resources	110,508	-78,126	32,382
15,731	-8,259	7,472	Economic Growth and Housing	11,313	-11,433	-120
14,716	-1,810	12,906	Education Excellence	16,730	-2,243	14,487
187,329	-187,489	-160	Education Excellence - Schools	204,436	-196,789	7,647
18,138	-23,383	-5,245	Health and Wellbeing	21,483	-27,988	-6,505
24,492	-7,360	17,132	Highways and Public Protection	29,259	-9,301	19,958
27,021	-9,468	17,553	Locality Services	29,798	-10,453	19,345
16,139	-6,184	9,955	Corporate Unallocated Costs	18,991	-13,200	5,791
707	-237	470	Sefton New Directions - Net	748	-776	-28
312	124	436	Sandway Homes - Net	326	21	347
0	111	111	Sefton New Directions – Net Out Dividend Paid	0	0	0
<b>651,590</b>	<b>-388,343</b>	<b>263,247</b>	<b>Net Cost of Services</b>	<b>682,529</b>	<b>-424,059</b>	<b>258,470</b>
			<u>Other Operating Income and Expenditure</u>			
		1,179	Precepts paid to Parish Councils			1,208
		34,795	Levies			34,662
		-1,937	Loss on the disposal of non-current assets			-10
		3,629	Derecognition of land no longer owned by the Council			0
		-950	Other Operating Income			-973
		<b>36,716</b>				<b>34,887</b>
			<u>Financing and Investment Income &amp; Expenditure</u>			
		8,066	Interest payable and similar charges			7,268
		8,640	Net Interest on the Net Pension Defined Benefit Liability			9,158
		-365	Interest Receivable			-278
		-2,196	Income and Expenditure on Investment Properties			-2,459
		4,631	Changes in the Fair Value of Investment Properties			-3,076
		38	Changes in the Fair Value of Financial Instruments			-944
		<b>18,814</b>				<b>9,669</b>
			<u>Taxation and Non-specific Grant Income</u>			
		-135,944	Income from Council Tax			-146,265
		-19,504	Non-Domestic Rates Income			-56,227
		-130,688	Non-Ringfenced Government Grants			-76,078
		-20,725	Capital Grants and Contributions			-19,043
		<b>-306,861</b>				<b>-297,613</b>
		<b>11,916</b>	<b>Deficit on Provision of Services</b>			<b>5,413</b>
		-111	Taxation			15
		<b>11,805</b>	<b>Group Deficit</b>			<b>5,428</b>

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Group Accounts

2020/2021			Continued from previous page	2021/2022		
Gross Expenditure	Gross Income	Net Expenditure / Income (-)		Gross Expenditure	Gross Income	Net Expenditure / Income (-)
		-1,418	Surplus (-) / Deficit on Revaluation of non-current assets			-24,591
		31,659	Re-measurement of the Net Defined Benefit Liability			-58,455
		0	Movement on Transfer Out of Defined Benefit Pension Liability			-4,687
		-9	Deferred Tax re. Actuarial losses/gains on pension fund assets and liabilities for Sefton New Directions Limited			0
		30,232	<b>Other Comprehensive Income and Expenditure</b>			-87,733
		<b>42,037</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>-82,305</b>

## GROUP MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority'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 /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.

<u>Movements in Reserves in 2021/2022</u>	Council	New Directions	Sandway Homes	Total Usable Reserves	New Directions	Council	Total Council Reserves	Total Group Reserves
	Usable Reserves £000	Surplus £000	Surplus £000s	£000	Pensions Reserve £000	Unusable Reserves £000	£000	£000
<b>Balance at 1 April 2021</b>	-154,473	423	1,839	-152,211	83	222,596	68,123	70,468
<b>Movements in Year</b>								
<b>Total Comprehensive Income and Expenditure</b>	5,046	-4,617	395	824	-83	-83,046	-78,000	-82,305
Adjustments between accounting basis and funding basis under regulations (Note 7 of single entity accounts)	4,965	0	0	4,965	0	-4,965	0	0
<b>Net Increase (-) / Decrease before Transfers to Earmarked Reserves</b>	10,011	-4,617	395	5,789	-83	-88,011	-78,000	-82,305
Transfers to / from Earmarked Reserves (Note 35 of single entity accounts)	0	0	0	0	0	0	0	0
<b>Increase in Year</b>	10,011	-4,617	395	5,789	0	-88,011	-78,000	-82,305
<b>Balance at 31 March 2022</b>	-144,462	-4,194	2,234	-146,422	0	134,585	-9,877	-11,837

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Group Accounts

<b>Movements in Reserves in 2020/2021</b>	Council	New Directions	Sandway Homes	Total Usable	New Directions	Council	Total Council	Total Group
	Usable Reserves £000	Surplus £000	Surplus £000s	Reserves £000	Pensions Reserve £000	Unusable Reserves £000	Reserves £000	Reserves £000
<b>Balance at 1 April 2020</b>	-74,329	-157	0	-74,486	46	101,572	27,243	27,132
Reporting of DSG Reserves Deficit to new Adjustment Account at 1 April 2020	-4,385	0	0	-4,385	0	4,385	0	0
<b>Restated Balance at 1 April 2020</b>	-78,714	-157	0	-78,871	46	105,957	27,243	27,132
Sandway Homes – Deficit Brought Forward	0	0	1,334	1,334	0	0	0	1,334
<b>Movements in Year</b>								
<b>Total Comprehensive Income and Expenditure</b>	10,720	580	505	11,805	37	30,195	40,915	42,037
Adjustments between accounting basis and funding basis under regulations (Note 7 of single entity accounts)	-86,479	0	0	-86,479	0	86,479	0	0
<b>Net Increase (-) / Decrease before Transfers to Earmarked Reserves</b>	-75,759	580	1,839	-74,674	37	116,674	40,915	42,037
Transfers to / from Earmarked Reserves (Note 35 of single entity accounts)	0	0	0	0	0	0	0	0
<b>Increase in Year</b>	-75,759	580	1,839	-74,674	37	116,674	40,915	42,037
<b>Balance at 31 March 2021</b>	-154,473	423	1,839	-152,211	83	222,631	68,158	70,503

# Agenda Item 4

## GROUP BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (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 Authority 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'.

<u>31 March</u> <u>2021</u> £000s		<u>Note</u>	<u>31 March</u> <u>2022</u> £000s
472,392	Property, Plant and Equipment	5	504,413
11,532	Heritage Assets		11,532
29,991	Investment Property		32,338
1,092	Intangible Assets		896
6,501	Long Term Investments		6,320
5,207	Long Term Debtors		5,825
<b>526,715</b>	<b>Long-Term Assets</b>		<b>561,324</b>
163	Short Term Investments		0
11,513	Assets Held for Sale		12,004
2,112	Inventories		7,657
44,893	Short Term Debtors	6	43,831
33,154	Prepayments		19,156
72,517	Cash and Cash Equivalents	7	103,313
<b>164,352</b>	<b>Current Assets</b>		<b>185,962</b>
-21,567	Current Portion of Long-Term Borrowing		-34,719
-57,713	Short Term Creditors	8	-63,178
-18,793	Receipts in Advance	8	-44,531
-54	Provisions	9	-45
-942	Deferred Liabilities		-934
<b>-99,069</b>	<b>Current Liabilities</b>		<b>-143,407</b>
-28,260	Provisions		-24,985
-167,225	Long Term Borrowing		-133,714
-7,415	Deferred Liabilities		-6,481
-459,601	Pensions Liability		-426,862
<b>-662,501</b>	<b>Long Term Liabilities</b>		<b>-592,042</b>
<b>-70,503</b>	<b>Net Assets</b>		<b>11,837</b>

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Group Accounts

31 March 2021 £000s	Balance Sheet (Continued)	Note	31 March 2022 £000s
	<b><u>Reserves</u></b>		
	<u>Usable Reserves</u>		
-15,676	General Fund - Delegated Schools		-18,288
-11,278	General Fund - Non-Delegated Services		-14,799
423	New Directions - Profit and Loss Account		-4,194
1,839	Sandway Homes - Profit and Loss Account		2,234
-98,313	Earmarked Reserves		-81,253
-6,464	Capital Receipts Reserve		-6,260
-22,742	Capital Grants and Contributions Unapplied		-23,862
-152,211			-146,422
	<u>Unusable Reserves</u>		
-68,324	Revaluation Reserve		-91,270
-225,369	Capital Adjustment Account		-233,805
310	Financial Instruments Adjustment Account		251
-376	Pooled Investment Funds Adjustment Account		-1,319
454,996	Pensions Reserve		426,862
49,481	Collection Fund Adjustment Account		17,646
5,381	Accumulated Absences Account		5,573
6,615	DSG Adjustment Account		11,097
222,714			134,585
<b>70,503</b>	<b>Total Group Reserves</b>		<b>-11,837</b>

The Notes to the single entity accounts on pages 35 to 108, and to the Group Accounts on pages 121 to 125 form part of the financial statements (note that the disclosures on pages 125 to 127 are for information only and do not form part of the financial statements).

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## GROUP CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting year. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

<u>2020/2021</u> £000s		<u>Note</u>	<u>2021/2022</u> £000s
	<b><u>Operating Activities</u></b>		
11,805	Net Deficit on the provision of services		5,428
-45,986	Adjustments to net surplus or deficit on the provision of services for non-cash movements		-85,868
23,180	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		20,939
-11,001	Net cash flows from Operating Activities	10	-59,501
	<b><u>Investing Activities</u></b>		
25,276	Purchase of property, plant and equipment, investment property and intangible assets		28,424
999	Purchase of short-term and long-term investments		0
-4,751	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		-885
-19,310	Other receipts from investing activities		-18,862
2,214	Net cash flows from Investing Activities		8,677
	<b><u>Financing Activities</u></b>		
-43,561	Cash receipts of short- and long-term borrowing		0
0	Other receipts from financing activities		-1,143
480	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		504
21,239	Repayments of short- and long-term borrowing		20,667
600	Other payments for financing activities		0
-21,242	Net cash flows from Financing Activities		20,028
<b>-30,029</b>	<b>Net decrease / increase (-) in cash and cash equivalents</b>		<b>-30,796</b>
-42,488	Cash and cash equivalents at the beginning of the reporting period		-72,517
<b>-72,517</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>7</b>	<b>-103,313</b>

## NOTES TO THE GROUP ACCOUNTS

### 1 INTRODUCTION

The notes below include details of where the inclusion of Sefton New Directions Limited and / or Sandway Homes has altered the disclosures within Sefton's single entity accounts. All other notes to the Group Financial Statements are as shown in the Notes to the single entity accounts.

### 2 DISCLOSURE OF AUDIT COSTS

Sefton New Directions Limited incurred the following fees relating to external audit and inspection.

<u>2020/2021</u> £000		<u>2021/2022</u> £000
14	Fees payable to Hazlewoods LLP for external audit services	17
<b>14</b>	<b>Total</b>	<b>17</b>

Sandway Homes didn't incur any fees relating to external audit and inspection. Sefton's expenditure on audit costs is shown in Note 11 to the single entity accounts.

### 3 ASSETS ON OPERATING LEASES

Sefton New Directions Limited made operating lease payments of £0.074m in 2021/2022 relating to Land and Buildings and other assets (£0.058m in 2020/2021). Sefton New Directions has obligations to make payments for operating leases in future years as follows:

<u>31 March</u> <u>2021</u> £000s		<u>31 March</u> <u>2022</u> £000s
60	Not later than one year	54
162	Later than one year and not later than five years	124
510	Later than five years	503
732		681

Sandway Homes had no operating leases. Sefton's expenditure on operating leases is shown in Note 48 to the single entity accounts.

### 4 PARTICIPATION IN PENSION SCHEMES

Sefton New Directions Limited and Sandway Homes employees are eligible to join defined contribution pension schemes. The pension cost charge for the year relates to the contributions paid in the year by the companies.

Sefton New Directions employees were previously eligible to join the same Local Government Pension Scheme as those employees in Sefton, i.e., a defined benefit scheme. Until 2020/2021 this was accounted for as a defined benefit scheme. However, for 2021/2022, due to Sefton Council being a full guarantor for the pension liability, the directors of the Company have deemed that the derecognition of the liability is appropriate. Pension contributions in respect of the defined benefit contribution scheme are now charged when contributions are paid.

The following transactions have been made in the Group Comprehensive Income and Expenditure Statement during the year:

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Group Accounts

2020/2021		<b>Comprehensive Income and Expenditure Statement</b>	2021/2022	
Sefton Council £000s	Sefton New Directions Limited £000s		Sefton Council £000s	Sefton New Directions Limited £000s
33,333	872	<u>Cost of Services:</u> Current Service Cost	42,719	0
153	4	Curtailment Cost	154	0
538	14	Administration Expenses	551	0
11	0	Past Service Cost	0	0
8,527	113	<u>Financing and Investment Income &amp; Expenditure:</u> Net Interest Cost	9,158	0
42,562	1,003	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	52,582	0
31,613	46	Actuarial Losses / Gains (-) on Pension Assets and Liabilities	-58,455	0
0	-8	Deferred Tax re. Actuarial losses on pension fund assets and liabilities for Sefton New Directions Limited	0	0
0	0	Movement on Transfer Out of Defined Benefit Pension Liability		-4,687
74,175	1,041	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	-5,873	-4,687

## Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2020/2021			2021/2022	
Sefton Council £000s	Sefton New Directions Limited £000s		Sefton Council £000s	Sefton New Directions Limited £000s
-1,520,171	-50,759	Present Value of the Defined Benefit Obligation	-1,572,508	-51,292
1,065,258	44,972	Fair Value of Plan Assets	1,145,646	49,895
0	1,100	Related Deferred Tax Assets	0	0
0	0	Other amounts recognised in the statement of financial position	0	-1,397
-454,913	-4,687	Net Liability arising from defined benefit obligation	-426,862	0

## Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of scheme liabilities



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2020/2021			2021/2022	
Sefton Council £000s	Sefton New Directions Limited £000s		Sefton Council £000s	Sefton New Directions Limited £000s
1,309,193	44,500	1 April	1,520,171	50,759
33,333	872	Current Service Cost	42,719	971
31,054	1,054	Interest Cost on Pension Liabilities	31,579	1,055
6,784	164	Contributions by scheme participants	7,033	154
177,103	5,435	Remeasurement Gains (-) and Losses	10,758	-367
-37,460	-1,270	Benefits paid	-39,906	-1,282
153	0	Curtailment Cost	154	0
11	4	Past Service Cost	0	2
1,520,171	50,759	31 March	1,572,508	51,292

Reconciliation of fair value of scheme assets:

2020/2021			2021/2022	
Sefton Council £000s	Sefton New Directions Limited Restated £000s		Sefton Council £000s	Sefton New Directions Limited £000s
906,841	39,747	1 April	1,065,258	44,972
22,517	941	Interest Income	22,421	933
145,490	5,389	Remeasurement Gains / Losses (-)	69,213	5,131
21,614	15	Employer contributions	22,178	0
6,784	164	Contributions by scheme participants	7,033	154
-37,460	-1,270	Benefits paid	-39,906	-1,282
-538	-14	Administration Expenses	-551	-13
1,065,258	44,972	31 March	1,145,646	49,895

The deficit for Sefton New Directions Limited on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme Actuary.

## Basis for Estimating Assets and Liabilities

The principal assumptions used by the actuary for Sefton New Directions have been:

2020/2021		2021/2022
	<u>Mortality assumptions (years):</u>	
	Local Government Pension Scheme:	
21.0	Longevity at 65 for current pensioners: Men	21.0
24.0	Longevity at 65 for current pensioners: Women	24.0
24.0	Longevity at 65 for future pensioners: Men	22.0
26.0	Longevity at 65 for future pensioners: Women	26.0
	<u>Other assumptions</u>	
2.8%	Rate of Inflation - CPI	3.4%
4.2%	Rate of increase in salaries	4.9%
2.7%	Rate of increase in pensions	3.5%
2.1%	Rate for discounting scheme liabilities	2.8%

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The assumptions used by the actuary for Sefton Council are shown in Note 51 to the single entity accounts.

## 5 PROPERTY, PLANT AND EQUIPMENT

The Property, Plant and Equipment (PP&E) figure in the Group Balance Sheet includes £0.231m for Vehicles, Plant and Equipment of Sefton New Directions Limited at 31 March 2022 (£0.359m at 31 March 2021) and £0.065m for Land and Buildings (£0.086m at 31 March 2021). It also includes £2.232m at 31 March 2022 for Land of Sandway Homes (£2.232m at 31 March 2021). Details of Sefton's PP&E are shown in Note 18 to the single entity accounts.

## 6 CURRENT ASSETS

The Current Assets figure in the Group Balance Sheet includes £0.354m for Debtors of Sefton New Directions Limited at 31 March 2022 (£0.489m at 31 March 2021) and £0.518m at 31 March 2022 for Debtors of Sandway Homes (£nil at 31 March 2021). Details of Sefton's Debtors are shown in Note 27 to the single entity accounts.

## 7 CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents held by Sefton MBC, Sefton New Directions Limited and Sandway Homes are shown below:

31 March 2021 £000s		31 March 2022 £000s
66,410	Sefton MBC - Cash and Cash Equivalents	98,328
4,011	Sefton New Directions Limited - Bank Deposits	4,770
420	Sandway Homes	215
<b>70,841</b>	<b>Total Cash and Cash Equivalents</b>	<b>103,313</b>

## 8 CURRENT LIABILITIES

The Current Liabilities figure in the Group Balance Sheet includes £1.181m for Creditors of Sefton New Directions Limited at 31 March 2022 (£0.708m at 31 March 2021) and £10.001m for Creditors (£0.817m at 31 March 2021) and £0.000m for Receipts in Advance (£0.625m at March 2021) relating to Sandway Homes. Details of Sefton's Creditors are shown in Note 29 to the single entity accounts.

## 9 PROVISIONS

The Current Liabilities figure in the Group Balance Sheet includes £0.045m for Short Term Provisions of Sefton New Directions Limited at 31 March 2022 (£0.054m at 31 March 2021). Details of Sefton's provisions are shown in Note 30 to the single entity accounts. Movements in New Directions' provisions during the year were as follows:

	<b>2021/2022</b>	<u>1 April 2021</u> £000s	<u>Additions in Year</u> £000s	<u>Applied In Year</u> £000s	<u>Released In Year</u> £000s	<u>31 March 2022</u> £000s
(a)	Deferred Tax	-54	0	9	0	-45

Comparable figures for the previous year are shown below:

	<b>2020/2021</b>	<u>1 April 2020</u> £000s	<u>Additions in Year</u> £000s	<u>Applied In Year</u> £000s	<u>Released In Year</u> £000s	<u>31 March 2021</u> £000s
(a)	Deferred Tax	-61	0	7	0	-54

(a) **Deferred Tax** – This relates to the difference between accumulated depreciation and amortisation and capital allowances.

## 10 **CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

<u>2020/2021</u> £000s		<u>2021/2022</u> £000s
-365	Interest received	-339
8,066	Interest paid	7,398

## 11 **STATEMENT OF ACCOUNTING POLICIES**

The Accounting Policies for the Group are described in Note 56 to the single entity accounts.

## 12 **OTHER INFORMATION:**

The following disclosures are for information only and do not form part of the financial statements.

### **SEFTON NEW DIRECTIONS SUMMARY FINANCIAL INFORMATION**

#### Profit and Loss Account

<u>2020/2021</u> £000		<u>2021/2022</u> £000
10,623	Turnover	10,374
-9,203	Cost of Sales	-8,471
1,420	Gross Profit	1,903
-1,672	Administrative Expenses	-1,631
-252	Gross Profit / Loss (-)	272
-218	Costs of reorganisation and restructuring / COVID19 Related Costs	-244
-110	Other interest receivable and similar income	0
-580	Profit / Loss (-) before Tax	28
111	Taxation	-16
<b>-469</b>	<b>Profit / Loss (-) for the financial year</b>	<b>12</b>

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Group Accounts

## Statement of Comprehensive Income

2020/2021 £000		2021/2022 £000
-469	<b>Profit / Loss (-) for the financial year</b>	12
-46	Actuarial gain / loss (-) recognised on defined benefit pension scheme	0
9	Deferred tax actuarial gain / loss (-) recognised on defined benefit pension scheme	0
0	Movement on Transfer Out of Defined Benefit Pension Liability	4,688
-37		4,688
<b>-506</b>	<b>Comprehensive Income for the financial year</b>	<b>4,700</b>

## Balance Sheet

2020/2021 £000		2021/2022 £000
	<b>Fixed Assets</b>	
445	Tangible Assets	296
	<b>Current Assets</b>	
488	Debtors	354
4,011	Cash at bank and in hand	4,771
4,499		5,125
-708	<b>Creditors: Amounts falling due within one year</b>	-1,181
3,791	<b>Net Current Assets</b>	3,944
<b>4,236</b>	<b>Total assets less current liabilities</b>	<b>4,240</b>
	<b>Long-Term Liabilities</b>	
54	Provision for liabilities	45
4,687	Net pension liability	0
4,741		45
	<b>Capital and reserves</b>	
1	Called up share capital	1
-506	Retained earnings	4,194
-505		4,195
<b>4,236</b>	<b>Total capital, reserves and long-term liabilities</b>	<b>4,240</b>

## SANDWAY HOMES SUMMARY FINANCIAL INFORMATION

### Profit and Loss Account

<u>2020/2021</u> £000		<u>2021/2022</u> £000
0	Turnover	0
-208	Cost of Sales	0
-208	Gross Profit	0
-228	Administrative Expenses	-347
-436	Gross Profit / Loss (-)	-347
-69	Interest payable and similar charges	-49
<b>-505</b>	<b>Profit / Loss (-) for the financial year</b>	<b>-396</b>

### Balance Sheet

<u>2020/2021</u> £000		<u>2021/2022</u> £000
	<b>Fixed Assets</b>	
2,232	Tangible Assets	2,232
	<b>Current Assets</b>	
1,401	Work in Progress	7,034
0	Debtors	518
420	Cash at bank and in hand	215
1,821		7,767
	<b>Current Liabilities</b>	
-817	Creditors: Amounts falling due within one year	-10,001
-625	Deferred Income	0
-1,442		-10,001
379	<b>Net Current Assets</b>	-2,234
<b>2,611</b>	<b>Total assets less current liabilities</b>	<b>-2</b>
	<b>Long-Term Liabilities</b>	
4,450	Creditors: Amounts falling due after one year	2,232
	<b>Capital and reserves</b>	
-1,839	Retained earnings	-2,234
<b>2,611</b>	<b>Total capital, reserves and long-term liabilities</b>	<b>-2</b>

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Group Accounts

## 11 FOREWORD TO THE ANNUAL GOVERNANCE STATEMENT

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Leader of the Council, Councillor Ian Maher and the Chief Executive, Dwayne Johnson both recognise the importance of having good systems of governance, risk and assurance in place to be able to manage and deliver services to its residents, businesses, partners and stakeholders. The Council has adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'.

Each year, to provide an assurance on this, the Council is required to conduct an annual review of the effectiveness of its governance, risk and assurance systems to produce an Annual Governance Statement (AGS) which provides an assurance on how these systems have been working. This annual review is in respect of 2021/22 and this statement provides an assurance that good governance arrangements are in place and the Council is managing the risks to achieving its objectives. It also sets out planned actions for next year 2022/23. The AGS is also published in the Council's Annual Accounts.

With the ongoing impact of COVID-19 this has meant that governance, assurance but particularly risk continue to need to be prioritised. This therefore continues to expose the Council to significant risks but we are assured that every action was taken to continue to mitigate these risks in 2021/22 and we will continue to ensure that any lessons nationally, regionally and locally are applied to our organisation's future approach to managing such extreme circumstances.

We have conducted our annual review of the effectiveness of the systems of governance, risk and assurance in place at Sefton MBC and it is our opinion that these are fit for purpose and in accordance with the governance framework. We propose over the coming year to take actions to address highlighted issues in the AGS and further improve our corporate governance arrangements. We are satisfied that these actions will address the need for improvements that were identified in our annual review of effectiveness in 2021/22 and we will monitor their implementation and operation as part of our annual review in 2022/23.



Councillor Ian Maher  
Leader of the Council



Dwayne Johnson  
Chief Executive

# Annual Governance Statement 2021/22

## Year Ended 31 March 2022

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## 1. Introduction and Scope of Responsibility

Sefton Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for. Sefton Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

It also meets the requirements of the Accounts and Audit Regulations 2015 which requires the Council to publish an Annual Governance Statement (AGS) in accordance with proper practice in relation to internal control.

The Council has reviewed its existing governance arrangements and has subsequently approved and adopted in September 2019 a local Code of Corporate Governance, which is consistent with the seven principles of Corporate Governance as set out in the CIPFA/SOLACE publication 'Delivering Good Governance in Local Government Framework 2016'.

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

## 2. The Purpose of the Annual Governance Statement

The AGS is a public document that reports on the extent to which the Council complies with its own Code of Corporate Governance, demonstrating the monitoring and evaluation of the effectiveness of governance arrangements. The AGS is a valuable means of communication and reflects the Council's features, challenges and any planned changes in the coming period.

The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled; and through which it engages with and leads its communities. This framework enables the authority to develop and achieve its strategic objectives and core purpose in delivering the 2030 vision. The Council's governance arrangements are designed to manage risk to a reasonable level within this context. These arrangements cannot eliminate risk but can provide reasonable assurance for the AGS.

- i. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot remove all risk of failing to achieve the Council's aims and objectives but can provide a reasonable assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks that could prevent the Council from achieving its aims and objectives;
- ii. assess how likely it is that identified risks will happen and what the potential impact would be if they did, and
- iii. manage the risks effectively.



For the purposes of this statement, the governance framework has been in place at Sefton Council from 1 April 2021 and up to the date of the approval of the annual statement of accounts.

### 3. The Governance Framework

The seven principles of Corporate Governance laid out in the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government (2016 Edition) and the Council's Code of Corporate Governance are available on the Council's website on the link below:

<https://modgov.sefton.gov.uk/ecCatDisplay.aspx?sch=doc&cat=13370&path=0>

The Council's Code of Corporate Governance is included in the Audit and Governance Committee's Annual Work Programme for 2022/23 for review and approval on 15 March 2023.

Sefton Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by:

- Senior managers who have responsibility for the development and maintenance of the governance environment within their service areas;
- The Chief Internal Auditor's Annual Audit Opinion Statement, which includes a report on the effectiveness of Internal Audit, and
- Feedback, recommendations and comments made by the external auditors and other review agencies and inspectorates.

The outcome from this review is provided in sections 4 and 5 of this report.



## 4. Review of Effectiveness

### Decision Making and Scrutiny

The Council approved the overall policy and budgetary framework for the financial year 2021/22. Cabinet subsequently made decisions at various points throughout the year that were in line with this policy and budget framework. The decisions of the Cabinet have been the subject of scrutiny through the Council's Overview and Scrutiny Committees which met regularly during the year.

Each Overview and Scrutiny Committee had a work programme for the year and reviewed a range of current activities and potential issues as part of that programme.

All decisions made by Committees, Council, Cabinet, Cabinet Member (under their delegated powers) and Chief Officer executive decisions are recorded and published online for transparency. Delegation arrangements for Cabinet Members are reviewed annually by the Chief Legal and Democratic Officer as part of the Constitution review process. The Council publishes a calendar of meetings and deadlines for the submission of agenda items. Agendas and reports are produced promptly and provided to the relevant Members. The Executive Director of Corporate Resources and Customer Services and the Chief Legal and Democratic Officer have been consulted on these reports and any comments have been incorporated into the reports.

### Audit and Governance Committee

The Audit and Governance Committee provides independent assurance on the adequacy of the Council's risk, governance and assurance environment. All political parties are represented on the Audit and Governance Committee. The Committee monitors the Corporate Risk Register which includes the mitigating actions that has been taken for the Council to manage the risks to achieving its objectives. Full details of this is available on the Council's website on the link below:

<https://modgov.sefton.gov.uk/mgCommitteeDetails.aspx?ID=141>

The Committee met four times during 2021/22 on 23 June 2021, 15 September 2021, 15 December 2021 and 16 March 2022. The special meeting planned for the consideration of the Council's Annual Statement of Accounts for 2020/21 on 21 July 2021 was cancelled as a result of the Council's External Auditor having not completed their annual audit work, therefore this special meeting could not take place. The Council's Annual Statement of Accounts for 2020/21 were subsequently considered at the Committee's meeting on 15 December 2021. The Committee's Annual Work Programme for 2022/23 has a special meeting scheduled for November 2022 for the consideration of the Council's Annual Statement of Accounts for 2021/22. Meetings have considered reports, from the Monitoring Officer, the Section 151 (S151) Officer, the Chief Internal Auditor and the External Auditor.

### Executive Leadership Team

The Council's Executive Leadership Team (ELT) is led by the Chief Executive and includes Executive Directors which includes the S151 Officer. ELT meet fortnightly to consider and provide leadership on all business matters of the Council.



As part of the corporate governance review for 2021/22 members of the ELT, including the Chief Executive, have provided formal assurance in respect of their role and responsibilities, by each of them completing a Governance Assurance Statement (GAS). The GAS is based upon the seven principles of Corporate Governance laid out in the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government (2016 Edition) referred to in Section 3 above.

### **Strategic Leadership Board**

The Strategic Leadership Board (SLB) consists of the Chief Executive, Executive Directors, Heads of Service and the Council's Monitoring Officer. It provides senior management and leadership in the development, delivery and communication of Council and borough-wide policy and performance. It has a key responsibility for the development and maintenance of the governance environment.

Each Head of Service is responsible for the governance framework and good governance in their individual Service area and are in turn supported by their managers. As part of the corporate governance review for 2021/22 Heads of Service (HoS) have provided formal assurance in respect of their service area, by completing GASs based on the above Framework. The Council's Monitoring Officer, the Chief Legal and Democratic Officer has also completed a GAS. In June 2022, the job titles of HoS were changed to Assistant Directors.

### **External Audit**

Ernst & Young LLB are the Council's appointed External Auditor for 2021/22. The work of the Council's External Auditor includes an examination of the Council's Annual Accounts and an assessment of the degree to which the Council delivers value for money in the use of its resources. The External Auditor will also reach an opinion on the consistency of the AGS with other information published with the Council's Annual Accounts. The AGS is published in the Council's Annual Accounts.

### **Internal Audit**

The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit which provides independent and objective assurance across the whole range of Council activities. It is the duty of the Chief Internal Auditor to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council.

Based upon the work of Internal Audit during 2021/22, the Chief Internal Auditor provided the Council with an overall opinion of adequate, with the potential for improvement being adequate on the arrangements for gaining assurance through the governance framework and on the controls reviewed as part of the Internal Audit programme. It should be noted that this latter assessment has been driven by the pandemic and the fact that the Council has not been able to progress some key areas of activity during the year as it was responding to the pandemic.



Internal Audit carried out follow up audit reviews for all high risk recommendations and a sample of medium and low risk recommendations to ensure that recommendations made had been implemented as agreed by management.

The Public Sector Internal Audit Standards were introduced from April 2013 and updated in April 2017. The service was the subject to a review during 2017/18 which was assessed as being generally compliant with the Public Sector Internal Audit Standards 2017.

### Other External Inspections

During the year, a number of external inspections took place within the Council. Appropriate action plans have been developed and processes are in place to track delivery. Notable inspections include:

- Youth Inspection;
- Joint local area SEND revisit in Sefton (Care Quality Commission and Ofsted);
- Schools' Ofsted Inspections;
- Ofsted Inspection of Local Authority Children's Services;
- Food Standards Agency Audit Report - Food Law Enforcement Service: Onsite Audit;
- JTAI for Children's Mental Health, and
- LGA Peer Review Revisit.

From the evaluation work undertaken the following sections look at how the Council is held to account for the seven principles of Corporate Governance.

## 5. Significant Governance Issues

In addition to identifying those areas where the Council meets the principles of Corporate Governance, it is also appropriate to identify areas of improvement that can be undertaken during the next financial year, or where it is considered that there is a significant new or ongoing issue that will require stringent focus due to the potential impact. These are termed as 'Significant Governance Issues' (SGIs) and can be defined as an issue that:

- Seriously prejudices or prevents achievement of a key target;
- Has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
- The External Auditor regards as having a material impact on the accounts/value for money conclusion;
- Audit and Governance Committee advises that it should be considered significant;
- The Chief Internal Auditor identifies and reports on it as significant;



- It has been reported as significant by external bodies - for example Care Quality Commission, Ombudsman, Information Commissioner, Independent Consultants;
- The issue, or its impact, has attracted significant public interest, or has seriously damaged the reputation of the body;
- May make it harder to prevent fraud or other misuse of resources, and
- May put financial stability, security or data integrity at risk.

The 2021/22 annual governance review has identified the following issues:

	Significant Governance Issue (SGI)	Source	Action to Address the Issue	Timescale	Lead
1	<p>There were three SGIs in the Council's 2020/21 Annual Governance Statement relating to inspections as follows:</p> <ul style="list-style-type: none"> <li>• A Joint Targeted Area Inspection (JTAI) for Children's Mental Health in Sefton took place in September 2019;</li> </ul>	GAS Review	<p>JTAI - In June 2021, an interim Executive Director of Children's Social Care and Education was appointed. An overarching Children's Plan was developed and in April 2021, an independent person was identified as chair for the partnership Children's Improvement Board. The Department for Education (DfE) issued an Improvement Notice for Children's Social Care Services in May 2021. The Council has further external advice from a DfE advisor who is a member of the Board. This has opened a range of advice and support to Sefton at all levels in the organisation.</p>	31 March 2023	Dwayne Johnson, Chief Executive and Martin Birch, Executive Director of Education and Children's Services.
	<ul style="list-style-type: none"> <li>• An Ofsted and Care Quality Commission (CQC) revisit in April 2019 relating to weaknesses in the Written Statement of Action (WSOA), and</li> </ul>		<p>Ofsted and Care Quality Commission (CQC) - In June 2021, a review of the Improvement Notice was undertaken by Department for Education (DfE) and NHS England (NHSE) advisers and officials. The evidence from the review</p>	31 March 2023	Dwayne Johnson, Chief Executive and Martin Birch, Executive Director of Education and



	Significant Governance Issue (SGI)	Source	Action to Address the Issue	Timescale	Lead
	<ul style="list-style-type: none"> <li>Sefton was overdue an Ofsted Inspection of Local Authority Children’s Services. Following a pause in the inspection framework due to COVID-19, Ofsted undertook a ‘restart’ focused visit of Children’s Social Care in March 2021. This was not a full inspection and therefore was not graded. A letter to the Council was published on the Ofsted website on 10 May 2021 with the visit’s findings and identification of priority action.</li> </ul>		<p>demonstrated significant progress the Council and partners had made and its success in addressing and embedding the improvements identified in Ofsted’s/CQC revisit in 2019. The Improvement Notice was revoked and the Council and partners formally exited departmental intervention. The SEND Continuous Improvement Board continues with oversight of the SEND system in Sefton. Since the 2019 Inspection the Board are aware of the additional 800 educational health and care plans required to support individuals and families and the resource impact on the workforce and high needs budget. Mitigated actions have been put in place to address these matters.</p> <p>Ofsted - In February 2022, an Inspection of Sefton Local Authority Children’s Services took place and the judgement was graded inadequate. A revised Improvement Plan is being developed and this was submitted to Ofsted by 17 August 2022. Following the Inspection, the DfE appointed a Children Commissioner to review the Council capacity and capability and would report to the Children Social Care Minister in October 2022.</p>	<p>31 March 2023</p>	<p>Children’s Services.</p> <p>Dwayne Johnson, Chief Executive and Martin Birch, Executive Director of Education and Children’s Services.</p>





	Significant Governance Issue (SGI)	Source	Action to Address the Issue	Timescale	Lead
	<p>Areas for priority action in the letter included:</p> <ul style="list-style-type: none"> <li>• Timely application of the pre-proceedings stage of the Public Law Outline where risks for children are not reducing through child protection planning, and</li> <li>• The effectiveness of case supervision and the monitoring of children who are subject to child protection planning, including those children in the pre-proceedings process, to prevent drift and delay.</li> </ul> <p>What needs to improve in this area of social work practice:</p> <ul style="list-style-type: none"> <li>• The quality assurance arrangements and senior management oversight of social work practice;</li> <li>• The strategic and operational focus on achieving change and reducing risk for vulnerable children, including disabled children and care leavers, and</li> <li>• The capacity in social work teams and the number of children on social workers' caseloads.</li> </ul>		The pace of the required change is a challenge given capacity and so the Council has invested an additional £11.6m in Children's Services, secured the required interim transformational resources, put in place a robust Improvement Plan, developed a new approach to recruiting the Children's Social Care workforce and appointed a new Executive Director of Children's Social Care and Education.		
2	<p>There was a Local Government Association (LGA) Peer Review Revisit on 21 and 22 April 2022.</p> <p>The LGA Peer team reviewed progress against the recommendations since the last</p>	GAS Review	The Council will consider the public feedback report and then publish an action plan in response within eight weeks of the report's publication.	31 March 2023	Dwayne Johnson, Chief Executive



	Significant Governance Issue (SGI)	Source	Action to Address the Issue	Timescale	Lead
	<p>Corporate Peer Challenge in September 2018, under the following themes:</p> <ul style="list-style-type: none"> <li>Local Priorities and Outcomes;</li> <li>Corporate Transformation;</li> <li>Economic Growth, and</li> <li>Member Development.</li> </ul> <p>Following the Revisit, the Peer team will produce a public feedback report which is expected June 2022.</p>		6-month check-in to be scheduled - an opportunity to discuss progress and next steps.		
3	<p>To support financial sustainability, the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Financial Management (FM) Code which aims to ensure a high standard of financial management in local authorities. The FM Code was launched in November 2019 and authorities were advised that they should introduce this in the 'shadow year' in 2020/21 prior to full implementation in 2021/22.</p> <p>On 17 March 2021, the Council's Audit and Governance Committee has noted the introduction of the CIPFA FM Code and the self assessment of compliance with the Code and noted the Action Plan to further improve both compliance with the Code and financial management across the Council.</p> <p>CIPFA's Better Governance Forum has issued guidance on Local Authority's Corporate Codes of Governance that</p>	GAS Review	<p>As agreed a further report on progress on the FM Code is due to be presented to the Audit and Governance Committee at the 22 June 2022 meeting as scheduled in the 2022/23 Work Programme for the Committee.</p> <p>At the meeting of the Council's Audit and Governance Committee on 16 March 2022 the Committee agreed a</p>	<p>31 March 2023</p> <p>31 March 2023</p>	<p>Stephan Van Arendsen, Executive Director, Corporate Services and Customer Services</p> <p>Chief Legal and Democratic Officer (Monitoring Officer)</p>



	Significant Governance Issue (SGI)	Source	Action to Address the Issue	Timescale	Lead
	recommends that these are reviewed and approved annually by the Audit Committee annually. The Council's Corporate Code of Conduct was last reviewed in 2019.		work programme for 2022/23 which included that a revised Code of Corporate Governance will be presented for approval to the meeting on 15 March 2023. It will be scheduled on future work programmes for annual review and approval.		
4	Sefton Council declared a 'Climate Emergency' on 18 July 2019 and work has progressed within the Council on the agreed actions that were contained and approved by Members. There is a Strategy in place and delivery is via an Action Plan for the period to 2030. This will establish and refine a baseline position on the Council's carbon emissions (carbon footprint) with the development of three year implementation plans to make the Council's activities net-zero carbon by 2030.	GAS Review	<p>Climate Change e learning is mandatory for all staff.</p> <p>All Cabinet Reports specify that the Climate Emergency Implications must be considered in the report within a specific section on the front sheet of all Cabinet Reports.</p> <p>The Officers' Working Group has continued to meet on a monthly basis and the Member Reference Group chaired by the Cabinet Member for Regulatory, Compliance and Corporate Services also meets on a regular basis.</p> <p>The Street Lighting LED programme is underway as is the retrofit of Bootle and Southport Town Halls.</p> <p>The next annual report will be presented to Cabinet in June/July 2022.</p>	31 March 2023	Dwayne Johnson, Chief Executive and the Cabinet Member for Regulatory, Compliance and Corporate Services.
5	COVID-19 continued as an SGI in 2021/22.	GAS Review	COVID-19 Outbreak Management (Health Protection) Board and the Stakeholder Board have stood down. Oversight of outbreaks will be managed through routine health protection arrangements and led by UKSHA.	31 March 2023	Dwayne Johnson, Chief Executive, Margaret Jones, Director of Public Health and the



	Significant Governance Issue (SGI)	Source	Action to Address the Issue	Timescale	Lead
			<p>Sefton Health Protection Forum stood up in April 2022 and will provide local oversight and assurance, reporting to Health and Wellbeing Board.</p> <p>As of May 2022, the local mitigation against the possible threat of COVID-19 is reducing. Testing, contact tracing and the legal requirement to self-isolate have all ceased. A significant reduction in local authority health protection workforce will also take place over coming months. Public Health will continue to engage with UKHSA, CHAMPs, Directors of Public Health network and LGA to escalate concerns and ask for assurance from UKHSA that they will continue to fulfil health protection functions.</p> <p>The Budget Plan 2022/23 presented to Cabinet on 10 February 2022 by the Executive Director of Corporate Resources and Customer Services highlighted that consideration was given to the ongoing impact of the pandemic. Reporting on these will continue to Cabinet in 2022/23.</p>		Cabinet Member for Health and Wellbeing
6	On 11 February 2021, the Government published a White Paper 'Integration and Innovation: Working Together to Improve Health and Social Care' - Department of Health and Social Care (DHSC), 2021, setting out a raft of proposed reforms to	GAS Review	The PCN delivery has been put back by Central Government until July 2022. Deborah Butcher, the Executive Director for Adult Social Care and Health Services has been appointed as the Sefton Place Director to the Cheshire and Merseyside Partnership	July 2022	Dwayne Johnson, Chief Executive



	Significant Governance Issue (SGI)	Source	Action to Address the Issue	Timescale	Lead
	<p>health and care to create Integrated Care Partnerships.</p> <p>'Shadow' arrangements were introduced in 2021/22 and to be delivered in full by April 2022.</p>		<p>Integrated Care Board (ICB). The role is a joint appointment between the NHS and Sefton Council and she takes this role on in addition to her current duties as Executive Director for the Council. Place Directors will have statutory responsibilities in both the ICB and the relative Local Council. Good progress has been made in year in respect of integration between health and social care.</p>		
7	<p>In the 2020/21 Corporate Governance Internal Audit Review it was recommended that a self-assessment against the Local Government Association's National Framework is carried out in line with the conclusions of the Council's Ethical Working Group.</p> <p>Changes internally and at Social Value Portal mean that this work has stalled and will start again in the first quarter of 2022/23.</p>	GAS Review	<p>A Social Value Policy is in development with a view to implementing the policy in 2022/23.</p> <p>A self-assessment against the Local Government Association's National Framework has been carried out in line with the conclusions of the Council's Ethical Working Group.</p> <p>As a new national policy is introduced the Council will consider the required changes and update policies and approaches accordingly.</p>	31 March 2023	Jan McMahon, Assistant Director Corporate Resources (Strategic Support)
8	<p>In the 2020/21 Corporate Governance Internal Audit Review (IAR) it was recommended that Partnership Agreements are reviewed by Heads of Service (HoS) to provide assurances in line with the Council's Financial Procedural Rules (FPRs) for access for Internal Audit.</p>	GAS Review	<p>Partnerships</p> <p>The Chief Legal and Democratic Officer (Monitoring Officer) has sent a reminder e mail on 11 May 2022 regarding the provision of information relating to Partnerships Agreements to all HoS.</p>	31 March 2023	Partnership Agreements ADs



### **Update on the Significant Governance Issues**

The Annual Governance Statement was signed off in September 2022 and subsequently approved by the Audit and Governance Committee on 27<sup>th</sup> September 2023. It was therefore written as at that point in time. In the intervening period (to October 2024) all action points outlined above have been completed.

In addition, CIPFA requires that for any significant events that have occurred, between the Annual Governance Statement being signed and the final audited Statement of Accounts being published, relating to the Significant Governance Issues referred to in the AGS, then an update should be included in the AGS. The following issue has been identified as requiring an update:

#### **Item 1 - Ofsted 'restart' focused visit of Children's Social Care in March 2021**

In February 2022, OFSTED undertook an Inspection of Sefton Local Authority Children's Services, and the judgement was graded inadequate. Revised Improvement Plans have been produced and monitoring visits have been undertaken since that date, the most recent one taking place in June 2024.



## Conclusion and Declaration

The review provides good overall assurance that Council's arrangements continue to be regarded as fit for purpose in accordance with the Governance Framework.

During the next twelve months there will be improvements to address the above matters and further enhance governance arrangements. The effectiveness of measures implemented in 2022/23 will be monitored and reported as part of the next annual review.

### Signed on behalf of Sefton Council:

.....

**Phil Porter**

**Chief Executive**

.....

**Councillor Marion Atkinson**

**Leader of the Council**

.....

**Date**

.....

**Date**



# Agenda Item 4

Auditors' Report

## 12 INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SEFTON METROPOLITAN BOROUGH COUNCIL

The Independent Auditor's Report will be included in the final version of the Statement of Accounts following the conclusion of the audit of the accounts.









## 13 **GLOSSARY**

### **ACCOUNTABLE BODY**

Projects financed from Government / European resources in some instances require grant claims from recognised legal entities, especially when a partnership or voluntary organisation is involved. This accountable body (usually the local authority) is held responsible for the proper completion of grant claims, ensuring that appropriate financial systems are in place and to receive and distribute the grant.

### **ACCRUALS**

The concept that income and expenditure are recognised in the accounts as they are earned or incurred not as money is received or paid.

### **ACTUARIAL GAINS AND LOSSES**

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

- (i) Events have not coincided with the actuarial assumptions made for the last valuation (Asset and Liability Gains and Losses); or
- (ii) The actuarial assumptions have changed.

### **AMORTISATION**

The accounting technique of recognising a cost or item of income in the Income and Expenditure Account over a period of years rather than when the initial payment is made. Its purpose is to charge/credit the cost/income over the accounting periods that gain benefit for the respective item. The technique is supported by relevant accounting policies and practices.

### **AUTHORITY**

Another term used to refer to the Council.

### **BALANCES**

These represent accumulated monies of the Authority. Non-School General Fund balances may be utilised to reduce the amount to be met from Revenue Support Grant, NNDR and local taxpayers. School balances can be used by schools to finance future years' expenditure.

### **BEST VALUE**

The Local Government Act 1999 introduced the principle of Best Value and places a statutory duty on authorities to provide economy, efficiency and effectiveness in the provision of its services.

### **BUSINESS IMPROVEMENT DISTRICT**

Business Improvement Districts are business led partnerships which are created through a ballot process to deliver additional services to local businesses.

Business Improvement Districts cover a defined area in which a levy is charged on all business rate payers in addition to the business rates bill. This levy is used to develop projects which will benefit businesses in the local area.

### **CAPITAL CHARGES**

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

## **CAPITAL EXPENDITURE**

Capital expenditure is the acquisition of a fixed asset or expenditure which adds to the value of the existing fixed asset (e.g. building of a school). It can be spent either directly by the local authority or indirectly in the form of grants to other persons or bodies.

## **CAPITAL RECEIPTS**

The proceeds from the sale of capital assets which, subject to various limitations, can be used to finance Capital Expenditure or to repay leasing charges or outstanding debt on assets originally financed through loan. A proportion of capital receipts may need to be set aside to meet future liabilities.

## **CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)**

CIPFA is the leading professional accountancy body for public services, which has responsibility for setting accounting standards in Local Government.

## **CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN GREAT BRITAIN (THE CODE)**

The Statement of Accounts is produced in accordance with CIPFA's Code of Practice on Local Authority Accounting in Great Britain, which is updated annually. The Code specifies the principles and practices of accounting required to prepare a Statement of Accounts which "presents fairly" the financial position and transactions of a local authority.

## **COMMUNITY ASSETS**

These are assets that the Authority intends to hold indefinitely, have no determinable useful life and may have restrictions on their disposal. Examples include parks and historic buildings.

## **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 local authority's control.

## **CONTINGENT LIABILITY**

A condition that exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. Where a material loss can be estimated with reasonable accuracy a contingent liability is accrued in the financial statements. If, however, a loss cannot be accurately estimated or the event is not considered sufficiently certain, it will be disclosed in a note to the balance sheet.

## **COVID-19**

COVID-19 is an infectious disease caused by a newly discovered coronavirus.

## **COUNCIL TAX**

A property based tax levied on all domestic properties in the Borough. The banding (and resultant sums due) is based on independent assessed property values. The Council sets levels of Council Tax on an annual basis under relevant statutory provisions.

## **CURRENT SERVICE COSTS (PENSIONS)**

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current year.

## **CURTAILMENT**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- (i) Termination of employees services earlier than expected, for example as a result of closing or discontinuing a segment of a business; and
- (ii) Termination of, or amendment to the terms of, a defined benefit scheme so that some or all of future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

## **DEFERRED CAPITAL RECEIPTS**

Deferred Capital Receipts are derived from the sale of Assets receivable over an agreed period of time, principally mortgages relating to the sale of Council houses.

## **DEFERRED CREDITS**

These represent capital income to be received in the future, when disposals have taken place, and deferred payments have been agreed e.g. the principal outstanding from the sale of Council houses.

## **DEFINED BENEFIT SCHEME**

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

## **DEFINED CONTRIBUTION SCHEME**

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current or prior periods.

## **DEPRECIATED REPLACEMENT COST (DRC)**

A method of valuation that provides a recognised proxy for the market value of specialised properties.

## **DEPRECIATION**

The measure of the wearing out, consumption, or other reduction in the useful life of a fixed asset, whether arising from use, effluxion of time or obsolescence through technological or other changes.

## **DISCRETIONARY BENEFITS**

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

## **EARMARKED RESERVES**

Earmarked reserves are created by setting resources aside for future events or to equalise expenditure between years. Earmarked reserves do not affect service expenditure in the year of creation.

## **EMOLUMENTS**

Amounts paid to or receivable by an employee including expenses allowances chargeable to tax, and the estimated money value of any other benefits received by an employee other than in cash.

## **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.

## **EXISTING USE VALUE**

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion assuming that the buyer is granted vacant possession of all parts of the property and disregarding potential alternative uses and any other characteristics that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

## **EXPECTED RATE OF RETURN (ON PENSIONS ASSETS)**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, 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, less, where applicable, any grants receivable towards the purchase or use of the asset.

## **FAIR FUNDING**

Under Section 48 of the School Standards Framework Act 1998, Local Education Authorities (LEAs) are required to have schemes dealing with the financing of schools. These govern the financial relationship between maintained schools and LEAs from the inception of the new funding framework on 1 April 1999

## **FINANCE LEASE**

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

## **FIXED ASSETS**

Assets that yield benefits to the Local Authority and the services it provides for a period of more than one year.

## **GENERAL FUND**

This is the account where costs are charged for the year of the major functions for which the Authority is responsible (excluding the Collection Fund). Income to the Fund includes charges made by the Authority, specific Government and other grants and receipts from the Collection Fund.

## **HERITAGE ASSETS**

Heritage assets are assets that are held by the Authority principally for their contribution to knowledge or culture.

## **IMPAIRMENT**

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

## **INFRASTRUCTURE ASSETS**

These include facilities to enable other developments to take place, including roads, street lighting and coastal defence works.

## **INTANGIBLE FIXED ASSET**

"Non-financial" fixed assets that do not have physical substance but are identifiable and are controlled by the Authority through custody or legal rights. Purchased intangibles (e.g. software licences) are capitalised at cost, whilst internally developed intangibles are only capitalised where there is a readily ascertainable market value for them.

## **INTEREST COST (PENSIONS)**

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

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

## **INVENTORIES**

Amounts of unused or unconsumed stocks held in expectation of future use. Inventories are comprised of the following categories:

- Goods or other assets purchased for resale
- Consumable stores
- Raw materials and components
- Products and services in intermediate stages of completion
- Finished goods

## **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.

## **LOCAL MANAGEMENT OF SCHOOLS (FAIR FUNDING)**

The Authority is required to delegate responsibility for the management of a large proportion of its Nursery, Primary, Secondary and Special School budgets to schools. Individual schools are allocated a share of the budget through a formula mechanism, which distributes funds primarily on the basis of age weighted pupil numbers.

## **LONG-TERM CONTRACTS**

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 substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

## **MARKET VALUE**

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

## **NATIONAL NON-DOMESTIC RATES (NNDR)**

These are often referred to as Business Rates, and are a levy on business properties based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines that national rate poundage. Local Authorities collect the sums due, but the proceeds are split, with 1% paid to the Merseyside Fire and Rescue Authority and 99% retained by the Council.

## **NET BOOK VALUE**

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amount provided for depreciation.



## **NET CURRENT REPLACEMENT COST**

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

## **NET REALISEABLE VALUE**

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

## **NON-OPERATIONAL ASSETS**

These are assets, which are held by the authority but not directly occupied, used or consumed in the delivery of services. Examples include assets that are surplus to requirements, pending sale or redevelopment.

## **OPERATING LEASES**

In an operating lease, the ownership of the asset remains with the leasing company and the annual rent is charged to the annual service account. Expenditure financed by operating leases does not count against capital allocations.

## **OPERATIONAL ASSETS**

These are assets that are held and occupied, used or consumed in the direct delivery of services for which the Authority is responsible.

## **PAST SERVICE COST / GAIN**

For a defined benefit scheme, the increase or reduction in the present value of the scheme liabilities related to employees service in prior periods arising in the current period as a result of the revision of scheme benefits.

## **PAYABLES**

Amounts owed by the Authority for goods and services provided for which payment has not been made by the end of the financial year.

## **POOLED BUDGET**

Arrangement permissible under the Health Act 1999 and National Health Service Act 2006 that provides an opportunity for partners to bring money together, in a discrete fund, to pay for the services that are an agreed part of the pooled fund arrangement for the client group who are to benefit from one or all of the services. Instead of users being inconvenienced by disputes about Health and Local Authority responsibilities, organisations will agree at the outset the range of Health and Local Government services to be purchased and provided from a pooled fund.

## **PRECEPT**

This is a charge issued by the Merseyside Police and Crime Commissioner, Merseyside Fire and Rescue Authority (and Parish Councils where appropriate), which is collected by the Council on their behalf by adding the precept to its own Council Tax.

## **PRIOR YEAR ADJUSTMENTS**

Those material adjustments applicable to prior years arising from changes in accounting policies and from the correction of fundamental errors. They do not include normal recurring corrections and adjustments of accounting estimates made in prior years.

## **PROVISIONS**

Provisions represent sums set aside for liabilities or losses, which are certain to arise but, owing to their inherent nature, cannot be quantified with any certainty.

## **PUBLIC WORKS LOANS BOARD (PWLB)**

An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities.

## **RECEIVABLES**

Sums of money due to the Authority but not received by the end of the financial year.

## **RELATED PARTY TRANSACTION**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Related party transactions include the provision of services to a related party.

The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.

## **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**

A reserve is an amount, which has been set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. Reserves include earmarked reserves set aside for specific policy purposes and balances that represent resources set aside for purposes such as general contingencies and cash flow management.

## **RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either: -

- i. An employer's decision to terminate an employee's employment before the normal retirement date, or
- ii. An employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

## **REVENUE SUPPORT GRANT**

This is a Government grant in aid of Local Authority services generally. It is based on the Government's assessment of how much an authority needs to spend in order to provide a standard level of service.

## **REVENUE EXPENDITURE**

This is money spent on the day-to-day running costs of providing services (e.g. salary costs). It is usually of a constantly recurring nature and produces no permanent asset.

## **SCHEME LIABILITIES**

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

## **SECTION 52 / 106 AGREEMENTS**

The Council is able to restrict or regulate the development or use of land by requiring that a developer deposit funds with the Authority when granting planning permission. The funds are either used directly by the Authority to undertake work, such as providing access from the existing highway to a new development, or held as a deposit which is refundable to the developer when the conditions attached to the planning permission, such as landscaping work, are complied with. The statutory basis for such agreements is currently contained within Section 106 of the 1990 Town and Country Planning Act and previously, within Section 52 of the 1971 Town and Country Planning Act.

## **SET ASIDE CAPITAL RECEIPTS**

These are receipts that have to be reserved under the Local Government and Housing Act 1989 and can only be used to repay external debt or in substitution for new external borrowing.

## **SETTLEMENT**

An irrevocable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlement includes the transfer of scheme assets and liabilities relating to a group of employees leaving the Authority's scheme.

## **SPECIFIC GOVERNMENT GRANTS**

These are designed to aid particular services or reimburse the costs of payments made to claimants. Examples of specific grants include Dedicated Schools Grant, Standards Fund and Housing and Council Tax Benefit Subsidy. Assistance may also be given in aid of specific capital expenditure, e.g. Housing Market Renewal Grant and Stronger Safer Communities Fund.

## **STATUTORY PROVISION FOR THE FINANCING OF CAPITAL INVESTMENT**

This is the amount required to be set aside from revenue for the repayment of external loans. It is calculated in accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 [SI 2008/414], in conjunction with the MHCLG guidance on the minimum revenue provision (published in February 2018).

## **TREASURY MANAGEMENT**

This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

## **TRUST FUNDS**

These are funds administered by the Council on behalf of charitable organisations and/or specific organisations.

## **USABLE CAPITAL RECEIPTS**

These are receipts which, after allowing for the proportion to be set aside, may be used to finance capital expenditure.

## **USEFUL LIFE**

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

## 14 **ABBREVIATIONS**

AGS	Annual Governance Statement
ASHE	Annual Survey of Hours and Earnings
BID	Business Improvement District
CCG	Clinical Commissioning Group
CCLA	Church and Charities Local Authority
CERMS	Continuous Emission Rate Monitoring System
CFR	Capital Financing Requirement
CIES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
CVS	Council for Voluntary Service
DfE	Department for Education
DRC	Depreciated Replacement Cost
DSG	Dedicated Schools Grant
EFA	Expenditure and Funding Analysis
HRA	Housing Revenue Account
IAS	International Accounting Standards
ICT	Information and Communication Technology
IBCF	Improved Better Care Fund
IFRS	International Financial Reporting Standard
LGA	Local Government Association
IMD	Index of Multiple Deprivation
LCHT	Liverpool Community Health Trust
LCR	Liverpool City Region
LEA	Local Education Authority
LGPS	Local Government Pension Scheme
LSOA	Lower Super Output Area
MBC	Metropolitan Borough Council
MHCLG	Ministry of Housing, Communities and Local Government
MMI	Municipal Mutual Insurance Limited
MPF	Merseyside Pension

MRF	Merseyside Local Resilience Forum
MRICS	Member of the Royal Institution of Chartered Surveyors
NHS	National Health Service
NNDR	National Non-Domestic Rates
PFI	Private Finance Initiative
PP&E	Property, Plant and Equipment
PWLB	Public Works and Loans Board
REFCUS	Revenue Expenditure Funded from Capital Under Statute
SCG	Strategic Coordination Group
SCIG	Strategic Capital Investment Group
SOLACE	Society of Local Authority Chief Executives
TPS	Teachers' Pension Scheme
UK	United Kingdom
VAT	Value Added Tax
VOA	Valuation Office Agency

## 15 **USEFUL ADDRESSES**

Additional financial information on Sefton MBC and related organisations is usually available at libraries throughout the Borough and on our website ([www.sefton.gov.uk](http://www.sefton.gov.uk)). Further copies are also available upon request to the following addresses.

### **Sefton Council**

Executive Director of Corporate Resources and Customer Services,  
Magdalen House  
30 Trinity Road  
Bootle  
L20 3NJ

### **Sefton New Directions**

Sefton New Directions Limited Annual Financial Statements can be obtained from:

Sefton New Directions Limited Head Office,  
Third Floor,  
Burlington House,  
Crosby Road North,  
Waterloo,  
Liverpool  
Merseyside,  
United Kingdom  
L22 0PJ

### **Pension Fund Information**

The Merseyside Pension Fund's Annual Report can be obtained from:

The Pension Manager  
Merseyside Pension Fund,  
PO Box 120,  
7<sup>th</sup> Floor,  
Castle Chambers,  
43 Castle Street,  
Liverpool  
L69 2NW

## **CONTACT US**

If you have any questions or comments on the Statement of Accounts, please write to the Executive Director of Corporate Resources and Customer Services at the above address. We would particularly like to hear from you if you have any suggestions on how the accounts could be improved.



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# STATEMENT OF ACCOUNTS 2022/2023

**As presented to Audit and  
Governance Committee on 20<sup>th</sup>  
November 2024**

# Agenda Item 4

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**1 NARRATIVE REPORT****Introduction**

Sefton is a Metropolitan Borough Council, providing the full range of local authority services to the residents of Sefton. These services include planning, licensing, street cleansing, highways maintenance, and refuse collection, as well as safeguarding vulnerable children and helping older people retain their independence.

Located on the west coast of England between Liverpool in the south and Lancashire in the north / northwest, the Council covers the area of around 15,000 hectares, stretching from Bootle in the South, through Seaforth, Waterloo, Crosby, Thornton, Altcar, Ince Blundell, Lunt, Freshfield and Formby, up to and including Birkdale, Ainsdale, Southport and Crossens in the North. It also includes the areas of Maghull, Lydiate and parts of Melling and Aintree. It is responsible for providing services to approximately 279,000 residents, local businesses and industry.

As a local authority, Sefton is accountable to Central Government and the electorate. It is responsible for continuously looking to improve its services to ensure that it meets the needs of the local community. Each service must ensure that the local taxpayers are receiving "value for money" by delivering high quality outcomes.

The Council has continued to face significant financial challenges in 2022/2023. As a result of the Government's previous austerity program, the Council's core grant funding was reduced every year over a ten-year period between 2010/2011 and 2019/20. By 2019/2020 core Government grant funding had reduced by more than 50%. As a result of the cuts in grant funding, local authorities are now more reliant on local sources of income such as Council Tax and Business Rates. During this period the Council has also seen a rise in demand for statutory services, most notably social care services provided to vulnerable adults and children.

For 2022/23, the Government announced a £14.5 million (13.4%) increase in the Sefton Council's core grant funding, which equated to a 7.7% increase in total core funding when council tax income was taken into account. The grant increase included £1.0 million from the Market Sustainability and Fair Cost of Care Fund which comes with new responsibilities and a one-off services grant of £4.5 million which included compensation for the additional cost of employer's national insurance contributions as a result of the health and social care levy. This is only the third year in which funding has increased since 2010/11 and core grant funding remains lower than it was in 2014/15 in cash terms.

As a result of the previous funding cuts and the increase in demand for statutory services, the Council needed to identify and agree savings of £233 million within its financial plans between 2010/11 and 2019/20. The impact of these savings required a radical change to the way that the Council operates and provides services. To facilitate this change, the Council undertook a major consultation exercise in 2016 to identify the areas that local residents thought the Council should prioritise for use of its resources (Sefton 2030 Vision and Council Core Purpose). The outcome of this consultation is summarised later in this document. The Council also invited the LGA to undertake a peer group review which was undertaken in September 2018, the recommendations of this review have been implemented over the following years. The LGA were due to follow up the initial review with a visit in 2020, however, this was postponed because of the coronavirus pandemic. The LGA have since revisited the Council in April 2022 to assess progress against their recommendations.

In order to facilitate the changes required to meet the Council's future priorities, we developed a Framework for Change program. This program covers three main strands, Economic Growth and Strategic Investment, Council of 2023 and Demand Management. The Council has also developed a Climate Change Emergency Plan that represents its commitment to reducing carbon emissions.

The challenges faced by the Council have been compounded over the past year as a result of the ongoing impact of Covid-19, the invasion of Ukraine, the cost-of-living crisis, increasing demand for services (particularly children's social care), interest rate increases (higher cost of borrowing), and the recent sharp rise in inflation (higher energy costs). The annual increase in the Consumer Price Index peaked at 11.1% in October 2022 which is significantly higher than the increase total core funding of 7.7%. The impact of these pressures has meant the Council needed to introduce further cost saving measures in 2022/23 and has reported a deficit of £2.8 million for the year, which has reduced the Council's general balances by £5.7 million more than was budgeted for. Despite this the Council has been able to set a balanced budget for 2023/24 and agree a Medium-Term Financial Plan for the period up to 2025/26 setting out its approach to funding service provision over the next three years.

## An overview of Sefton Council

### Sefton Councillors in 2022/2023

The Council is composed of 66 councillors (three for each of the Borough's 22 wards), with one-third elected three years in every four. The political analysis of the councillors as at 31 March 2023 is identified below:

Labour	46
Liberal Democrat and Progressive Alliance Group	8
Conservative	5
Lydiate, Maghull, Aintree & Lunt Community Independents	3
Independents Group	2
Southport Councillors Group	2
<b>Total</b>	<b>66</b>

Councillors are democratically accountable to residents of their ward. The overriding duty of councillors is to the whole community, but they have a special duty to their constituents, including those who did not vote for them.

Councillors have to agree to follow a Code of Conduct to ensure high standards in the way they undertake their duties. The Audit and Governance Committee trains and advises them on the Code of Conduct which is set out in Chapter 2 of the Council's Constitution.

### Management Structure

#### Councillors

Along with many other authorities, a Leader and Cabinet management structure has been adopted. The Council appoints the Leader of the Council, approves those matters which are part of the Council's policy framework and provides an opportunity through questioning and debate for the Cabinet to be held to account.

The Cabinet has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide.

Individual Members of the Cabinet make decisions on service issues within their area of responsibility (portfolio) under delegated powers set out in Chapter 5 of the Constitution.

There are four Overview and Scrutiny Committees which support the work of the Cabinet and the Council as a whole. They allow citizens to have a greater say in Council matters by holding public inquiries into matters of local concern:

- Overview and Scrutiny Committee (Adult Social Care and Health)
- Overview and Scrutiny Committee (Children's Services and Safeguarding)
- Overview and Scrutiny Committee (Regeneration and Skills)
- Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services)

These lead to reports and recommendations which advise the Cabinet and the Council as a whole on its policies, budget and service delivery. The Committees also monitor the decisions of the Cabinet.

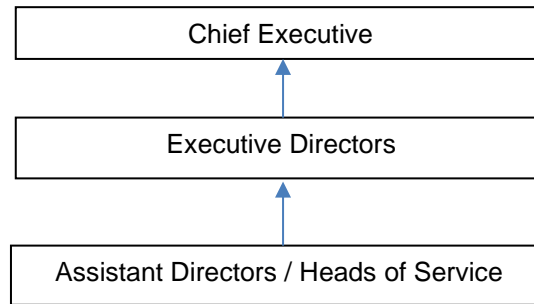
There is also the opportunity for the public to ask questions or submit petitions directly to the Council.

The Leader of the Labour Group, Councillor Ian Maher, is the Leader of the Council.

#### Strategic Management

The senior management structure aims to reflect the need for departments to collaboratively work together as 'One Council' and thereby maximise capacity and avoid duplication. In support of the politicians, the senior management structure is identified below.

The posts shown below formed the Strategic Leadership Board in March 2023.



Executive Directors: (1) Adult Social Care and Health, (2) Children’s Social Care and Education, (3) Corporate Resources and Customer Services, (4) People, (5) Place.

Assistant Directors / Heads of Service: (1) Adult Social Care, (2) Children’s Safeguarding and Quality Assurance (3) Children’s Social Care, (4) Commercial Development, (4) Communities, (6) Economic Growth and Housing, (7) Education, (8) Help and Protection, (9) Highways and Public Protection, (10) Legal and Democratic Officer / Monitoring Officer, (11) Life Course Commissioning, (12) Operational In-House Services, (13) Public Health & Wellbeing, and (14) Strategic Support.

The changes to the Strategic Leadership Board in recent years have reduced the number of heads of service reporting directly to the Chief Executive. The changes are intended to provide for clearer reporting lines (with appropriate span of control) and concentration on key strategic areas.

### Other Employees

At the end of 2022/2023 the Council employed approximately 2,800 people (full time equivalents, excluding school-based employees). As part of the process to reduce costs to ensure a balanced budget, roles and responsibilities have changed and the number of employees has reduced considerably over recent years. Since 2010, when the austerity measures were imposed, the Council has reduced the number of full-time equivalent staff by 24%.

### **Sefton 2030 Vision and Council Core Purpose**

In November 2016, the Council approved the Sefton 2030 Vision and the Council Core purpose. This was developed following an extensive consultation with residents, businesses and many visitors to the borough. In their thousands, these groups told the Council they want to be involved in planning the future, what matters to them and how all stakeholders need to work together to make the vision happen. The Vision will enable the Council and partners to demonstrate the connected thinking and action. It will also enable the Council to bring about meaningful and measurable plans with targets, timescales and a performance management framework.

In supporting the delivery of the Vision, the Council approved the following refined Core Purpose to articulate its role in delivering the 2030 vision.

- **Protect the most vulnerable:** i.e. those people who have complex care needs with no capacity to care for themselves and no other networks to support them. For those who are the most vulnerable we will have a helping role to play, we will challenge others to ensure we all protect the most vulnerable and where we need to, we will intervene to help improve lives.
- **Facilitate confident and resilient communities:** The Council will be less about doing things to and for residents and communities and more about creating the capacity and motivation for people to get involved, do it for themselves and help one another. We will create an environment in which residents are less reliant on public sector support and which have well developed and effective social support.
- **Commission, broker and provide core services:** The Council will directly deliver fewer services but will act as a broker and commissioner of services which meet the defined needs of communities, are person-centred and localised where possible. We will deliver services which can’t be duplicated elsewhere or where we add value.
- **Place-leadership and influencer:** Making sure what we and what others do are in the best interests of Sefton and its residents and has a contributing role to the 2030 vision of the borough.

# Agenda Item 4

Narrative

This includes strong leadership and influencing partner organisations to work towards common goals and building pride in the borough.

- **Drivers of change and reform:** The Council will play a key role in leading change and reform to improve outcomes for Sefton residents and continuously improve the borough.
- **Facilitate sustainable economic prosperity:** That is, people having the level of money they need to take care of themselves and their family; creating the conditions where relatively low unemployment and high income prevail, leading to high purchasing power; and having enough money to invest in infrastructure.
- **Generate income for social reinvestment:** The Council will develop a commercial nature and look to what it can do either by itself or with others to generate income and profit that can be reinvested into delivering social purpose.
- **Cleaner and Greener:** The Council will work with others to maintain Sefton's natural beauty and ensure that its many assets provide a contribution to Sefton's economy, peoples wellbeing and the achievement of the 2030 Vision.

The Council is due to start to review its Vision and the Council Core purpose again in 2023, building upon the work previously undertaken, assessing the impact of Vision 2030 and developing Vision 2035.

## Governance / VFM / Risk

The Council is required to review its governance arrangements on an annual basis, along with its arrangements for achieving economy, efficiency and effectiveness, and ensuring it is identifying and managing risk effectively.

The annual review has been undertaken and the outcome of that review is reported in the annual governance statement (AGS) which is published as part of the statement of accounts. A copy of the AGS can be found in section 11 of this document.

## LGA Peer Group Review

In September 2018, a six-strong team of expert local government officers and councillors were invited in by the council and spent four days talking to over 140 staff, councillors of all parties, and public and private partners.

The peer review team considered five core themes; understanding local context and priority setting, leadership of place, financial planning and viability, organisational leadership and governance and capacity to deliver.

Throughout the review, they commented on how impressed they were by the energy, commitment and appetite for change held by the workforce which they felt put the council in a strong position to continue its transformation journey and effectively play its role in achieving the Sefton 2030 vision.

Their independent findings also praised the council for listening to and serving its communities well through a challenging period of austerity and highlighted the council's knowledge of Sefton.

They recognised Sefton's combined strong political and managerial leadership as a key driver of success in managing a 51% reduction in grant funding through effective budget planning.

In a full feedback report, the peer review team suggested some areas of improvement for the council to consider going forward, including prioritising the refresh of the core purpose, accelerating work on a local economic growth strategy and clearer parameters around commercialisation.

The Council's Cabinet agreed that their recommendations be accepted, and authorised officers to develop an associated action plan; this plan was agreed by Cabinet in January 2019. Since then, a progress report and updated action plan has been considered and approved by Cabinet in March 2020.

The LGA have since revisited the Council in April 2022 to assess progress against their recommendations. A report was presented to Cabinet on 28 June 2022, which concluded that the Council had worked purposefully and had seen an improved approach across all the areas. Following this a further progress review has taken place remotely on 18 January 2023.

## Framework for Change 2020 programme

In March 2021, the Council approved the continuation of the Framework for Change 2020 Programme as part of its budget setting process along with the commencement of all appropriate activity required to deliver the programme as it develops.

This is a comprehensive and ambitious programme that seeks to support the delivery of the Council's core purpose and vision for 2030. The programme is complex and spans a number of financial years. It aims to develop new ways of working that will improve efficiency and deliver a balanced and sustainable budget.

The Framework for Change 2020 programme is focussed on the following themes:

Theme	Workstreams
Council of 2023	<ul style="list-style-type: none"> <li>- Service inputs and new operating models</li> <li>- New Ways of Working and Taking Advantage of Technology</li> <li>- Workforce Development</li> <li>- Organisation design across the Council</li> </ul>
Demand Management	<ul style="list-style-type: none"> <li>- Localities - further embedding early intervention and prevention</li> <li>- Children's Social Care – Delivering the Children's Plan</li> <li>- Adults' Social Care</li> <li>- Streetscene</li> <li>- Education Excellence</li> <li>- Special Educational Needs and Disability (SEND)</li> </ul>
Economic Growth and Strategic Investment	Town Centre Regeneration, Large Employment Sites, Strategic Transport Schemes, Coast Access Gateways, Industry sector development, Housing, Employment and Skills, and Investment.

The framework for change programme is being updated and will be replaced by a new Corporate Plan in 2023 that builds on our achievements and sets out the Council's priorities for the next three years.

## Climate Change Emergency

As a coastal borough, Sefton feels the effects of climate change more keenly than other parts of the UK. Extreme weather will impact negatively on our communities and businesses, and we must do all in our power to reduce the likelihood of an extreme weather event.

On 18<sup>th</sup> July 2019, Sefton joined 60% of UK local authorities in declaring a climate emergency in response to the growing consensus worldwide that urgent action. The Council has since developed a Climate Emergency Strategy and a Climate Change Emergency Action Plan in response to the declaration.

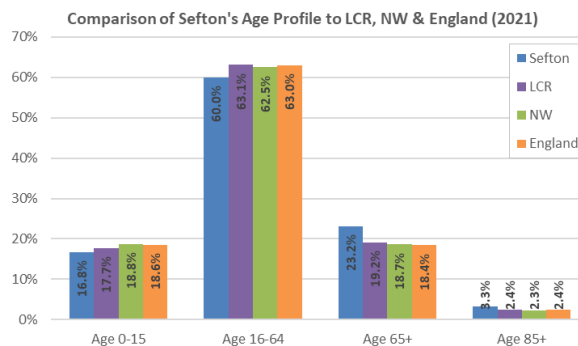
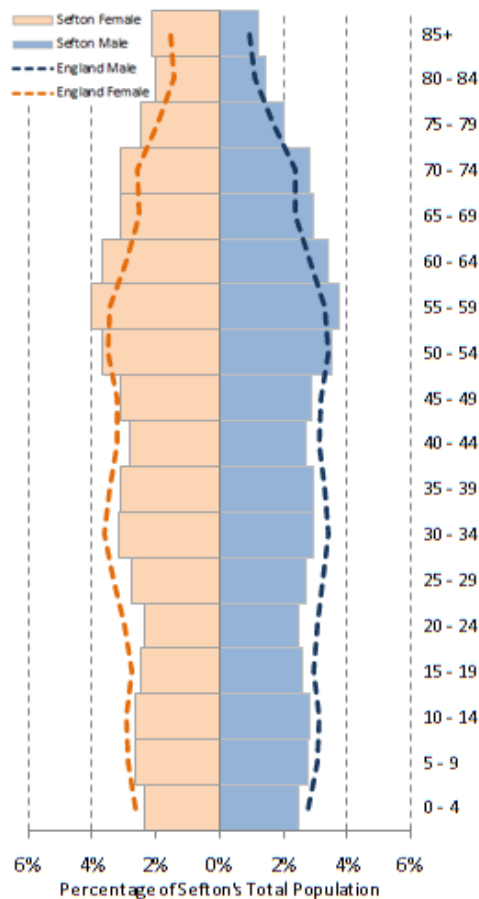
Sefton Council will focus its efforts on energy use reduction as well as exploring the potential for green infrastructure and offsetting. This work will be aligned to the delivery of the Sefton 2030 Vision and the Council's Core Purpose with the aim of making Sefton a better place to live and work. The Council's aim is to achieve 100% clean energy by 2030 and reduce demand across our organisation to work towards becoming net carbon zero by 2030.

Achieving these aims will require investment in developing renewable energy generation, use of biogas produced through waste streams and agricultural waste stock, carbon offsetting, and moving to low carbon fleet vehicles as well as adapting the way we deliver services to reduce energy usage.

Progress towards the Council's clean energy targets is being regularly monitored with a report to Council in April 2023 highlighting the significant work that has been undertaken in the first phase, including mapping out a route to net zero by 2030 and identifying the work required and costs involved. An effective governance structure has been established, community engagement has been undertaken, and work to deliver the plan has started. Work undertaken so far includes the roll out of an LED street lighting replacement programme, improving insulation and glazing at Southport and Bootle Town halls, and encouraging the continuation of agile working. This has resulted in a reduction in the Council's Carbon footprint of 13% being achieved by the end of 2021/22 (the 2022/23 figures are being finalised), which is expected to rise to 28% the projects started in phase 1 are complete.

## Age Profile of Sefton Residents

The age profile of residents is important to local authorities as it influences where / what services are provided. Census 2021 results indicated that Sefton’s total population was 279,239. The figures also showed that 23% of Sefton’s residents are aged 65 and over; this is above the Liverpool City Region – LCR (19%), North West (19%) and England (18%) averages. Sefton is ranked 80<sup>th</sup> highest out of 309 local authorities for the rate of residents aged 65 or over. The high proportion of older residents has an impact on the level of resources that the Authority requires for elderly care provision. Sefton is in the highest 30% of Local Authorities for the proportions of elderly residents across the country.



At 23%, Sefton has the 7<sup>th</sup> highest proportion of over 65’s across the 39 North West local authorities and is highest of the six Liverpool City Region (LCR) authorities.

Sefton is the 52<sup>nd</sup> highest LA for the proportion of residents aged 85 and over throughout England and is the 4<sup>th</sup> highest in the North West, at 3.3% of the overall population, Sefton is again higher than the LCR (2.4%), North West (2.3%) and national (2.4%) proportions. The Borough is again the highest of the six LCR authorities.

The number of residents over 65 is projected to increase steadily between 2018 and 2043. For males, the increase is projected to be 36% (28,132 to 26,617) and an increase for females of 31% (35,900 to 46,938). This means an overall 65+ population increase of 36% rising from 62,600 in 2016 to 85,000 by 2037.



Greatest increases are amongst those aged 85 and above with an overall increase of 73% (9,309 to 16,134). The male over 85 population rising by 104% (3,146 to 6,418) between 2018 and 2043. For females, the increase is projected to be 58% (6,163 to 9,716).

The rate of increase in the over 65 population of 33% compared to overall population increases of just 6% means that by 2043 approximately one in three Sefton residents will be age 65 or over.

Projected reductions in working age population (16 to 65-year olds) of 3% compared to increases in the over 65 population will mean the proportion of the adult population of the borough that is of pensionable age will be 29% by 2043, compared to 23% in 2018.

[Source: Census 2021 – TS009 Sex by Single Year of Age / Population Projections 2018]

## **Performance information**

### **Core Funding**

Business Rates: There was no change in the standard business rate multiplier in 2022/23. The Council billed £68.219m of business rates charges in 2022/23 (excludes prior year adjustments), this was £9.995m higher than the net amount billed in 2021/22. The increase in business rates charges was largely due to a reduction in Retail, Leisure & Hospitality discounts from 1 April 2022, as the Government wound down the level of support provided to businesses following the removal of Coronavirus restrictions. The council collected 99.4% of the amount billed in the year, up from 97.3% in 2021/22. A surplus of £22.761m is reported in the Collection Fund for 2022/23 (excluding contributions to the previous year's estimated deficit) of which Sefton Council's retained share is £22.533m (99.0%). A large proportion of this surplus is due to a reduction in the provision for appeals following the end of the 2017 Rating List and the settlement of 2010 Rating List appeals. The surplus on the Collection Fund will be distributed over the next two years (2023/24 and 2024/25).

Council Tax: The Council increased its council tax band D charge by £51.26 (2.99%) in 2022/23. This included a social care precept of 1.0%. The Council billed £186.972m of council tax charges in 2022/23 (including precepts) of which 95.0% was collected in the year, up from 94.8% in 2021/22. A surplus of £3.512m is reported in the Collection Fund in 2022/23 (excluding contributions to previous years estimated surplus) of which Sefton Council's share is £2.950m (84.0%). The surplus is largely due to housing growth and a reduction in council tax support claimants (compared to the number estimated). The surplus on the Collection Fund will be distributed over the next two years (2023/24 and 2024/25).

Government Grant Funding: During 2022/2023, Sefton's core grant funding (including Settlement Funding Assessment, New Homes Bonus, Improved Better Care Fund, Social Care Grant, Market Sustainability and Fair Cost of Care Fund, and 2022/23 Services Grant) increased by £14.5m (13.4%), which included a £3.3 million increase in Social Care Grant & a new £1.0 million Market Sustainability and Fair Cost of Care Fund Grant which comes with additional conditions and responsibilities. It also included a one-off 2022/23 Services Grant of £4.5m which included funding to offset employers' additional national insurance contributions as a result of the new health and social care levy introduced in April 2022.

Future Funding: In December 2022, the Secretary of State for Levelling Up, Housing and Communities announced a one-year finance settlement for local government which once again included a significant amount of one-off funding which may not continue in future years. The Government had previously announced their intention to introduce a new funding distribution formula using updated population data as well as resetting business rate retention baselines, however, this has now been deferred until after the end of the current parliament. The most recent Spending Review period ends on 31 March 2025 and there will be a General Election before this date. This leaves Sefton's future funding levels uncertain and makes medium-term financial planning difficult. Also, the long-term impact of the Covid-19 pandemic, the impact of Brexit, the cost-of-living crisis, increasing demand for services, and the recent spike in inflation and interest rates has significantly increased the financial pressure on local government. Despite this uncertainty, the Council has prepared and agreed a Medium-Term Financial Plan for the period 2023/24 to 2025/26 setting out its approach to funding service provision over the next three years. This plan will be subject to review and revision as impact of current economic pressures develops and additional information on future funding levels becomes available.

## Economy

The Borough has a mixed economy ranging from industry, commerce and tourism. The east bank of the Port of Liverpool is actually in Sefton, not Liverpool. The opening of “Liverpool 2”, the new deep-water container terminal is expected to provide many opportunities to improve the economy further.

Sefton is part of the Liverpool City Region and the embryonic “Northern Powerhouse” which is expected to provide further impetus to the local economy in the future.

### Latest available key data on the Sefton economy

- The unemployment benefit claimant rate in Sefton in February 2023 was 3.8%. Sefton is slightly lower than the rates seen across LCR (4.6%) and the North West (4.2%) yet is marginally higher than the national rate (3.7%). Compared to the previous year the number of unemployed people in Sefton has considerably reduced (approximately 1,390 / 22%), though February 2023 has the third highest number of claimants in the last nine years (with February 2021 having the highest). A similar pattern can be seen across LCR and England.
- The economic activity rate in Sefton is 78.4%, higher than the rates seen across the city region (75.5%) and regionally (76.3%) yet lower than those seen nationally (79.0%)
- There are currently 124,800 Sefton residents in employment (75.2% employment rate).
- 60.2% of residents are educated to NVQ Level 3 or above is slightly higher than that of LCR (58.8%) and the North West (53.8%) yet lower than the national average (61.4%).
- In 2022, the average full-time earnings for residents of Sefton were £590 per week, or £30,675 per annum, 9% lower than the English average and 2% lower than the North West.
- The National Living Wage increased to £10.20 per hour in April 2023 for over-23s only.
- Sefton’s Rank of Average Score in the Indices of Multiple Deprivation (IMD) 2019 was 89th out of 317 local authorities (317 being the least deprived).
- There are 38 Sefton LSOA’s (Lower Super Output Area – used in census collection) in the most deprived 10% of LSOAs across England. Seven of the 38 LSOA’s are in the most deprived 1% of LSOA’s nationally, six are in Linacre Ward; the other is in Derby Ward.
- 50 out of 189 LSOAs have a deprivation score less than in 2015 indicating that deprivation has reduced in the area. Meaning nearly three quarters of the areas have an increased deprivation score, indicating they have become more deprived.
- Sefton is ranked 89<sup>th</sup> out of 317 local authorities for deprivation affecting Children and 72<sup>nd</sup> for deprivation affecting Older people in 2019.
- 31 LSOA’s across Sefton fall in to the most deprived 10% areas for children, with 31 being in the most deprived 10% for older people. Five of the 31 fall within the top 1% of deprived areas nationally for children (located in Linacre – 3, Derby -1 and Litherland -1 wards). One LSOA is in the top 1% of deprived areas in England for older people (located in Deby ward).
- 80 of Sefton LSOA’s have seen the child related deprivation score (and therefore the deprivation affecting children) increase from 2015 to 2019, with 97 Sefton LSOA’s seeing increases in older people related deprivation.

[Source: NOMIS Claimant count by sex and age February 2023, NOMIS Labour Market Profile: ONS Annual Population Survey October 2021 to September 2022 / January to December 2021, NOMIS Labour Market Profile: ONS Annual Survey of Hours and Earnings – Residents Analysis 2022, The National Minimum Wage 2023, IMD 2015/19]

## Social Care

Sefton’s Adult Social Care dealt with 23,603 contacts during 22/23, 32% of these related to new clients. Sefton supported 5,455 clients in long term community or residential services during the year, along with providing support to 405 carers.

At the 31<sup>st</sup> March 2022, there were 2,676 Children in Need, a rate of 494.7 per 10,000 population aged 0 to 17, considerably higher than that of England (334.3), North West (384.3) and Sefton’s Statistical Neighbours average (382.4). At the same time 337 children were subject to a Child Protection Plan which was 62.3 per 10,000 population aged 0 -17, again higher rates than seen by the Borough’s

statistical neighbours (42.1), regionally (48.5), and nationally (50.3). With 598 children recorded as Looked After as at 31<sup>st</sup> March 2022, as with Children in Need and Child Protection Plans, the Children Looked After rate was considerably higher in Sefton (113.0) than England (70.0 per 10,000 children aged 0 - 17), the North West (97) and the Statistical Neighbour group (90.3).

The governing bodies in DLUHC granted national funding for the Supporting Families Programme to continue for a further three years from 1st April 2022 – 31st March 2025. The first year of the current Supporting Families Programme was completed on 31st March 2023. The target of 331 families was achieved with the cohort being 'turned around' meaning that the LA could draw down funding from the government of £800 per family. This generated £264 800 worth of funding to support interventions provided by Social Workers to support families. The second year commenced on 1st April 2023 and is due to end on 31st March 2024. The target is to turn 536 families round within the timeframe which will generate a further £428 800 of funding. The third year will commence on 1st April 2024 and is due to end on 31st March 2025. The target is to turn 663 families round within the timeframe which will generate a further £530 400 of funding. Therefore, the cumulative grand total for funding, provided that all targets are achieved, will be £1 224 000.

[Sources: Sefton Adult Social Care, B1 children in need 2013 to 2022, Local Authority Interactive Tool (LAIT) March 2023, Turnaround Families Database]

## Tourism

Sefton has over 22 miles of coastline boasting a number of beautiful beaches and stunning natural beauty. Attractions range from Gormley's "Iron Men" on the beach in Crosby, to the Pinewoods (and red squirrels) in Formby, to the iconic attraction of Southport, with its elegant shopping in classic Victorian surroundings.

Southport has hotels, attractions, restaurants, Southport Beach, and the famous tree lined Lord Street boulevard with its iconic canopies. It is rumoured that Napoleon re-modelled certain parts of Paris based on his knowledge of Southport during his stay in the town back in the mid-19th century. Southport also hosts a superb events programme including the annual Air Show, Fireworks Championship and Flower Show while Sefton is also home of the Grand National.

There are many world class golf courses within Sefton, Royal Birkdale regularly hosts The Open while Hillside Golf club has recently hosted The British Masters. The area's reputation for golf is known nationwide and is known as "England's Golfing Capital" due to the number and variety of top-quality courses. This attracts visitors from the across the UK and many from the United States, Europe and Japan.

## Technology / Systems

The Council is now in the fifth year of a five-year contract with Agilisys Ltd for the provision of IT services to the Council. This agreement has enabled the Council to reduce the annual costs of IT services, and it has also allowed the Council to benefit from the innovation and best practice which Agilisys has implemented for other local authorities. This agreement has been extended for a further year, as per the extension clauses of the contract.

The Council has deployed its Cloud Telephony solution (8x8) across the workforce, supporting Officers to work in an agile way as well as ensuring that the Council is ready for the national decommissioning of analogue telephony.

The Council has completed the migration of most Council systems and data to cloud hosting, ensuring that the authority has a robust and secure ICT platform in place that supports operational service delivery.

The Council has continued to strengthen and enhance its cyber security mechanisms as part of its ongoing commitment to protecting systems and data, including the deployment of new security software.

The Council continues to actively develop its digital solutions to support social care services, with the recent upgrade of its main social care case management system, and the ongoing development of tools and processes within it. Greater use is being made of online portals to enhance service provision to service users and external agencies.

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Councillors continue to use new mobile devices and technology which allows them to conduct their duties more efficiently by granting access to key information and electronic communication with citizens whilst on the move. This has resulted in a reduction in the use of paper and printing for Council meeting documentation.

The Council continues to improve and develop its digital offering to customers. The Council website continues to benefit from ongoing improvements following its redesign in 2022 and further improvements will be made as part of the continuing website development programme. The development and deployment of the Council's digital Customer Experience platform continues, with the initial phase approaching completion.

The Council continues to rationalise its use of systems to leverage use of existing investments, deploy better integration between systems and reduce the overall spend in this area. Continued leverage of the Council's Microsoft software is constantly being explored and progressed; this provides efficiency improvements to the Council and ensures we maximise our financial investment. The Council is also working on further rollout of intelligent automation technology to improve and streamline back-office processes.

The Council continues to explore the design and implementation of Technology-Enabled Care solutions which will allow older and/or vulnerable adults to live independently at home, and to increase independence within care homes. Key outputs include grants to care homes for technology improvements such as interactive tables, VR headsets and voice prompt systems, as well as rollout of a new digital care records management system.

## Homes for Ukraine

Since the introduction of the national Homes for Ukraine scheme in March 2022, Sefton residents have helped to provide safe housing for almost 300 Ukrainians fleeing war.

Working in partnership with local voluntary, community and faith (VCF) sector, Sefton CVS, Sefton 4 Good and Sefton Council launched the Sefton Ukraine Welcome Appeal to raise funds to support Ukrainian individuals and families arriving in the borough of Sefton through the Homes for Ukraine initiative. The fund is helping to provide a community response, such as settlement grants for individuals and families; providing social, cultural and community networks and activities, language support, travel cards, clothing, IT and equipment and other needs as they are identified. The Council also produced a welcome pack for Ukrainian refugees settling in Sefton providing details of local services setting out how they could access advice and support.

## **Financial Overview**

### Revenue Budget Process / Council Tax

Unlike in previous years, the Council was unable to formulate a multi-year budget plan due to the one-year Local Government Finance Settlement and the lack of clarity over future settlements. The Council identified a budget shortfall for 2022/2023 of £7.115m. Specific options to contribute to the budget shortfall in 2022/2023 were identified, including a 2.99% increase in Council Tax. Councillors were reminded that the use of one-off resources should only occur in setting a robust financial plan when there is a clear short-term requirement and that these are not used to avoid making budget savings.

The Council experienced significant budget pressures in some service areas, particularly Children's Social Care, Children with Disabilities, Home to School Transport, Operational In-House Services, Energy Costs and Pay Inflation. However, the Council did identify underspending in other areas as well as implementing significant mitigating actions during the year to ensure the overspend would be met as far as possible, particularly in light of the financial pressures due to Children's Social Care. These measures enabled the outturn position to be in line with that expected during the year implementing the planned use of balances.

### Financial risks up to 2022/2023

The budget reductions identified in the budget for 2022/2023 highlight the growing level of financial risks the Council will be facing over the coming years and the level of risk which it is possible to mitigate. The financial forecasts themselves are only estimates of future political, economic, environmental and demographic forecasts which contain many variables and degrees of uncertainty.

The budget proposals made to date contain some risks, given the extent and the impact of the £233m savings Sefton had faced to March 2020. The Council has been made aware of the consultations conducted since 2011 in determining the equality impact and risks of the reductions and reconfigurations of services. All options require close monitoring of implementation and delivery and any non-achievement reported and corrected in a timely way.

The 2022/2023 budget represented the thirteenth successive year of budget reductions for Sefton Council.

Delivering savings over such a long period has had a significant impact on the delivery of Council services. In developing the approach to delivering the savings it was important to balance the delivery of savings with the protection of those services which contribute the most to the delivery of the Vision and Core Purpose.

Achieving the ambitions of Sefton 2030 also requires the Council to be financially sustainable, to ensure services align with the core purpose and that the Council works with partners to achieve better outcomes.

In order to meet this challenge, the Council has developed a 'Framework for Change' which is comprised of the following pillars which will help the Council deliver against its stated objectives including financial sustainability. These are:

- Economic Growth and Strategic Investment;
- Council of 2023;
- Demand Management.

Each of these themes will contribute towards delivering the Sefton 2030 Vision and a financially sustainable Council.

## Revenue Financial Performance of the Council 2022/2023

### Non-School General Fund Net Expenditure

The General Fund encompasses expenditure relating to the day-to-day running of the Council. Transactions relating to Schools' delegated budgets are included within the General Fund but because Schools are entitled to retain any year-end balances for future use, the General Fund balances are analysed according to whether or not they belong to Schools.

On 3 March 2022, the Council approved a revenue budget for 2022/2023 of £212.007m, which included £1.382m relating to the expenditure of Parish Councils. At that time, it was anticipated that balances for non-school budgets would total £12.778m at 31 March 2023. As a result of an underspend of £2.023m in 2021/2022 the anticipated year-end balances position was revised to £14.799m. The 2022/2023 Budget assumed an increase in general balances of £2.892m as part of a strategy to increase balances and ensure financial resilience.

Overall, actual expenditure for 2022/2023 on General Fund services (excluding Schools' delegated expenditure) was £5.700m higher than the Base Estimates which has reduced General Fund Balances. This was planned during the year as part of a remedial plan to offset significant in-year financial pressures, particularly around Children's Social Care, Energy costs and pay inflation.

The Authority's reported Non-School General Fund balances at 31 March 2023 are therefore £11.991m as shown in the following table:

<b>Non-School General Fund Balances</b>	<b>£m</b>
Actual Non-School General Fund Balances at 31 March 2022	-14.799
Plus Budgeted Contribution to Balances	-2.892
Plus overspend in comparison to the 2022/2023 Base Estimate:	5.700
<b>Actual Non-School General Fund Balances at 31 March 2023</b>	<b>-11.991</b>

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A comparison of actual expenditure to budgeted expenditure is shown below:

<b>Net Revenue Expenditure</b>	<b>Budget</b>	<b>Net Expenditure Chargeable to General Fund Balances (per EFA)</b>	<b>Adjustments for Internal Recharges / Earmarked Reserves</b>	<b>Outturn Expenditure against Budget for Monitoring Purposes</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Services</b>					
Strategic Management	4.038	1.160	2.914	4.074	0.036
Adult Social Care	102.929	98.971	3.735	102.706	-0.223
Children's Social Care	52.876	70.684	2.572	73.256	20.380
Communities	18.611	14.077	2.132	16.209	-2.402
Corporate Resources	5.673	31.661	-26.793	4.868	-0.805
Economic Growth & Housing	6.811	4.723	1.980	6.703	-0.108
Education Excellence	11.643	12.718	0.575	13.293	1.650
Education Excellence - Schools	0	-2.044	2.044	0.000	0.000
Health and Wellbeing	19.374	17.570	0.112	17.682	-1.692
Highways & Public Protection	11.508	8.425	3.167	11.592	0.084
Operational In-House Services	17.008	17.322	0.558	17.880	0.872
Other Services	2.923	2.053	0.745	2.798	-0.125
Energy Costs			2.058	2.058	2.058
<b>Total Service Net Expenditure</b>	<b>253.393</b>	<b>277.320</b>	<b>-4.204</b>	<b>273.116</b>	<b>19.723</b>
Remedial Action Plan - July			-9.700	-9.700	-9.700
Remedial Action Plan – September			-4.800	-4.800	-4.800
Corporate Items	-8.526	24.836	-32.251	-7.415	1.111
Levies	35.222	35.222	-	35.222	-
Parish Precepts	1.382	1.382	-	1.382	-
<b>Total Net Expenditure</b>	<b>281.471</b>	<b>338.760</b>	<b>-50.955</b>	<b>251.419</b>	<b>6.334</b>
<b>Financed by:</b>					
Council Tax Payers	-151.707	-151.707	-	-151.707	-
Business Rates Top-Up	-22.151	-22.151	-	-22.151	-
Retained Business Rates	-38.149	-38.149	-	-38.149	-
General Government Grants	-72.356	-94.188	21.198	-72.990	-0.634
<b>Total Financing</b>	<b>-284.363</b>	<b>-306.195</b>	<b>21.198</b>	<b>-254.881</b>	<b>-0.634</b>
<b>Amount Funded from / contributed to (-) General Balances</b>	<b>-2.892</b>	<b>32.565</b>	<b>-29.757</b>	<b>2.808</b>	<b>5.700</b>

Note: The total of the figures shown above for Other Services and Corporate Items are categorised differently in the Expenditure & Funding Analysis (total of Corporate Unallocated Costs and Financing and Investment Income & Expenditure)

For clarity, brief definitions some services are noted below to help the reader understand what some of the functions that are provided: -

- Communities – Services include amenities and support for local neighbourhoods, youths, libraries and arts, sports and families.

- Operational In-House Services – The delivery of key services including refuse collection / recycling, street cleansing, burials and cremation, school meals, crossing patrols, parks, coast and countryside.

The main variances relate to six key areas:

**Children’s Social Care** - Children’s Social Care overspent in 2022/23 by £20.380m, a position that was reported to Cabinet throughout the year.

The service continued to see rising demand and further investigatory work is ongoing with partner agencies with the aim of addressing this. Overall, the overspend was made up of the following key areas: -

- Due to a significant number of vacancies within the service, especially with regard to Social Workers, the expenditure on agency staff has been £6.5m over the staffing budget. Within this £3.5m relates to managed teams as well as the costs of employing additional social workers to manage the additional casework brought about by the rising demand for services.
- At the start of the financial year as inflation took hold in the UK, unbudgeted for inflation on accommodation costs has resulted in an overspend of £1.2m; and,
- A number of additional complex and high-cost placements have had to be entered into which have led to an overspend on this budget of £8.3m. Since the budget was set in March there was an increase in Independent Residential Placements from 69 to 79. In addition, there were more cases requiring high-cost accommodation and support than previously, and the costs of these had also risen significantly. Some new cases were initially costing substantial amounts per week. Within the budget for 2023/24 there was provision for an additional 5 placements therefore this increase from 69 to 79 will result in a budget pressure in the new year.

**Communities** – The surplus of £2.402m primarily relates to reduced expenditure on sports facilities due to the closure of Splashworld and significant vacancy savings on family wellbeing staffing. There were also other vacancy savings across the service, as well as additional grant funding made available to offset existing costs in the year.

**Education Excellence** – The net overspend of £1.650m is due to a significant increase in the costs of Home to School Transport. There was an increase in the number of children being transported, especially relating to out of borough placements. In addition, there was an increase in the cost of providing the transport, particularly from September.

**Health & Wellbeing** – A net surplus of £1.692m arose primarily due to savings on contracts procured during the year, including on substance misuse and health prevention services. In addition, there were also vacancy savings in the service, as well as additional grant funding made available to offset existing costs in the year.

**Energy Costs** - As reported throughout the year, the global increase in energy prices had a significant impact on the Council’s energy and fuel costs, increasing costs by £2.052m above budget. It should be noted that energy is a national issue and affected all local authorities. However, no additional Government funding was made available for local government, despite representations made both nationally and locally.

**Remedial Action Plans** – Due to the overall pressures faced during the year, particularly from the increased costs of energy, the pay award and Children’s Social Care, Cabinet approved Remedial Action Plans to fund these pressures. In June they approved one-off savings of £9.7m (plus the use of £2.9m of General Balances) and in September approved further one-off savings of £4.8m (plus the use of £2.8m of General Balances).

## Schools

In accordance with the Fair Funding Scheme for Financing Schools, individual schools are able to carry forward any underspend on their budgets. Conversely, an overspend against budgets become the first call on future available resources. Net expenditure on schools, whether incurred directly from delegated budgets or spent against centrally retained budgets by the LEA in support of schools, is funded from the ring-fenced Dedicated Schools Grant (DSG).

The DSG was overspent by £0.286m in 2022/2023. This comprised an overspend of £0.229m across Individual Schools’ delegated budgets, and

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the Local Authority during 2022/2023 in respect of the Supply Teachers scheme (£0.046m increase) and the Business Rates scheme (£0.113m decrease). Movements in Schools' balances during 2022/2023 can be summarised as follows:

<b>Schools' Balances</b>	<b>£m</b>
Schools' balances as at 1 April 2022	-18.289
Overspend on Schools' Delegated Budgets	0.296
Schools' balances at 31 March 2023	-17.993

The Council's Centrally Retained DSG balances are separate to its Maintained Schools' balances. These are in respect of Schools' Central Support services; Early Years (non-schools) provision and High Needs (non-schools) provision. The net opening balance of these reserves, as at 1 April 2022, was a deficit of £11.097m. During 2022/2023, this deficit has grown considerably, mostly due to the significant overspending of High Needs. This has taken the balances into a net deficit position of £17.059m (see below).

<b>Centrally Retained DSG Balances</b>	<b>1 April 2022</b>	<b>Movement 2022/2023</b>	<b>31 March 2023</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Schools Block	-0.761	-0.202	-0.963
Early Years Block	-0.636	-0.008	-0.644
High Needs Block	12.494	6.172	18.666
	<b>11.097</b>	<b>5.962</b>	<b>17.059</b>

DfE permit Local Authorities to carry forward a deficit on their DSG Centrally Retained balances, without any obligations on behalf of Local Authorities to support a deficit position out of non-school Council balances. As a result of the statutory requirements introduced for 2020/21, this balance is now held on the Balance Sheet as an Unusable Reserve, the Dedicated Schools Grant Adjustment Account.

They DfE have offered to work more closely and in cooperation with Local Authorities, to support them in trying to reduce spending, particularly across High Needs, where most Authorities have been struggling to manage. The first requirement will be for the Authority to have plans to balance their in-year spending. They will still be required to provide evidence, at the DfE's request, that overspending issues have been reported regularly to Schools Forum; and that measures are in place to arrest the situation, at least, over a three-year planned period. In addition, the Council is participating in the DfE's Delivering Better Value Programme, which will provide additional support to help the Council move into a financially sustainable position on High Needs. It has been acknowledged that the full recovery of accumulated deficits, however, may not be possible, even over many years, and it is not certain at this stage, whether the DfE may consider, on a case by case basis, some additional funding, to write down some, or all, of their accumulated deficits in this respect.

With the review of High Needs underway, and the actions being taken as explained above, together with the increased settlement for High Needs funding in 2023/2024, work will continue to bring expenditure in line with the budget available and then start to repay the existing deficit so as to reduce the financial risk to the Council.

## Capital Strategy / Programme 2022/2023

The Capital Programme 2022/2023 was approved by Budget Council on 3 March 2022. The three main grant allocations received by the Council are in respect of schools, transport and social care (i.e. Better Care Fund) and due to the funding conditions of these, grants are utilised within the relevant services. This is aside from any in year approvals in respect of the Growth and Strategic Investment Programme for which comprehensive business cases are provided as schemes are developed and funding sources are identified.

Capital expenditure is principally funded from four areas:

Capital Grants and Contributions – grants from Central Government and other grant funding bodies such as the Liverpool City Region Combined Authority and contributions from private developers.



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The Capital Programme 2022/2023 report highlighted Government grant funding for 2022/2023 of £2.564m for schools, £5.515m for the City Region Sustainable Transport Settlement, £0.250m for traffic signal maintenance and £4.823m for the Better Care Fund, giving a total grant allocation of £13.152m. Of the £2.564m for schools, £0.362m was ring-fenced Devolved Formula Capital Grant (DFC), and £2.202m was Schools Condition Allocation.

Capital Receipts – proceeds from the sale of the Council's capital assets.

Revenue – financing capital expenditure from the Council's revenue resources.

Prudential Borrowing – this is external borrowing undertaken by the Council that must be repaid. The Council will only borrow where plans are sustainable, affordable, prudent and offer value for money.

## Capital Expenditure in 2022/2023

In 2022/2023 the Authority spent £38.705m on capital projects. Examples of some of the major areas of spend include expenditure on the Schools programme (£3.091m), Highways integrated schemes (£2.508m), Highways carriageway maintenance (£4.817m), LED street lighting upgrades (£3.418m), Disabled Facilities Grants (£2.534m), Growth and Strategic Investment projects (£6.524m), Sustainable Warmth schemes to improve energy efficiency in homes (£5.326m), essential leisure centre repairs (£0.829m) and the Regional Flood and Coastal Monitoring Programme (£0.763m).

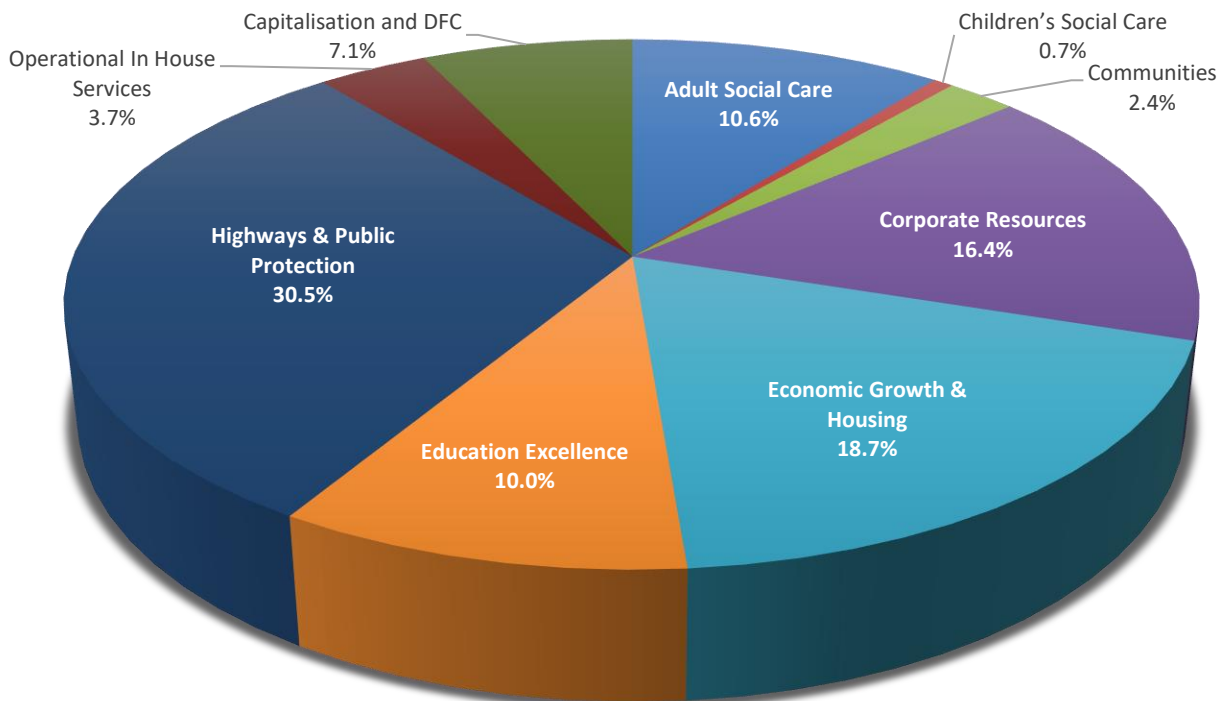
The analysis of capital spending (by departmental categories) and its financing is summarised below-

### Sefton's Capital Expenditure for 2022/2023

	<u>£m</u>	<u>%</u>
Adult Social Care	4.100	10.6
Children's Social Care	0.263	0.7
Communities	0.916	2.4
Corporate Resources	6.338	16.4
Economic Growth & Housing	7.237	18.7
Education Excellence	3.853	10.0
Highways & Public Protection	11.789	30.5
Operational In House Services	1.445	3.7
Capitalisation and DFC	2.764	7.1
	<u>38.705</u>	<u>100.00</u>

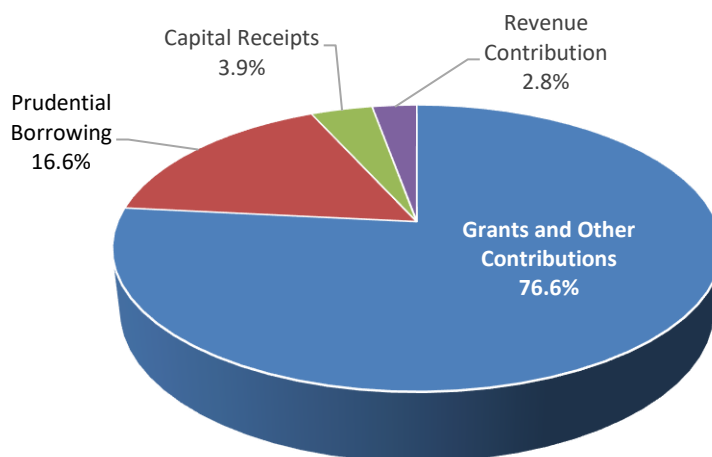
# Agenda Item 4

Narrative



## Financing of Sefton's 2022/2023 Capital Expenditure

<u>Source of Finance</u>	<u>£m</u>	<u>%</u>
Grants and Contributions	29.652	76.6
Prudential Borrowing	6.440	16.6
Capital Receipts	1.517	3.9
Revenue	1.096	2.8
	<u>38.705</u>	<u>100</u>



Total capital expenditure consists of the following additions:

<u>Type of Asset</u>	<u>£m</u>
Fixed Assets:	
- Property, Plant & Equipment	9.152
- Infrastructure	14.213
- Investment Properties	0.158
- Assets Under Construction	4.395
Intangible Assets (e.g., software licences)	1.518
Revenue Expenditure Funded from Capital Under Statute	9.269
	38.705

## **An explanation of the Financial Statements**

The Statement of Accounts is intended to give clear information about the Authority's finances. It is intended to answer:

- What did the Authority's services cost in the year of account?
- Where did the money come from to pay for these services?
- What were the Authority's assets and liabilities at the year-end?

Wherever possible the contents have been written in plain English and technical terms have been used sparingly. Where the use of technical terms has been unavoidable, a simple explanation has been included in the Glossary (see pages 147 to 154).

The Authority is required by law to follow proper accounting practices and this Statement of Accounts attempts to present fairly the financial position and transactions of the Authority.

The Statement was certified by the Executive Director of Corporate Services and Commercial on 12 November 2024.

In accordance with recommended practice, the Authority's Accounts present:

(a) Comprehensive Income and Expenditure Statement (page 27)

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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

(b) Movement in Reserves Statement (page 29)

This statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e., those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

(c) Balance Sheet (pages 31 - 32)

The Balance Sheet shows the value as at 31 March 2023 of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e., those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves, and any statutory limitations on their use. The second category of reserves are those that the Authority is not able to use to provide services.

# Agenda Item 4

Narrative

(d) Cash Flow Statement (page 33)

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

(e) Notes to the Financial Statements - Expenditure and Funding Analysis (page 35 - 36)

This analysis shows how annual expenditure is used and funded from resources (government grants, rents, 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 directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

(f) Other Notes to the Financial Statements (pages 37 - 110)

The notes to the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement. It also includes the accounting policies employed by Sefton to comply with the CIPFA Code of Practice of Local Authority Accounting subject to any exceptions detailed in the note.

(g) Collection Fund (pages 111 - 114)

This statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund in accordance with section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992).

The Collection Fund shows the transactions of the Billing Authority in relation to the collection of Council Tax and Non-Domestic rates and provides details of how this income has been distributed to Sefton MBC (including Parish Precepts), Merseyside Police and Crime Commissioner, Merseyside Fire and Rescue Authority, and Liverpool City Region Combined Authority.

(h) Group Accounts (pages 115 – 128)

This section incorporates the accounts of both Sefton and its wholly owned subsidiaries, Sefton New Directions Limited, Sefton (ACS) Development Company Limited (Sandway Homes) and Sefton Hospitality Operations Limited, to provide details of the Council's financial activities as a Group.

(i) Annual Governance Statement (pages 129 - 142)

The Annual Governance Statement is the formal statement that recognises, records and publishes an authority's governance arrangements as defined in the CIPFA / SOLACE Governance Framework. It is required to be published with the accounting statements but does not form part of the accounting statement and is therefore not covered by the Auditors' opinion.

(j) Independent Auditors' Report to the Members of Sefton Metropolitan Borough Council (pages 143 - 146)

(k) Glossary (pages 147 - 154)

(l) Abbreviations (pages 155 – 156)

(m) Useful Addresses (page 157)

## Changes to Accounting Policy during the Year

This Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/2023 (the Code).

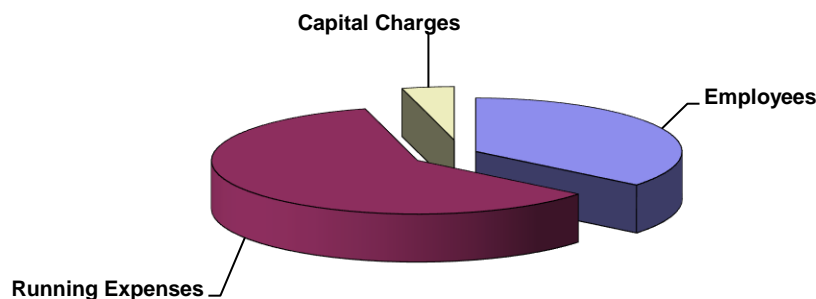
There have been no material changes to the accounting policies in 2022/23.

## Analysis of the Income and Expenditure Account

The tables and charts below summarise the Authority's **gross** revenue expenditure within the General Fund for 2022/2023 and highlights the main sources of General Fund Financing for 2022/2023.

### Gross Expenditure on Services (including Levies) (by Expenditure Type)

<u>Expenditure Type</u>	<u>£m</u>	<u>%</u>
Employees	277.614	36
Running Expenses	466.052	60
Capital Charges	34.187	4
	<u>777.853</u>	<u>100</u>





## Other Financial Commitments

The Council's most significant other financial commitments are the long-term contracts it has entered into with Agilisys, Formby Pool Trust, Sefton New Directions Limited and Waterfront Leisure (Crosby) Limited.

## Borrowing / Investments

The Council's arrangements for long-term borrowing and investments correspond to the Council's Treasury Management Policy and Strategy documents. These were drawn up to comply with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Local Authorities.

Under Section 3(1) of the Local Government Act 2003, the Council must approve an overall borrowing limit before the beginning of each financial year. For 2022/2023 this limit was set at £220m; the Council stayed within this figure during the year.

As at 31 March 2023, the Council had outstanding borrowing of £134.793m (£168.433m as at 31 March 2022). This includes local authority bonds, stocks, mortgages and loans from the Public Works Loans Board (PWLB). At 31 March 2023, accrued interest of £1.079m, was due to be repaid within 12 months.

During 2022/2023, no new long-term borrowing from the PWLB was required to fund capital expenditure. Principal of £33.51m was repaid during the year of which £14.520m related to Equal Instalments of Principal (EIP) loans and £1.088m related to Annuity loans.

Interest on long-term borrowing from the PWLB totalled £6.036m during the year (£6.526m in 2021/2022).

In line with its Treasury Management Policy and Strategy the Council makes daily investment decisions. At 31 March 2023, the Council had short-term investments of £26.110m (£93.690m at 31 March 2022). The Council had no short-term deposits with banks and building societies (£0.000m at 31 March 2022). The Council had long term investments with the Church and Charities Local Authority (CCLA) Property Fund (£5.278m).

## Pension Liability

As at 31 March 2023 the Pensions Liability figure in the Balance Sheet includes a net deficit on the Local Government Pension Scheme Fund attributable to Sefton of £27.936m (£421.163 as at 31 March 2022). The deficit is reviewed periodically (normally every three years) by the Fund's actuary and steps are taken to address the deficit via increased contributions over the remaining working life of employees. However, it should be noted that the notional figure included in the Statement of Accounts is calculated using a different set of assumptions (in line with accounting practice) than those used to calculate the deficit repayments required.

The latest valuation was completed during 2022/2023 and has set the contribution rates for 2023/2024 to 2025/2026. There has been a significant improvement in the Council's funding position resulting in the Council's overall position now being in surplus. However, it should be noted that the value of the surplus / deficit is highly dependent on market conditions at the time of the valuation and can vary significantly between valuations.

As at 31 March 2023 there was a net deficit relating to unfunded Teachers' Pensions attributable to Sefton of £4.598m (£5.699m as at 31 March 2022). The Council has budgeted to make these payments until there is no longer a liability.

## Provisions, Contingencies, Write-Offs and Material Charges or Credits

The 2022/2023 accounts include a provision for the cost of NNDR checks, challenges and appeals. The total value of the Provision as at 31 March 2023 is £6.239m (£21.354m as at 31 March 2022). Sefton's share of the Provision as at 31 March 2023 is £6.177m (£21.140m as at 31 March 2022).

The only material write-offs in 2022/2023 relate to revaluation losses on the Authority's assets. These total £2.2m (£0.6m in 2022/2023).

## General Balances and Reserves

The Financial Overview on pages 12 to 15 show the General Balances of the Council split between Delegated Schools' and Non-Delegated Services. The Council's Non-Delegated Services' General Balances are £11.991m. This level of Balances is considered the least necessary given the financial risks faced by the Council, including the impact of current levels of inflation, Children's Social Care and other pressures on the Council's financial position in 2023/2024 and future years.

The Council has £45.639m of capital resources available as at 31 March 2023 (£30.122m as at 31 March 2022). These are amounts already received that will be used to fund the Council's Capital Investment Plan in 2022/2023 and future years (see pages 15 to 17). This Plan will be vital in assisting the Borough's recovery from the pandemic.

The Council also has £51.790m of Earmarked Reserves as at 31 March 2023 (£81.253m as at 31 March 2022). These are described in Note 35. Earmarked Reserves are held by the Council to fund anticipated future expenditure of a non-recurring nature. If these resources were not available, then the expenditure would need to be funded from the Council's in-year Revenue Budget which would require additional savings to be made in order to make funding available.

The Council also has negative £308.160m of Unusable Reserves as at 31 March 2023 (negative £98.669 as at 31 March 2022). These are accounts required under accounting regulations and are not available to support, or a call against, Council expenditure.

## Material Events after the Reporting Date

There are no material events after the reporting date.



## **Conclusion**

During the 2022/2023 financial year, the Council has continued to experience significant additional spending pressures but has been able to contain such costs within the overall budget. The overall outturn position is an overspend which has reduced General Balances.

Decisions taken for the agreed 2023/2024 budget will increase General Fund balances from the 31 March 2023 position by £4.4m. However, the challenges presented by the significant impact of inflation mean that the Council will need to utilise some of these balances in order to stabilise local authority finances in the short term whilst the economy recovers. We will be looking to the Government to provide additional financial support beyond the amounts already announced. Maintaining financial sustainability will be a key part of the Council's recovery plan in order to continue to provide support to its residents, service users, council tax payers and the business community.

The Statement of Accounts is a complex document and is prepared within the guidelines set by the Chartered Institute of Public Finance and Accountancy. However, I would be interested to receive any suggestions as to how the Accounts, or the Executive Summary, could be improved. Please contact me at the address on page 157 of this document.

Stephan Van Arendsen

**Executive Director of Corporate Services and Commercial**



## 2 **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Authority's Responsibilities**

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Sefton that officer is the Executive Director of Corporate Resources and Customer Services.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### **The Executive Director of Corporate Resources and Customer Services Responsibilities**

The Executive Director of Corporate Resources and Customer Services is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Executive Director of Corporate Resources and Customer Services has:

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

The Executive Director of Corporate Resources and Customer Services has also:

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

### **Executive Director of Corporate Resources and Customer Services Statement**

I certify that this Statement of Accounts gives a true and fair view of the financial position of Sefton Metropolitan Borough Council at 31 March 2023, and its income and expenditure for the financial year ended 31 March 2023.

Stephan Van Arendsen  
Executive Director of Corporate Services and Commercial  
Date: 20<sup>th</sup> November 2024

## **Statement by the Chair of the Audit and Governance Committee**

I confirm on behalf of the Council that these accounts were approved by the Audit and Governance Committee at its meeting held on 20 November 2024.

Councillor Dave Robinson  
**Chair, Audit and Governance Committee**  
Date: 20 November 2024

## 3 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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2021/2022			Note	2022/2023		
Gross Expenditure	Gross Income	Net Expenditure / Income (-)		Gross Expenditure	Gross Income	Net Expenditure / Income (-)
£000s	£000s	£000s		£000s	£000s	£000s
1,232	-8	1,224	<u>Continuing Operations</u>	1,348	-11	1,337
150,016	-59,773	90,243	Strategic Management	159,898	-57,231	102,667
56,406	-2,094	54,312	Adult Social Care	77,236	-4109	73,127
31,283	-11,896	19,387	Children's Social Care	38,779	-19,467	19,312
110,508	-78,126	32,382	Communities	113,544	-73,925	39,619
11,313	-11,433	-120	Corporate Resources	25,528	-17,802	7,726
16,730	-2,243	14,487	Economic Growth and Housing	19,335	-2,504	16,831
204,436	-196,789	7,647	Education Excellence	216,515	-204,578	11,937
21,483	-27,988	-6,505	Education Excellence - Schools	19,010	-23,848	-4,838
29,259	-9,301	19,958	Health and Wellbeing	24,650	-9,172	15,478
29,798	-10,453	19,345	Highways and Public Protection	38,349	-14,124	24,225
18,991	-13,200	5,791	Operational In-House Services	8,344	-11,180	-2,836
<b>681,455</b>	<b>-423,304</b>	<b>258,151</b>	<b>Corporate Unallocated Costs</b>	<b>742,536</b>	<b>-437,951</b>	<b>304,585</b>
			<b>Net Cost of Services</b>			
			<u>Other Operating Income and Expenditure</u>			
		1,208	Precepts paid to Parish Councils			1,381
		34,662	Levies			35,317
		-10	Loss / Gain (-) on the disposal of non-current assets			5,299
		-973	8 Other Operating Income			-1,037
		34,887				40,960
			<u>Financing and Investment Income &amp; Expenditure</u>			
		7,268	9 Interest payable and similar charges			7,036
		9,158	51 Net Interest on the Net Pension Defined Benefit Liability			11,453
		-326	Interest Receivable			-2,093
		-2,459	20 Income and Expenditure on Investment Properties			-2,531
		-3,076	20 Changes in the Fair Value of Investment Properties			4,890
		-944	Changes in the Fair Value of Financial Instruments			1,042
		9,621				19,797
			<u>Taxation and Non-specific Grant Income</u>			
		-146,265	Income from Council Tax			-152,958
		-56,227	Non-Domestic Rates Income			-79,197
		-76,078	17 Non-Ringfenced Government Grants			-71,563
		-19,043	17 Capital Grants and Contributions			-31,530
		-297,613				-335,248
		<b>5,046</b>	<b>5 Surplus (-) / Deficit on Provision of Services</b>			<b>30,094</b>
		-24,591	38 Surplus (-) / Deficit on Revaluation of non-current assets			-2,259
		-58,455	40 Re-measurement of the Net Defined Benefit Liability			-433,417
		-83,046	<b>Other Comprehensive Income and Expenditure</b>			<b>-435,676</b>
		<b>-78,000</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>-405,582</b>

# Agenda Item 4

Income and Expenditure Statement

## 4 MOVEMENT IN RESERVES STATEMENT

This statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

<b><u>Movements in Reserves in 2022/2023</u></b>	General Fund Balance	Earmarked Reserves Account	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Notes 38 to 43)	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2022</b>	-33,087	-81,253	-6,260	-23,862	-144,462	134,585	-9,877
<b><u>Movements in Year</u></b>							
<b>Total Comprehensive Income and Expenditure</b>	30,094	0	0	0	30,094	-435,676	-405,582
Adjustments between accounting basis and funding basis under regulations (Note 7)	2,471	0	-4,707	-10,473	-12,709	12,709	0
<b>Net Increase before Transfers to Earmarked Reserves</b>	32,565	0	-4,707	-10,473	17,385	-422,937	-405,582
Transfers to / from Earmarked Reserves (Note 35)	-29,463	29,463	0	0	0	0	0
<b>Decrease / Increase (-) in Year</b>	3,102	29,463	-4,707	-10,473	17,385	-422,967	-405,582
<b>Balance at 31 March 2023</b>	-29,985	-51,790	-10,967	-34,335	-127,077	-288,382	-415,459

<b><u>Movements in Reserves in 2021/2022</u></b>	General Fund Balance	Earmarked Reserves Account	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Notes 38 to 43)	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2021</b>	-26,954	-98,313	-6,464	-22,742	-154,473	222,596	68,123
<b><u>Movements in Year</u></b>							
<b>Total Comprehensive Income and Expenditure</b>	5,046	0	0	0	5,046	-83,046	-78,000
Adjustments between accounting basis and funding basis under regulations (Note 7)	5,881	0	204	-1,120	4,965	-4,965	0
<b>Net Increase before Transfers to Earmarked Reserves</b>	10,927	0	204	-1,120	10,011	-88,011	-78,000
Transfers to / from Earmarked Reserves (Note 35)	-17,060	17,060	0	0	0	0	0
<b>Decrease / Increase (-) in Year</b>	-6,133	17,060	204	-1,120	10,011	-88,011	-78,000
<b>Balance at 31 March 2022</b>	-33,087	-81,253	-6,260	-23,862	-144,462	134,585	-9,877





## 5 BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (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 Authority 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'.

<u>31 March</u> <u>2022</u> £000s		<u>Note</u>	<u>31 March</u> <u>2023</u> £000s
501,885	Property, Plant and Equipment	18	500,950
11,532	Heritage Assets	19	13,149
32,338	Investment Property	20	27,315
896	Intangible Assets	21	1,471
13,064	Long Term Investments	23	12,032
8,072	Long Term Debtors	24	8,621
<b>567,787</b>	<b>Long-Term Assets</b>		<b>563,538</b>
12,004	Assets Held for Sale	25	4,881
623	Inventories		693
43,560	Short Term Debtors	26	77,085
19,156	Prepayments	26	5,086
98,328	Cash and Cash Equivalents	27	26,305
<b>173,671</b>	<b>Current Assets</b>		<b>114,050</b>
-34,719	Current Portion of Long-Term Borrowing	53	-12,995
-63,567	Short Term Creditors	28	-63,526
-40,319	Receipts in Advance	29	-15,195
-934	Deferred Liabilities	31	-983
<b>-139,539</b>	<b>Current Liabilities</b>		<b>-92,699</b>
-24,985	Provisions	30	-9,600
-133,714	Long Term Borrowing	53	-121,798
-6,481	Deferred Liabilities	31	-5,498
-426,862	Pensions Liability	50	-32,534
<b>-592,042</b>	<b>Long Term Liabilities</b>		<b>-169,430</b>
<b>9,877</b>	<b>Net Assets / Liabilities (-)</b>		<b>415,459</b>

# Agenda Item 4

Balance Sheet

31 March 2022 £000s	Balance Sheet (Continued)	Note	31 March 2023 £000s
	<b><u>Reserves</u></b>		
	<u>Usable Reserves</u>		
-18,288	General Fund - Delegated Schools	33	-17,994
-14,799	General Fund - Non Delegated Services	33	-11,991
-81,253	Earmarked Reserves	34	-51,790
-6,260	Capital Receipts Reserve	35	-10,967
-23,862	Capital Grants and Contributions Unapplied	36	-34,335
-144,462			-127,077
	<u>Unusable Reserves</u>		
-91,720	Revaluation Reserve	37	-91,116
-233,805	Capital Adjustment Account	38	-225,341
251	Financial Instruments Adjustment Account		192
-1,319	Pooled Investment Funds Adjustment Account		-278
0	Deferred Capital Receipts		-2,232
426,862	Pensions Reserve	39	32,534
17,646	Collection Fund Adjustment Account	40	-24,653
5,573	Accumulated Absences Account	41	5,452
11,097	Dedicated Schools Grant Adjustment Account	42	17,060
134,585			-288,382
<b>-9,877</b>	<b>Total Reserves</b>		<b>-415,459</b>

The Notes on pages 35 to 110 form part of the financial statements.

## 6 CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting year. The statement shows how the Authority 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 Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

<u>2021/2022</u> £000s		Note	<u>2022/2023</u> £000s
	<b><u>Operating Activities</u></b>		
5,046	Net deficit on the provision of services		30,094
-90,534	Adjustments to net surplus or deficit on the provision of services for non-cash movements	45	-11,800
20,939	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	45	26,221
-64,549	Net cash flows from Operating Activities		44,515
	<b><u>Investing Activities</u></b>		
28,408	Purchase of property, plant and equipment, investment property and intangible assets		30,701
5,618	Purchase of short-term and long-term investments		10
-885	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		-8,456
-18,862	Other receipts from investing activities		-28,732
14,279	Net cash flows from Investing Activities		-6,477
	<b><u>Financing Activities</u></b>		
0	Cash receipts of short- and long-term borrowing		0
-1,143	Other receipts from financing activities		-460
504	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		496
20,667	Repayments of short- and long-term borrowing		33,949
0	Other payments for financing activities		0
20,028	Net cash flows from Financing Activities	45	33,985
<b>-30,242</b>	<b>Net decrease / (increase) in cash and cash equivalents</b>		<b>72,023</b>
-68,086	Cash and cash equivalents at the beginning of the reporting period		-98,328
<b>-98,328</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	27	<b>-26,305</b>



## 7 NOTES TO THE FINANCIAL STATEMENTS - EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, 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 directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

<u>2022/2023</u>	Net Expenditure Chargeable to General Fund Balances	Adjustments between the Funding and Accounting Basis (Note 6)	Net Expenditure in the Comprehensive Income and Expenditure Statement
Strategic Management	1,160	177	1,337
Adult Social Care	98,971	3,696	102,667
Children's Social Care	70,684	2,443	73,127
Communities	14,077	5,235	19,312
Corporate Resources	31,661	7,958	39,619
Economic Growth and Housing	4,723	3,003	7,726
Education Excellence	12,718	4,113	16,831
Education Excellence - Schools	-2,044	13,981	11,937
Health and Wellbeing	17,570	-22,408	-4,838
Highways and Public Protection	8,425	7,053	15,478
Operational In-House Services	17,322	6,903	24,224
Corporate Unallocated Costs	-3,938	1,102	-2,836
<b>Net Cost of Services</b>	<b>271,329</b>	<b>33,256</b>	<b>304,585</b>
Other Operating Income and Expenditure	36,604	4,356	40,960
Financing and Investment Income & Expenditure	8,675	11,122	19,797
Taxation and Non-specific Grant Income	-284,043	-51,205	-335,248
<b>Other Income and Expenditure</b>	<b>-238,764</b>	<b>-35,727</b>	<b>-274,491</b>
<b>Deficit/(Surplus) on Provision of Services</b>	<b>32,565</b>	<b>-2,471</b>	<b>30,094</b>

<b>Opening General Fund Balance</b>	<b>-114,340</b>
Plus: Surplus in the Year	32,565
<b>Closing General Fund Balance</b>	<b>-81,775</b>
Analysis of Closing General Fund Balance:	
General Fund - Delegated Schools	-17,994
General Fund - Non-Delegated Services	-11,991
Earmarked Reserves	-51,790
<b>Closing General Fund Balance</b>	<b>-81,775</b>

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The following table shows the comparative information for 2021/2022:

<b>2021/2022</b>	<b>Net Expenditure Chargeable to General Fund Balances</b>	<b>Adjustments between the Funding and Accounting Basis (Note 6)</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>
Strategic Management	1,120	104	1,224
Adult Social Care	92,715	-2,472	90,243
Children's Social Care	52,883	1,429	54,312
Communities	16,126	3,261	19,387
Corporate Resources	26,051	6,331	32,382
Economic Growth and Housing	3,120	-3,240	-120
Education Excellence	10,811	3,676	14,487
Education Excellence - Schools	-5,143	12,790	7,647
Health and Wellbeing	17,216	-23,721	-6,505
Highways and Public Protection	7,442	12,516	19,958
Operational In-House Services	13,814	5,531	19,345
Corporate Unallocated Costs	13,956	-8,165	5,791
<b>Net Cost of Services</b>	<b>250,111</b>	<b>8,040</b>	<b>258,151</b>
Other Operating Income and Expenditure	35,776	-889	34,887
Financing and Investment Income & Expenditure	9,727	-106	9,621
Taxation and Non-specific Grant Income	-284,687	-12,926	-297,613
<b>Other Income and Expenditure</b>	<b>-239,184</b>	<b>-13,921</b>	<b>-253,105</b>
<b>Deficit/(Surplus) on Provision of Services</b>	<b>10,927</b>	<b>-5,881</b>	<b>5,046</b>

<b>Opening General Fund Balance</b>	<b>-125,267</b>
Plus: Surplus in the Year	10,927
<b>Closing General Fund Balance</b>	<b>-114,340</b>
Analysis of Closing General Fund Balance:	
General Fund - Delegated Schools	-18,288
General Fund - Non-Delegated Services	-14,799
Earmarked Reserves	-81,253
<b>Closing General Fund Balance</b>	<b>-114,340</b>

## 8 OTHER NOTES TO THE FINANCIAL STATEMENTS

### 1 PRIOR PERIOD COMPARATORS / ADJUSTMENTS

Credits at the year-end relating to Council Tax and NNDR Payers that were previously recorded as Receipts in Advance in 2021/22 have been reclassified as Short-Term Creditors in 2022/23 in line with the disclosure requirements of the Accounting Code of Practice.

The amounts are considered material enough to warrant a Prior Period Adjustment to ensure comparability between the two years. The impact of the changes on the figures included in the 2021/2022 Statement of Accounts are shown below:

<b><u>Balance Sheet</u></b>	2021/2022 Statement of Accounts	Adjustments	Restated Figures
	£000	£000	£000
Short Term Creditors	-59,355	-4,212	-63,567
Receipts in Advance	-44,531	4,212	-40,319

<b><u>Note 28 – Short-Term Creditors</u></b>	2021/2022 Statement of Accounts	Adjustments	Restated Figures
	£000	£000	£000
HM Revenue and Customs	-4,682	0	-4,682
Government Departments	-14,787	0	-14,787
Other Local Authorities	-2,661	0	-2,661
Council Tax Payers	0	-1,937	-1,937
NNDR Payers	0	-3,573	-3,573
NHS Bodies	-2,873	0	-2,873
Other entities and individuals	-28,779	1,298	-27,481
Accumulated Absences	-5,573	0	-5,573
<b>Total</b>	<b>-59,355</b>	<b>-4,212</b>	<b>-63,567</b>

<b><u>Note 29 – Receipts in Advance</u></b>	2021/2022 Statement of Accounts	Adjustments	Restated Figures
	£000	£000	£000
Planning Section 106 Agreements	-5,524	0	-5,524
Rechargeable Works	-4,144	0	-4,144
Council Tax Payers	-1,187	1,187	0
NNDR Payers	-3,025	3,025	0
COVID Additional Relief Fund	-4,478	0	-4,478
Council Tax Energy Rebate Scheme	-17,140	0	-17,140
Other entities and individuals	-9,033	0	-9,033
<b>Total</b>	<b>-44,531</b>	<b>4,212</b>	<b>-40,319</b>

<b><u>Note 45 – Cash Flow Statement – Operating Activities</u></b>	2021/2022 Statement of Accounts	Adjustments	Restated Figures
	£000	£000	£000
Movement in Short Term Creditors	-1,927	-4,212	-6,139
Movement in Receipts in Advance	-27,239	4,212	-23,027

## **2 ACCOUNTING STANDARDS ISSUED BUT HAVE NOT YET BEEN ADOPTED**

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

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

None of these changes are expected to have a material impact on the Council's single entity statements or group statements.

IFRS16 Leases has been introduced by the 2022/23 code, but only for those authorities that have decided to adopt IFRS 16 in the 2022/23 year. The mandatory introduction of the standard will be from 1 April 2024, and therefore included in the 2024/25 Statement of Accounts.

## **3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in Note 54, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government (see Narrative Report). However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has a material interest in Sefton New Directions Limited, an entity which conducts some of the Council's adult and social care activities. It has been deemed that Sefton New Directions Limited is a subsidiary of the Council and group accounts are required to be prepared.
- The Council has a material interest in Sandway Homes Limited, an entity which engages in housebuilding activity. It has been deemed that Sandway Homes Limited is a subsidiary of the Council and group accounts are required to be prepared.
- The Council has a material interest in Sefton Hospitality Operations Limited, an entity which engages in hospitality activity. It has been deemed that Sefton Hospitality Operations Limited is a subsidiary of the Council and group accounts are required to be prepared.
- The Council has joint working arrangements with Cheshire & Merseyside ICB in Sefton for the provision of intensive care packages for service users with a learning disability and the provision of an Integrated Community Equipment Service. In total £4.386m has been expended on both services in 2022/23. The Council does not consolidate both elements into its financial statements but only accounts for its own expenditure (see Note 10).
- The Council has given a number of warranties for up to 17 years (One Vision Housing Limited) and 35 years (Prudential Trustee Company Limited) in respect of statements, title, encumbrances, planning matters, statutory obligations, adverse orders, tenancies, information and statistics supplied, sales off, disputes and litigation, rights of entry to maintain and repair, absence of adverse replies, electricity sub-stations and shop leases, leasehold property, way leaves, telecommunications and works undertaken. In addition, warranties for 20 years have been given to both parties in respect of claims for asbestos and a warranty not exceeding £100,500,000 for up to 20 years in respect of environmental pollution has been given to One Vision Housing Limited. There is currently no liability. However, the Council has set aside resources in an earmarked reserve in case it is required to pay out under these warranties.



- Investment properties have been estimated using the identifiable criteria under IFRS of being held for rental income or for capital appreciation. These properties have been assessed using these criteria, which is subject to interpretation.
- The Council has examined its leases and classified them as either operational or finance leases. In some cases, the lease transaction is not always conclusive, and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease, the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.
- The Council does not recognise Voluntary Aided, Academies or Free schools on its Balance Sheet. All other types of school are recognised on the Council's Balance Sheet.

#### 4 **ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of financial statements requires management to make judgements, estimates and assumptions that amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying of assets and liabilities within the next financial year are as follows (note that the percentages quoted are for illustrative purposes only and are not an indication of the potential impact):

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Property, Plant and Equipment</b>	<p>Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets.</p> <p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>The total value of PP&amp;E as at 31 March 2023 is £500.950m.</p>	<p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p> <p>A 10% reduction in Net Book Value would equate to £50.1m.</p> <p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for assets would increase by £1.005m for every year that useful lives had to be reduced.</p>
<b>Investment Properties</b>	<p>The Council's valuers use valuation techniques to determine the fair value of investment property.</p> <p>The total value of Investment Properties as at 31 March 2023 is £27.315m.</p>	<p>Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.</p> <p>A 10% reduction in Net Book Value would equate to £2.7m.</p>

<p><b>Provision for NNDR Checks, Challenges &amp; Appeals</b></p>	<p>A provision has been made in respect of checks, challenges, and appeals against the rateable value of business properties. The provision represents the best estimate of the amount that would be repaid to businesses in respect of business rates charged up to 31 March 2023. The total provision recorded on the Collection Fund is £6.239m (Sefton's share is £6.177m).</p> <p>This estimate has been calculated using the Valuation Office Agency (VOA) list of checks, challenges, and appeals outstanding on the 2010 and 2017 Rating Lists at 31 March 2023.</p> <p>The actual value of refunds due as a result of successful checks, challenges, and appeals may be materially different from those on previous rating lists or those already settled on the current rating list.</p>	<p>An increase of 1% in the reduction in Rateable Value on appeals outstanding against the 2010 Rating List would require an increase of £0.006m in the total provision (Sefton's share would be £0.006m).</p> <p>An increase of 1% in the reduction in Rateable Value on check, challenge, or appeal against the 2017 Rating List would require an increase of £3.636m in the total provision (Sefton's share would be £3.600m).</p>
<p><b>Pensions Liability</b></p>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p> <p>As at 31 March 2023 the value of assets was £1,099.963m and liabilities was £1,132.497m. The net liability is therefore £32.534m.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured.</p> <p>The impact of changes in individual assumptions are shown in Note 50, as required by the Code of Practice.</p>
<p><b>Arrears</b></p>	<p>At 31 March 2023, Sefton had a net balance of sundry debtor accounts issued by the Authority but not yet paid of £51.387m. A review of significant balances suggested that an impairment of doubtful debts of approximately 10% (£4.880m) was appropriate for these accounts.</p> <p>At 31 March 2023, Sefton had a balance of Council Tax arrears (including Court Costs) of £36.378m (Sefton's share only). A review of significant balances suggested that an impairment of doubtful debts of approximately 78% (£28.345m) was appropriate for these accounts.</p> <p>At 31 March 2023, Sefton had a balance of NNDR arrears (including Court Costs) of £8.089m (Sefton's share only). A review of significant balances suggested that an impairment of doubtful debts of approximately 72% (£5.818m) was appropriate for these accounts.</p> <p>At 31 March 2023, Sefton had a balance of Housing Benefit arrears of £5.474m. A review of significant balances suggested that an impairment of doubtful debts of approximately 42% (£2.315m) was appropriate for these accounts.</p> <p>However, in the current economic climate it is possible that such allowances would not be sufficient.</p>	<p>If collection rates were to deteriorate, an increase of 10% in the amount of the impairment of doubtful debts would require an additional £9.873m to be set aside as an allowance.</p>

**5 EXPENDITURE AND INCOME ANALYSED BY NATURE**

<u>2021/2022</u> £000s		<u>2022/2023</u> £000s
	<u>Expenditure</u>	
258,634	Employee benefit expenses	277,614
398,821	Other service expenses	430,910
25,427	Depreciation, amortisation and impairment	34,187
7,270	Interest Payments	7,039
34,663	Precepts and Levies	36,698
-4,030	Gain / Loss on Disposal of Non-Current Assets and Changes in Fair Value of Investment Properties and Financial Instruments	11,231
9,158	Net Interest on the Net Pension Defined Benefit Liability	11,453
<b>729,943</b>	<b>Total Expenditure</b>	<b>809,132</b>
	<u>Income</u>	
-64,227	Fees, charges and other service income	-78,124
-335	Interest and Investment Income	-2,420
-202,493	Income from council tax and non-domestic rate income	-232,155
-457,842	Government Grants and Contributions	-466,339
<b>-724,897</b>	<b>Total Income</b>	<b>-779,038</b>
<b>5,046</b>	<b>Deficit on the Provision of Services</b>	<b>30,094</b>

**6 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS**

Adjustments between Funding and Accounting Basis in 2022/2023

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement amounts.	Adjustments for Capital Purposes	Net change for the Pensions Adjustment	Other Differences	Total Adjustments
	£000	£000	£000	£000
Strategic Management	0	176	1	177
Adult Social Care	923	2,756	17	3,696
Children's Social Care	42	2,386	15	2,443
Communities	2,957	2,369	-91	5,235
Corporate Resources	4,028	3,905	25	7,958
Economic Growth and Housing	1,803	1,427	-227	3,003
Education Excellence	3,319	790	4	4,113
Education Excellence - Schools	143	8,147	5,691	13,981
Health and Wellbeing	0	214	-22,622	-22,408
Highways and Public Protection	6,344	1,023	-314	7,053
Operational In-House Services	4,223	4,225	-1,545	6,903
Corporate Unallocated Costs	2,450	219	-1,567	1,102
<b>Net Cost of Services</b>	<b>26,232</b>	<b>27,637</b>	<b>-20,613</b>	<b>33,256</b>
Other Income and Expenditure	-31,275	11,453	-15,905	-35,727
<b>Surplus (-) or Deficit</b>	<b>-5,043</b>	<b>39,090</b>	<b>-36,518</b>	<b>-2,471</b>

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## Adjustments between Funding and Accounting Basis in 2021/2022

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement amounts.	Adjustments for Capital Purposes	Net change for the Pensions Adjustment	Other Differences	Total Adjustments
	£000	£000	£000	£000
Strategic Management	0	104	0	104
Adult Social Care	605	1,626	-4,703	-2,472
Children's Social Care	67	1,359	3	1,429
Communities	1,803	1,561	-103	3,261
Corporate Resources	3,847	2,478	6	6,331
Economic Growth and Housing	-3,864	859	-235	-3,240
Education Excellence	3,264	411	1	3,676
Education Excellence - Schools	158	7,995	4,637	12,790
Health and Wellbeing	0	365	-24,086	-23,721
Highways and Public Protection	12,068	669	-221	12,516
Operational In-House Services	3,808	2,600	-877	5,531
Corporate Unallocated Costs	1,376	1,219	-10,760	-8,165
<b>Net Cost of Services</b>	<b>23,132</b>	<b>21,246</b>	<b>-36,338</b>	<b>8,040</b>
Other Income and Expenditure	-32,198	9,158	9,119	-13,921
<b>Surplus (-) or Deficit</b>	<b>-9,066</b>	<b>30,404</b>	<b>-27,219</b>	<b>-5,881</b>

### Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services 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 throughout 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.

### Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

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

## Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/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 differences 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 NDR 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.

In addition, this includes differences between how expenditure and income is reported to management and how it needs to be shown in the Income and Expenditure Account, e.g. Public Health Grant and Prudential Borrowing costs charged to Services.

## Segmental Analysis of Revenues from External Customers

<u>2021/2022</u> £000s		<u>2022/2023</u> £000s
-8	Strategic Management	-11
-20,173	Adult Social Care	-22,140
-241	Children's Social Care	-246
-5,544	Communities	-7,910
-5,928	Corporate Resources	-6,147
-3,763	Economic Growth and Housing	-4,162
-1,304	Education Excellence	-1,733
-4,175	Education Excellence - Schools	-4,809
0	Health and Wellbeing	-17
-8,624	Highways and Public Protection	-8,634
-9,938	Operational In-House Services	-13,537
-3,556	Corporate Unallocated Costs	-7,741
<b>-63,254</b>	<b>Net Cost of Services</b>	<b>-77,087</b>
-973	Other Income and Expenditure	-1,037
<b>-64,227</b>	<b>Surplus on the Provision of Services</b>	<b>-78,124</b>

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## 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 Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

Descriptions of the reserves that the adjustments are made against can be found in the relevant notes for each reserve.

<b>Adjustments in 2022/2023</b>	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation of non-current assets	-20,633			20,633
Revaluation losses on non-current assets	-3,341			3,341
Movements in the market value of Investment Properties	-4,890			4,890
Amortisation of intangible assets	-944			944
Capital grants and contributions applied	13,081			-13,081
Revenue expenditure funded from capital under statute - Gross	-9,269			9,269
Revenue expenditure funded from capital under statute – Related Capital Grants and Contributions	9,269			-9,269
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	-12,852			12,852
Amortisation of Deferred Income re. Crosby PFI Scheme	107			-107
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	7,479			-7,479
Capital expenditure charged against the General Fund	1,172			-1,172
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	22,392		-22,392	
Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	-3,943		3,943	
Application of grants to capital financing transferred to the Capital Adjustment Account			7,976	-7,976
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	7,553	-7,553		
Transfers to Usable Capital Receipts not relating to the disposal of assets	903	-903		
Use of the Capital Receipts Reserve to finance new capital expenditure		1,517		-1,517
Reclassification of Deferred Capital Receipts		2,232		-2,232

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Notes to the Financial Statements

<b>Adjustments in 2022/2023 Continued</b>	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</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	59			-59
<b>Adjustment primarily involving the Pooled Investment Funds Adjustment Account:</b> Amount by which Financial Instruments held under Fair Value through Profit & Loss are subject to MHCLG statutory over-ride.	-1,042			1,042
<b>Adjustments primarily involving the Pensions Reserve:</b> Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-61,162			61,162
Employer's pensions contributions and direct payments to pensioners payable in the year	22,073			-22,073
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b> Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rates income calculated for the year in accordance with statutory requirements	42,300			-42,300
<b>Adjustment primarily involving the Accumulated Absences Account:</b> Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	121			-121
<b>Adjustment primarily involving the Dedicated Schools Grant Adjustment Account:</b> Transfer of Dedicated Schools Grant (DSG) over/(underspend) to the DSG Adjustment Account	-5,962			5,962
<b>Total Adjustments</b>	<b>2,471</b>	<b>-4,707</b>	<b>-10,473</b>	<b>12,709</b>

The table below provides comparative figures for 2021/2022:

<b>Adjustments in 2021/2022</b>	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b> <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation of non-current assets	-20,634			20,634
Revaluation losses on non-current assets	-636			636
Movements in the market value of Investment Properties	3,076			-3,076
Amortisation of intangible assets	-448			448
Capital grants and contributions applied	8,679			-8,679
Revenue expenditure funded from capital under statute - Gross	-3,708			3,708
Revenue expenditure funded from capital under statute – Related Capital Grants and Contributions	3,579			-3,579

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Notes to the Financial Statements

<b>Adjustments in 2021/2022 Continued</b>	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
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	0			0
Amortisation of Deferred Income re. Crosby PFI Scheme	107			-107
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	6,557			-6,557
Capital expenditure charged against the General Fund	302			-302
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	13,079		-13,079	
Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	-2,716		2,716	
Application of grants to capital financing transferred to the Capital Adjustment Account			9,243	-9,243
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	10	-10		
Transfers to Usable Capital Receipts not relating to the disposal of assets	875	-875		
Use of the Capital Receipts Reserve to finance new capital expenditure		1,089		-1,089
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</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	59			-59
<b>Adjustment primarily involving the Pooled Investment Funds Adjustment Account:</b>				
Amount by which Financial Instruments held under Fair Value through Profit & Loss are subject to MHCLG statutory over-ride.	944			-944
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-52,582			52,582
Employer's pensions contributions and direct payments to pensioners payable in the year	22,178			-22,178
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rates income calculated for the year in accordance with statutory requirements	31,834			-31,834
<b>Adjustment primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-192			192



<b>Adjustments in 2021/2022 Continued</b>	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
<b>Adjustment primarily involving the Dedicated Schools Grant Adjustment Account:</b>				
Transfer of Dedicated Schools Grant (DSG) over/(underspend) to the DSG Adjustment Account	-4,482			4,482
<b>Total Adjustments</b>	5,881	204	-1,120	-4,965

## 8 **OTHER OPERATING INCOME**

An analysis of amounts of Other Income not included in the Net Cost of Services but credited to the Comprehensive Income and Expenditure Statement is shown below:

<u>2021/2022</u> £000s	<u>Other Income</u>	<u>2022/2023</u> £000s
-775	Capital Receipts re. Former Council Dwellings	-809
-100	Other Capital Receipts not relating to the Disposal of Council Assets	-94
-98	Sefton's share of a VAT Shelter Agreement with One Vision Housing	-134
<b>-973</b>		<b>-1,037</b>

## 9 **INTEREST PAYABLE AND SIMILAR CHARGES**

Charges to the Comprehensive Income and Expenditure Account during the year were as follows:

<u>2021/2022</u> £000s		<u>2022/2023</u> £000s
6,597	External Interest Charges	6,392
317	Finance Charge re. Leasing Agreements	298
354	Finance Charge re. PFI Schemes	346
<b>7,268</b>	<b>Total</b>	<b>7,036</b>

## 10 **POOLED BUDGETS**

Under section 75 of the National Health Service Act 2006, local authority and NHS bodies are able to enter into joint working arrangements with the NHS. Pooled funds, with resources provided by local and health authorities, offer the opportunity for the provision of seamless health and social services. Partners remain accountable for their services that are part of the pooled budget. A key feature of the pool is that the use of resources will be dictated by the needs of clients, rather than respective contributions.

### Provision of intensive care packages for service users with a learning disability

Sefton Council has a joint working arrangement with Cheshire & Merseyside ICB (which replaced the CCG's part year 2022/2023) in Sefton for the provision of intensive care packages for service users with a learning disability. Contributions of £1.385m from CCG's/Cheshire & Merseyside ICB (£1.271m in 2021/2022 from CCG's) and £1.305m from Sefton Council (£1.204m in 2021/2022), £2.690m in total (£2.475m in 2021/2022), have been fully expended on purchasing of care packages to meet the health and social care needs of this client group. Sefton's contribution has been financed from within the Adult Social Care budget and is included in the Comprehensive Income and Expenditure Statement under this heading.

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## Provision of an Integrated Community Equipment Service

Sefton has a joint working arrangement with Cheshire & Merseyside ICB (which replaced CCG's part year 2022/2023) for the provision of an Integrated Community Equipment Service, providing an appropriate range of equipment to meet assessed needs and to support intermediate care, hospital discharge, rehabilitation and independent living in the community. Contributions of £0.877m from Cheshire & Merseyside ICB/ South Sefton CCG (£0.783m in 2021/2022 South Sefton CCG) and £0.819m from Sefton Council (£0.766m in 2021/2022); £1.696m in total (£1.549m in 2021/22), have been fully expended on the provision of this service. Sefton's contribution has been financed from within the Adult Social Care budget and is included in the Comprehensive Income and Expenditure Statement under this heading.

## Better Care Fund

The Council operates a pooled fund in partnership with Cheshire & Merseyside ICB, which replaced South Sefton Clinical Commissioning Group (CCG) and Southport and Formby CCG part year 2022/2023. The fund is hosted by the Council.

The Better Care Fund creates a local single pooled budget to incentivise the integration of health and social care and encourage the NHS and Local Government to work more closely together around people, placing their well-being as the focus of health and care services. The key themes underpinning the agreement are:

- Integrated Community Care - building on the existing Virtual Ward and Care Closer to Home initiatives to have a comprehensive, fully integrated model of care built around the communities in localities.
- Long Term Adult Social Care –supporting packages of care and personal budgets and providing additional capacity in social work.
- Intermediate Care and Reablement – seeking to reduce hospital admissions and re-admissions, reduce the need for ongoing care and support by assisting with regaining of independence and to reduce the number of long term residential and nursing care placements.
- Early Years.
- Early Intervention and Prevention.

The Improved Better Care Fund (iBCF) has also been used to Protect Social Care Fees and used to fund Rapid Response Reablement Service which has now become a permanent service following a pilot.

In 2022/2023 additions to the pool were NHS funding for Ageing Well of £1.684m along with Hospital Discharge Government Grant of £3.386m (allocated as £2.115m ICB & £1.271m LA)

Financial performance in the year was as follows:

<u>2021/2022</u> £'000		<u>2022/2023</u> £'000
	<u>Contributions</u>	
-16,782	South Sefton CCG	-4,196
-12,072	Southport & Formby CCG	-3,018
0	Cheshire and Merseyside ICB	-22,967
-20,339	Sefton Council	-20,801
0	Discharge Grant	-3,386
<b>-49,193</b>	<b>Total Contributions</b>	<b>-54,368</b>
<b>48,227</b>	<b>Total Expenditure</b>	<b>53,805</b>
<b>-966</b>	<b>Variance</b>	<b>-563</b>

The variance of £0.563m relates capital expenditure in the pooled fund arrangement. The 2022/2023 Disabled Facilities grant allocation of £4.823m was utilised to fund expenditure of £4.260m in 2022/2023, the balance will be carried forward to be used in future years as part of 3-year Capital programming.

## 11 EXTERNAL AUDIT COSTS

The following fees relating to external audit and inspection were charged to the Comprehensive Income and Expenditure Account.

<u>2021/2022</u> £000		<u>2022/2023</u> £000
153	Fees for external audit services carried out by the appointed auditors	98
18	Fees payable for the certification of grant returns	32
0	Fees payable in respect of any other services	0
171	<b>Total</b>	130

## 12 MEMBERS' ALLOWANCES

The Council has a Cabinet style management structure with a scheme for Members' Allowances. The Council is made up of 66 Members. There were 72 Members who were paid allowances in 2022/23 as some were only for part of the year (74 members in 2021/22) as shown below:

<u>2021/2022</u> £000s		<u>2022/2023</u> £000s
636	Basic Allowances	723
244	Special Responsibility Allowances	236
0	Expenses	7
880	<b>Total</b>	966

No Members were paid a salary in either year.

## 13 EXIT PACKAGES / TERMINATION BENEFITS

The number of exit packages with total cost per band and the total cost of the compulsory and other redundancies are set out in the tables below:

### Exit Packages in 2022/2023

<u>Exit Package Cost Band</u>	<u>Number of Compulsory Redundancies</u>	<u>Number of Other Departures Agreed</u>	<u>Total Number of Exit Packages by Cost Band</u>	<u>Total Cost of Exit Packages in each Band</u>
£0 - £20,000	0	49	49	£0.255m
£20,001 - £40,000	0	6	6	£0.166m
£40,001 - £60,000	0	0	0	£0.000m
£60,001 - £80,000	0	1	1	£0.065m
Total	0	56	56	£0.486m

### Exit Packages in 2021/2022

<u>Exit Package Cost Band</u>	<u>Number of Compulsory Redundancies</u>	<u>Number of Other Departures Agreed</u>	<u>Total Number of Exit Packages by Cost Band</u>	<u>Total Cost of Exit Packages in each Band</u>
£0 - £20,000	1	61	62	£0.490m
£20,001 - £40,000	0	13	13	£0.359m
£40,001 - £60,000	0	1	1	£0.047m
Total	1	75	76	£0.896m

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## 14 EMPLOYEES' EMOLUMENTS IN EXCESS OF £50,000

The Accounts and Audit (England) Regulations require the Authority to disclose the number of employees (including teaching staff) whose remuneration in the year was £50,000 or more in bands of £5,000. The definition of remuneration excludes employer pension contributions but includes:

- (i) all taxable amounts paid to, or receivable by, employees, including sums due by way of expenses allowances;
- (ii) the estimated money value of all other benefits received by employees, otherwise than in cash; and,
- (iii) redundancy payments paid to employees who have left the employment of the Authority during the year.

Readers should note that the tables below include Senior Officers' remuneration, which is also disclosed separately in Note 18.

<b>Teaching Staff (including Voluntary Aided Schools)</b>				
<u>2021/2022</u>		<u>Remuneration Band</u>	<u>2022/2023</u>	
<u>Employed on 31/03/22</u>	<u>Left during the year</u>		<u>Employed on 31/03/23</u>	<u>Left during the year</u>
74	1	£50,000 - £54,999	75	8
40	2	£55,000 - £59,999	32	0
22	1	£60,000 - £64,999	23	0
23	1	£65,000 - £69,999	21	5
33	0	£70,000 - £74,999	30	0
9	1	£75,000 - £79,999	12	3
6	0	£80,000 - £84,999	9	0
7	0	£85,000 - £89,999	4	0
1	0	£90,000 - £94,999	0	1
1	0	£95,000 - £99,999	2	0
1	0	£100,000 - £104,999	0	0
2	0	£105,000 - £109,999	1	0
1	0	£120,000 - £124,999	0	0
1	0	£130,000 - £134,999	0	0

<b>Non-Teaching Staff (including schools)</b>				
<u>2021/2022</u>		<u>Remuneration Band</u>	<u>2022/2023</u>	
<u>Employed on 31/03/22</u>	<u>Left during the year</u>		<u>Employed on 31/03/23</u>	<u>Left during the year</u>
28	0	£50,000 - £54,999	44	0
33	1	£55,000 - £59,999	21	0
7	0	£60,000 - £64,999	32	0
7	1	£65,000 - £69,999	6	1
4	0	£70,000 - £74,999	7	0
2	1	£75,000 - £79,999	3	0
1	0	£80,000 - £84,999	4	0
7	0	£85,000 - £89,999	3	0
0	0	£90,000 - £94,999	9	0
4	0	£115,000 - £119,999	0	0
1	0	£120,000 - £124,999	3	1
0	0	£125,000 - £129,999	2	0
0	0	£130,000 - £134,999	1	0
0	0	£150,000 - £154,999	0	0
1	0	£155,000 - £159,999	0	0

## 15 SENIOR OFFICERS' REMUNERATION

The following tables provide details of the remuneration paid to senior officers as defined in the Accounts and Audit Regulations. The pension contribution shown in the tables is the employer's contribution to the local government pension scheme.

### Senior Officers remuneration in 2022/2023:

Post holder Information	Notes	Salary (Including fees and allowances)	Expense Allowances	Compensation for loss of office	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including pension contributions
		£	£	£	£	£	£
Chief Executive		166,571	0	0	166,571	30,273	196,844
Executive Director - People		123,552	0	0	123,552	22,375	145,927
Executive Director - Place		123,552	0	0	123,552	22,268	145,820
Executive Director of Adult Social Care and Health		130,997	0	0	130,997	23,751	154,748
Executive Director of Children's Social Care and Education	(a)	129,901	0	0	129,901	22,621	152,522
Executive Director of Corporate Resources and Customer Services		123,552	0	0	123,552	22,354	145,906
Assistant Director Corporate Resources and Customer Services	(b)	90,736	0	0	90,736	16,473	107,209
Assistant Director of Adult Social Care		89,832	0	0	89,832	16,255	106,087
Assistant Director of Children's Social Care – Cared for Children		90,736	0	0	90,736	16,324	107,060
Assistant Director of Help & Protection	(c)	0	0	0	0	0	0
Assistant Director of Children's Social Care – Safeguarding & Quality Assurance		81,989	0	0	81,989	14,822	96,811
Assistant Director of Restorative Transformation	(d)	0	0	0	0	0	0
Assistant Director of People - Communities		90,089	0	0	90,089	16,316	106,405
Assistant Director of Place - Economic Growth and Housing		90,736	0	0	90,736	16,417	107,153
Assistant Director of Children's Services - Education		87,040	0	0	87,040	16,514	103,554
Head of Health and Wellbeing (Director of Public Health)		94,380	0	0	94,380	16,710	111,090
Assistant Director of Place - Highways and Public Protection		90,736	0	0	90,736	16,464	107,200
Assistant Director of People - Operational In-House Services		90,326	0	0	90,326	16,359	106,685
Assistant Director or People - Commercial Development		90,736	0	0	90,736	16,456	107,192
Assistant Director of Life Course Commissioning	(e)	14,907	0	0	14,907	2,685	17,592
Chief Legal and Democratic Officer		90,685	0	0	90,685	16,497	107,182

a) Post holder left the Local Authority on 31/03/2023

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Notes to the Financial Statements

- b) This post was previously known as Head of Strategic Support.
- c) This role was temporarily occupied via agency staff during 22/23. The salary for this role is £90,836 and the pension contributions are £16,078.
- d) This role was temporarily occupied via agency staff during 22/23. The salary for this role is £90,836 and the pension contributions are £16,078.
- e) Post holder started the role in February 2023.
- f) Roles with a 'Head of' designation in 21/22 have been re-designated to 'Assistant Director'.

## Senior Officers remuneration in 2021/2022:

Post holder Information	Notes	Salary (Including fees and allowances) £	Expense Allowances £	Compensation for loss of office £	Total Remuneration excluding pension contributions £	Pension Contributions £	Total Remuneration including pension contributions £
Chief Executive		158,552	0	0	158,552	28,375	186,927
Executive Director - People		119,884	0	0	119,884	21,381	141,265
Executive Director - Place		119,884	0	0	119,884	21,282	141,166
Executive Director of Adult Social Care and Health		119,884	0	0	119,884	21,456	141,340
Executive Director of Children's Social Care and Education	(a)	31,747	0	0	31,747	5,536	37,283
Executive Director of Corporate Resources and Customer Services		119,884	0	0	119,884	21,362	141,246
Head of Strategic Support		87,547	0	0	87,547	15,652	103,199
Head of Adult Social Care	(b)	99,314	0	0	99,314	17,707	117,021
Head of Children's Social Care		87,547	0	0	87,547	15,514	103,061
Head of Communities	(c)	91,993	0	0	91,993	16,237	108,230
Head of Economic Growth and Housing		87,547	0	0	87,547	15,600	103,147
Head of Education Excellence	(d)	58,364	0	0	58,364	10,500	68,864
Head of Health and Wellbeing (Director of Public Health)		89,913	0	0	89,913	12,830	102,743
Head of Highways and Public Protection		87,547	0	0	87,547	15,873	103,420
Head of Operational In-House Services	(e)	59,776	0	0	59,776	10,901	70,677
Head of Commercial Development		87,547	0	0	87,547	15,636	103,183

- a) The Executive Director of Children's Social Care and Education left on 4<sup>th</sup> July 2021. It was then covered on an interim basis by an external contractor for the remainder of the year. The substantive pay for the post is £119,884.
- b) The Head of Adult Social Care post was appointed to on 13<sup>th</sup> December 2021. It had been covered on an interim basis since the beginning of the year. The substantive pay for the post is £87,547.
- c) The Head of Communities post was appointed to on 1<sup>st</sup> October 2021. It had been covered on an interim basis since the beginning of the year. The substantive pay for the post is £87,547.
- d) The Head of Education Excellence post was appointed to on 1<sup>st</sup> August 2021. It had been covered on an interim basis by an external contractor since the beginning of the year. The substantive pay for the post is £87,547.
- e) The Head of Operational In-House Services post was appointed to on 26<sup>th</sup> July 2021. It had previously been vacant since the beginning of the year. The substantive pay for the post is £87,547.

## 16 DEDICATED SCHOOLS' GRANT

The council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools' Budget, as defined in the School Finance and Early Years (England) Regulations 2015. The Schools' Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2022/2023 are as follows:

	<u>Central Expenditure</u> £000s	<u>Individual Schools Budget</u> £000s	<u>Total</u> £000s
Final DSG for 2022/23 before academy and high needs recoupment			-246,520
Academy and high needs figure recouped for 2022/23			76,955
Total DSG after Academy and high needs recoupment for 2022/23			-169,565
Plus: Brought forward from 2021/22			0
Less: Carry forward to 2023/24 agreed in advance			0
Agreed initial budgeted distribution in 2022/23	-32,096	-137,469	-169,565
In year adjustments	-45	-136	-181
Final budgeted distribution for 2022/23	-32,141	-137,605	-169,746
Actual central expenditure	38,103		38,103
Actual ISB deployed to schools		137,605	137,605
Local authority contributions in 2022/23	0	0	0
<b>In Year Carry forward to 2023/24</b>	<b>5,962</b>	<b>0</b>	<b>5,962</b>
Carry forward to 2023/24 agreed in advance			0
DSG unusable reserve at end of 2021/22			-11,097
Addition to DSG unusable reserve at end of 2022/23			-5,962
Total of DSG unusable reserve at end of 2022/23			-17,059
<b>Net DSG position at the end of 2022/23</b>			<b>-17,059</b>

## 17 GRANT INCOME

### Grants and contributions credited to the Comprehensive Income and Expenditure Statement

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

<u>2021/2022</u> £000s	<u>Credited to Taxation and Non-specific Grant Income</u>	<u>2022/2023</u> £000s
-21,315	<u>Non-Ringfenced Government Grants</u>	
-155	Non-Domestic Rates Top-Up Grant	-22,151
-26,408	New Homes Bonus	-794
-2,107	Business Rates Relief - S31 Grant	-20,354
-11,820	Independent Living Fund - Transition Funding	-2,107
-3,473	Additional Social Care Funding	-16,085
-430	Council Tax Support Grant	0
	Lower Tier Services Grant	-462

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Notes to the Financial Statements

-8,063	COVID-19 Emergency Funding	0
-1,544	Other Specific COVID Funding	-1,170
-763	Other Non-Ringfenced Government Grants	-2,934
-76,078		-71,563

<u>2021/2022</u> £000s	<u>Credited to Taxation and Non-specific Grant Income</u>	<u>2022/2023</u> £000s
	<u>Capital Grants and Contributions</u>	
-5,681	Liverpool City Region Combined Authority – Transport Grants	-6,753
-4,823	Better Care Fund	-4,823
-3,358	Liverpool City Region Combined Authority – Growth Projects Grants	-4,502
-3,239	Department for Education Capital Grants	-9,307
-1,875	DLUHC - Towns Fund	-6,882
-851	Environment Agency - Northwest Regional Coastal Monitoring Grant	-595
-1,932	Other Capital Grants and Contributions	-2,611
2,716	Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	3,943
-19,043		-31,530

<u>2021/2022</u> £000s	<u>Grants Credited to Services</u>	<u>2022/2023</u> £000s
	<u>Revenue Grants</u>	
-166,617	Dedicated Schools Grant	-168,631
-64,672	Housing Benefit Subsidy	-63,657
-22,006	Public Health Grant	-22,624
-9,153	Pupil Premium	-8,301
-2,435	Household Support Fund	-4,870
0	Homes for Ukraine	-3,285
0	School Supplementary Grant	-3,278
0	Post 16 6 <sup>th</sup> Form Grant	-2,690
-2,428	Universal Infant Free School Meals	-2,333
0	Discharge Grant	-2,209
0	Recovery Premium	-1,543
-81	Syrian Refugees (Home Office)	-1,488
0	PE and Sport Funding	-1,274
0	Pupil Premium Plus	-1,147
-448	DFE Leeds Family Valued Model	-1,143
-427	Holiday Activity Fund	-1,035
-843	Supporting Families Programme (previously Troubled Families)	-1,017
0	Supplemental Substance Misuse Treatment and Recovery	-1,002
0	LCRCA – Adult Education and Community Learning	-967
0	Digital Transition Fund	-716
0	School Led Tutoring	-706
-238	Unaccompanied Asylum-Seeking Children	-696
-727	Arts Council	-668
0	Homelessness Prevention	-618
-606	Domestic Abuse – New Burdens	-607
-643	Ways to Work	-579
-561	PFI Grant	-561
0	Additional Discharge Funding	-545
-509	Police and Crime Commissioner	-540
-699	Discretionary Housing Payments	-495
-501	Homelessness Reduction – New Burdens Grant	-490
-426	Local Council Tax Support Administration	-418
-399	Teacher's Employer Pension Grant	-413
-580	Rough Sleeper Initiative	-402
-302	NNDR Administration Grant	-299
0	Social Worker Academy	-264
0	Resettlement	-147
-10,638	Adult Social Care Covid Funding	0
-5,968	Additional Restrictions Grant to support businesses	0
-3,471	Education Funding Agency	0
-2,604	SMART Testing	0



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Notes to the Financial Statements

-2,081	Contain Outbreak Management Fund	0
-1,998	Omicron Hospitality and Leisure Grant	0
-1,418	COVID Pupil Premium Catch-up	0
-1,302	PE and Sport Funding	0
-1,191	Test & Trace Support Payments	0
-1,153	COVID Local Support Grant	0
-1,084	Skills Funding Agency	0
-1,066	Retrofit Grant	0
-916	Housing Benefit Administration	0
-840	Green Homes Grant	0
-525	Work Programmes	0
-494	School Led Tutoring Grant	0
-489	Drug Treatment Grant	0
-376	Youth Justice Board	0
-346	Adult Weight Management	0
-340	Community Connectors	0
-293	School Improvement Grant	0
-141	Teachers Pay Grant	0
-108	COVID Winter Grant	0
-4,528	Other Revenue Grants	-6,525
<b>-318,671</b>		<b>-308,183</b>

<u>2021/2022</u> £000s	<u>Grants Credited to Services</u>	<u>2022/2023</u> £000s
	<u>Capital Grants</u>	
-3,579	Capital Grants utilised to fund Revenue Expenditure Funded from Capital Under Statute	-9,269
	<u>Contributions</u>	
-27,943	Health Contributions	-31,466
-5,521	School Contributions and Donations	-6,051
-1,806	Other Local Authorities	-1,861
-5,201	Other Contributions	-5,815
<b>-40,471</b>		<b>-45,192</b>
<b>-457,842</b>	<b>Total Revenue and Capital Grants</b>	<b>-465,737</b>

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## 18 PROPERTY PLANT AND EQUIPMENT

Movements in 2022/2023	Other Land and Buildings (OL&B)	Vehicles Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b><u>Cost or Valuation</u></b>							
At 1 April 2022	324,894	20,444	255,383	23,133	10,306	945	635,105
Additions	7,435	1,544	14,213	115	134	4,395	27,836
Revaluations - recognised in the Revaluation Reserve	463	0	0	0	179	0	642
Revaluations – recognised in the Surplus/Deficit on the Provision of Services	-4,439	0	0	0	-211	0	-4,650
Derecognition - Other	-9,998	-2,546	0	0	-523	0	-13,067
Reclassifications:							
To Assets Held for Sale	-2,896	0	0	0	-9	0	-2,905
From Assets Held for Sale	0	0	0	0	5,087	0	5,087
From Investment Properties	0	0	0	0	0	0	0
At 31 March 2023	315,459	19,442	269,596	23,248	14,963	5,340	648,048
<b><u>Accumulated Depreciation and Impairment</u></b>							
At 1 April 2022	-38,164	-10,950	-84,106	0	0	0	-133,220
Depreciation Charge	-9,457	-3,864	-7,311	0	0	0	-20,632
Revaluations - recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Accumulated Depreciation written out upon impairment	1,309	0	0	0	0	0	1,309
Derecognition - Other	2,111	2,546	0	0	0	0	4,657
Reclassifications:							
To Assets Held for Sale	788	0	0	0	0	0	788
At 31 March 2023	-43,413	-12,268	-91,417	0	0	0	-147,098
<b><u>Net Book Value</u></b>							
At 1 April 2022	286,730	9,494	171,277	23,133	10,306	945	501,885
At 31 March 2023	272,046	7,174	178,179	23,248	14,963	5,340	500,950

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Notes to the Financial Statements

Movements in 2021/2022	Other Land and Buildings (OL&B)	Vehicles Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Cost or Valuation</b>							
At 1 April 2021	308,776	22,541	246,233	23,133	4,379	0	605,062
Additions	9,020	6,845	9,150	410	62	945	26,432
Revaluations - recognised in the Revaluation Reserve	24,379	0	0	0	-1,155	0	23,224
Revaluations – recognised in the Surplus/Deficit on the Provision of Services	-11,200	0	0	0	-738	0	-11,938
Derecognition - Other	-23	-8,942	0	0	0	0	-8,965
Reclassifications:							
To Assets Held for Sale	-200	0	0	0	-291	0	-491
To Surplus Assets	-5,858	0	0	-410	6,268	0	0
From Investment Properties	0	0	0	0	1,781	0	1,781
At 31 March 2022	324,894	20,444	255,383	23,133	10,306	945	635,105
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2021	-41,547	-15,878	-76,795	0	0	0	-134,220
Depreciation Charge	-9,309	-4,014	-7,311	0	0	0	-20,634
Revaluations - recognised in the Revaluation Reserve	1,367	0	0	0	0	0	1,367
Accumulated Depreciation written out upon impairment	11,302	0	0	0	0	0	11,302
Derecognition - Other	23	8,942	0	0	0	0	8,965
Reclassifications	0	0	0	0	0	0	0
At 31 March 2022	-38,164	-10,950	-84,106	0	0	0	-133,220
<b>Net Book Value</b>							
At 1 April 2021	267,229	6,663	169,438	23,133	4,379	0	470,842
At 31 March 2022	286,730	9,494	171,277	23,133	10,306	945	501,885

## **Depreciation**

Depreciation is provided for on the straight-line basis over an asset's estimated useful life as detailed below:

Asset Type	Basis	Estimated Life
Other Land and Buildings	Straight-line	10 to 75 Years
Vehicles, Plant and Equipment (Computers)	Straight-line	5 Years
Vehicles, Plant and Equipment (Other)	Straight-line	5 to 10 Years
Infrastructure Assets (Capitalised Highways Maintenance)	Straight-line	10 Years
Infrastructure Assets (Other)	Straight-line	40 Years
Community Assets	Not Depreciated	-
Surplus Assets	Not Depreciated	-
Assets Under Construction	Not Depreciated	-

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The usual estimated useful life of different categories of Other Land and Buildings assets are detailed below. For individual assets the valuer may determine that a lower estimated useful life is more appropriate for that asset:

Asset Type	Estimated Life
Southport Cultural Centre (The Atkinson)	75 Years
Schools and Educational Establishments	50 Years
Civic Buildings	50 Years
Social Care Establishments	40 to 50 Years
Libraries	40 Years
Leisure Facilities	30 Years
Garages / Depots	10 Years

## **Capital Commitments**

At 31 March 2023, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2023/2024 and future years which are budgeted to cost £14.130m. Similar commitments at 31 March 2022 were £18.418m. The major commitments are:

Scheme	Expenditure approved and contracted at 31 March 2023 £000s
LED Street Lighting Upgrade	7,737
Marine Lake Events Centre	4,281
Crosby Lakeside Redevelopment	707
Grange - Rewiring	392
Kings Meadow Primary - Replace Wiring Systems	218
Crosby Library	102

## **Revaluations**

Valuations are carried out as part of a rolling programme over a five-year cycle.

All freehold and leasehold land and properties which comprise the Authority's property portfolio have been valued by Ms S Rimmer (MRICS). Ms Rimmer is part of the Council's own qualified in-house valuers. The only exception is for the Strand Shopping Centre which was valued by Andrew Watson (MRICS) who works for an external valuation company, Avison Young.

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The Council's own in-house valuers have considered valuation uncertainty and market instability insofar as those properties valued this year are concerned and reflected any changes in the valuations supplied.

The table below will show the dates and amounts of valuations for each class of Property, Plant and equipment included in the balance sheet:

	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Cost or Valuation</b>							
<u>Valued at Current Value in:</u>							
2022/2023	12,545	0	0	0	5,465	0	18,010
2021/2022	149,327	0	0	0	6,997	0	156,324
2020/2021	30,174	0	0	0	1,202	0	31,376
2019/2020	13,974	0	0	0	908	0	14,882
2018/2019	106,087	0	0	0	185	0	106,272
2017/2018	33	0	0	0	0	0	33
Assets valued at Historic Cost	0	19,442	269,596	23,248	206	5,340	317,832
Assets not subject to Revaluation	3,319	0	0	0	0	0	3,319
<b>At 31 March 2023</b>	<b>315,459</b>	<b>19,442</b>	<b>269,596</b>	<b>23,248</b>	<b>14,963</b>	<b>5,340</b>	<b>648,048</b>

Notes:

- Surplus Assets shown as valued at Historic Cost relates to land valued at historic cost upon purchase.
- Other Land and Buildings not subject to revaluation mainly relates to office refurbishments being depreciated.

## 19 HERITAGE ASSETS

A heritage asset is an asset that is held due to its historical, artistic, scientific, technological, or environmental qualities, and is maintained principally for its contribution to knowledge and culture.

Movements in Heritage Assets during the year were as follows:

2021/2022				2022/2023		
Art Collection	Other	Total		Art Collection	Other	Total
£000s	£000s	£000s		£000s	£000s	£000s
9,704	1,828	11,532	Balance at the start of the year	10,675	857	11,532
0	0	0	Additions (Expenditure)	0	0	0
0	0	0	Disposals	0	0	0
0	0	0	Revaluations	1,617	0	1,617
0	0	0	Depreciation	0	0	0
<b>10,675</b>	<b>857</b>	<b>11,532</b>	<b>Balance at the end of the year</b>	<b>12,292</b>	<b>857</b>	<b>13,149</b>

The Art Collection consists principally of a ceramic collection, a silver collection, works of art and an Egyptology collection and is described in more detail below. Other Heritage Assets consists of several war memorials and the art installation "Another Place"

## CERAMICS

The Authority owns a large collection of ceramics and china. The collection consists of 163 pieces of Crown Derby "Imari", and 757 pieces of Tuscan Ware, and is mainly held at Bootle Town Hall with further collections at the Atkinson. Due to the age of the collection no accurate records are maintained of how the collection was acquired. An inventory of the collection is made at both Bootle and Town Hall and the Atkinson.

A Collection Development Policy is in place which defines the scope of future collecting activity. When assets are bequeathed to the Authority appropriate documentation is completed to transfer the right of ownership to the Authority. It is not the Authority's policy to dispose of these assets although appropriate procedures and documentation are available for completion should an asset be disposed of. Loans of heritage assets are made to other registered museums and galleries.

Certain items are on public display within Bootle and Southport Town Halls and the Atkinson. Requests to view those items not on public display would require written request to be submitted.

The Authority has a conservation management policy and plan for heritage assets.

## SILVER

The Authority owns a collection of silverware, consisting of an eclectic mix of cups, salvers, and civic regalia. The collection was principally acquired by donation. An inventory of the collection is held at both Bootle and Southport Town Halls.

The policy for acquisition, disposal, management, and public access of the silver collection is the same as for the ceramic collection. However, those assets in use, such as maces, are regularly reviewed for wear and tear that requires repair.

## ARTWORKS

The Authority holds approximately 3,500 artworks at the Atkinson with a further 30,000 items of social and natural history. The gallery collection consists of paintings, prints, and sculpture. The museum collection consists of paintings, photographs, postcards, furniture, costume, natural history, archaeology, and Egyptology. The majority of assets were donated to the Authority, although some items were purchased, whilst others were transferred from other museums.

Some records of assets are held on various systems, but an ongoing project is in place to document all items on the Authority's collection management database. This process is documented within the Authority's Documentation Procedural Manual, a copy of which is available from the Authority.

The policy for acquisitions and disposals are contained within the Collection Development Policy for the Atkinson, copies of which are available from the Authority.

The Authority does loan such items to other galleries and museums. In addition, it may receive loans of artworks from other galleries and museums which are insured by the Council.

The Authority has a conservation management policy and plan for heritage assets. An Emergency Plan is in place in case of an incident of fire or flood.

The Art Collection is reported in the Balance Sheet at insurance valuation which is based on market values. The insurance valuation for the collection of oil paintings was last updated in 2005. The Authority considers that obtaining updated valuations for the collection would involve disproportionate cost. This is because of the diverse nature of the assets and the lack of comparable market values makes valuation expensive. As the valuations are for insurance purposes only, there is an inherent limitation on the precise valuation of Heritage Assets.

## 20 INVESTMENT PROPERTY

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

<u>2021/2022</u> £000s		<u>2022/2023</u> £000s
-2,680	Rental Income from Investment Property	-2,709
221	Direct operating expenses arising from Investment Property	178
<b>-2,459</b>	<b>Net gain</b>	<b>-2,531</b>

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

At 31 March 2023, the Authority had no contractual obligations for the construction or enhancement of investment property in 2023/2024 and future years. There were also no similar commitments at 31 March 2022.

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

<u>2021/2022</u> £000s		<u>2022/2023</u> £000s
29,991	Balance at the start of the year	32,338
1,052	Additions – Subsequent expenditure	157
0	Disposals	-290
3,076	Net gains / losses (-) from fair value adjustments	-4,890
	<u>Reclassifications:</u>	
0	- To Other Land and Buildings	0
-1,781	- To Surplus Assets	0
0	- To Assets Held for Sale	0
<b>32,338</b>	<b>Balance at the end of the year</b>	<b>27,315</b>

### Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Note 63 Statement of Accounting Policies (i) for an explanation of the fair value levels).

### Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

The fair value of investment property has been measured using inputs other than quoted prices that are observable for the asset, either directly or indirectly, assets being valued using applicable comparative evidence.

In estimating the fair value of the Council's properties, the highest and best use has been considered as part of the valuation process.

## 21 INTANGIBLE ASSETS

Intangible assets held by the Authority relate entirely to purchased software licences. Expenditure on purchased software licences is amortised to the relevant service revenue accounts on a straight-line basis over an estimated economic life of three years.

The amortisation of £0.944m charged to revenue in 2022/2023 (£0.448m in 2021/2022) was charged to the ICT Administration, Adult Social Care, and Sefton cost centres and then absorbed as an

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overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

At 31 March 2023, the Authority had no contractual obligations for the construction or enhancement of intangible assets in 2023/2024 and future years (£0.376m at 31 March 2022).

Movements in purchased software licences during the year were as follows:

<u>2021/2022</u> £000s	<b>Purchased Software Licences</b>	<u>2022/2023</u> £000s
0	Gross Carrying Amount	1,599
0	Accumulated Amortisation	-702
<b>0</b>	<b>Net carrying amount at start of the year</b>	<b>897</b>
1,345	Purchases in the year	1,518
-448	Amortisation in the year	-944
0	Revaluations	0
<b>897</b>	<b>Net carrying amount at the year end</b>	<b>1,471</b>
	<u>Comprising:</u>	
1,599	Gross Carrying Amount	3,117
-702	Accumulated Amortisation	-1,646
<b>897</b>		<b>1,471</b>

## 22 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

<u>2021/2022</u> £000s	<b>Capital Financing Requirement</b>	<u>2022/2023</u> £000s
230,150	Opening Capital Financing Requirement	233,130
	<u>Capital Expenditure</u>	
26,432	Property, Plant and Equipment	27,836
1,051	Investment Properties	158
1,345	Intangible Assets	1,518
3,708	Revenue expenditure funded from capital under statute	9,269
	<u>Sources of Finance</u>	
-1,089	Capital Receipts	-1,517
-21,501	Grants and Contributions	-32,221
-302	Direct Revenue Contributions	-1,173
	<u>Provision for Repayment of Debt</u>	
-6,557	Statutory Provision for financing capital investment	-7,479
-107	Amortisation of Deferred Income re. Crosby PFI	-107
<b>233,130</b>	<b>Closing Capital Financing Requirement</b>	<b>229,414</b>

<u>2021/2022</u> £000s	<b>Explanation of movements in the year</b>	<u>2022/2023</u> £000s
	<u>Decrease (-) / Increase in underlying need to borrow:</u>	
9,644	Increase in underlying need to borrow	3,870
-6,664	Provision for Repayment of Debt	-7,586
<b>2,980</b>	<b>Increase (+) / Decrease (-) in Capital Financing Requirement</b>	<b>-3,716</b>



## 23 LONG TERM INVESTMENTS

31 March 2022 £000s		31 March 2023 £000s
6,320	Churches & Charities Local Authority LAMIT Property Fund	5,278
1	Sefton New Directions (see Note 54 for more details)	1
6,743	Sandway Homes (see Note 54 for more details)	6,743
0	Sefton Hospitality Operations Limited	10
<b>13,064</b>	<b>Total</b>	<b>12,032</b>

The Long-Term Investment in Sandway Homes relates to loans made to the Company to cover its working capital requirements (as approved by the Council's Cabinet). The Company pays interest on these loans at an agreed commercial rate and the loans will be repaid across the period of its Business Plan covering Phase 1 of its development programme.

In addition to the shares in Sefton New Directions, the Council is the sole shareholder in Sandway Homes (£100), and Sefton Hospitality Operation Limited (£1). The investments in all three subsidiaries is shown at amortised cost.

## 24 LONG TERM DEBTORS

31 March 2022 £000s		31 March 2023 £000s
	<u>Transferred Services</u>	
80	Merseyside Residuary Body	71
80		71
	<u>Other</u>	
7,927	Long Term Sundry Debtor Accounts	8,550
65	Loan to Plaza Community Cinema	0
7,992		8,550
<b>8,072</b>	<b>Total</b>	<b>8,621</b>

## 25 ASSETS HELD FOR SALE

2021/2022 £000s	Movements in the year	2022/2023 £000s
11,513	Balance Outstanding at start of the year	12,004
0	Disposals	-4,153
	<u>Assets newly classified as held for sale:</u>	
200	- Other Land and Buildings	2,108
2,185	- Surplus Assets	9
	<u>Assets declassified as held for sale:</u>	
-1,894	- Surplus Assets	-5,087
<b>12,004</b>	<b>Balance Outstanding at the year-end</b>	<b>4,881</b>

### Fair Value Hierarchy

The Council's Assets Held for Sale are valued using the fair value hierarchy for valuation purposes (see Note 63 Statement of Accounting Policies (i) for an explanation of the fair value levels).

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## Valuation Techniques Used to Determine Level 2 Fair Values for Assets Held for Sale

The fair value of Assets Held for Sale has been measured at level 2 using inputs other than quoted prices that are observable for the asset, either directly or indirectly, assets being valued using applicable comparative evidence.

In estimating the fair value of the Council's properties, the highest and best use has been considered as part of the valuation process.

### 26 **SHORT TERM DEBTORS AND PREPAYMENTS**

<u>31 March</u> <u>2022</u> £000s	<b><u>Short Term Debtors</u></b>	<u>31 March</u> <u>2023</u> £000s
	<u>Amounts Falling Due Within One Year</u>	
3,292	Central Government Bodies	4,074
3,920	HM Revenue and Customs	4,197
289	Academies	377
8,267	Other Local Authorities	11,404
11,413	NHS Bodies	28,603
31,963	Council Tax Payers	36,378
9,069	NNDR Payers	8,089
101	Accrued Interest on Investments	57
14,821	Other Entities and Individuals	25,263
<b>83,135</b>		<b>118,442</b>
	<u>Less Impairment</u>	
-24,749	Council Tax Payers	-28,345
-8,402	NNDR Payers	-5,818
-6,424	Other Entities and Individuals	-7,195
<b>-39,575</b>		<b>-41,358</b>
<b>43,560</b>	<b>Net Debtors</b>	<b>77,084</b>

<u>31 March</u> <u>2022</u> £000s	<b><u>Prepayments</u></b>	<u>31 March</u> <u>2023</u> £000s
2,204	Early Years Providers	2,212
1,453	ICT Contracts	1,583
611	Direct Payments	0
14,023	Payment of Pension Contributions to Merseyside Pension Fund	0
865	Other	1,291
<b>19,156</b>	<b>Net Debtors</b>	<b>5,086</b>

### 27 **CASH AND CASH EQUIVALENTS**

The balance of Cash and Cash Equivalents is made up of the following elements:

<u>31 March</u> <u>2022</u> £000s		<u>31 March</u> <u>2023</u> £000s
64	Cash in hand of officers	63
4,539	Bank current accounts	-27
93,725	Short-term deposits with banks and building societies	26,269
<b>98,328</b>	<b>Total Cash and Cash Equivalents</b>	<b>26,305</b>

## 28 SHORT TERM CREDITORS

31 March 2022 £000s		31 March 2023 £000s
-4,682	HM Revenue and Customs	-5,052
-14,787	Government Departments	-9,492
-2,661	Other Local Authorities	-4,479
-2,873	NHS Bodies	-2,789
-1,937	Council Tax Payers	-2,590
-3,573	NNDR Payers	-4,401
-27,481	Other entities and individuals	-29,271
-5,573	Accumulated Absences	-5,452
<b>-63,567</b>	<b>Total</b>	<b>-63,526</b>

The Bank Current Accounts balance includes funds held by a third party on the Council's behalf relating to the operation of the Strand Shopping Centre.

## 29 RECEIPTS IN ADVANCE

31 March 2022 £000s		31 March 2023 £000s
-5,524	Planning Section 106 Agreements	-6,353
-4,144	Rechargeable Works	-3,597
-4,478	COVID Additional Relief Fund	0
-17,140	Council Tax Energy Rebate Scheme	0
-9,033	Other entities and individuals	-5,245
<b>-40,319</b>	<b>Total</b>	<b>-15,195</b>

## 30 PROVISIONS

Movements in provisions during 2022/2023 were as follows:

		1 April 2022 £000s	Additions in Year £000s	Applied In Year £000s	Released In Year £000s	31 March 2023 £000s
	<b>Long-term</b>					
(a)	Internal Insurance Cover	-3,845	-1,012	1,434	0	-3,423
(b)	Provision for NDR Appeals	-21,140	0	4,790	10,173	-6,177
		<b>-24,985</b>	<b>-1,012</b>	<b>6,224</b>	<b>10,173</b>	<b>-9,600</b>

Movements in provisions during 2021/2022 were as follows:

		1 April 2021 £000s	Additions in Year £000s	Applied In Year £000s	Released In Year £000s	31 March 2022 £000s
	<b>Long-term</b>					
(a)	Internal Insurance Cover	-4,613	-743	524	987	-3,845
(b)	Provision for NDR Appeals	-23,647	-789	3,296	0	-21,140
		<b>-28,260</b>	<b>-1,532</b>	<b>3,820</b>	<b>987</b>	<b>-24,985</b>

(a) **Internal Insurance Cover** - The purpose of the insurance provision is to enable certain known uninsured losses to be met centrally, i.e., losses arising from the excesses that apply to the Authority's main insurance policies (Public Liability, Property, Employers Liability and Motor Insurance). The amount required to cover these uninsured losses is based on claims actually reported as outstanding. The timing of settlement of these claims is uncertain but is likely to be over a number of years. Based

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on an assessment by Sefton's insurance advisors (AON), the resources available in the Authority's Insurance Fund are in excess of known liabilities.

Included within this balance is an amount to cover potential liabilities following the announcement on the 13 November 2012 that the Municipal Mutual Insurance Limited (MMI) Scheme of Arrangement has now been triggered.

MMI was formed as a limited company by guarantee in 1903 and by 1974 some 90% of local authorities were insured by the company. Due to dramatic increases in claims, coincidental with a fall in the property market and poor investment environment, along with its inability to raise capital because of its mutual status, MMI's net assets fell below the minimum regulatory solvency requirement and the company went into run-off in September 1992.

The amount paid to the Council plus the amount outstanding under this arrangement is £3.743m, and under the Scheme or Arrangement a levy is chargeable on this amount. After the imposition of the levy, the Council is also liable to contribute to each and every subsequent claim paid by MMI on the Council's behalf, thereby creating an on-going financial obligation. The initial levy requested by the scheme administrator from the Council is a percentage of the total sum paid on behalf of the Council by MMI since 30 September 1992, less the first £50,000 of such payments. As a result, and following assessment by a scheme actuary, a levy rate of 25% is being applied creating a liability to the Council of £0.901m (£0.541m of which was paid in January 2014 with £0.360m paid in May 2016). There is a possibility that the ultimate levy rate could eventually be higher than this and as such the Council has made a specific provision of an additional £0.478m million in the accounts to cover this potential liability, based on an assessment by Sefton's insurance advisors.

The liability upon the Council as a scheme creditor cannot be fully estimated at this stage for unknown claims incurred but not reported between 1974 and 1992. Whilst the Council has considered the financial impact in producing its Statement of Accounts, by including resources in its Insurance Provision, there is a risk that the Council's financial liability could increase from this level.

(b) **Provision for NDR Appeals** – Following the introduction of business rates retention on 1 April 2013, the Council assumed the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties. The timing of these refunds is uncertain but is expected to be made over several years (which is the reason why the whole provision is treated as long-term). The provision covers the Council's locally retained share of the liability which increased from 49% in 2016/17 to 99% in 2017/18 as a result of the Council's participation in the Liverpool City Region Business Rates Pilot Scheme from 1 April 2017. The Council's share of potential repayments has been estimated at £6.177m based on the rateable value of properties still subject to appeal on the 2010 Rating List and an estimate of future rateable value reductions arising from checks, challenges, and appeals against the rateable value of properties on the 2017 Rating List at 31 March 2023 (£21.140m on 31 March 2022).

The provision made is the Council's best estimate of the actual liability as at the 31 March 2023. There is a potential risk that the value of refunds due as a result of checks, challenges and appeals lodged with the Valuation Office Agency will exceed the provision made in the accounts.

## 31 DEFERRED LIABILITIES

31 March 2022 £000s		31 March 2023 £000s
	<b>Short Term</b>	
-438	Merseyside Residuary Body	-438
-187	Finance Lease Liability – Crosby Baths PFI	-215
-202	Finance Lease Liability – Property, Plant and Equipment	-223
-107	PFI Deferred Income	-107
<b>-934</b>	<b>Total Short Term</b>	<b>-983</b>
	<b>Long Term</b>	
-1,313	Merseyside Residuary Body	-875
-1,671	Finance Lease Liability – Crosby Baths PFI	-1,456
-2,960	Finance Lease Liability – Property, Plant and Equipment	-2,737
-537	PFI Deferred Income	-430
<b>-6,481</b>	<b>Total Long Term</b>	<b>-5,498</b>

Wirral MBC manages debt on behalf of the former Merseyside Residuary Body. Sefton MBC (along with the other Merseyside Districts, Precepting and Levying Bodies), as a successor body, inherited debt relating to services transferred to its control. The amount outstanding in respect of Sefton MBC was £1.313m at 31 March 2023 (£1.751m at 31 March 2022).

## 32 TRUST FUNDS

The Council acts as Sole Trustee of a number of legacies and bequests. Details of the transactions and the Committees controlling the funds are shown below. In compliance with the Code, Trust Funds have been excluded from the Council's Balance Sheet.

<u>Portfolio and Name of Trust</u>	<u>Balance at</u> <u>1 April</u> <u>2022</u> £	<u>Income</u> £	<u>Expenditure</u> £	<u>Balance at</u> <u>31 March</u> <u>2023</u> £
<u>Children's Services</u>				
Bootle Holiday Camp - Children	23,764	545	0	24,309
Wignall Scholarship	12,743	292	0	13,035
<u>Corporate Services</u>				
Netherton Green Trust	14,046	316	0	14,362
<u>Other</u>				
Mayor of Sefton's Charity Fund	7,122	0	0	7,122
Total	57,675	1,153	0	58,828
<u>The balances are invested as follows:</u>				
Government Securities	300			300
Sefton Cash Balances	57,375			58,528
Total	57,675			58,828

### Children's Services Trust Funds

The Educational Trust Funds aim to help in the advancement of education and training of young people within the Sefton area by providing financial assistance to those who have difficulty in paying fees and by the award of prizes as rewards to deserving students.

### Netherton Green Trust

The Netherton Green Trust Fund was set up prior to 1974 as a bequest, converted into shares with the former Mersey Docks and Harbour Company. These were subsequently redeemed in 2005/2006. The original sum was applied towards the upkeep of an area within the Borough called Netherton Green.

### Mayor of Sefton's Charity Fund

This fund has a year-end of 30 June. The opening balance included in the Trust Fund Statement above is therefore as at 1 July 2022. The movements in the year were not available at the time these accounts were approved in September 2023. The opening balance in this note has been adjusted to reflect the Charity Fund's final audited accounts for 2021/2022.

## 33 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 accounting 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.

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General Fund Balances arise due to planned contributions or underspends in previous years. Amounts held by schools are to fund expenditure in future years and as a prudent measure against future uncertainty. General Fund Balances attributable to the Council are held as a prudent measure against future uncertainty.

<u>2021/2022</u> £000s	<b>Non-School General Fund Balances</b>	<u>2022/2023</u> £000s
-11,278	Balance at 1 April	-14,799
-3,521	Increase (-) / Decrease in Balances	2,808
<b>-14,799</b>	<b>Balance at 31 March</b>	<b>-11,991</b>

<u>2021/2022</u> £000s	<b>School General Fund Balances</b>	<u>2022/2023</u> £000s
-15,676	Balance at 1 April	-18,288
-2,612	Increase (-) / Decrease in Balances	294
<b>-18,288</b>	<b>Balance at 31 March</b>	<b>-17,994</b>

## 34 EARMARKED RESERVES

The movements in earmarked reserves during the last two years are shown below:

	<b>Movements in 2022/2023</b>	<u>1 April</u> <u>2022</u> £000s	<u>Transfers</u> <u>in</u> £000s	<u>Transfers</u> <u>Out</u> £000s	<u>31 March</u> <u>2023</u> £000s
(a)	Environmental Warranty	-9,000	0	0	-9,000
(b)	Insurance Fund	-1,948	0	315	-1,633
(c)	Transforming Sefton	-2,233	-299	671	-1,861
(d)	Redundancy Reserve	-1,326	0	380	-946
(e)	Community Transition Fund	-385	0	58	-327
(f)	Contamination Clearance	-1,379	0	0	-1,379
(g)	Rating Appeals / Reduction in NDR Income Reserve	-18,305	0	18,305	0
(h)	Secondary School Deficit Reserve	-1,000	-750	237	-1,513
(i)	Council Tax - spreading of 2020/2021 Deficit Reserve	-2,872	0	2,373	-499
(j)	Business Rates - spreading of 2020/2021 Deficit	-3,265	0	3,265	0
(k)	Regeneration Scheme Reserve	0	-2,500	0	-2,500
(l)	Revenue Grants and Contributions Unapplied	-28,471	-11,581	17,576	-22,476
(m)	Other Earmarked Reserves	-11,069	-1,879	3,292	-9,656
	<b>Total</b>	<b>-81,253</b>	<b>-17,009</b>	<b>46,472</b>	<b>-51,790</b>

	<b>Movements in 2021/2022</b>	<u>1 April</u> <u>2021</u> £000s	<u>Transfers</u> <u>in</u> £000s	<u>Transfers</u> <u>Out</u> £000s	<u>31 March</u> <u>2022</u> £000s
(a)	Environmental Warranty	-9,000	0	0	-9,000
(b)	Insurance Fund	-961	-987	0	-1,948
(c)	Transforming Sefton	-3,503	-691	1,961	-2,233
(d)	Redundancy Reserve	-1,326	0	0	-1,326
(e)	Community Transition Fund	-481	0	96	-385
(f)	Contamination Clearance	-1,438	0	59	-1,379
(g)	Rating Appeals / Reduction in NDR Income Reserve	-38,784	-17,981	38,460	-18,305

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(h)	Secondary School Deficit Reserve	-750	-250	0	-1,000
(i)	Council Tax - spreading of 2020/2021 Deficit Reserve	0	-2,872	0	-2,872
(j)	Business Rates - spreading of 2020/2021 Deficit	0	-3,265	0	-3,265
(l)	Revenue Grants and Contributions Unapplied	-30,754	-15,852	18,135	-28,471
(m)	Other Earmarked Reserves	-11,316	-1,886	2,133	-11,069
	<b>Total</b>	<b>-98,313</b>	<b>-43,783</b>	<b>60,844</b>	<b>-81,253</b>

(a) **Environmental Warranty** - The Council has provided a 35-year environmental warranty for the land / property that has been transferred to One Vision Housing Limited. This warranty requires the Council to remediate any environmental contamination found on these sites during the life of the warranty. Resources are being set-aside over the coming years as a prudent measure against a potential cost.

(b) **Insurance Fund** – Any resources available in the Authority’s Insurance Fund in excess of known liabilities are included in an Earmarked Reserve.

(c) **Transforming Sefton** – The Council is currently undertaking a Transformation Programme to deliver customer focussed services through a high-performance culture whilst achieving significant ongoing savings. A reserve has been created to enable Sefton to progress the Programme over the next few years. In addition, it will be used to fund initiatives to support economic development in the Borough.

(d) **Redundancy Reserve** – The Council may be required to make significant savings in future years in order to meet the demands of reducing external resources and increased spending pressures which may result in redundancy costs associated with making these savings. In addition, the Council is required to pay contributions to Merseyside Pension Fund for the additional costs arising from employees taking early retirement. Resources have been set aside to fund these costs over the coming years.

(e) **Community Transition Fund** - Council on 28 February 2013 agreed to the establishment of a new one-off Community Transition Fund. The aim of this resource was to facilitate, where possible, the transfer of certain services to become community run and self-sustaining. Cabinet on 3 September 2015 agreed to increase the reserve by £1.000m as a result of the underspend achieved in 2015/2016. Cabinet on 6 December 2018 agreed to increase the reserve by a further £0.500m from a review of uncommitted Earmarked Reserves.

(f) **Contamination Clearance Reserve** - During 2011/2012 it was identified there was a site in the Borough that was contaminated and there could be significant costs associated with clearing the contamination. It was therefore considered prudent to set resources aside to cover these potential costs.

(g) **Rating Appeals / Reduction in NDR Income Reserve** - In response to COVID19, the Government introduced an expanded Business Rates retail relief scheme in 2021/2022. This resulted in a significant deficit on the Collection Fund which was to be recovered in 2022/23. However, the Council received S31 grants to offset the reliefs granted which were received in 2021/22. These were therefore reserved so they could be used to offset the deficit in 2022/23.

(h) **Secondary School Deficit Reserve** – Budget Council in February 2020 approved the creation of a reserve to fund the potential deficits of Secondary Schools should they transfer to academy status. A contribution of £0.750m was included in the 2022/23 budget.

(i) **Council Tax - spreading of 2020/2021 Deficit Reserve**– Due to the impact of COVID19 on collection rates and the number of claimants of Council Tax Reduction Scheme support, the Government amended regulations so that the resulting deficit could be spread across future years rather than all in the following year. The 2021/2022 budget included a contribution to a reserve which will be utilised to offset the impact of the deficit on the 2022/2023 and 2023/2024 budgets.

(j) **Business Rates - spreading of 2020/2021 Deficit Reserve**– Due to the impact of COVID19 on collection rates, the Government amended regulations so that the resulting deficit could be spread across future years rather than all in the following year. The 2021/2022 budget included a contribution

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to a reserve which will be utilised to offset the impact of the deficit on the 2022/2023 and 2023/2024 budgets.

(k) **Regeneration Scheme Reserve** – The Council received an amount during 2022/23 relating to the surrender of a lease at the Strand Shopping Centre. Council approved the creation of a reserve from the receipt of £2.500m to be utilised in future years to offset the loss of income from the lease surrender.

(l) **Revenue Grants and Contributions Unapplied** – In line with proper accounting practice, the Council credits the Income and Expenditure Account with grants and contributions as and when conditions for claiming the grant or contribution have been met. However, these amounts are required to fund expenditure on specific schemes in future years. They are therefore reserved to offset this future expenditure.

(m) **Other Earmarked Reserves** – There are a number of other earmarked reserves held by the Council. These include reserves for Adult Social Care Pressures (£1.136m), Economic Recovery (£1.402m), the Formby Pool Sinking Fund (£1.549m) and the Investment Strategy Reserve (£0.858m).

## 35 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 the year-end.

2021/2022 £000s		2022/2023 £000s
-6,464	Balance at 1 April	-6,260
	<u>Receipts in the Year</u>	
-10	Sale proceeds credited to the Comprehensive Income and Expenditure Account as part of the gain/loss on disposal of non-current assets	-7,553
-775	Capital Receipts from Former Council House Sales	-809
-100	Other Capital Receipts not relating to the Disposal of Council Assets	-94
	<u>Applied in the Year</u>	
1,089	Applied to finance new capital expenditure	1,517
	<u>Reclassification</u>	
0	Transfer to Deferred Capital Receipts	2,232
<b>-6,260</b>	<b>Balance at 31 March</b>	<b>-10,967</b>

## 36 CAPITAL GRANTS AND CONTRIBUTIONS UNAPPLIED

The Capital Grants and Contributions Unapplied Account (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.

2021/2022 £000s		2022/2023 £000s
-22,742	Balance at 1 April	-23,862
-13,079	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-22,392
2,716	Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	3,943
9,243	Transferred to the Capital Adjustment Account	7,976
<b>-23,862</b>	<b>Balance at 31 March</b>	<b>-34,335</b>



## 37 REVALUATION RESERVE

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). 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.

<u>2021/2022</u> £000s		<u>2022/2023</u> £000s
-68,324	<b>Balance at 1 April</b>	-91,720
-36,897	Upward revaluation of assets	-3,123
12,306	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	864
-24,591	Surplus (-) / Deficit on revaluation of non-current assets not posted to the Surplus / Deficit on the Provision of Services	-2,259
1,195	Difference between fair value depreciation and historical cost depreciation	1,521
0	Accumulated gains on assets sold or scrapped	1,342
1,195	Amount written off to the Capital Adjustment Account	2,863
<b>-91,720</b>	<b>Balance at 31 March</b>	<b>-91,116</b>

## 38 CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

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.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve and Deferred Capital Receipts Reserve.

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2021/2020 £000s		2022/2023 £000s
-225,404	<b>Balance at 1 April</b>	-233,805
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</u>	
20,634	Depreciation of non-current assets	20,633
636	Revaluation of non-current assets	3,341
448	Amortisation of intangible assets	944
129	Revenue expenditure funded from capital under statute	0
0	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	12,852
-107	Amortisation of Deferred Income re. Crosby PFI Scheme	-107
21,740		37,663
	<u>Amounts written out to the Revaluation Reserve</u>	
-1,195	Difference between fair value depreciation and historical cost depreciation	-1,521
0	Accumulated gains on assets sold or scrapped	-1,342
-1,195		-2,863
	<u>Capital financing applied in the year</u>	
-1,089	Capital receipts applied to finance capital expenditure	-1,517
-8,679	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to finance capital expenditure	-13,081
-9,243	Transfer from the Capital Grants and Contributions Unapplied Account to finance capital expenditure	-7,976
-6,557	Statutory provision for the financing of capital investment	-7,479
-302	Capital expenditure charged to the General Fund	-1,173
-25,870		-31,226
	<u>Other Movements</u>	
-3,076	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	4,890
-3,076		4,890
<b>-233,805</b>	<b>Balance at 31 March</b>	<b>-225,341</b>

## 39 PENSIONS RESERVE

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2021/2021 £000s		2022/2023 £000s
454,913	<b>Balance at 1 April</b>	426,862
-58,455	Re-measurements (Liabilities and Assets)	-433,417
52,582	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	61,162
-22,178	Employer's pensions contributions and direct payments to pensioners payable in the year	-22,073
<b>426,862</b>	<b>Balance at 31 March</b>	<b>32,534</b>

#### 40 COLLECTION FUND ADJUSTMENT ACCOUNT

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

2021/2022 £000s		2022/2023 £000s
49,481	<b>Balance at 1 April</b>	17,646
-31,835	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	-42,299
<b>17,646</b>	<b>Balance at 31 March</b>	<b>-24,653</b>

#### 41 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.

2021/2022 £000s		2022/2023 £000s
5,381	<b>Balance at 1 April</b>	5,573
<u>Transactions in Year</u>		
-5,381	Settlement or cancellation of accrual made at the end of the preceding year	-5,573
5,573	Amounts accrued at the end of the current year	5,452
192	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-121
<b>5,573</b>	<b>Balance at 31 March</b>	<b>5,452</b>

## 42 DEDICATED SCHOOLS GRANT ADJUSTMENT ACCOUNT

Regulations effective from 1 April 2020 require that a Schools Budget deficit must be carried forward to be funded from future Dedicated Schools Grant (DSG) income, unless permission is sought from the Secretary of State for Education to fund the deficit from the General Fund. They also require that where a local authority 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, but instead record any such deficit in a separate account. The Dedicated Schools Grant Adjustment Account has been created for that purpose and the in-year deficit for 2020/21 and cumulative deficit brought forward as at 1 April 2020 have been transferred into that account.

Further details on the deployment of DSG are provided in Note 16.

<u>2021/2022</u> £000s		<u>2022/2023</u> £000s
6,615	<b>Balance at 1 April</b>	11,097
4,482	Reversal of the deficit on the Dedicated Schools Grant within the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	5,963
<b>11,097</b>	<b>Balance at 31 March</b>	<b>17,060</b>

## 43 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Executive Director of Corporate Services and Commercial on 12 November 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 44 RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the Council. Disclosure of these transactions allows an assessment of the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

### 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, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g., Housing Benefits). Grants received from government departments are set out in the analysis in Note 17. In addition, Sefton paid £18.568m to HM Revenue and Customs for Employers' National Insurance Contributions. Amounts owed from and to Central Government at 31 March 2023 are shown in Notes 26 and 28.

### Members' Interests

Members of the Council have direct control over the Council's financial and operating policies. During 2022/2023, works and services to the value of £0.130m were commissioned from companies in which one or more Members have declared an interest. These are shown in the table below. Contracts were entered into in full compliance with the Council's standing orders. In addition, grants and payments for goods and services totalling £1.033m were made to voluntary organisations in which one or more Members have declared an interest. The most significant of these are shown in the table below. The grants were awarded by the Cabinet Member – Regulatory, Compliance and Corporate Services and were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants.

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<u>2022/2023</u>	Income £000s	Expenditure £000s	Debtors £000s	Creditors £000s
One Vision Housing	-97	130	38	-27
Bosco Society	-1	1,033	0	0

<u>2021/2022</u>	Income £000s	Expenditure £000s	Debtors £000s	Creditors £000s
One Vision Housing	-1,161	337	1	-30
Bosco Society	-1	478	0	0

### Other Public Bodies

A number of Councillors are nominated to serve as representatives on other public bodies. These include, for example, Aintree University Hospital NHS Foundation Trust, British Destinations, Formby Pool Trust, Merseyside Fire and Rescue Authority, Liverpool City Region Combined Authority, Merseyside Pension Fund, Merseyside Police Authority, Merseyside Recycling and Waste Authority, Sandway Homes, Sefton Council for Voluntary Service and Sefton New Directions.

Significant transactions during the year and balances at year-end with related public bodies included:

<u>2022/2023</u>	Income £000s	Expenditure £000s	Debtors £000s	Creditors £000s
Merseyside Police and Crime Commissioner	-259	19,921	571	0
Merseyside Fire and Rescue Authority	-187	7,752	138	-313
Parish Councils	0	1,382	0	0
Liverpool City Region Combined Authority	-65	19,111	45	0
Merseyside Recycling and Waste Authority	-1,217	15,877	356	0
Merseyside Pensions Authority - Employers' Contributions	0	4,972	0	-2,551
MerseyCare NHS Foundation	-134	7,326	113	-14
Sefton New Directions Limited	-195	8,069	19	-92
Sandway Homes	-469	18	0	0
Sefton CVS	-1	1,935	0	0
Sefton Carers Centre	-11	851	0	0

<u>2021/2022</u>	Income £000s	Expenditure £000s	Debtors £000s	Creditors £000s
Merseyside Police and Crime Commissioner	-331	19,105	596	-12
Merseyside Fire and Rescue Authority	-471	7,516	190	-57
Parish Councils	0	1,208	0	0
Liverpool City Region Combined Authority	-74	18,828	1	0
Merseyside Recycling and Waste Authority	-1,689	15,511	355	0
Merseyside Pensions Authority - Employers' Contributions	0	4,392	0	-930
MerseyCare NHS Foundation	-676	10,244	401	-966
Sefton New Directions Limited	-46	9,970	29	-103
Sandway Homes	-108	1,200	0	0
Sefton CVS	-6	2,161	0	0
Sefton Carers Centre	-21	801	13	0

The amounts owed by the Merseyside Police Authority and Merseyside Fire and Rescue Authority are the net amounts of Council Tax outstanding (after allowing for the Provision for Bad and Doubtful Debts) that relates to these bodies. There is no Provision for Bad and Doubtful Debts for amounts due from other bodies as all amounts have been assessed as being fully collectable.

### Officers' Interests

The current Assistant Director of People (Operational In-House Services) (formerly the Head of Operational In-House Services) is a Council appointed representative on the Formby Pool Trust Board. There are no other senior officer relationships. Any significant financial transactions for any relevant organisations would be disclosed in the table above under Other Public Bodies.

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Notes to the Financial Statements

There are no senior officer car loans outstanding at the end of 2022/2023.

## Subsidiary and associated companies

Details of the Council's interest in companies is set out in Note 46.

Note: If organisations are no longer related parties in 2022/2023, they are not shown in 2021/2022.

## 45 CASH FLOW STATEMENT

### OPERATING ACTIVITIES

The surplus or deficit on the provision of services has been adjusted for the following items:

<u>2021/2022</u> £000s		<u>2022/2023</u> £000s
	<u>Adjustments to net surplus or deficit on the provision of services for non-cash movements</u>	
-20,634	Depreciation charged to CIES	-20,633
-636	Revaluation Losses charged to CIES	-3,341
3,076	Movements in the Market Value of Investment Properties	-4,890
-448	Amortisation of Intangible Assets	-944
-30,404	Reversal of non-cash items relating to retirement benefits debited to the CIES	-39,089
2,879	Movement in Long-Term Debtors	623
-87	Movement in Inventories	70
-5,267	Movement in Short-term Debtors	30,858
-13,998	Movement in Prepayments	-14,070
-6,139	Movement in Short-term Creditors	-893
-22,151	Movement in Receipts in Advance	25,124
3,275	Movement in Provisions (Long-Term)	15,385
<b>-90,534</b>		<b>-11,800</b>
	<u>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</u>	
10	Gain (+) / Loss (-) on Sale of Fixed Assets	-5,299
19,042	Capital Grants and Contributions credited to the CIES	31,530
875	Capital receipts not related to disposals	903
1,012	Other Adjustments	-913
<b>20,939</b>		<b>34,108</b>

The cash flows for operating activities include the following items:

<u>2021/2022</u> £000s	The cash flows for operating activities include the following items:	<u>2022/2023</u> £000s
-388	Interest received	-2,137
7,398	Interest Paid	7,165

### FINANCING ACTIVITIES

The following table provides a reconciliation between the movements on the Balance Sheet during the year and net cash flows from financing activities in the Cash Flow Statement:

<u>2022/2023</u>	<u>31 March</u> <u>2022</u> £000s	Financing Cash Flows £000s	Acquisitions £000s	Other non- financing Cash Flows £000s	<u>31 March</u> <u>2023</u> £000s
Current Portion of Long-term Borrowing	-34,719	21,595	0	129	-12,995
Long-term Borrowing	-133,714	11,916	0	0	-121,798
Short-term Deferred Liabilities	-934	-49	0	0	-983

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Long-term Deferred Liabilities	-6,481	983	0	0	-5,498
Short-Term Debtors	43,560	-205	0	33,730	77,085
Short-Term Creditors	-63,567	-255	0	296	-63,526
<b>Total</b>	<b>-195,855</b>	<b>33,985</b>	<b>0</b>	<b>34,155</b>	<b>-127,715</b>

The movements in short-term debtors and short-term creditors shown under Financing Cash Flows relate to the net amounts owed to or from the Government and Major Preceptors in respect of their share of council tax and business rates balances which are accounted for on an agency basis. The movements recorded under Other Cash Flows relate to operating and investing activities.

<u>2021/2022</u>	<u>31 March 2021</u>	Financing Cash Flows	Acquisitions	Other non-financing Cash Flows	<u>31 March 2022</u>
	£000s	£000s	£000s	£000s	£000s
Current Portion of Long-term Borrowing	-21,567	-13,282	0	130	-34,719
Long-term Borrowing	-167,225	33,511	0	0	-133,714
Short-term Deferred Liabilities	-942	8	0	0	-934
Long-term Deferred Liabilities	-7,415	934	0	0	-6,481
Short-Term Debtors	49,618	-1,086	0	4,972	43,560
Short-Term Creditors	-60,980	-57	0	-2,530	-66,567
<b>Total</b>	<b>-208,511</b>	<b>20,028</b>	<b>0</b>	<b>-7,372</b>	<b>-195,855</b>

## 46 INTEREST IN COMPANIES

As the three companies below don't have to file their accounts until 31 December 2023, they have not yet been incorporated into the Council's Group accounts. Once all accounts have been completed and audited, they will be incorporated.

### Sefton New Directions Limited

Sefton New Directions Limited was incorporated on 15 January 2007 and began trading on 1 April 2007. It is a wholly owned subsidiary of the Council. Its principal activity is providing Social Care Services for Adults and those with Learning and / or Physical Disabilities. The filing of accounts for the company is required by Companies House by 31 December 2023.

### Sandway Homes

On 19 July 2018 Sefton (ACS) Development Company Limited, a company limited by shares and wholly owned by Sefton MBC, was incorporated. On 29 October 2018 Sandway Homes Limited, a company limited by share and wholly owned by Sefton (ACS) Developments Limited, was incorporated. The nature of business of Sandway Homes Limited is registered as development of building projects. The filing of accounts of both companies is required by Companies House by 31 December 2023.

### Sefton Hospitality Operations Ltd

In May 2021 Sefton Hospitality Operations Limited, a company limited by shares and wholly owned by Sefton MBC, was incorporated. The Company is registered as providing hospitality services. The filing of accounts for the company is required by Companies House by 31 December 2023.

## 47 OPERATING LEASES

### Authority as a Lessee

The Council employs operating leases to obtain the use of certain vehicles and equipment. During 2022/2023 operating lease payments totalled £0.011m (£0.015m in 2021/2022).

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Notes to the Financial Statements

In addition, the Council leases a number of properties from third parties under operating lease agreements. During 2022/2023 lease rentals paid for properties under these lease agreements totalled £0.118m (£0.093m in 2021/2022).

The future lease payments due under non-cancellable leases in future years are:

<u>31 March</u> <u>2022</u> £000s		<u>31 March</u> <u>2023</u> £000s
68	Not later than one year	51
237	Later than one year and not later than five years	188
2,321	Later than five years	2,207
<b>2,626</b>		<b>2,446</b>

## **Authority as a Lessor**

The Council leases a number of properties to third parties under operating lease agreements. The assets leased include shops, offices, land and other commercial properties. These property leases are for economic development purposes to provide suitable affordable accommodation for local businesses. During 2022/2023 lease rentals received from these operating lease agreements totalled £5.630m (£5.417m in 2021/2022).

The future lease payments receivable under non-cancellable leases in future years are:

<u>31 March</u> <u>2022</u> £000s		<u>31 March</u> <u>2023</u> £000s
4,975	Not later than one year	3,982
15,225	Later than one year and not later than five years	11,075
273,699	Later than five years	262,544
<b>293,900</b>		<b>277,601</b>

## **48 FINANCE LEASES**

### **Authority as Lessee**

The Council has acquired a number of administrative buildings under finance leases.

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

<u>31 March</u> <u>2022</u> £000s		<u>31 March</u> <u>2023</u> £000s
1,830	Other Land and Buildings	1,643
<b>1,830</b>		<b>1,643</b>

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

<u>31 March</u> <u>2022</u> £000s		<u>31 March</u> <u>2023</u> £000s
	Finance lease liabilities (net present value of minimum lease payments):	
202	• Current	222
2,960	• Non-current	2,737



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Notes to the Financial Statements

1,536	Finance costs payable in future years	1,257
4,698	Minimum lease payments	4,216

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2022 £000s	31 March 2023 £000s	31 March 2022 £000s	31 March 2023 £000s
Not later than one year	480	480	202	223
Later than one year and not later than five years	1,920	1,920	1,040	1,148
Later than five years	2,297	1,817	1,920	1,590
	4,697	4,217	3,162	2,961

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2022/2023 £0.020m contingent rents were payable by the Authority (£0.020m were paid in 2021/2022).

## **Authority as Lessor**

The Authority did not lease out any properties on finance leases in 2022/2023 (none in 2021/22).

## **49 PFI AGREEMENT / SERVICE CONCESSION**

### **Crosby Leisure Centre**

On 18 September 2001, the Council entered into an agreement under a Private Finance Initiative with Waterfront Leisure (Crosby) Limited for the provision and operation of a leisure centre in Crosby. Under the terms of the agreement Waterfront Leisure constructed the centre and will operate it for a period of 25 years in accordance with the Council's specification. The contractor has the obligation to maintain the building to a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the leisure centre. The building and any plant and equipment installed will be transferred to the Council at the end of the 25-year contract for nil consideration. The Council only has the right to terminate the contract if it pays within three months:

1. the senior cost;
2. any redundancy payments of the contractor that have been reasonably incurred;
3. all amounts shown in the base financial model as payable by the contractor from the termination date.

### **Payments**

The Council will pay an annual unitary charge for the serviced facility. At the start of the contract it was estimated this would total £23.860m over the life of the concession period (25 years). The figure is subject to inflationary increases with potential reductions should the service provided fall below specified standards. The charge is also eligible for government grant. The centre was opened on 17 February 2003. Payments to the contractor in 2022/2023 were £1.410m (£1.297m in 2021/2022) with government grants of £0.561m received in the year (£0.561m in 2021/2022).

The outstanding commitments (Unitary Payments) due to be made to Waterfront Leisure (Crosby) Limited each year until the end of the contract in 2028 are required to be brought into the Comprehensive Income and Expenditure Statement. In addition to this unitary payment, Waterfront Leisure generates income through the provision of goods and services, which has enabled a lower unitary payment charge.

The table below shows the outstanding commitment for the PFI contract and has been split between the key elements. It should be noted that the outstanding commitment has been inflated using the inflationary factors included within the original contract.

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Commitments under PFI Contract	Reimbursement of Capital Expenditure £000s	Interest £000s	Service Charge £000s
Contract Payments in 2023/2024	216	327	891
Contract Payments between 2024/2025 and 2027/2028	1,455	1,129	3,393

## Liabilities

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

2021/2022 £000s		2022/2023 £000s
-2,072	Balance outstanding at start of year	-1,859
213	Payments during the year	187
-1,859	Balance outstanding at the year-end	-1,672

## Property Plant and Equipment

The assets used to provide services at Crosby Leisure Centre are recognised on the Council's Balance Sheet. The following table shows the value of assets held under Crosby Leisure Centre PFI scheme at each Balance Sheet date and an analysis of the movement in those values:

2021/2022 £000s	Other Land & Buildings: PFI Assets	2022/2023 £000s
	<u>Cost or Valuation</u>	
9,680	Opening Balance at 1 April	11,356
0	Additions	77
1,676	Revaluations	0
11,356	Closing Balance at 31 March	11,433
	<u>Depreciation and Impairments</u>	
-1,090	Opening Balance at 1 April	0
-277	Depreciation Charge	-211
1,367	Revaluations	0
0	Closing Balance at 31 March	-211

2021/2022 £000s	Other Land & Buildings: PFI Assets	2022/2023 £000s
	<u>Balance Sheet Amount</u>	
8,590	Opening Balance at 1 April	11,356
11,356	Closing Balance at 31 March	11,222

## 50 PARTICIPATION IN PENSION SCHEMES

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although retirement benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in three pension schemes:

## **Pension Schemes Accounted for as Defined Contribution Schemes**

### Teachers' Pension Scheme (TPS)

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education. It provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs of making contributions based on a percentage of members' pensionable salaries.

The Scheme is a multi-employer defined benefit scheme. 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. Valuations of the notional fund are undertaken every four years.

The scheme has approximately 12,200 participating employers and consequently the Authority 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 purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2023, the Authority's own contributions equate to approximately 0.22%.

In 2022/2023, the Council paid £14.181m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of teachers' pensionable pay. The figures for 2021/2022 were £14.394m and 23.68%. Contributions of £1.166m remained payable at the year-end. The contributions due to be paid in 2023/2024 are estimated to be £12.974m.

In cases of redundancy or early retirement in the interests of the efficiency of the service, the Authority is responsible for the cost of any additional benefits awarded that are outside the terms of the teachers' scheme. In 2022/2023 these contributions amounted to £0.774m, representing 1.29% of teachers' pensionable pay. The figures for 2021/2022 were £0.744m and 1.22%.

### NHS Pension Scheme

As a result of the transfer of responsibility for Public Health to local authorities in April 2013, a number of staff also transferred who are members of the NHS Pension Scheme, administered by NHS Pensions on behalf of the Department of Health. It provides staff with specified benefits upon their retirement, and the Authority contributes towards the costs of making contributions based on a percentage of members' pensionable salaries.

The Scheme is a multi-employer defined benefit scheme. The scheme is unfunded, and the Department of Health uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has approximately 8,000 participating employers and consequently the Authority 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 purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the NHS Pension Scheme during 2022/2023, the Authority's own contributions equate to less than 0.001% (0.001% in 2021/2022).

In 2022/2023, the Council paid £0.034m to NHS Pensions in respect of retirement benefits, representing 20.11% of the employees' pensionable pay. The figures for 2021/2022 were £0.026m and 16.3%. Contributions of £0.004m remained payable at 31 March 2023 (£0.002m at 31 March 2022). The contributions due to be paid in 2023/2024 are estimated to be £0.032m.

## **Defined Benefit Schemes**

### Local Government Pension Scheme (LGPS)

All employees not eligible to join the Teachers' Pension Scheme or the NHS Pension Scheme are, subject to certain qualifying criteria, eligible to join the Local Government Pension Scheme. Wirral Metropolitan Borough Council acts as the administering authority of the LGPS as lead authority for the Merseyside councils' scheme, the Merseyside Pension Fund (MPF). This is a funded defined benefit final salary scheme (career average revalued earnings scheme from 1 April 2014), meaning that the Authority and employees pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets.

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In 2022/2023, the Council paid £19.934m to the MPF in respect of retirement benefits, representing 15.88% of employees' pensionable pay. The figures for 2021/2022 were £19.006m and 17.13%. Contributions of £2.551m remained payable at 31 March 2023 (£0.930m at 31 March 2022).

In cases of redundancy or early retirement in the interests of the efficiency of the service, the cost of any added years awarded is borne by the Council and not the Local Government Pension Scheme. In 2022/2023 these contributions amounted to £1.250m representing 1.00% of pensionable pay. The figures for 2021/2022 were £1.290m and 1.16%.

The principal risks of the scheme to the Authority 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. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amounts required by statute, as described in the accounting policies note.

## Transactions Relating to Post-Employment Benefits

The cost of retirement benefits is recognised in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits are reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

<u>2021/2022</u>		<u>Comprehensive Income and Expenditure Statement</u>	<u>2022/2023</u>	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
42,719	0	<u>Cost of Services:</u> Current Service Cost	48,958	0
154	0	Curtailment Cost	123	0
551	0	Administration Expenses	628	0
0	0	Effect of Settlements	0	0
0	0	Past Service Cost	0	0
9,033	125	<u>Financing and Investment Income and Expenditure:</u> Net Interest Cost	11,304	149
52,457	125	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	61,013	149
-58,457	2	Re-measurement of the Net Defined Benefit Liability	-432,941	-476
-6,000	127	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	-371,928	-327

<u>2021/2022</u>		<u>Movement in Reserves Statement</u>	<u>2022/2023</u>	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
-52,457	-125	Reversal of net charges made to the Deficit for the Provision of Services for post-employment benefits in accordance with the Code	-61,013	-149
21,434	744	<u>Actual amount charged against the General Fund for pensions in the year:</u> <ul style="list-style-type: none"> <li>employers' contributions payable to the scheme</li> <li>retirement benefits payable direct to pensioners</li> </ul>	21,299	774

## Assets and Liabilities in Relation to Retirement Benefits

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

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

<u>2021/2022</u>			<u>2022/2023</u>	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
-1,566,809	-5,699	Present Value of the Defined Benefit Obligation	-1,127,899	-4,598
1,145,646	0	Fair Value of Plan Assets	1,099,963	0
-421,163	-5,699	Net Liability arising from defined benefit obligation	-27,936	-4,598

### Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

<u>2021/2022</u>			<u>2022/2023</u>	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
1,513,855	6,316	Opening Balance at 1 April	1,566,809	5,699
42,719	0	Current Service Cost	48,958	0
31,454	125	Interest Cost on Pension Liabilities	43,431	149
7,033		Contributions from scheme participants	8,115	0
-19,573	-47	Remeasurement Gains (-) and Losses:		
		- Actuarial Gains / Losses arising from changes in demographic assumptions	0	-71
-23,772	32	- Actuarial Gains / Losses arising from changes in financial assumptions	-601,995	-727
54,101	17	- Experience Gains / Losses	101,962	322
-39,162	-744	Benefits paid	-39,504	-774
154	0	Curtailment Cost	123	0
0	0	Settlements	0	0
0	0	Past Service Cost	0	0
1,566,809	5,699	Closing Balance at 31 March	1,127,899	4,598

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## Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets

2021/2022			2022/2023	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
1,065,258	0	Opening Balance at 1 April	1,145,646	0
22,421	0	Interest Income	32,127	0
69,213	0	Remeasurement Gains / Losses (-): - The return on plan assets, excluding the amount included in the net operating expense	-67,092	0
21,434	744	Contributions from Employer	21,299	774
7,033	0	Contributions from Employees into the Scheme	8,115	0
-39,162	-744	Benefits paid	-39,504	-774
-551	0	Administration Expenses	-628	0
1,145,646	0	Closing Balance at 31 March	1,099,963	0

## Local Government Pension Scheme Assets Comprised:

2021/2022			2022/2023	
Quoted £000s	Unquoted £000s		Quoted £000s	Unquoted £000s
<b>24,578</b>	<b>0</b>	Cash and Cash Equivalents	<b>19,020</b>	<b>0</b>
		Equities:		
168,272	19,036	- UK	147,541	12,376
255,700	125,500	- Global	245,142	127,348
<b>423,972</b>	<b>144,536</b>		<b>392,683</b>	<b>139,724</b>
		Bonds:		
0	0	- Overseas Government	651	0
0	0	- Collateralised Bonds	713	0
12,339	0	- UK Government	13,789	0
33,507	0	- UK Corporate	24,131	0
95,805	0	- UK Index Linked	100,922	0
5,618	0	- Overseas Corporate	6,419	0
-3,760	0	- Derivative Contracts	-5,103	0
<b>143,509</b>	<b>0</b>		<b>141,522</b>	<b>0</b>
		Property:		
0	62,045	- UK Direct Property	0	49,180
1,410	17,626	- Property Managed (UK)	977	35,284
0	28,672	- Property Managed (Global)	0	34,090
<b>1,410</b>	<b>108,343</b>		<b>977</b>	<b>118,554</b>
		Alternatives:		
0	32,550	- Private Equity (UK)	109	41,038
118	71,446	- Private Equity (Global)	0	62,860
1,763	4,700	- Other Alternatives (UK)	0	217
0	40,188	- Other Alternatives (Global)	0	26,599
0	51,352	- Infrastructure (UK)	0	59,494
0	34,313	- Infrastructure (Global)	0	33,547
0	21,152	- Opportunities (UK)	0	16,285
1,880	39,836	- Opportunities (Global)	1,737	37,021
0	0	- Multi Asset	0	3,908
0	0	- Goodhart	0	4,668
<b>3,761</b>	<b>295,537</b>		<b>1,846</b>	<b>285,637</b>
<b>597,230</b>	<b>548,416</b>	<b>Total Assets (Quoted / Unquoted)</b>	<b>556,048</b>	<b>543,915</b>
	<b>1,145,646</b>	<b>Total Assets</b>		<b>1,099,963</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 principal assumptions used by the actuary have been:

2021/2022		2022/2023
	<u>Mortality assumptions (years):</u>	
	Local Government Pension Scheme:	
21.2	Longevity at 65 for current pensioners: Men	21.2
23.6	Longevity at 65 for current pensioners: Women	23.7
22.5	Longevity at 65 for future pensioners: Men	22.6
25.4	Longevity at 65 for future pensioners: Women	25.5
	Teachers' Pension Scheme Unfunded Liabilities:	
20.9	Longevity at 65 for current pensioners – aged 65: Men	21.2
24.0	Longevity at 65 for current pensioners – aged 65: Women	23.7
12.5	Longevity at 65 for current pensioners – aged 75: Men	12.8
15.0	Longevity at 65 for current pensioners – aged 75: Women	14.8
	<u>Other assumptions</u>	
3.3%	Rate of Inflation - CPI	2.7%
4.8%	Rate of increase in salaries	4.2%
3.4%	Rate of increase in pensions	2.8%
2.8%	Rate for discounting scheme liabilities (LGPS)	4.8%
2.8%	Rate for discounting scheme liabilities (TPS Unfunded Liabilities)	4.9%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions for longevity, for example, assume that life expectancy increases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions are interrelated. The estimations in the sensitivity analysis have followed the accounting policies of the scheme, i.e., on an actuarial basis using the projected unit cost method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £000s	Decrease in Assumption £000s
<b><u>Local Government Pension Scheme</u></b>		
Longevity (increase or decrease in 1 year)	23,337	-23,337
Rate of Inflation (increase or decrease by 0.25%)	45,945	-45,945
Rate of Increase in Salaries (increase or decrease by 0.25%)	7,024	-7,024
Rate of Increase in Pensions (increase or decrease by 0.25%)	45,945	-45,945
Rate for Discounting Scheme Liabilities (increase or decrease by 0.5%)	-85,237	85,237
Investment Returns (increase or decrease by 1%)	-11,017	11,017

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<b><u>Teachers' Additional Unfunded Pensions</u></b>		
Longevity (increase or decrease in 1 year)	285	-285
Rate of Inflation (increase or decrease by 0.25%)	52	-52
Rate for Discounting Scheme Liabilities (increase or decrease by 0.5%)	-104	104

## **Impact on the Authority's Cash Flows**

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 13 years. Funding levels are monitored on an annual basis. The most recent triennial valuation took place on 31 March 2022 and has set contributions levels for 2023/2024 to 2026/2027.

The total payments expected to be made to the local government pension scheme by the Council in the year to 31 March 2024 is £21.624m.

The total payments expected to be made by the Council to former teachers receiving additional unfunded pensions in the year to 31 March 2024 is £0.824m.

The weighted average duration of the defined benefit obligation for Local Government Pension Scheme members is 17 years in 2022/2023 (16 years in 2021/2022). The weighted average duration for former teachers receiving additional unfunded pensions is 5 years in 2022/2023 (6 years in 2021/2022).

## **51 CONTINGENT LIABILITIES**

### **Collateral warranty by the Council in favour of the Security Trustee (Prudential Trustee Company Limited)**

The Council has given a number of warranties for up to 35 years in respect of environmental pollution, statements, title, encumbrances, planning matters, statutory obligations, adverse orders, tenancies, information and statistics supplied, sales off, disputes and litigation, rights of entry to maintain and repair, absence of adverse replies, electricity sub-stations and shop leases, leasehold property, wayleaves, telecommunications and works undertaken.

In addition, the following specific warranties have been given from the date of transfer (30 October 2006):

- Unlimited warranty for up to 35 years in respect of vires claims
- Warranty for up to 20 years in respect of claims in relation to asbestos, except that this shall not apply in respect of the first £10,685,780 of costs and expenses incurred in aggregate on asbestos works.

In aggregate, the value of these warranties is limited to £100,500,000 plus any costs associated with interest and loan breakage costs due under the One Vision Loan Agreement.

### **Collateral warranty by the Council in favour of One Vision Housing Limited**

The Council has given a number of warranties for up to 17 years in respect of statements, title, encumbrances, planning matters, statutory obligations, adverse orders, tenancies, information and statistics supplied, sales off, disputes and litigation, rights of entry to maintain and repair, absence of adverse replies, electricity sub-stations and shop leases, leasehold property, wayleaves, telecommunications and works undertaken.

In addition, the following specific warranties have been given from the date of transfer (30 October 2006):

- Warranty not exceeding £100,500,000 for up to 20 years in respect of environmental pollution.
- Warranty for up to 20 years in respect of claims in relation to asbestos, except that this shall not apply in respect of the first £8,439,750 of costs and expenses incurred in aggregate on asbestos works.



- Unlimited warranty for up to 17 years in respect of vires claims.

**Contamination Costs:** During 2011/2012, it was identified there was a site in the Borough that was contaminated and there would be significant costs associated with clearing the contamination. Sefton has an Earmarked Reserve of £1.380m to cover potential costs associated with clearing the contamination. There is a potential further liability if the costs of clearing the contamination are greater than currently envisaged.

**Merseyside Pension Fund - Contractor Admission Bodies:** The Council provides guarantees for any potential unfunded liabilities on the Merseyside Pension Fund for Sefton New Directions Limited and Agilisys Limited. The most recently notified value of the guarantees was nil for Sefton New Directions Limited and £1.077m for Agilisys Limited. The values are highly dependent on market conditions at the time of the valuation and can vary significantly between valuations.

## 52 **CONTINGENT ASSETS**

**Receipts from Former Council House Sales:** The Council agreed to share any proceeds of former council house sales if they were subsequently sold by One Vision Housing Limited. The arrangement lasts until 31 March 2037 and the amount received will depend on the number of sales each year.

**VAT Sharing Arrangement:** As part of the voluntary stock transfer an agreement was reached with One Vision Housing Limited to share their VAT that they can claim from HM Revenue and Customs. This arrangement is unique to councils and registered social landlords upon transfer. This arrangement was due to end on 30 October 2016 but has now been extended until 2027. Sefton's share of reclaimable VAT is estimated to be in the region of £0.4m until the end of the arrangement.

## 53 **FINANCIAL INSTRUMENTS**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another. Typical financial instruments include trade creditors and borrowings (liabilities) and investments and trade debtors (assets).

Financial Instruments in so far as the Authority is concerned relate to investments, cash and cash equivalents, loans receivable, borrowings, trade creditors and debtors.

The following categories of financial instrument are carried in the Balance Sheet:

<b><u>FINANCIAL ASSETS</u></b>	Long Term		Current	
	31/03/2022 £000s	31/03/2023 £000s	31/03/2022 £000s	31/03/2023 £000s
<b>Fair Value through Profit or Loss</b>				
Investments	13,064	0	12,032	0
<b>Amortised Cost</b>				
Debtors	8,072	8,621	36,555	66,780
Cash and cash equivalents	0	0	98,328	26,305
<b>Total Financial Assets</b>	<b>21,136</b>	<b>0</b>	<b>146,915</b>	<b>93,085</b>
Non-financial assets - Debtors	0	0	7,881	10,304
<b>Total</b>	<b>21,136</b>	<b>0</b>	<b>154,796</b>	<b>103,389</b>

<b><u>FINANCIAL LIABILITIES</u></b>	Long Term		Current	
	31/03/2022 £000s	31/03/2023 £000s	31/03/2022 £000s	31/03/2023 £000s
<b>Amortised Cost</b>				
Borrowing	133,714	121,798	34,719	12,995
Creditors	0	0	59,355	63,526
Service Concessions and Finance Lease Liabilities	6,481	5,498	934	983
<b>Total Financial Liabilities</b>	<b>140,195</b>	<b>127,296</b>	<b>95,008</b>	<b>77,504</b>

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## Designated to fair value through profit and loss and statutory override

The Council holds a £5m pooled investment in a property fund. As a result of the change in accounting standards for 2018/2019, under IFRS 9, this investment had been reclassified as Fair Value through Profit and Loss. To avoid any impact on the General Fund balance, the Ministry of Housing, Communities and Local Government have agreed a temporary override to allow English Local Authorities time to adjust their portfolio of all pooled investments. This override commences on the 1st April 2018 and lasts for five years. The Council will use the statutory override to account for any changes in the fair value on its pooled investments.

## Items of income, expense, gains or losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to the above financial instruments are made up as follows:

	31 March 2023		
	Surplus or Deficit on the Provision of Services £000s	Other Comprehensive Income and Expenditure £000s	Total £000s
<b>Net Gains/ Losses on:</b>			
Financial assets measured at fair value through profit or loss	-1,042	0	0
<b>Total net gains/ losses (-)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Interest Revenue</b>			
Financial assets measured at fair value through profit or loss	-2,093	0	-2,093
<b>Total Interest Revenue</b>	<b>-2,093</b>	<b>0</b>	<b>-2,093</b>
<b>Interest Expense</b>	<b>7,036</b>	<b>0</b>	<b>7,036</b>

Comparative figures for the previous financial year are made up as follows:

	31 March 2022		
	Surplus or Deficit on the Provision of Services £000s	Other Comprehensive Income and Expenditure £000s	Total £000s
<b>Net Gains/ Losses on:</b>			
Financial assets measured at fair value through profit or loss	944	0	944
<b>Total net gains/ losses (-)</b>	<b>944</b>	<b>0</b>	<b>944</b>
<b>Interest Revenue</b>			
Financial assets measured at fair value through profit or loss	326	0	326
<b>Total Interest Revenue</b>	<b>326</b>	<b>0</b>	<b>326</b>
<b>Interest Expense</b>	<b>7,268</b>	<b>0</b>	<b>7,268</b>

## Fair Value of Assets and Liabilities.

The Churches and Charities Local Authority LAMIT Property Fund asset is measured in the balance sheet (Long Term Investments) at fair value on a recurring basis.

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Notes to the Financial Statements

Recurring Fair Value Measurements	Input level in Fair Value Hierarchy	Valuation technique used to measure Fair Value	31 March 2022 £000s	31 March 2023 £000s
Financial Instruments - CCLA	Level 1	Unadjusted quoted prices in active markets for identical shares	6,319	5,278

The Fair Values of Financial Assets and Liabilities that are not measured at Fair Value but require a Fair Value disclosure.

Financial liabilities and financial assets represented by loans and debtors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments (Level 2 Input – inputs other than quoted prices that are observable for the financial asset/ liability). We have used the following assumptions:

- The discount rate used in the net present value calculation is equal to the current rate in relation to the same instrument from a comparable lender. This rate will be the rate applicable in the market on the date of valuation (31<sup>st</sup> March 2023), for an instrument of the same duration.
- For PWLB debt the new borrowing rate has been used, as opposed to the premature repayment rate.

The fair value calculation has been based on the comparable new borrowing / deposit rate for the same financial instruments from a comparable lender. A consistent approach has been applied to assets and liabilities.

The purpose of the fair value valuation is to allow evaluation quantitatively of the Authority's financial position and performance with regard to each class of financial instrument, and also to indicate the extent of the Authority's risk exposure arising as a result of these transactions. The fair value also indicates the cost / benefits to the Council of retaining fixed interest borrowings and investments to maturity.

The fair values calculated are as follows:

<b>FINANCIAL LIABILITIES</b>	31 March 2022		31 March 2023	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
<b>Financial Liabilities held at amortised cost</b>				
Borrowing-PWLB	168,413	182,714	134,773	118,561
Borrowing-Other	20	20	20	20
Short-term Creditors	59,355	59,355	63,526	63,526
PFI and finance lease liabilities	7,415	7,415	6,683	6,481
<b>Total</b>	<b>235,203</b>	<b>249,504</b>	<b>205,002</b>	<b>188,588</b>

The fair value is more than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above the current market rate increases the amount that the Authority would have to pay if the lender requested or agreed to early repayment of the loan.

<b>FINANCIAL ASSETS</b>	31 March 2022		31 March 2023	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Cash and Cash Equivalents	98,328	98,328	26,305	26,305
Short-term Debtors	44,960	44,960	66,780	66,780
Long-term Debtors	5,825	5,825	8,621	8,621
<b>Total</b>	<b>149,214</b>	<b>149,214</b>	<b>101,706</b>	<b>101,706</b>

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No fixed rate investments were held at the Balance Sheet date therefore, the fair value is the same as the carrying amount as all investments are at current market rates.

Short term debtors and creditors are carried at cost as this is a fair approximation of the value.

## 54 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Authority is required to disclose information, which enables the user of these statements of accounts to evaluate the nature and extent of any risk arising from Financial Instruments.

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

- i) Credit risk – the possibility that other parties may fail to pay amounts due to the Authority;
- ii) Liquidity risk – the possibility that the Authority may not have funds available to meet its commitments to make payments;
- iii) Market risk – the possibility that financial loss may arise for the Authority as a result of changes in such measures as interest rates or stock market movements.

The Treasury Management Policy and Strategy documents approved by Council annually seek to limit the risk of potential adverse effects on resources available to fund services arising due to the impact of unpredictable movements in the financial markets on treasury management activity undertaken by the in-house team.

### Credit Risk

The main element of credit risk the Authority is exposed to arises from deposits with banks, building societies and money market funds, as well as credit exposures to the Authority's customers.

This risk is managed through the Authority's Treasury Management Policy and Strategy documents approved by Council annually. These documents set out the limits in terms of value and duration over which investment can be made with the various Banks and Building Societies included on the Authority's Counter Party lending list. This counter party list is made up of the institutions that have been rated using the Fitch scoring methodologies and any changes to the institutions rating that result in a non-compliance with the minimum criteria will see the institution taken off the counter party list.

Credit rating agencies such as Fitch rate institutions depending upon:

- Long term ability to meet all of their most senior financial obligations on a timely basis
- Short term ability to meet financial obligations within a relatively short time period
- Viability rating attempts to assess how a bank would be viewed if it was entirely independent of any external support
- Sovereign rating reflects the strength of a country's economy, and hence the ability of a country's Government to support its financial institutions.

The credit criteria in respect of Financial Assets held by the Authority is as detailed below:

Financial Asset Category	Criteria	Maximum Investment
Deposits with banks	Sovereign rating: AA+ Short Term: F1 Long Term: A- Viability rating: A Active in sterling markets	£25m (the Authority currently operates an operational limit of £10m)
Deposits with building societies	Short Term: F1 (Fitch) / P-1 (Moody) Active in sterling markets Minimum total assets: £2,000m	£25m (the Authority currently operates an operational limit of £10m)
Deposits with money market funds	Sovereign rating: AAA	£15m

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## Notes to the Financial Statements

The above table demonstrates that the Authority will only invest in institutions that have the highest credit rating scores. For Banks, a risk score of F1+ (exceptionally strong credit quality), A- (High credit quality - low credit risk and very strong capacity to pay financial commitments), Building Societies that have a risk score of F1 (highest credit quality), P-1 (low risk) and Money Market Funds rating of AAA (highest credit quality).

The following analysis summarises the Authority's potential maximum exposure to credit risk at the balance sheet date. The figures represent the actual investment made and, based on experience of default and uncollectability over the last 15 financial years, adjusted to reflect current market conditions:

Estimated maximum exposure at 31/03/22		Amount at 31/03/23	Historical experience of default	Historical experience adjusted for market conditions at 31/03/23	Estimated maximum exposure to default & uncollectability at 31/03/23
£000s		£000s A		C	£000s (A x C)
0	Deposits with Banks	0	0	0	0
0	Deposits with Money Market	26,110	0	0	0
0	Deposits Other	0	0	0	0
907	Customers	51,387	3.29%	3.29%	1,691
<b>907</b>					<b>1,691</b>

The Authority has no history of non-repayment of investments. There were no instances of counterparties failing to meet contractual obligations in relation to deposits during the financial year, and whilst no guarantee can be given against default, the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority also reduces its exposure of credit risk by limiting the number of investments with a maturity period of between 1 and 5 years to a maximum of 40% of our total investments. This ensures that the Authority does not tie up all its funds for a long period of time, increasing the risk of a bank running into financial problems.

As mentioned previously, the Authority has changed its investment policy with banks and when investing in banks it now only invests with extremely highly rated ones (with a Sovereign rating: AA+) that are backed by the Government in which the bank is situated. The Authority currently has no investments with banks. The Council does have an investment with the Churches & Charities Local Authority LAMIT Property Fund (CCLA) – this investment is in accordance with the Council's Treasury Management Policy.

The profile of investments by country is shown below:

	Total Investments at 31 March 2022 £000s	Total Investments at 31 March 2023 £000s
United Kingdom Banks	9,000	0
Other: CCLA	6,319	5,278
	<b>15,319</b>	<b>5,278</b>

Although the Authority does not generally allow credit for customers, £24.020m of the £53,387m balance is past its due date for payment. The total debt amount can be analysed by age as follows:

	31 March 2022 £000s	31 March 2023 £000s
Less than three months	15,415	33,563
Three months to one year	4,676	8,010
More than one year	7,478	9,789
	<b>27,569</b>	<b>51,387</b>

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A provision for bad debts relating to customers exists which totals £4.878m at 31 March 2023 (£4.029m at 31 March 2022). This provision relates to a wide variety of assets of which none are individually significant. The provision was increased by £0.849m in 2022/2023 (£1.075m in 2021/2022) and £0.000m was written-off during the year (£0.001m in 2021/2022).

Of this debt £6.140m is secured against properties at 31 March 2023 (£5.680m as at 31 March 2022). These properties are held as collateral but cannot be pledged or resold unless the owner defaults.

## Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the Public Works Loans Board (PWLB) and Money Markets as a result of the annual Treasury Management Policy and Strategy documents approved by Council. The authority has set an affordable borrowing limit that reflects its underlying need to borrow for a capital purpose, and this includes an allowance for exceptional cash flow movements. There is thus no significant risk that the Authority will be unable to raise finance to meet its commitments.

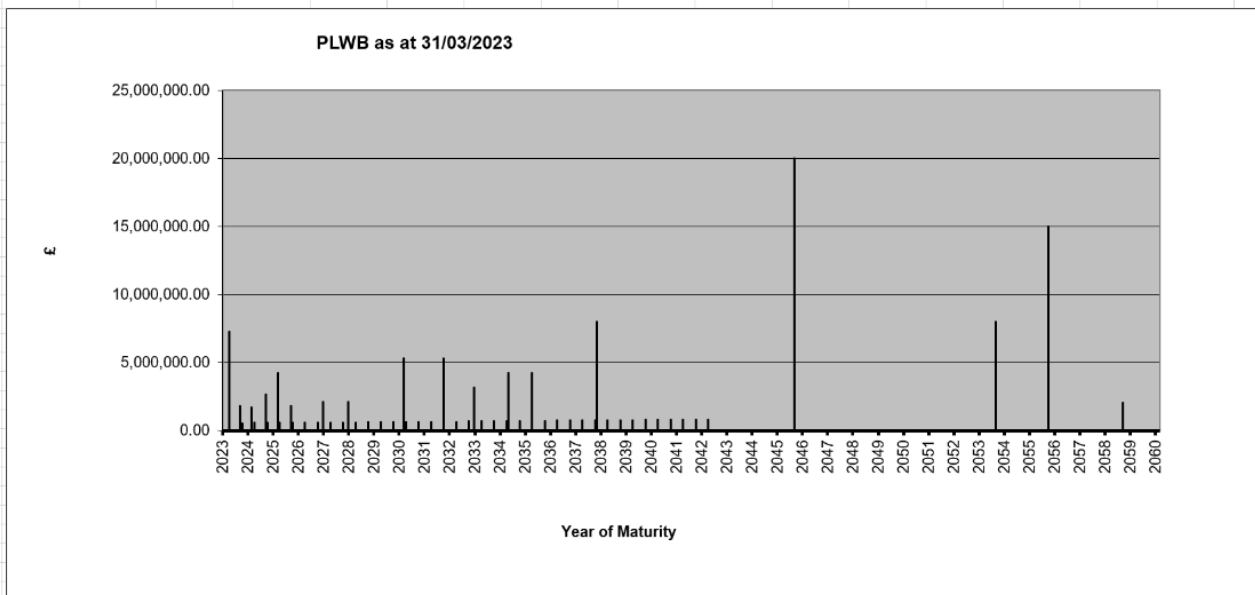
The risk for the Authority is that it will need to replace its borrowings at a time when interest rates are unfavourable, leading to additional ongoing financing costs. The strategy for the Council is to ensure that by careful planning of the repayment date for new and replacement loans, and (when economic to do so) the restructuring of debt, the maturity profile of its fixed rate loans do not exceed or fall below the limits for the periods set out below. These limits also ensure that the Authority does not have significant amounts of variable borrowing in the long term, exposing itself to major movements in interest rates. Analyses of the Council's debt by type and maturity are shown in the following tables.

<u>Without Interest 31 March 2022</u> £000s	<u>With Interest Due 31 March 2022</u> £000s	<b>Analysis of Loans by Type:</b>	Range of Interest Rates Payable (%)	<u>Without Interest 31 March 2023</u> £000s	<u>With Interest Due 31 March 2023</u> £000s
168,413	248,506	Public Works Loan Board	1.91 – 6.25	134,773	208,701
0	0	Money Market		0	0
16	16	Individuals	0.00	16	16
0	0	Other Local Authorities		0	0
4	4	Other	0.00 – 6.50	4	4
<b>168,433</b>	<b>248,526</b>	<b>Total</b>		<b>134,793</b>	<b>208,721</b>

<u>Without Interest 31 March 2022</u> £000s	<u>With Interest Due 31 March 2022</u> £000s	<b>Analysis of Loans by Maturity:</b>	<u>Without Interest 31 March 2023</u> £000s	<u>With Interest Due 31 March 2023</u> £000s
34,738	40,904	Maturing within one year	13,015	17,789
11,916	16,690	Maturing in 1-2 years	8,012	12,484
15,599	28,144	Maturing in 2-5 years	10,917	22,852
24,333	42,111	Maturing in 5-10 years	25,532	42,328
18,728	31,505	Maturing in 10-15 years	23,713	35,820
15,920	25,174	Maturing in 15-20 years	7,246	15,963
20,841	28,079	Maturing in 20-25 years	20,000	26,688
0	5,608	Maturing in 25-30 years	0	5,608
23,000	26,727	Maturing in 30-35 years	23,000	25,755
3,358	3,584	Maturing in 35-40 years	3,358	3,433
0	0	Maturing in 40-45 years	0	0
0	0	Maturing in more than 45 years	0	0
<b>168,433</b>	<b>248,526</b>	<b>Total</b>	<b>134,793</b>	<b>208,720</b>

The Analysis of Loans by Maturity shows the total of loans that are due to be repaid within one year (shown as Current Portion of Long-term Borrowing on the Balance Sheet) and those due to be repaid in more than one year (shown as Long-Term Borrowing on the Balance Sheet).

The maturity profile of the Council's PWLB debt only is shown in the following chart.



All trade and other creditors are due to be repaid within one year.

## Market Risk

### a) Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies, and thus has no exposure to loss arising from movements in exchange rates.

### b) Price Risk

Price risk arises on financial assets because of changes in commodity prices or equity prices. The Authority's holdings in the CCLA Local Authority Property Fund are held on the Balance Sheet at bid price. This is the expected return if the Authority decided to sell its holdings. The asset value will reflect fluctuations in Property Values and rents and are therefore exposed to risk arising from movements in the price of such assets due to changes in general economic conditions. The property fund is classified at fair value through profit or loss, meaning that all movements in price will impact on gains and losses recognised in the surplus or deficit on the provision of services. However, for a five-year period commencing the 1<sup>st</sup> April 2018, there is a statutory override to avoid such an impact.

### c) Interest Rate Risk

The Authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. As an example of this, a rise in interest rate has the following effects:

- i) Borrowings at variable rates – the interest expense charged to the surplus or deficit on the provision of services will rise;
- ii) Borrowings at fixed rates – the fair value of the loan will fall;
- iii) Investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise;
- iv) Investments at fixed rates – the fair value of the investment will fall.

Borrowings are carried at amortised cost on the Balance Sheet not fair value, and so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in variable rates on borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

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Notes to the Financial Statements

The annual Treasury Management Policy and Strategy documents approved by Council contain a number of strategies for managing interest rate risk. To guard against the impact of adverse changes in interest rates, the maximum proportion of borrowing subject to variable interest rates is limited to 33% along with a maximum proportion of investments subject to variable rates limited to 40%.

During periods of falling interest rates, and where economic circumstances make it favourable, the Authority will look to reschedule its loans in order to limit its exposure to losses and so reduce its capital financing costs.

The in-house Treasury Management team receives professional advice and has an active strategy for assessing interest rate exposure via the use of indicators. This is used to establish and monitor the budget for capital financing costs, allowing any adverse changes to be accommodated. The monitoring of interest rate exposure assists with the decision as to whether new borrowing or investment undertaken is fixed or variable.

Based on the assessment strategy for interest rate risk if interest rates had been 1% higher with all other variables held constant on 31 March, the financial effect would be (note that the percentages quoted are for illustrative purposes only and are not an indication of the likely change):

31 March 2022 £000s		31 March 2023 £000s
1,029	Increase in interest receivable on variable rate investments (and resultant impact on the Surplus or Deficit on the Provision of Services)	852
16,024	Decrease in fair value of fixed rate loans (no impact on Other Comprehensive Income and Expenditure)	9,861
0	Increase in fair value of fixed rate investments (impact on Other Comprehensive Income and Expenditure)	0
0	Increase in fair value of financial liabilities (no impact on Other Comprehensive Income and Expenditure)	0

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The 1% variation chosen for sensitivity analysis can be treated as a flat line change, so a 5% variation will result in amounts totalling five times the amount included in the table above.

The Authority held no loans at variable rate at the Balance Sheet date so any movement in interest rates will have no effect on the Surplus or Deficit on the Provision of Services.



## 55 STATEMENT OF SINGLE ENTITY AND GROUP ACCOUNTING POLICIES

### (a) GOING CONCERN

The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue raising bodies (with limits on their revenue raising powers, arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis.

The accounts are prepared on the expectation that the services and functions of the Council are expected to continue in operational existence for the foreseeable future. Therefore, these financial statements are produced on a going concern basis.

Additionally, management have assessed cash flow modelling through to March 2025 which demonstrates the Council's ability to work within its Capital Financing Requirement and Cash management framework, with appropriate headroom (at least £10m), and identified no significant risks to liquidity within the next twelve months from the date of issue of these financial statements.

The Narrative Report sets out the significant impacts of the current high levels of inflation, and the ongoing impact of the pandemic, on the local economy and on Council finances, as well as the response structures and steps taken to manage the risks and impacts. The Council is still experiencing a reduction in income in the current year, with losses of fees and charges and Council Tax and Business Rates. The current high levels of inflation and the pandemic is also still resulting in the Council bearing significant extra costs, particularly in social care.

The Council received additional grant support from Government in 2021/22 to fund a proportion of these costs, including emergency funding, and compensation for an element of losses on sales, fees and charges and council tax. It is estimated that this funding will offset a significant proportion of costs and income losses, with no residual losses currently included in the Council's budget monitoring position for the year.

Current cash and cash-equivalents of £26m at the balance sheet date have been modelled, using reasonable assumptions regarding service costs, staff costs and income, for 12 months from the final certification of these statements to March 2025, including downside scenarios for cash collection and the ongoing impact of reduction on fees and charges. The low point in liquidity is in March 2024 due to the cumulative impacts of the downside scenarios modelled and the usual cycle of taxation collection resulting in lower cash income in February and March. The Council remains in a positive cash position for the duration of the forecast.

The Council do not plan for any borrowing to support cashflow until March 2024, and only then in the downside scenario. In line with the treasury management strategy of the Council, planned borrowing is limited to the refinancing of a loan due for repayment. The Council remains within its prudential borrowing limits with sufficient headroom should further need arise.

The Council budget and medium-term financial strategy identify savings requirements over the next three years. The Council plan to move towards the General Fund Balance being maintained above the minimum 6.5% of Council net budget as recommended by the Section 151 officer in the Robustness report to Budget Council. There was no planned use of the Council's General Fund Balances to support the short- or medium-term budgets. However, given the current high levels of inflation and service pressures in areas such as Children's Social Care, the Council may need to agree to utilise some General Fund Balances to meet these pressures in 2023/24 – however, they will remain above the absolute minimum level required. The use of these balances will necessitate their replenishment, and plans will be developed to do this in line with the Council's track record of achieving savings required by difficult financial decisions.

# Agenda Item 4

The Council recognise that Collection Fund losses from 2020/2021 can be carried forward and funded over three years in line with Government guidance.

As the cash flow modelling demonstrates that the Council will continue to have liquidity for the next 12 months, to support the continuation of service assumption, management are satisfied that there is no material uncertainty relating to going concern.

## (b) **GENERAL PRINCIPLES**

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year end. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 in accordance with proper accounting practices. These practices are set out primarily the *Code of Practice on Local Authority Accounting in the United Kingdom 2022/2023*.

The accounting convention adopted in the Statement of Accounts is primarily historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

## (c) **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 provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## (d) **BUSINESS IMPROVEMENT DISTRICTS**

A Business Improvement District (BID) scheme applies to an area in Southport Town Centre. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Authority acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

## (e) **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 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.

In the Balance Sheet and 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.

(f) **CHARGES TO REVENUE FOR NON-CURRENT ASSETS**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding Property, Plant and Equipment and Intangible 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, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses are therefore replaced by the contribution in the General Fund Balance (Statutory Provision for the Financing of Capital Investment) by way of an adjusting transaction with the Capital Adjustment Account in the Movement of Reserves Statement for the difference between the two.

(g) **COUNCIL TAX AND NON-DOMESTIC RATES**

Sefton Council as a billing authority acts as an agent, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (Merseyside Police and Crime Commissioner, Merseyside Fire and Rescue Service, and Liverpool City Region Combined Authority) and, as principal, collecting council tax and NDR for the Council. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted. Sefton is part of the Liverpool City Region Business Rate Retention Pilot scheme currently retains 99% of NDR rates, which includes the 50% that would otherwise be due to central government.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) 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 CIES 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 authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

(h) **EMPLOYEE BENEFITS**

**Benefits payable during employment**

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages, 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 for services in the year in which the employees render service for the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g., time off in lieu), earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following financial year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year to which the holiday absence occurs.

## **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's appointment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Corporate Unallocated Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority 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 Council are members of three separate pension schemes:

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

These Schemes are defined benefits schemes in that they provide defined benefits to members (retirement lump sums and pensions) earned as employees working for the Council.

However, the arrangements for the Teachers' Pension Scheme and NHS Pension Scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Schools and Families - Schools line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions. The Health and Wellbeing line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to NHS Pensions in the year.

## **The Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the 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 current earnings for current employees.
- Liabilities are discounted to their present value at current prices using a discount rate based on the indicative rate of return on high quality corporate bonds (based on a weighted average of 'spot yields' on AA rated corporate bonds). The discount rate used for the year is disclosed in the Participation in Pension Schemes note.
- The assets of Merseyside Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted Securities – current bid price,
  - Unquoted securities – professional estimate,
  - Unitised securities- current bid price,
  - Property – market value.
- The change in the net pensions' liability is analysed into the following components:

## Service cost comprising:

- 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 employee worked.
- Past Service Cost - the increase in liabilities as a result of scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Unallocated Costs,
- Net Interest on the Net Defined Benefit Liability (Asset), i.e. net interest expense of the Authority - 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 year as a result of contribution and benefit payments.

## Remeasurements comprising:

- The Return on Plan Assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial Gains and Losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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

## Discretionary Benefits

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

## (i) EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date 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.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is **not adjusted** to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

## (j) **FAIR VALUE MEASUREMENT**

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses external valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

## (k) **FINANCIAL INSTRUMENTS**

### **General Comment**

A financial instrument is any contract that gives rise to a financial asset in one entity, and a financial liability in another. Most straight forward financial assets (debtors, bank deposits, investments etc.) and liabilities (creditors, borrowings etc) are covered by this policy.

### **Financial Liabilities**

Financial liabilities 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 and are subsequently 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 investment. 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.

For most of the borrowings that the Council has, this means that the amount 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 Comprehensive Income and Expenditure in the year of repurchases/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 is spread over the life of the loan by an adjustment to the effective interest rate. This is managed by a transfer to or from the Financial Instruments Adjustment Account in Movement in Reserves Statement.

Where premiums and discounts have been charged to CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium payable or discount receivable when it was repaid.

## **Financial Assets**

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

- Amortised costs
- Fair value through profit and loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The Council does not hold investments that are measured fair value through FVOCI.

### **Financial assets measured at amortised cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provision of a financial instrument and are initially valued at fair value. They are subsequently measured at their amortised costs. 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 instrument 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 CIES is the amount receivable for the year in the loan agreement.

### **Financial assets measured at fair value through profit and loss**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provision of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

The fair value measurement is based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the accounting policy set out in section (i) Fair Value Measurement.

Churches & Charities Local Authority LAMIT Property Fund:

The Ministry for Housing, Communities and Local Government introduced a mandatory statutory override requiring local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds to protect the General Fund. This will be effective for 5 years from the financial year commencing 1 April 2018, and upon expiry all fair value movements will then impact on the General Fund Balance.

### **Credit loss model**

The credit risk model allows the authority to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that instrument has increased significantly since initial recognition. To make the assessment the authority compares the risk of a default occurring on the financial instrument. This is carried out with market intelligence supplied by external treasury consultants.

### **Warranties and Guarantees**

The Council has entered into a number of Guarantees that are not required to be accounted for as Financial Instruments. These guarantees are reflected in the Statement of Accounts to the extent that at some future date a provision or earmarked reserve may have to be set up. These guarantees relate to:

- Housing stock transfer warranties,
- Pension guarantees related to contractor admissions bodies, such as New Directions.

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## (l) FOREIGN CURRENCY TRANSLATION

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

## (m) 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 authority where there is reasonable assurance that:

- The Authority 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 recognised immediately in the CIES, except to the extent that the grant or contribution has a condition(s) relating to initial recognition that the Authority has not satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset received in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant services line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (Non-Ringfenced Government Grants and Capital Grants and Government 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 Reserve. Where it has been applied, it is posted to the Capital Adjustments Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustments Account once they have been applied to fund capital expenditure.

## (n) HERITAGE ASSETS

A heritage asset is an asset that is held due to its historical, artistic, scientific, technological, or environmental qualities, and is maintained principally for its contribution to knowledge and culture. The Authority's heritage assets are held in a number of locations, such as Town Halls and the Atkinson Centre.

The collection consists principally of a ceramic collection, a silver collection, works of art, an Egyptology collection, several war memorials, and the art installation "Another Place". The collection is mainly valued on an insurance valuation basis. However, a number of war memorials are held that are valued at a nominal £1.

The assets are felt to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

The Authority considers that obtaining valuations for the collection would involve disproportionate cost. This is because of the diverse nature of the assets and the lack of comparable market values.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment (note (q)). The carrying amounts of Heritage Assets would be reviewed where there was evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise about its authenticity. Any impairment would be recognised and measured in accordance with the Authority's general policies on impairment (see Impairment section of note (v)). If any items were disposed of, the proceeds would be accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.



**(o) 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 the future economic benefits or service potential will flow from the intangible asset to the Council.

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

Intangible assets are carried at amortised cost. An intangible asset is amortised over its useful life to the relevant service lines 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 of Reserves Statement and posted to the Capital Adjustments Account and (if sales proceeds exceed £10,000) the Capital Receipts Reserve.

**(p) INTERESTS IN COMPANIES AND OTHER ENTITIES**

The Council has a material interest in companies that are subsidiaries and is required to prepare group accounts. In the Council's own single entity accounts the interest in the companies is recorded as a long-term investment at cost.

In the group accounts transactions and balances between the Council and subsidiary are netted out on consolidation.

**(q) INVENTORIES AND LONG-TERM CONTRACTS**

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. The cost of inventories is assigned using the First-In-First-Out costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

**(r) INVESTMENT PROPERTY**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or the production of goods or is held for sale.

Investment Properties are measured initially at cost. This is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition. They are subsequently measured at fair value, based on the market price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Properties are not depreciated but are revalued. An annual revaluation of all investment properties is undertaken. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

# Agenda Item 4

## (s) JOINT OPERATIONS

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority 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
- its expenses, including its share of any expenses incurred jointly.

## (t) LEASES

Leases have been classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of property from the lessor to the lessee. All other leases are to be 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 a payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### THE COUNCIL AS A LESSEE

#### Finance Leases

Property, plant and equipment held under Finance leases will be recognised on the balance sheet at the commencement of the lease at its fair value measured at the leases inception (or the present value of the minimum lease payments if lower). The asset recognised will be matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments will be apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability,
- 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 is 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 (where ownership of the asset does not transfer to the Council at the end of the lease period).

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 revaluation 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 benefiting from the use of the leased property, plant and 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 (i.e., there is a rent free period at the commencement of the lease).

## **THE COUNCIL AS A 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 Authority's net investment in the lease is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of a gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal) matched by a lease (long term debtor) asset in the balance sheet.

Lease rentals receivable will be apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment - 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 is not permitted by Statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium, 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 lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against council tax, as the cost of Property, Plant and Equipment is fully provided for under separate arrangements for capital financing. Amounts are therefore 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 (i.e. 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 term on the same basis as rental income.

## **(u) OVERHEADS AND SUPPORT SERVICES**

The costs of overhead and support services are charged to those services that benefit from them, in accordance with the Council's arrangements for accountability and financial performance.

(v) **PRIOR YEAR ADJUSTMENTS, CHANGES IN ACCOUNTING POLICY AND ESTIMATES AND ERRORS**

Prior year 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 year adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more clear and reliable information about the effect of transactions, other events and conditions on the Council'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 year as if the new policy had always been applied.

(w) **PRIVATE FINANCE INITIATIVE 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 Authority carries the assets used under the contracts on its Balance Sheet as 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 non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property plant and equipment owned by the Council.

The amounts payable to the PFI operator 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 (the profile of write downs is calculated on the same basis as for a finance lease);
- Lifecycle replacement costs - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

(x) **PROPERTY, PLANT AND EQUIPMENT**

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

**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 authority and the cost of the item can be measured reliably. Expenditure that remains but does not add to an assets potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

All expenditure, regardless of value, is capitalised if it relates to an existing asset. Expenditure on new assets under £10,000 is not capitalised but treated as Revenue Expenditure Funded from Capital Under Statute (REFCUS), with expenditure over £10,000 being capitalised.

## **Measurement**

Assets are initially measured at cost, comprising:

- The purchase price,
- 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 initial estimate of the costs of dismantling and removing the item and restoring the site upon which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying value of the asset given up by the Authority.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost,
- Non HRA dwellings and rented property - current value, determined using the basis of existing use,
- Surplus assets - fair value, determined as the amount that would be paid for the asset in its existing use.
- All other assets - current value, determined as the amount that would be paid for the asset in its existing use.

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

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

Assets included in the balance sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. 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 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 accumulated gains),
- 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 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

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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 accumulated gains),
- 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, such assets that are not yet available for use (i.e. assets under construction) and assets held for a commercial return (i.e. investment properties).

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

For those assets that have major components the percentage of the asset that makes up each component is shown below:

<u>Asset Type</u>	<u>Building</u>	<u>Roof</u>	<u>Services</u>	<u>Externals</u>	<u>Total</u>
Primary Schools	42%	9%	26%	23%	100%
Secondary Schools	50%	11%	22%	17%	100%
Sports Centres	49%	10%	23%	18%	100%
Libraries	49%	8%	28%	15%	100%

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 apparent that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and current value less costs to sell. Where there is a subsequent decrease to current value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in current value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of the 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.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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.

When an asset has been fully depreciated it is assumed, unless otherwise known, that the asset is disposed of or decommissioned in the following year. The gross value of the asset and the matching accumulated depreciation are then written out as disposals in that year.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

The written off value of disposals is not a charge against council tax, as the cost of Property, Plant and Equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the capital adjustments account from the General Fund Balance in the Movement in Reserves Statement.

## **Schools**

When a maintained school transfers to Foundation Trust or Academy status the transfer of the school is treated as a disposal. Voluntary Aided and Voluntary Controlled schools are not recognised on the Council's Balance Sheet. The land and building are owned by the trustees of the school and the Council provides educational services under mere licence with no assignment of rights to the property. The trustees can terminate the arrangement at any time and as such the risks and rewards of the asset have not transferred to the school.

## **(y) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

### **Provisions**

Provisions are made where an event has taken place that gives the Authority 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 authority 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 and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried within the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made) 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. an insurance claim), this is only recognised as income for the relevant service if it is virtually certain the reimbursement will be received if the Council settles the obligation.

Amounts needed to settle any obligation are only discounted where required when included in the accounts.

### **Internal Insurance Cover**

The Authority has established a provision to cover the potential costs of certain known uninsured losses, i.e., losses arising from excesses that apply to the Authority's main insurance policies. This is accounted for in line with the normal policy above.

### **Provision for NDR Appeals**

The Authority has established a provision to cover the potential costs for refunding ratepayers who have successfully appealed against the rateable value of their properties. The provision covers the Council's locally retained share (99%) of the cost. This is accounted for in line with the normal policy above.

## **Contingent liabilities**

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## **Contingent Assets**

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

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

## **(z) RESERVES**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When the expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement of Reserves Statement so that there is no net change against council tax for the expenditure.

Certain reserves are held to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the authority- these reserves are explained in the relevant notes and policies.

## **(aa) REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)**

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

## **(bb) SCHOOLS**

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority-maintained schools (ie those categories of school identified in the School Standards and Framework Act 1998, as amended) 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 (and not the Group Accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

## **(cc) VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.



## 9 COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2021/2022			<b>INCOME AND EXPENDITURE ACCOUNT</b>	Note	2022/2023		
<u>Business Rates</u> £000s	<u>Council Tax</u> £000s	<u>Total</u> £000s			<u>Business Rates</u> £000s	<u>Council Tax</u> £000s	<u>Total</u> £000s
			<b>INCOME</b>				
	-178,820	-178,820	<u>Council Tax</u> Income from Council Tax Payers			-186,326	-186,326
	-375	-375	<u>Transfers from the General Fund</u> Hardship Relief / Care leavers Discounts			-252	-252
-56,440		-56,440	<u>Business Rates</u> Income from Business Ratepayers		-63,099		-63,099
-39,206	-1,764	-40,970	<u>Contributions</u> Contributions towards previous year's estimated deficit	2	-18,702	0	-18,702
<b>-95,646</b>	<b>-180,959</b>	<b>-276,605</b>	<b>TOTAL INCOME</b>		<b>-81,801</b>	<b>-186,578</b>	<b>-268,379</b>
			<b>EXPENDITURE</b>				
	170,167	170,167	<u>Distribution of Resources</u> Council Tax	4		178,591	178,591
68,605		68,605	Non-domestic Rates Income	5	57,236		57,236
603		603	Transitional Protection Payments		516		516
303		303	<u>Transfers to the General Fund</u> Cost of Collection Allowance		299		299
	7	7	Council Tax Benefit			13	13
1,272	5,179	6,451	<u>Impairment of Debts / Appeals</u> Provision for Bad and Doubtful Debts	6	-2,599	4,462	1,863
-2,533		-2,533	Provision for Appeals	7	-15,114		-15,114
0	0	0	<u>Contributions</u> Contributions towards previous year's estimated surplus	2	0	2,022	2,022
<b>68,250</b>	<b>175,353</b>	<b>243,603</b>	<b>TOTAL EXPENDITURE</b>		<b>40,338</b>	<b>185,088</b>	<b>225,426</b>
<b>-27,396</b>	<b>-5,606</b>	<b>-33,002</b>	<b>MOVEMENT ON FUND BALANCE</b>		<b>-41,463</b>	<b>-1,490</b>	<b>-42,953</b>

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Collection Fund

2021/2022			INCOME AND EXPENDITURE ACCOUNT (continued)	Note	2022/2023			
Business Rates	Council Tax	Total			Business Rates	Council Tax	Total	
			<b>COLLECTION FUND BALANCES</b>					
46,006	4,678	50,684	Balances Brought Forward		18,610	-928	17,682	
-27,396	-5,606	-33,002	Movement in Year		-41,463	-1,490	-42,953	
<b>18,610</b>	<b>-928</b>	<b>17,682</b>	<b>BALANCES AT YEAR END</b>		<b>-22,853</b>	<b>-2,418</b>	<b>-25,271</b>	
			<b>BALANCES TO BE ALLOCATED</b>					
18,424	-778	17,646	Sefton MBC		-22,624	-2,029	-24,653	
0	-110	-110	Police and Crime Commissioner		0	-276	-276	
186	-33	153	Fire and Rescue Authority		-229	-93	-322	
0	-7	-7	Combined Authority		0	-20	-20	
<b>18,610</b>	<b>-928</b>	<b>17,682</b>			<b>-22,853</b>	<b>-2,418</b>	<b>-25,271</b>	

## NOTES TO THE COLLECTION FUND

### 1 COUNCIL TAX BASE

The Council's tax base, i.e., the number of chargeable dwellings in each valuation band for 2022/2023 (adjusted for dwellings where discounts apply) converted to a number of band D dwellings, has been calculated as follows:

Band	Number of Chargeable Dwellings After Discounts	Proportion of Band D Charge	Band D Equivalent Dwellings
A*	66.3	5/9	36.8
A	23,335.8	6/9	15,557.2
B	20,567.7	7/9	15,997.1
C	25,442.6	8/9	22,615.7
D	13,364.8	9/9	13,364.8
E	7,699.1	11/9	9,410.0
F	3,610.8	13/9	5,215.6
G	2,471.4	15/9	4,119.1
H	224.5	18/9	449.0
	<b>96,783.1</b>		<b>86,765.3</b>
Adjustment for estimated collection rate (97.0%)			-2,603.0
Adjustment for Ministry of Defence properties			8.0
<b>Council Tax Base</b>			<b>84,170.4</b>

\* Properties subject to disabled relief

Band "D" Equivalent is the statutory method of expressing the cost of Council Tax for any given area if all properties are valued as a proportion of a band D property, e.g. band H, which is equivalent to twice the value of band D, would therefore be charged twice the band D equivalent.

## 2 COLLECTION FUND SURPLUS / DEFICIT (-) PAYMENTS IN THE YEAR

The following amounts were paid / recouped (-) during the year in respect of the estimated collection fund surplus / deficit:

Council Tax	<u>2021/2022</u> £000	<u>2022/2023</u> £000
Sefton Council	-1,484	1,699
Merseyside Police and Crime Commissioner	-191	226
Merseyside Fire and Rescue Service	-72	79
Liverpool City region Combined Authority	-17	18
	-1,764	2,022

Business Rates	<u>2021/2022</u> £000	<u>2022/2023</u> £000
Sefton Council	-38,814	-18,515
Merseyside Fire and Rescue Service	-392	-187
	-39,206	-18,702

## 3 BUSINESS RATES MULTIPLIER AND RATEABLE VALUE

Under the arrangements for nationally uniform business rates, the Council collects rates for its area, which are based on local rateable values multiplied by a uniform rate. The business rate multipliers applied are shown below:

Multipliers	2021/2022	2022/2023
Standard Business Rate Multiplier	51.2p	51.2p
Small Business Rate Multiplier	49.9p	49.9p

The total non-domestic rateable value on Sefton's Rating List was £180,471,508 at 31 March 2023 (£180,991,064 at 31 March 2022).

## 4 PRECEPTS AND DEMANDS ON THE COLLECTION FUND

The following precepts and demands have been made on the fund during the year:

Council Tax	<u>2021/2022</u> £000	<u>2022/2023</u> £000
Sefton Council (Including Parish Precepts)	143,037	150,008
Merseyside Police and Crime Commissioner	18,775	19,946
Merseyside Fire & Rescue Authority	6,783	7,037
Liverpool City Region Combined Authority	1,572	1,599
	170,167	178,591

## 5 SHARES OF NON-DOMESTIC RATES INCOME

Business rates income is shared on the following basis:

Business Rates	Share %	<u>2021/2022</u> £000	<u>2022/2023</u> £000
Sefton Council	99%	67,919	56,664
Merseyside Fire & Rescue Authority	1%	686	572
	100%	68,605	57,236

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Collection Fund

## 6 PROVISION FOR BAD AND DOUBTFUL DEBTS

The Collection Fund provides for bad debts on Council Tax and Business Rates arrears. The following movements on the bad debt provisions were recorded in the year:

Council Tax	<u>2021/2022</u> £000	<u>2022/2023</u> £000
Balance at 1 April	-21,919	-27,106
Write-offs in year	-8	-3
Increase / Decrease in Year	-5,179	-4,462
<b>Balance at 31 March</b>	<b>27,106</b>	<b>-31,571</b>

Business Rates	<u>2021/2022</u> £000	<u>2022/2023</u> £000
Balance at 1 April	-7,019	-8,314
Written-off in year	-23	-5
Increase / Decrease in Year	-1,272	2,600
<b>Balance at 31 March</b>	<b>-8,314</b>	<b>-5,719</b>

## 7 PROVISION FOR CHECKS, CHALLENGES AND APPEALS

The Collection Fund also makes a provision for checks, challenges, and appeals against rateable values set by the Valuation Office Agency (VOA). The table below shows the movements on the provision in the year:

Business Rates	<u>2021/2022</u> £000	<u>2022/2023</u> £000
Balance at 1 April	-23,886	-21,353
Movement in the Year	2,533	15,114
<b>Balance at 31 March</b>	<b>-21,353</b>	<b>-6,239</b>

## 10 GROUP ACCOUNTS

The standard financial statements consider the Council only as a single entity. Sefton Council conducts some of its adult and social care services activities through a wholly owned company, Sefton New Directions Limited, which began trading on 1 April 2007. In addition, it wholly owns Sandway Homes Limited, a housing development company, and Sefton Hospitality Operations Limited, a hospitality company.

Thus, a full picture of the Council's economic activities, financial position, service position, accountability for resources and exposure to risk is not presented in the Council's single entity financial statements. As a result, group financial statements are used to reflect the full extent of Sefton Council's involvement with its group undertakings in order to provide a clearer picture of the Council's activities as a group.

The following pages include:

- Group Movement in Reserves Statement,
- Group Comprehensive Income and Expenditure Statement,
- Group Balance Sheet,
- Group Cash Flow Statement, and,
- Notes to the Group Accounts.
- A summary of the financial statements for Sefton New Directions and Sandway Homes.

The financial positions of Sefton Council, Sefton New Directions, Sandway Homes and Sefton Hospitality Operations Limited have been consolidated to produce the Group Accounts with any transactions and balances between the three organisations netted out on consolidation.

All organisations have a financial year-end of 31 March.

### **Sefton New Directions**

The main effect of consolidation has been to increase revenue reserves by £3.302m (£4.194m increase as at 31 March 2022), representing the Authority's 100% share of accumulated net surplus in the Company.

The Group Comprehensive Income and Expenditure Statement records a deficit for Sefton New Directions Limited of £0.891m in 2022/2023 (a £4.700m surplus in 2021/2022). It should be noted that the main reason for the surplus in 2021/2022 was a change in the accounting treatment of the Company's pension liability. As Sefton Council is the full guarantor for the Company's pension liability, the directors have deemed the derecognition of the liability to be appropriate.

Copies of the Company's accounts for 2022/2023 will be able to be obtained from The Company Secretary, Sefton New Directions Head Office, Third Floor, Burlington House, Crosby Road North, Waterloo, Liverpool, Merseyside, United Kingdom, L22 0PJ.

### **Sandway Homes**

The main effect of consolidation has been to reduce revenue reserves by £0.441m in 2022/2023 (£2.234m in 2021/2022) representing the Authority's 100% share of accumulated net deficit in the Company.

The Group Comprehensive Income and Expenditure Statement records a surplus for Sandway Homes Limited of £1.793m in 2022/2023 (a deficit of £0.396m in 2021/2022).

### **Sefton Hospitality Operations Limited**

The main effect of consolidation has been to reduce revenue reserves by £0.813m in 2022/2023 (£0.084m in 2021/22 but not consolidated in the Group Accounts) representing the Authority's 100% share of accumulated net deficit in the Company.

The Group Comprehensive Income and Expenditure Statement records a deficit for Sefton Hospitality Operations Limited of £0.728m in 2022/2023 (£0.084m in 2021/2022 but not consolidated in the Group Accounts).

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Group Accounts

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2021/2022			Note	2022/2023		
Gross Expenditure	Gross Income	Net Expenditure / Income (-)		Gross Expenditure	Gross Income	Net Expenditure / Income (-)
1,232	-8	1,224	<u>Continuing Operations</u>			
150,016	-59,773	90,243	Strategic Management	1,348	-11	1,337
56,406	-2,094	54,312	Adult Social Care	159,898	-57,231	102,667
31,283	-11,896	19,387	Children's Social Care	77,236	-4109	73,127
110,508	-78,126	32,382	Communities	38,779	-19,467	19,312
11,313	-11,433	-120	Corporate Resources	113,544	-73,925	39,619
16,730	-2,243	14,487	Economic Growth and Housing	25,528	-17,802	7,726
204,436	-196,789	7,647	Education Excellence	19,335	-2,504	16,831
21,483	-27,988	-6,505	Education Excellence - Schools	216,515	-204,578	11,937
29,259	-9,301	19,958	Health and Wellbeing	19,010	-23,848	-4,838
29,798	-10,453	19,345	Highways and Public Protection	24,650	-9,172	15,478
18,991	-13,200	5,791	Locality Services	38,349	-14,124	24,225
			Corporate Unallocated Costs	8,344	-11,180	-2,836
748	-776	-28	Sefton New Directions - Net	1,585	-598	987
326	21	347	Sandway Homes - Net	6,012	-7,978	-1,966
0	0	0	Sefton Hospitality Operations - Net	1,294	-565	729
<b>682,529</b>	<b>-424,059</b>	<b>258,470</b>	<b>Net Cost of Services</b>	<b>751,427</b>	<b>-447,092</b>	<b>304,335</b>
			<u>Other Operating Income and Expenditure</u>			
		1,208	Precepts paid to Parish Councils			1,381
		34,662	Levies			35,317
		-10	Loss on the disposal of non-current assets			5,299
		-973	Other Operating Income			-1,037
		<b>34,887</b>				<b>40,960</b>
			<u>Financing and Investment Income &amp; Expenditure</u>			
		7,268	Interest payable and similar charges			7,036
		9,158	Net Interest on the Net Pension Defined Benefit Liability			11,453
		-278	Interest Receivable			-1,934
		-2,459	Income and Expenditure on Investment Properties			-2,531
		-3,076	Changes in the Fair Value of Investment Properties			4,890
		-944	Changes in the Fair Value of Financial Instruments			1,042
		<b>9,669</b>				<b>19,956</b>
			<u>Taxation and Non-specific Grant Income</u>			
		-146,265	Income from Council Tax			-152,958
		-56,227	Non-Domestic Rates Income			-79,197
		-76,078	Non-Ringfenced Government Grants			-71,563
		-19,043	Capital Grants and Contributions			-31,530
		<b>-297,613</b>				<b>-335,248</b>
		<b>5,413</b>	<b>Deficit on Provision of Services</b>			<b>30,003</b>
		15	Taxation			-82
		<b>5,428</b>	<b>Group Deficit</b>			<b>29,921</b>

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2021/2022			Continued from previous page	2022/2023			
Gross Expenditure	Gross Income	Net Expenditure / Income (-)		Gross Expenditure	Gross Income	Net Expenditure / Income (-)	
		-24,591	Surplus (-) / Deficit on Revaluation of non-current assets Re-measurement of the Net Defined Benefit Liability Movement on Transfer Out of Defined Benefit Pension Liability			-2,259	
		-58,455					-433,417
		-4,687					0
		-87,733		<b>Other Comprehensive Income and Expenditure</b>			-435,676
		<b>-82,305</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>-405,755</b>	

## **GROUP MOVEMENT IN RESERVES STATEMENT**

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority'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 /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.

<b><u>Movements in Reserves in 2022/2023</u></b>	Council	New Directions	Sandway Homes	SHOL	Total Usable	Council	Total Council	Total Group
	Usable Reserves £000	Surplus £000	Surplus £000s	Surplus £000s	Reserves £000	Unusable Reserves £000	Reserves £000	Reserves £000
<b>Balance at 1 April 2022</b>	-144,462	-4,194	2,234	0	-146,422	134,585	-9,877	-11,837
<b><u>Movements in Year</u></b>								
<b>Total Comprehensive Income and Expenditure</b>	30,094	892	-1,793	813	30,006	-435,676	-405,582	-405,670
Adjustments between accounting basis and funding basis under regulations (Note 7 of single entity accounts)	-12,709	0	0	0	-12,709	12,709	0	0
<b>Net Increase (-) / Decrease before Transfers to Earmarked Reserves</b>	17,385	892	-1,793	813	17,297	-422,937	-405,582	-405,670
Transfers to / from Earmarked Reserves (Note 35 of single entity accounts)	0	0	0	0	0	0	0	0
<b>Increase in Year</b>	17,385	892	-1,793	813	17,297	-422,967	-405,582	-405,670
<b>Balance at 31 March 2023</b>	-127,077	-3,302	441	813	-129,125	-288,382	-415,459	-417,507

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<b><u>Movements in Reserves in 2021/2022</u></b>	Council	New Directions	Sandway Homes	<b>Total Usable</b>	New Directions	Council	<b>Total Council</b>	<b>Total Group</b>
	Usable Reserves £000	Surplus £000	Surplus £000s	<b>Reserves £000</b>	Pensions Reserve £000	Unusable Reserves £000	<b>Reserves £000</b>	<b>Reserves £000</b>
<b>Balance at 1 April 2021</b>	-154,473	423	1,839	-152,211	83	222,596	68,123	70,468
<b><u>Movements in Year</u></b>								
<b>Total Comprehensive Income and Expenditure</b>	5,046	-4,617	395	824	-83	-83,046	-78,000	-82,305
Adjustments between accounting basis and funding basis under regulations (Note 7 of single entity accounts)	4,965	0	0	4,965	0	-4,965	0	0
<b>Net Increase (-) / Decrease before Transfers to Earmarked Reserves</b>	10,011	-4,617	395	5,789	-83	-88,011	-78,000	-82,305
Transfers to / from Earmarked Reserves (Note 35 of single entity accounts)	0	0	0	0	0	0	0	0
<b>Increase in Year</b>	10,011	-4,617	395	5,789	0	-88,011	-78,000	-82,305
<b>Balance at 31 March 2022</b>	-144,462	-4,194	2,234	-146,422	0	134,585	-9,877	-11,837



## GROUP BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (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 Authority 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'.

<u>31 March</u> <u>2022</u> £000s		<u>Note</u>	<u>31 March</u> <u>2023</u> £000s
504,413	Property, Plant and Equipment	5	503,546
11,532	Heritage Assets		13,149
32,338	Investment Property		27,315
896	Intangible Assets		1,471
6,320	Long Term Investments		5,288
5,825	Long Term Debtors		6,389
<b>561,324</b>	<b>Long-Term Assets</b>		<b>557,158</b>
12,004	Assets Held for Sale		4,881
7,657	Inventories		8,467
43,831	Short Term Debtors	6	76,617
19,156	Prepayments		5,086
103,313	Cash and Cash Equivalents	7	32,008
<b>185,962</b>	<b>Current Assets</b>		<b>127,059</b>
-34,719	Short Term Borrowing		-12,995
-63,178	Short Term Creditors	8	-68,107
-44,531	Receipts in Advance	8	-15,195
-45	Provisions	9	0
-934	Deferred Liabilities		-983
<b>-143,407</b>	<b>Current Liabilities</b>		<b>-97,280</b>
-24,985	Provisions		-9,600
-133,714	Long Term Borrowing		-121,798
-6,481	Deferred Liabilities		-5,498
-426,862	Pensions Liability		-32,534
<b>-592,042</b>	<b>Long Term Liabilities</b>		<b>-169,430</b>
<b>11,837</b>	<b>Net Assets</b>		<b>417,507</b>

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Group Accounts

31 March 2022 £000s	Balance Sheet (Continued)	Note	31 March 2023 £000s
	<b><u>Reserves</u></b>		
	<u>Usable Reserves</u>		
-18,288	General Fund - Delegated Schools		-17,994
-14,799	General Fund - Non-Delegated Services		-11,991
-4,194	New Directions - Profit and Loss Account		-3,302
2,234	Sandway Homes - Profit and Loss Account		441
0	Sefton Hospitality Operations - Profit and Loss Account		813
-81,253	Earmarked Reserves		-51,790
-6,260	Capital Receipts Reserve		-10,967
-23,862	Capital Grants and Contributions Unapplied		-34,335
-146,422			-129,125
	<u>Unusable Reserves</u>		
-91,270	Revaluation Reserve		-91,116
-233,805	Capital Adjustment Account		-225,341
251	Financial Instruments Adjustment Account		192
-1,319	Pooled Investment Funds Adjustment Account		-278
0	Deferred Capital Receipts		-2,232
426,862	Pensions Reserve		32,534
17,646	Collection Fund Adjustment Account		-24,653
5,573	Accumulated Absences Account		5,452
11,097	Dedicated Schools Grant Adjustment Account		17,060
134,585			-288,382
<b>-11,837</b>	<b>Total Group Reserves</b>		<b>-417,507</b>

The Notes to the single entity accounts on pages 35 to 108, and to the Group Accounts on pages 121 to 125 form part of the financial statements (note that the disclosures on pages 125 to 127 are for information only and do not form part of the financial statements).

## GROUP CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting year. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

<u>2021/2022</u> £000s		<u>Note</u>	<u>2022/2023</u> £000s
	<b><u>Operating Activities</u></b>		
5,428	Net Deficit on the provision of services		29,921
-85,868	Adjustments to net surplus or deficit on the provision of services for non-cash movements		-12,560
20,939	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		26,221
-59,501	Net cash flows from Operating Activities	10	43,582
	<b><u>Investing Activities</u></b>		
28,424	Purchase of property, plant and equipment, investment property and intangible assets		30,916
0	Purchase of short-term and long-term investments		10
-885	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		-8,456
-18,862	Other receipts from investing activities		-28,732
8,677	Net cash flows from Investing Activities		-6,262
	<b><u>Financing Activities</u></b>		
0	Cash receipts of short- and long-term borrowing		0
-1,143	Other receipts from financing activities		-460
504	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		496
20,667	Repayments of short- and long-term borrowing		33,949
0	Other payments for financing activities		0
20,028	Net cash flows from Financing Activities		33,985
<b>-30,796</b>	<b>Net decrease / increase (-) in cash and cash equivalents</b>		<b>71,305</b>
-72,517	Cash and cash equivalents at the beginning of the reporting period		-103,313
<b>-103,313</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>7</b>	<b>-32,008</b>

## NOTES TO THE GROUP ACCOUNTS

### 1 INTRODUCTION

The notes below include details of where the inclusion of Sefton New Directions Limited and / or Sandway Homes has altered the disclosures within Sefton's single entity accounts. All other notes to the Group Financial Statements are as shown in the Notes to the single entity accounts.

### 2 DISCLOSURE OF AUDIT COSTS

Sefton New Directions Limited and Sandway Homes incurred the following fees relating to external audit and inspection.

<u>2021/2022</u> £000		<u>2022/2023</u> £000
17	<u>Sefton New Directions Limited</u> Fees payable to Hazlewoods LLP for external audit services	19
0	<u>Sandway Homes</u> Fees payable to Beever and Struthers for external audit services	13
<b>17</b>	<b>Total</b>	<b>32</b>

Sefton Hospitality Operations Limited didn't incur any fees relating to external audit and inspection. Sefton's expenditure on audit costs is shown in Note 11 to the single entity accounts.

### 3 ASSETS ON OPERATING LEASES

Sefton New Directions Limited made operating lease payments of £0.074m in 2021/2022 relating to Land and Buildings and other assets (£0.058m in 2020/2021). Sefton New Directions has obligations to make payments for operating leases in future years as follows:

<u>31 March</u> <u>2022</u> £000s		<u>31 March</u> <u>2023</u> £000s
54	Not later than one year	54
124	Later than one year and not later than five years	76
503	Later than five years	4977
681		627

Sandway Homes and Sefton Hospitality Operations Limited had no operating leases. Sefton's expenditure on operating leases is shown in Note 48 to the single entity accounts.

### 4 PARTICIPATION IN PENSION SCHEMES

Sefton New Directions Limited and Sandway Homes employees are eligible to join defined contribution pension schemes. The pension cost charge for the year relates to the contributions paid in the year by the companies.

Sefton New Directions employees were previously eligible to join the same Local Government Pension Scheme as those employees in Sefton, i.e., a defined benefit scheme. Until 2020/2021 this was accounted for as a defined benefit scheme. However, for 2021/2022, due to Sefton Council being a full guarantor for the pension liability, the directors of the Company have deemed that the derecognition of the liability is appropriate. Pension contributions in respect of the defined benefit contribution scheme are now charged when contributions are paid.

The following transactions have been made in the Group Comprehensive Income and Expenditure Statement during the year:

2021/2022		<b>Comprehensive Income and Expenditure Statement</b>	2022/2023	
<u>Sefton Council</u> £000s	<u>Sefton New Directions Limited</u> £000s		<u>Sefton Council</u> £000s	<u>Sefton New Directions Limited</u> £000s
42,719	0	<u>Cost of Services:</u>	48,958	0
154	0	Current Service Cost	123	0
551	0	Curtailed Cost	628	0
0	0	Administration Expenses	0	0
		Past Service Cost		
		<u>Financing and Investment Income &amp; Expenditure:</u>		
9,158	0	Net Interest Cost	11,453	0
52,582	0	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	61,162	0
-58,455	0	Actuarial Losses / Gains (-) on Pension Assets and Liabilities	-433,417	0
0	0	Deferred Tax re. Actuarial losses on pension fund assets and liabilities for Sefton New Directions Limited	0	0
	-4,687	Movement on Transfer Out of Defined Benefit Pension Liability		0
-5,873	-4,687	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	-372,255	0

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

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

2021/2022			2022/2023	
<u>Sefton Council</u> £000s	<u>Sefton New Directions Limited</u> £000s		<u>Sefton Council</u> £000s	<u>Sefton New Directions Limited</u> £000s
-1,572,508	-51,292	Present Value of the Defined Benefit Obligation	-1,132,497	-38,832
1,145,646	48,687	Fair Value of Plan Assets	1,099,963	46,278
0	2,605	Other amounts recognised in the statement of financial position	0	-7,446
-426,862	0	Net Liability arising from defined benefit obligation	-32,534	0

Assets and Liabilities in Relation to Retirement Benefits  
Reconciliation of present value of scheme liabilities

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2021/2022			2022/2023	
Sefton Council £000s	Sefton New Directions Limited £000s		Sefton Council £000s	Sefton New Directions Limited £000s
1,520,171	50,759	1 April	1,572,508	51,292
42,719	971	Current Service Cost	48,958	930
31,579	1,055	Interest Cost on Pension Liabilities	43,580	1,419
7,033	154	Contributions by scheme participants	8,115	159
10,758	-367	Remeasurement Gains (-) and Losses	-500,438	-13,667
-39,906	-1,282	Benefits paid	-40,278	-1,302
154	0	Curtailed Cost	123	0
0	2	Past Service Cost	0	1
1,572,508	51,292	31 March	1,132,497	38,832

Reconciliation of fair value of scheme assets:

2022/2023			2023/2024	
Sefton Council £000s	Sefton New Directions Limited Restated £000s		Sefton Council £000s	Sefton New Directions Limited £000s
1,065,258	44,972	1 April	1,145,646	48,687
22,421	933	Interest Income	32,127	1,347
69,213	3,923	Remeasurement Gains / Losses (-)	-67,092	-2,601
22,178	0	Employer contributions	22,073	0
7,033	154	Contributions by scheme participants	8,115	159
-39,906	-1,282	Benefits paid	-40,278	-1,302
-551	-13	Administration Expenses	-628	-12
1,145,646	48,687	31 March	1,099,963	46,278

The deficit for Sefton New Directions Limited on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme Actuary.

## Basis for Estimating Assets and Liabilities

The principal assumptions used by the actuary for Sefton New Directions have been:

2021/2022		2022/2023
	<u>Mortality assumptions (years):</u>	
	Local Government Pension Scheme:	
21.0	Longevity at 65 for current pensioners: Men	21.0
24.0	Longevity at 65 for current pensioners: Women	24.0
22.0	Longevity at 65 for future pensioners: Men	23.0
26.0	Longevity at 65 for future pensioners: Women	26.0
	<u>Other assumptions</u>	
3.4%	Rate of Inflation - CPI	2.7%
4.9%	Rate of increase in salaries	4.2%
3.5%	Rate of increase in pensions	2.8%
2.8%	Rate for discounting scheme liabilities	4.9%

The assumptions used by the actuary for Sefton Council are shown in Note 51 to the single entity accounts.

## 5 PROPERTY, PLANT AND EQUIPMENT

The Property, Plant and Equipment (PP&E) figure in the Group Balance Sheet includes £0.125m for Vehicles, Plant and Equipment of Sefton New Directions Limited at 31 March 2023 (£0.231m at 31 March 2022) and £0.046m for Land and Buildings (£0.065m at 31 March 2022). It also includes £2.232m at 31 March 2023 for Land of Sandway Homes (£2.232m at 31 March 2022) and includes £0.144m for Vehicles, Plant and Equipment of Sefton Hospitality Operations Limited at 31 March 2023 (£0.000m at 31 March 2022) and £0.050m for Land and Buildings (£0.000m at 31 March 2022). Details of Sefton's PP&E are shown in Note 18 to the single entity accounts.

## 6 CURRENT ASSETS

The Current Assets figure in the Group Balance Sheet includes £0.948m for Debtors of Sefton New Directions Limited at 31 March 2023 (£0.354m at 31 March 2022), £0.263m at 31 March 2023 for Debtors of Sandway Homes (£0.518m at 31 March 2022) and £0.050m at 31 March 2023 for Debtors of Sefton Hospitality Operations Limited (£0.000m at 31 March 2022). Details of Sefton's Debtors are shown in Note 27 to the single entity accounts.

## 7 CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents held by Sefton MBC, Sefton New Directions Limited and Sandway Homes are shown below:

<u>31 March</u> <u>2022</u> £000s		<u>31 March</u> <u>2023</u> £000s
98,328	Sefton MBC - Cash and Cash Equivalents	26,305
4,770	Sefton New Directions Limited - Bank Deposits	3,368
215	Sandway Homes	1,896
0	Sefton Hospitality Operations Limited	439
<b>103,313</b>	<b>Total Cash and Cash Equivalents</b>	<b>32,008</b>

## 8 CURRENT LIABILITIES

The Current Liabilities figure in the Group Balance Sheet includes £1.183m for Creditors of Sefton New Directions Limited at 31 March 2023 (£1.181m at 31 March 2022), £10.356m for Creditors (£10.001m at 31 March 2022) relating to Sandway Homes and £0.428m for Creditors of Sefton Hospitality Operations Limited at 31 March 2023 (£0.000m at 31 March 2022). Details of Sefton's Creditors are shown in Note 29 to the single entity accounts.

## 9 PROVISIONS

The Current Liabilities figure in the Group Balance Sheet includes £0.000m for Short Term Provisions of Sefton New Directions Limited at 31 March 2023 (£0.045m at 31 March 2022). Details of Sefton's provisions are shown in Note 30 to the single entity accounts. Movements in New Directions' provisions during the year were as follows:

	<b>2022/2023</b>	<u>1 April</u> <u>2022</u> £000s	<u>Additions</u> <u>in Year</u> £000s	<u>Applied</u> <u>In Year</u> £000s	<u>Released</u> <u>In Year</u> £000s	<u>31 March</u> <u>2023</u> £000s
(a)	Deferred Tax	-45	0	45	0	0

Comparable figures for the previous year are shown below:

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	2021/2022	1 April 2021 £000s	Additions in Year £000s	Applied In Year £000s	Released In Year £000s	31 March 2022 £000s
(a)	Deferred Tax	-54	0	9	0	-45

(a) **Deferred Tax** – This relates to the difference between accumulated depreciation and amortisation and capital allowances.

## 10 **CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

<u>2021/2022</u> £000s		<u>2022/2023</u> £000s
-339	Interest received	-,1978
7,398	Interest paid	7,165

## 11 **STATEMENT OF ACCOUNTING POLICIES**

The Accounting Policies for the Group are described in Note 56 to the single entity accounts.

## 12 **OTHER INFORMATION:**

The following disclosures are for information only and do not form part of the financial statements.

### **SEFTON NEW DIRECTIONS SUMMARY FINANCIAL INFORMATION**

#### Profit and Loss Account

<u>2021/2022</u> £000		<u>2022/2023</u> £000
10,374	Turnover	10,084
-8,471	Cost of Sales	-9,246
1,903	Gross Profit	838
-1,631	Administrative Expenses	-1,596
272	Gross Profit / Loss (-)	-758
-244	Costs of reorganisation and restructuring / COVID19 Related Costs	-229
0	Other interest receivable and similar income	14
28	Profit / Loss (-) before Tax	-973
-16	Taxation	82
<b>12</b>	<b>Profit / Loss (-) for the financial year</b>	<b>-891</b>



## Statement of Comprehensive Income

2021/2022 £000		2022/2023 £000
12	<b>Profit / Loss (-) for the financial year</b>	-891
4,688	Movement on Transfer Out of Defined Benefit Pension Liability	0
4,688		-891
<b>4,700</b>	<b>Comprehensive Income for the financial year</b>	<b>-891</b>

## Balance Sheet

2021/2022 £000		2022/2023 £000
	<b>Fixed Assets</b>	
296	Tangible Assets	170
	<b>Current Assets</b>	
354	Debtors	948
4,771	Cash at bank and in hand	3,368
5,125		4,316
-1,181	<b>Creditors: Amounts falling due within one year</b>	-1,183
3,944	<b>Net Current Assets</b>	3,133
<b>4,240</b>	<b>Total assets less current liabilities</b>	<b>3,303</b>
	<b>Long-Term Liabilities</b>	
45	Provision for liabilities	0
0	Net pension liability	0
45		0
	<b>Capital and reserves</b>	
1	Called up share capital	1
4,194	Retained earnings	3,302
4,195		3,303
<b>4,240</b>	<b>Total capital, reserves and long-term liabilities</b>	<b>3,303</b>

## **SANDWAY HOMES SUMMARY FINANCIAL INFORMATION**

### Profit and Loss Account

2021/2022 £000		2022/2023 £000
0	Turnover	7,998
0	Cost of Sales	-5,493
0	Gross Profit	2,505
-347	Administrative Expenses	-539
-347	Gross Profit / Loss (-)	1,966
-49	Interest payable and similar charges	-173
<b>-396</b>	<b>Profit / Loss (-) for the</b>	<b>1,793</b>

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Group Accounts

## Balance Sheet

<u>2021/2022</u> £000		<u>2022/2023</u> £000
	<b>Fixed Assets</b>	
2,232	Tangible Assets	2,232
	<b>Current Assets</b>	
7,034	Work in Progress	7,755
518	Debtors	263
215	Cash at bank and in hand	1,896
7,767		9,914
	<b>Current Liabilities</b>	
-10,001	Creditors: Amounts falling due within one year	-10,355
-10,001		-10,355
	<b>Net Current Assets</b>	-441
<b>-2</b>	<b>Total assets less current liabilities</b>	<b>1,791</b>
	<b>Long-Term Liabilities</b>	
2,232	Creditors: Amounts falling due after one year	2,232
	<b>Capital and reserves</b>	
-2,234	Retained earnings	-441
<b>-2</b>	<b>Total capital, reserves and long-term liabilities</b>	<b>1,791</b>

## SEFTON HOSPITALITY OPERATIONS LIMITED SUMMARY FINANCIAL INFORMATION

### Balance Sheet

<u>2021/2022</u> £000		<u>2022/2023</u> £000
	<b>Fixed Assets</b>	
0	Tangible Assets	194
	<b>Current Assets</b>	
0	Stocks	18
0	Debtors	49
0	Cash at bank and in hand	441
0		508
	<b>Current Liabilities</b>	
0	Creditors: Amounts falling due within one year	-428
0		-428
	<b>Net Current Assets</b>	80
<b>0</b>	<b>Total assets less current liabilities</b>	<b>274</b>
	<b>Long-Term Liabilities</b>	
0	Creditors: Amounts falling due after one year	1,087
	<b>Capital and reserves</b>	
0	Retained earnings	-813
<b>0</b>	<b>Total capital, reserves and long-term liabilities</b>	<b>274</b>

## 11 FOREWORD TO THE ANNUAL GOVERNANCE STATEMENT

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Leader of the Council, Councillor Ian Maher and the Chief Executive, Dwayne Johnson both recognise the importance of having good systems of governance, risk and assurance in place to be able to manage and deliver services to its residents, businesses, partners and stakeholders. The Council has adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'.

Each year, to provide an assurance on this, the Council is required to conduct an annual review of the effectiveness of its governance, risk and assurance systems to produce an Annual Governance Statement (AGS) which provides an assurance on how these systems have been working. This annual review is in respect of 2022/23 and this statement provides an assurance that good governance arrangements are in place and the Council is managing the risks to achieving its objectives. It also sets out planned actions for next year 2023/24. The AGS is also published in the Council's Annual Accounts.

We have conducted our annual review of the effectiveness of the systems of governance, risk and assurance in place at Sefton MBC and it is our opinion that these are fit for purpose and in accordance with the governance framework. We propose over the coming year to take actions to address highlighted issues in the AGS and further improve our corporate governance arrangements. We are satisfied that these actions will address the need for improvements that were identified in our annual review of effectiveness in 2022/23 and we will monitor their implementation and operation as part of our annual review in 2023/24.



**Councillor Ian Maher**  
**Leader of the Council**



**Phil Porter**  
**Chief Executive**



# Annual Governance Statement 2022/23

Year Ended 31 March 2023

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# Agenda Item 4

## 1. Introduction and Scope of Responsibility

Sefton Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for. Sefton Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

It also meets the requirements of the Accounts and Audit Regulations 2015 which requires the Council to publish an Annual Governance Statement (AGS) in accordance with proper practice in relation to internal control.

The Council has reviewed its existing governance arrangements and has subsequently approved and adopted in September 2019 a local Code of Corporate Governance, which is consistent with the seven principles of Corporate Governance as set out in the CIPFA/SOLACE publication 'Delivering Good Governance in Local Government Framework 2016'.

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

## 2. The Purpose of the Annual Governance Statement

The AGS is a public document that reports on the extent to which the Council complies with its own Code of Corporate Governance, demonstrating the monitoring and evaluation of the effectiveness of governance arrangements. The AGS is a valuable means of communication and reflects the Council's features, challenges and any planned changes in the coming period.

The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled; and through which it engages with and leads its communities. This framework enables the authority to develop and achieve its strategic objectives and core purpose in delivering the 2030 vision. The Council's governance arrangements are designed to manage risk to a reasonable level within this context. These arrangements cannot eliminate risk but can provide reasonable assurance for the AGS.

- i. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot remove all risk of failing to achieve the Council's aims and objectives but can provide a reasonable assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks that could prevent the Council from achieving its aims and objectives;
- ii. assess how likely it is that identified risks will happen and what the potential impact would be if they did, and
- iii. manage the risks effectively.

For the purposes of this statement, the governance framework has been in place at Sefton Council from 1 April 2022 and up to the date of the approval of the annual statement of accounts.

## 3. The Governance Framework

The seven principles of Corporate Governance laid out in the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government (2016 Edition) and the Council's Code of Corporate Governance are available on the Council's website on the link below:

<https://modgov.sefton.gov.uk/ecCatDisplay.aspx?sch=doc&cat=13370&path=0>

The Council's Code of Corporate Governance is included in the Audit and Governance Committee's Annual Work Programme for 2023/24 for **Page 310** approval on 27 September 2023.

Sefton Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by:

- Senior managers who have responsibility for the development and maintenance of the governance environment within their service areas;
- The Chief Internal Auditor's Annual Audit Opinion Statement, which includes a report on the effectiveness of Internal Audit, and
- Feedback, recommendations and comments made by the external auditors and other review agencies and inspectorates.

The outcome from this review is provided in sections 4 and 5 of this report.

## 4. Review of Effectiveness

### Decision Making and Scrutiny

The Council approved the overall policy and budgetary framework for the financial year 2022/23. Cabinet subsequently made decisions at various points throughout the year that were in line with this policy and budget framework. The decisions of the Cabinet have been the subject of scrutiny through the Council's Overview and Scrutiny Committees which met regularly during the year.

Each Overview and Scrutiny Committee had a work programme for the year and reviewed a range of current activities and potential issues as part of that programme.

All decisions made by Committees, Council, Cabinet, Cabinet Member (under their delegated powers) and Chief Officer executive decisions are recorded and published online for transparency. Delegation arrangements for Cabinet Members are reviewed annually by the Chief Legal and Democratic Officer as part of the Constitution review process. The Council publishes a calendar of meetings and deadlines for the submission of agenda items. Agendas and reports are produced promptly and provided to the relevant Members. The Executive Director of Corporate Resources and Customer Services and the Chief Legal and Democratic Officer have been consulted on these reports and any comments have been incorporated into the reports.

### Audit and Governance Committee

The Audit and Governance Committee provides independent assurance on the adequacy of the Council's risk, governance and assurance environment. Representation on the Audit and Governance Committee during 2022/23 was based on the political make-up of the Council. The Committee monitors the Corporate Risk Register which includes the mitigating actions that has been taken for the Council to manage the risks to achieving its objectives. Full details of this is available on the Council's website on the link below:

<https://modgov.sefton.gov.uk/mgCommitteeDetails.aspx?ID=141>

The Committee met five times during 2022/23 on 25 May 2022, 22 June 2022, 7 September 2022, 14 December 2022 and 15 March 2023. The special meeting planned for the consideration of the Council's Annual Statement of Accounts for 2021/22 on 23 November 2022 was cancelled as a result of the Council's External Auditor having not completed their annual audit work, therefore this special meeting could not take place. The Council's Annual Statement of Accounts for 2021/22 were subsequently discussed at the Committee's meeting on 15 March 2023. The Committee's Annual Work Programme for 2023/24 has a special meeting scheduled for September 2023 for the consideration of the Council's Annual Statement of Accounts for 2022/23. Meetings have considered reports, from the Monitoring Officer, the Section 151 (S151) Officer, the Chief Internal Auditor and the External Auditor.

# Agenda Item 4

## **Executive Leadership Team**

The Council's Executive Leadership Team (ELT) is led by the Chief Executive and includes Executive Directors which includes the S151 Officer. ELT meet fortnightly to consider and provide leadership on all business matters of the Council.

As part of the corporate governance review for 2022/23 members of the ELT, including the Chief Executive, have provided formal assurance in respect of their role and responsibilities, by each of them completing a Governance Assurance Statement (GAS). The GAS is based upon the seven principles of Corporate Governance laid out in the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government (2016 Edition) referred to in Section 3 above.

## **Strategic Leadership Board**

The Strategic Leadership Board (SLB) consists of the Chief Executive, Executive Directors, Assistant Directors and the Council's Monitoring Officer. It provides senior management and leadership in the development, delivery and communication of Council and borough-wide policy and performance. It has a key responsibility for the development and maintenance of the governance environment.

Each Assistant Director is responsible for the governance framework and good governance in their individual Service area and are in turn supported by their managers. As part of the corporate governance review for 2022/23 Assistant Directors were required to provide formal assurance in respect of their service area, by completing a GAS based on the above Framework. The Council's Monitoring Officer, the Chief Legal and Democratic Officer was also required to complete a GAS due to their role and membership of SLB.

## **External Audit**

Ernst & Young LLB are the Council's appointed External Auditor for 2022/23. The work of the Council's External Auditor includes an examination of the Council's Annual Accounts and an assessment of the degree to which the Council delivers value for money in the use of its resources. The External Auditor will also reach an opinion on the consistency of the AGS with other information published with the Council's Annual Accounts. The AGS is published in the Council's Annual Accounts.

## **Internal Audit**

The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit which provides independent and objective assurance across the whole range of Council activities. It is the duty of the Chief Internal Auditor to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council.

Based upon the work of Internal Audit during 2022/23, the Chief Internal Auditor provided the Council with an overall opinion of adequate, with the potential for improvement being adequate on the arrangements for gaining assurance through the governance framework and on the controls reviewed as part of the Internal Audit programme.

Internal Audit carried out follow up audit reviews for all high-risk recommendations and a sample of medium and low risk recommendations to ensure that recommendations made had been implemented as agreed by management.

The Public Sector Internal Audit Standards were introduced from April 2013 and updated in April 2017. The service was the subject to a review during 2017/18 which was assessed as being generally compliant with the Public Sector Internal Audit Standards 2017.

## **Other External Inspections**

During the year, a number of external inspections took place within the Council. Appropriate action plans have been developed and processes are in place to track delivery. Notable inspections include:



- Schools' Ofsted Inspections;
- Ofsted Children's Services Monitoring Visit;
- Special Educational Needs and Disabilities Information Advice and Support Services (SENDIASS) Service Review;
- LGA Corporate Peer Review Revisit and Progress Review; and
- LGA Adult Social Care Preparation for Assurance Peer Challenge.

From the evaluation work undertaken the following sections look at how the Council is held to account for the seven principles of Corporate Governance.

## 5. Significant Governance Issues

In addition to identifying those areas where the Council meets the principles of Corporate Governance, it is also appropriate to identify areas of improvement that can be undertaken during the next financial year, or where it is considered that there is a significant new or ongoing issue that will require stringent focus due to the potential impact. These are termed as 'Significant Governance Issues' (SGIs) and can be defined as an issue that:

- Seriously prejudices or prevents achievement of a key target;
- Has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
- The External Auditor regards as having a material impact on the accounts/value for money conclusion;
- Audit and Governance Committee advises that it should be considered significant;
- The Chief Internal Auditor identifies and reports on it as significant;
- It has been reported as significant by external bodies - for example Care Quality Commission, Ombudsman, Information Commissioner, Independent Consultants;
- The issue, or its impact, has attracted significant public interest, or has seriously damaged the reputation of the body;
- May make it harder to prevent fraud or other misuse of resources; and
- May put financial stability, security or data integrity at risk.

- The 2022/23 annual governance review has identified the following issues:

	Significant Governance Issue (SGI)	Source	Action to Address the Issue	Timescale	Lead
1	<p>A full OFSTED inspection of Sefton’s Children’s Services was completed in February 2022 and the judgement was graded as ‘inadequate’ across all areas.</p> <p>Following the inspection, the Department for Education (DfE) appointed a Children Commissioner to review the Council’s capacity and capability and oversee improvement within the Council. An Improvement Plan was devised and submitted to OFSTED, containing 22 recommendations which focuses on the following four main themes:</p> <ul style="list-style-type: none"> <li>Improving quality.</li> <li>Implementation of learning.</li> <li>Improving tools.</li> <li>Improving strategic partnerships.</li> </ul> <p>OFSTED completed a monitoring visit to Children’s Services in February 2023. The headline findings in the monitoring report stated “there has been insufficient progress in improving the response to children in need of help and protection. The pace of improvement is too slow and most practice weaknesses identified at the inspection in February 2022 remain today”.</p>	GAS Review	<p>Work will continue during 2023/24 to implement the recommendations within the Commissioners Improvement Plan.</p> <p>Further OFSTED monitoring visits will take place during 2023/24 in line with the OFSTED Framework.</p> <p>The progress made regarding the Implementation Plan and the outcomes of monitoring visits will be reported through the Council’s governance structure.</p>	31 March 2024	Chief Executive and Risthardh Hare, Executive Director of Children’s Services

	<b>Significant Governance Issue (SGI)</b>	<b>Source</b>	<b>Action to Address the Issue</b>	<b>Timescale</b>	<b>Lead</b>
2	<p>Sefton Council’s High Needs budget continues to face severe cost pressures from increasing numbers of children being diagnosed with complex and life-long SEND related issues.</p> <p>The High Needs cumulative budget deficit was £12.4m at the end of 2021/22 and is forecast to be over £18.5m by the end of 2022/23. The budget report presented to Cabinet in April 2023 forecasts a further deficit of at least £6.5m for 2023/24 resulting in an overall High Needs budget deficit of between £24m and £30m by the end of 2023/24.</p> <p>Central government has announced that the ringfencing of this deficit will continue until the end of 2025/26, however the position after this point is uncertain. At this stage there is no evidence to suggest this deficit will be met from central government.</p> <p>If the deficit is not reduced annually between 2023/24 and 2025/26, it will ultimately need to be met from either the Dedicated Schools Grant (DSG), which would impact on funding available for the education sector or the Council. A deficit of over £20m cannot be met from the Council based on the resources that are available or the reserves that are held. As such, this would be a major risk to the Council’s financial sustainability.</p>	GAS Review	<p>Strategic and Operational Plans will be developed during 2023/24 with the aim of delivering the service within the annual allocation and reducing the accumulated deficit. The support of the Department for Education led ‘Delivering Better Value Programme’ will support this process.</p> <p>Monitoring of the Strategic and Operational Plans will be a key feature of the quarterly reports presented to Cabinet and Council during 2023/24.</p> <p>In addition to engaging in the DFE led Delivering Better Value programme the council will engage directly with DFE and Treasury to inform, lobby and seek to influence the future of this budget.</p> <p>The council is piloting a new approach to address the number of inappropriate EHCPs, with a focus on earlier intervention. The team around the school model will take a multi-agency approach to intervene more effectively to support families without the need of EHCP. The pilot will begin in September 2023 and run for one academic year.</p>	31 March 2024	Risthardh Hare, Executive Director of Children’s Services and Tricia Davies, Assistant Director Children’s Services (Education)

	Significant Governance Issue (SGI)	Source	Action to Address the Issue	Timescale	Lead
3	<p>The Children’s Services budget between 2020/21 and 2022/23 has been overspent each year, with a significant overspend occurring for 2022/23, resulting in a risk to the financial sustainability of the Council.</p> <p>The Council is currently working on a range of options to address the overspend, including the development of a five-year Medium Term Financial Plan (MTFP) aligned to the Commissioners Improvement Plan for Children’s Services.</p> <p>The financial management arrangements within Children’s Services will need to be robust, given the volatility and budget pressures that are likely to continue during 2023/24.</p>	GAS Review	<p>Development of the five-year MTFP aligned to the recommendations of the Commissioners Improvement Plan for Children’s Services.</p> <p>Financial management responsibilities will be defined across Children’s Services.</p> <p>The Children’s Services Scheme of Financial Delegation will be reviewed and updated.</p> <p>Financial management training will be rolled out to relevant staff within Children’s Services.</p> <p>Monthly budget monitoring will take place, the identification of remedial actions to address budget variances.</p> <p>Quarterly reports presented to Cabinet and Council will include updates regarding the Children’s Services financial management.</p> <p>There will be a focus for 12-months on an Invest to Save approach. This recognises that resource used at an earlier stage benefits families with potential to create significant long term cost savings.</p>	31 March 2024	Risthardh Hare, Executive Director of Children’s Services

	<b>Significant Governance Issue (SGI)</b>	<b>Source</b>	<b>Action to Address the Issue</b>	<b>Timescale</b>	<b>Lead</b>
4	<p>In the 2020/21 and 2021/22 Corporate Governance Internal Audit Review, it was recommended that partnership agreements are reviewed by Assistant Directors to provide assurances in line with the Council’s Financial Procedural Rules (FPRs) for access for Internal Audit.</p> <p>A revised version of the FPRs was approved by Council on 19 January 2023. This included a review of how the Council will deal with its partnership arrangements and the inclusion of new provisions and high-level responsibilities of Executive Directors and Assistant Directors.</p> <p>Guidance has since been drafted to support Executive Directors and Assistant Directors fulfil their new responsibilities, including the development of a checklist of all necessary requirements before entering into a partnership, during it and following its cessation. However, the guidance has yet to be issued and the new partnership arrangements are yet to be fully embedded in operation.</p>	GAS Review	<p>The draft guidance regarding partnership arrangements will be subject to internal review by the relevant officers before it is finalised and issued to Executive Directors and Assistant Directors.</p> <p>Executive Directors and Assistant Directors will carry out their responsibilities regarding partnership arrangements in line with the FPRs and evidence will be made available to provide assurance that partnership arrangements are being adhered to.</p>	31 March 2024	Stephan Van Arendsen, Executive Director, Corporate Services and Customer Services and all ED’s and AD’s.

## Update on the Significant Governance Issues

The Annual Governance Statement was signed off in September 2023 and subsequently approved by the Audit and Governance Committee on 27<sup>th</sup> September 2023. It was therefore written as at that point in time. In the intervening period (to October 2024) all action points outlined above have been completed.

In addition, CIPFA requires that for any significant events that have occurred, between the Annual Governance Statement being signed and the final audited Statement of Accounts being published, relating to the Significant Governance Issues referred to in the AGS, then an update should be included in the AGS. The following issue has been identified as requiring an update:

## **Item 1 – Sefton Children’s Social Care Ofsted Inspection**

In February 2022, OFSTED undertook an Inspection of Sefton Local Authority Children’s Services, and the judgement was graded inadequate. Revised Improvement Plans have been produced and monitoring visits have been undertaken since that date, the most recent one taking place in June 2024.

## Conclusion and Declaration

The review provides good overall assurance that Council's arrangements continue to be regarded as fit for purpose in accordance with the Governance Framework.

During the next twelve months there will be improvements to address the above matters and further enhance governance arrangements. The effectiveness of measures implemented in 2023/24 will be monitored and reported as part of the next annual review.

### Signed on behalf of Sefton Council:

.....  
**Phil Porter**  
**Chief Executive**

.....  
**Date**

.....  
**Councillor Marion Atkinson**  
**Leader of the Council**

.....  
**Date**

# Agenda Item 4



12 **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SEFTON METROPOLITAN BOROUGH COUNCIL**

The Independent Auditor's Report will be included in the final version of the Statement of Accounts following the conclusion of the audit of the accounts.







**13 GLOSSARY****ACCOUNTABLE BODY**

Projects financed from Government / European resources in some instances require grant claims from recognised legal entities, especially when a partnership or voluntary organisation is involved. This accountable body (usually the local authority) is held responsible for the proper completion of grant claims, ensuring that appropriate financial systems are in place and to receive and distribute the grant.

**ACCRUALS**

The concept that income and expenditure are recognised in the accounts as they are earned or incurred not as money is received or paid.

**ACTUARIAL GAINS AND LOSSES**

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

- (i) Events have not coincided with the actuarial assumptions made for the last valuation (Asset and Liability Gains and Losses); or
- (ii) The actuarial assumptions have changed.

**AMORTISATION**

The accounting technique of recognising a cost or item of income in the Income and Expenditure Account over a period of years rather than when the initial payment is made. Its purpose is to charge/credit the cost/income over the accounting periods that gain benefit for the respective item. The technique is supported by relevant accounting policies and practices.

**AUTHORITY**

Another term used to refer to the Council.

**BALANCES**

These represent accumulated monies of the Authority. Non-School General Fund balances may be utilised to reduce the amount to be met from Revenue Support Grant, NNDR and local taxpayers. School balances can be used by schools to finance future years' expenditure.

**BEST VALUE**

The Local Government Act 1999 introduced the principle of Best Value and places a statutory duty on authorities to provide economy, efficiency and effectiveness in the provision of its services.

**BUSINESS IMPROVEMENT DISTRICT**

Business Improvement Districts are business led partnerships which are created through a ballot process to deliver additional services to local businesses.

Business Improvement Districts cover a defined area in which a levy is charged on all business rate payers in addition to the business rates bill. This levy is used to develop projects which will benefit businesses in the local area.

**CAPITAL CHARGES**

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

## **CAPITAL EXPENDITURE**

Capital expenditure is the acquisition of a fixed asset or expenditure which adds to the value of the existing fixed asset (e.g. building of a school). It can be spent either directly by the local authority or indirectly in the form of grants to other persons or bodies.

## **CAPITAL RECEIPTS**

The proceeds from the sale of capital assets which, subject to various limitations, can be used to finance Capital Expenditure or to repay leasing charges or outstanding debt on assets originally financed through loan. A proportion of capital receipts may need to be set aside to meet future liabilities.

## **CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)**

CIPFA is the leading professional accountancy body for public services, which has responsibility for setting accounting standards in Local Government.

## **CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN GREAT BRITAIN (THE CODE)**

The Statement of Accounts is produced in accordance with CIPFA's Code of Practice on Local Authority Accounting in Great Britain, which is updated annually. The Code specifies the principles and practices of accounting required to prepare a Statement of Accounts which "presents fairly" the financial position and transactions of a local authority.

## **COMMUNITY ASSETS**

These are assets that the Authority intends to hold indefinitely, have no determinable useful life and may have restrictions on their disposal. Examples include parks and historic buildings.

## **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 local authority's control.

## **CONTINGENT LIABILITY**

A condition that exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. Where a material loss can be estimated with reasonable accuracy a contingent liability is accrued in the financial statements. If, however, a loss cannot be accurately estimated or the event is not considered sufficiently certain, it will be disclosed in a note to the balance sheet.

## **COVID-19**

COVID-19 is an infectious disease caused by a newly discovered coronavirus.

## **COUNCIL TAX**

A property based tax levied on all domestic properties in the Borough. The banding (and resultant sums due) is based on independent assessed property values. The Council sets levels of Council Tax on an annual basis under relevant statutory provisions.

## **CREDITORS**

Amounts owed by the Authority for goods and services provided for which payment has not been made by the end of the financial year.

## **CURRENT SERVICE COSTS (PENSIONS)**

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current year.

## **CURTAILMENT**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- (i) Termination of employees services earlier than expected, for example as a result of closing or discontinuing a segment of a business; and
- (ii) Termination of, or amendment to the terms of, a defined benefit scheme so that some or all of future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

## **DEBTORS**

Sums of money due to the Authority but not received by the end of the financial year.

## **DEFERRED CAPITAL RECEIPTS**

Deferred Capital Receipts are derived from the sale of Assets receivable over an agreed period of time, principally mortgages relating to the sale of Council houses.

## **DEFERRED CREDITS**

These represent capital income to be received in the future, when disposals have taken place, and deferred payments have been agreed e.g. the principal outstanding from the sale of Council houses.

## **DEFINED BENEFIT SCHEME**

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

## **DEFINED CONTRIBUTION SCHEME**

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current or prior periods.

## **DEPRECIATED REPLACEMENT COST (DRC)**

A method of valuation that provides a recognised proxy for the market value of specialised properties.

## **DEPRECIATION**

The measure of the wearing out, consumption, or other reduction in the useful life of a fixed asset, whether arising from use, effluxion of time or obsolescence through technological or other changes.

## **DISCRETIONARY BENEFITS**

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

## **EARMARKED RESERVES**

Earmarked reserves are created by setting resources aside for future events or to equalise expenditure between years. Earmarked reserves do not affect service expenditure in the year of creation.

## **EMOLUMENTS**

Amounts paid to or receivable by an employee including expenses allowances chargeable to tax, and the estimated money value of any other benefits received by an employee other than in cash.

## **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.

## **EXISTING USE VALUE**

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion assuming that the buyer is granted vacant possession of all parts of the property and disregarding potential alternative uses and any other characteristics that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

## **EXPECTED RATE OF RETURN (ON PENSIONS ASSETS)**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, 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, less, where applicable, any grants receivable towards the purchase or use of the asset.

## **FAIR FUNDING**

Under Section 48 of the School Standards Framework Act 1998, Local Education Authorities (LEAs) are required to have schemes dealing with the financing of schools. These govern the financial relationship between maintained schools and LEAs from the inception of the new funding framework on 1 April 1999

## **FINANCE LEASE**

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

## **FIXED ASSETS**

Assets that yield benefits to the Local Authority and the services it provides for a period of more than one year.

## **GENERAL FUND**

This is the account where costs are charged for the year of the major functions for which the Authority is responsible (excluding the Collection Fund). Income to the Fund includes charges made by the Authority, specific Government and other grants and receipts from the Collection Fund.

## **HERITAGE ASSETS**

Heritage assets are assets that are held by the Authority principally for their contribution to knowledge or culture.

## **IMPAIRMENT**

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

## **INFRASTRUCTURE ASSETS**

These include facilities to enable other developments to take place, including roads, street lighting and coastal defence works.



**INTANGIBLE FIXED ASSET**

“Non-financial” fixed assets that do not have physical substance but are identifiable and are controlled by the Authority through custody or legal rights. Purchased intangibles (e.g. software licences) are capitalised at cost, whilst internally developed intangibles are only capitalised where there is a readily ascertainable market value for them.

**INTEREST COST (PENSIONS)**

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

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity’s financial position, and a standardised method of comparison with financial statements of the other entities.

**INVENTORIES**

Amounts of unused or unconsumed stocks held in expectation of future use. Inventories are comprised of the following categories:

- Goods or other assets purchased for resale
- Consumable stores
- Raw materials and components
- Products and services in intermediate stages of completion
- Finished goods

**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.

**LOCAL MANAGEMENT OF SCHOOLS (FAIR FUNDING)**

The Authority is required to delegate responsibility for the management of a large proportion of its Nursery, Primary, Secondary and Special School budgets to schools. Individual schools are allocated a share of the budget through a formula mechanism, which distributes funds primarily on the basis of age weighted pupil numbers.

**LONG-TERM CONTRACTS**

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 substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

**MARKET VALUE**

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

**NATIONAL NON-DOMESTIC RATES (NNDR)**

These are often referred to as Business Rates, and are a levy on business properties based on a national rate in the pound applied to the ‘rateable value’ of the property. The Government determines that national rate poundage. Local Authorities collect the sums due, but the proceeds are split, with 1% paid to the Merseyside Fire and Rescue Authority and 99% retained by the Council.

## **NET BOOK VALUE**

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amount provided for depreciation.

## **NET CURRENT REPLACEMENT COST**

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

## **NET REALISEABLE VALUE**

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

## **NON-OPERATIONAL ASSETS**

These are assets, which are held by the authority but not directly occupied, used or consumed in the delivery of services. Examples include assets that are surplus to requirements, pending sale or redevelopment.

## **OPERATING LEASES**

In an operating lease, the ownership of the asset remains with the leasing company and the annual rent is charged to the annual service account. Expenditure financed by operating leases does not count against capital allocations.

## **OPERATIONAL ASSETS**

These are assets that are held and occupied, used or consumed in the direct delivery of services for which the Authority is responsible.

## **PAST SERVICE COST / GAIN**

For a defined benefit scheme, the increase or reduction in the present value of the scheme liabilities related to employees service in prior periods arising in the current period as a result of the revision of scheme benefits.

## **POOLED BUDGET**

Arrangement permissible under the Health Act 1999 and National Health Service Act 2006 that provides an opportunity for partners to bring money together, in a discrete fund, to pay for the services that are an agreed part of the pooled fund arrangement for the client group who are to benefit from one or all of the services. Instead of users being inconvenienced by disputes about Health and Local Authority responsibilities, organisations will agree at the outset the range of Health and Local Government services to be purchased and provided from a pooled fund.

## **PRECEPT**

This is a charge issued by the Merseyside Police and Crime Commissioner, Merseyside Fire and Rescue Authority (and Parish Councils where appropriate), which is collected by the Council on their behalf by adding the precept to its own Council Tax.

## **PRIOR YEAR ADJUSTMENTS**

Those material adjustments applicable to prior years arising from changes in accounting policies and from the correction of fundamental errors. They do not include normal recurring corrections and adjustments of accounting estimates made in prior years.

## **PROVISIONS**

Provisions represent sums set aside for liabilities or losses, which are certain to arise but, owing to their inherent nature, cannot be quantified with any certainty.

## **PUBLIC WORKS LOANS BOARD (PWLB)**

An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities.

## **RELATED PARTY TRANSACTION**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Related party transactions include the provision of services to a related party.

The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.

## **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**

A reserve is an amount, which has been set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. Reserves include earmarked reserves set aside for specific policy purposes and balances that represent resources set aside for purposes such as general contingencies and cash flow management.

## **RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either: -

- i. An employer's decision to terminate an employee's employment before the normal retirement date, or
- ii. An employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

## **REVENUE SUPPORT GRANT**

This is a Government grant in aid of Local Authority services generally. It is based on the Government's assessment of how much an authority needs to spend in order to provide a standard level of service.

## **REVENUE EXPENDITURE**

This is money spent on the day-to-day running costs of providing services (e.g. salary costs). It is usually of a constantly recurring nature and produces no permanent asset.

## **SCHEME LIABILITIES**

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

## **SECTION 52 / 106 AGREEMENTS**

The Council is able to restrict or regulate the development or use of land by requiring that a developer deposit funds with the Authority when granting planning permission. The funds are either used directly by the Authority to undertake work, such as providing access from the existing highway to a new development, or held as a deposit which is refundable to the developer when the conditions attached to the planning permission, such as landscaping work, are complied with. The statutory basis for such agreements is currently contained within Section 106 of the 1990 Town and Country Planning Act and previously, within Section 52 of the 1971 Town and Country Planning Act.

## **SET ASIDE CAPITAL RECEIPTS**

These are receipts that have to be reserved under the Local Government and Housing Act 1989 and can only be used to repay external debt or in substitution for new external borrowing.

## **SETTLEMENT**

An irrevocable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlement includes the transfer of scheme assets and liabilities relating to a group of employees leaving the Authority's scheme.

## **SPECIFIC GOVERNMENT GRANTS**

These are designed to aid particular services or reimburse the costs of payments made to claimants. Examples of specific grants include Dedicated Schools Grant, Standards Fund and Housing and Council Tax Benefit Subsidy. Assistance may also be given in aid of specific capital expenditure, e.g. Housing Market Renewal Grant and Stronger Safer Communities Fund.

## **STATUTORY PROVISION FOR THE FINANCING OF CAPITAL INVESTMENT**

This is the amount required to be set aside from revenue for the repayment of external loans. It is calculated in accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 [SI 2008/414], in conjunction with the MHCLG guidance on the minimum revenue provision (published in February 2018).

## **TREASURY MANAGEMENT**

This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

## **TRUST FUNDS**

These are funds administered by the Council on behalf of charitable organisations and/or specific organisations.

## **USABLE CAPITAL RECEIPTS**

These are receipts which, after allowing for the proportion to be set aside, may be used to finance capital expenditure.

## **USEFUL LIFE**

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

## 14 **ABBREVIATIONS**

AGS	Annual Governance Statement
ASHE	Annual Survey of Hours and Earnings
BID	Business Improvement District
CCG	Clinical Commissioning Group
CCLA	Church and Charities Local Authority
CERMS	Continuous Emission Rate Monitoring System
CFR	Capital Financing Requirement
CIES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
CVS	Council for Voluntary Service
DfE	Department for Education
DRC	Depreciated Replacement Cost
DSG	Dedicated Schools Grant
EFA	Expenditure and Funding Analysis
HRA	Housing Revenue Account
IAS	International Accounting Standards
ICT	Information and Communication Technology
IBCF	Improved Better Care Fund
IFRS	International Financial Reporting Standard
LGA	Local Government Association
IMD	Index of Multiple Deprivation
LCHT	Liverpool Community Health Trust
LCR	Liverpool City Region
LEA	Local Education Authority
LGPS	Local Government Pension Scheme
LSOA	Lower Super Output Area
MBC	Metropolitan Borough Council
MHCLG	Ministry of Housing, Communities and Local Government
MMI	Municipal Mutual Insurance Limited
MPF	Merseyside Pension Fund

# Agenda Item 4

## Abbreviations

MRF	Merseyside Local Resilience Forum
MRICS	Member of the Royal Institution of Chartered Surveyors
NHS	National Health Service
NNDR	National Non-Domestic Rates
PFI	Private Finance Initiative
PP&E	Property, Plant and Equipment
PWLB	Public Works and Loans Board
REFCUS	Revenue Expenditure Funded from Capital Under Statute
SCG	Strategic Coordination Group
SCIG	Strategic Capital Investment Group
SOLACE	Society of Local Authority Chief Executives
TPS	Teachers' Pension Scheme
UK	United Kingdom
VAT	Value Added Tax
VOA	Valuation Office Agency

## 15 **USEFUL ADDRESSES**

Additional financial information on Sefton MBC and related organisations is usually available at libraries throughout the Borough and on our website ([www.sefton.gov.uk](http://www.sefton.gov.uk)). Further copies are also available upon request to the following addresses.

### **Sefton Council**

Executive Director of Corporate Resources and Customer Services,  
Magdalen House  
30 Trinity Road  
Bootle  
L20 3NJ

### **Sefton New Directions**

Sefton New Directions Limited Annual Financial Statements can be obtained from:

Sefton New Directions Limited Head Office,  
Third Floor,  
Burlington House,  
Crosby Road North,  
Waterloo,  
Liverpool  
Merseyside,  
United Kingdom  
L22 0PJ

### **Pension Fund Information**

The Merseyside Pension Fund's Annual Report can be obtained from:

The Pension Manager  
Merseyside Pension Fund,  
PO Box 120,  
7<sup>th</sup> Floor,  
Castle Chambers,  
43 Castle Street,  
Liverpool  
L69 2NW

## **CONTACT US**

If you have any questions or comments on the Statement of Accounts, please write to the Executive Director of Corporate Resources and Customer Services at the above address. We would particularly like to hear from you if you have any suggestions on how the accounts could be improved.

# Agenda Item 4

Useful Addresses



# Sefton Metropolitan Borough Council Completion Report for Those Charged with Governance

Years ended 31 March 2022, 31 March  
2023

Report issued - 15 November 2024

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Building a Better  
working world

Agenda Item 4



Audit and Governance Committee  
Sefton Metropolitan Borough Council  
Bootle Town Hall, Oriol Rd,  
Bootle L20 7AE

15 November 2024

Dear Audit and Governance Committee

**Sefton Metropolitan Borough Council - Completion Report for Those Charged With Governance - 2021/22 and 2022/23 financial years**

Attached is our Completion Report for Those Charged With Governance. The purpose of this report is to provide the Audit and Governance Committee of Sefton Metropolitan Borough Council (the Council) with a detailed complete report covering our approach and outcomes of the 2021/22, 2022/23 audit(s).

Given that Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 13 December 2024 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

This decision is in line with ISA 200: Failure to Achieve an Objective 24.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230 (Revised June 2016).4 (Ref: Para. A77&A78)

Taking the above into account, for the years ended 31 March 2022 and 31 March 2023 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimed audit report.

In completing our work for this audit year, we have taken into account Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024", Local Authority Reset and Recovery Implementation Guidance. We have also taken into account the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice (including recent 2024 updates), the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. Against this backdrop, we have also considered the Committee's service expectations.

This report considers the impact of Government proposals to clear the backlog in local audit and put the local audit system on a sustainable footing. The joint statement on the update to proposals to clear the backlog and embed timely audit recognises that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

The Audit and Governance Committee, as the Authority's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Authority's wider arrangements to support the delivery of a timely and efficient audit.

We consider and report on the adequacy of the Authority's external financial reporting arrangements and the effectiveness of the Audit and Governance Committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

We draw the Audit and Governance Committee members and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix G).

This report is intended solely for the information and use of the Audit and Governance Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Yours faithfully



Hayley Clark

Partner

For and on behalf of Ernst & Young LLP

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# Contents



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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website. The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the **Audit and Governance Committee and management of Sefton Metropolitan Borough Council**. Our work has been undertaken so that we might state to the **Audit and Governance Committee and management of Sefton Metropolitan Borough Council** those matters we are required to state to them in this 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 **Audit and Governance Committee and management of Sefton Metropolitan Borough Council** for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

# Executive Summary

# Executive Summary - System wide and local context

## Context for the audit - Ministry of Housing, Communities and Local Government (MHCLG) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- ▶ Lack of capacity within the local authority financial accounting professions
- ▶ Increased complexity of reporting requirements within the sector
- ▶ Lack of capacity within audit firms with public sector experience
- ▶ Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed

HCLG (previously the Department for Levelling Up, Housing and Communities (DLUHC)) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI), together with the updated NAO Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, which have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- ▶ Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- ▶ Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

The National Audit Office (NAO) has amended the Code of Audit Practice to:

- ▶ Require auditors to issue audit opinions according to statutory backstop dates for historic audits, and place specific duties on auditors to co-operate during the handover period for the new PSAA contract for the appointment of local authority auditors covering the years 2023/24 to 2027/28.
- ▶ Allow auditors to produce a single Value for Money commentary for the period to 2022/23 and use statutory reporting powers to draw significant matters to the attention of Councils and residents.

As a result of the system wide implementation of backstop dates we anticipate issuing a disclaimed audit opinion on the Council's 2021/22 and 2022/23 accounts. The proposed disclaimer of the Council's 2021/22 and 2022/23 accounts impacts the audit procedures that we have planned and undertaken to gain assurance on the 2021/22 and 2022/23 financial statements and the form of the audit report.



# Executive Summary - Local context

## Local Background and Context

The position at this Council has developed over recent years resulting in unaudited financial statements for 31 March 2022 and 31 March 2023.

The main reasons for the Council's financial statements not being prepared, audited and signed to date include:

- ▶ The post pandemic timelines resulted in audit teams trying to move delayed audits on to completion, whilst finance teams were trying to catch up, deal with current priorities and plan for the future. This used a significant amount of our finite audit resource, leading to a lack of capacity to move onto the 2021/22 and 2022/23 audit years.
- ▶ In addition, there were a number of new technical issues and challenges to address during this period, including, accounting for infrastructure assets, taking into account the updated pension fund valuations, which led to delays to the prior year 2020/21 and 2021/22 audits being completed.
- ▶ The Authority has been in a position to present draft statements of account for audit; however, these have not been within the regulatory timeframe. The 2021/22 financial statements were authorised for audit on 30 August 2022 (regulatory date of 31 July 2022) and 2022/23 were authorised for audit on 19 September 2023 (regulatory date of 31 May 2023). This has also resulted in the inspection periods being delayed.

The 2020/21 audit was completed, with our audit opinion signed on 9 February 2024. This was signed late as a result of a number of factors, not limited to the accounting for infrastructure assets, misstatements identified in relation to investment properties (resulting in prior year impacts) and the well-publicised issues impacting the local audit market more generally.

Due to audit resource constraints, we were unable to schedule the 2021/22 audit in order to meet the reporting timeline of 30 September 2022.

- ▶ We commenced our audit for 2021/22 in November 2022, however we were unable to complete our audit procedures. Heightened findings as a result of our audit procedures, led to a requirement to reduce our performance materiality resulting and the need to perform further procedures across the financial statements. Following discussions with officers in late 2023, and with acknowledgment of the wider reset proposals to move to the most recent year of audit (which at that point was 2023/24), we concluded it was not practical to finalise the 2021/22 audit and schedule the 2022/23 audit.

As a result of the delay to the 2020/21 and 2021/22 audits and requirement to undertake further audit procedures, we did not have audit resource available to complete our detailed audit procedures that would be needed to issue an unmodified audit report on the 2021/22 and 2022/23 financial statements before the backstop date.

# Executive Summary - Report structure and work completed

## Report structure and work completed

This report covers the work we have completed to meet the requirements of the International Standards on Auditing (UK&I), (ISAs) and the Local Audit Reset and Recovery Implementation Guidance (LARRIGs) along with the National Audit Office Value for Money Code (NAO VFM Code). It has been split into the following sections.

Section 1 - Executive Summary - this section setting out the national and local context and the structure of our report.

Section 2 - Work Plan - We have completed the following planning tasks:

- ▶ Required independence procedures.
- ▶ Set a level of materiality.
- ▶ Issued letters of inquiry to Management, Those Charged with Governance, the Head of Internal Audit and the Monitoring Officer.
- ▶ Updated our understanding of the business, including through review of responses to inquiry letters, minute review and in discussion in our internal planning meeting,
- ▶ Identified significant, inherent and other areas of higher risk or focus.
- ▶ Considered any other matters that may require reporting to regulators or which may result in a modification to the audit report e.g. non-compliance with laws and regulations, objections, significant weaknesses in arrangements for value for money, any matters that may result in the use of the auditor's powers.

Section 3 - Results and findings - Work completed to issue the disclaimer, findings and results:

- ▶ Review of the financial statements.
- ▶ Consideration of any matters that came to light during our planning and review procedures in relation to laws and regulations, fraud, related parties, litigation and claims, significant changes to contracts and systems, service organisations, which we report as appropriate.
- ▶ Reporting on any other matters that may require the use of the auditor's powers, formal reporting or a modification to the auditor's report e.g. non-compliance with laws and regulations, objections, significant weaknesses in arrangements for value for money, any matters that may result in the use of the auditor's powers.

Section 4 - Value for money reporting

- ▶ The value for money report covering the years to 31 March 2022 and 31 March 2023.

Section 5 - Appendices





# 02 Work Plan

# Work Plan – Audit Scope

## Audit scope

This Completion report covers the work that we performed in relation to:

- ▶ Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2022 and 31 March 2023 and of the income and expenditure for the years then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 4.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

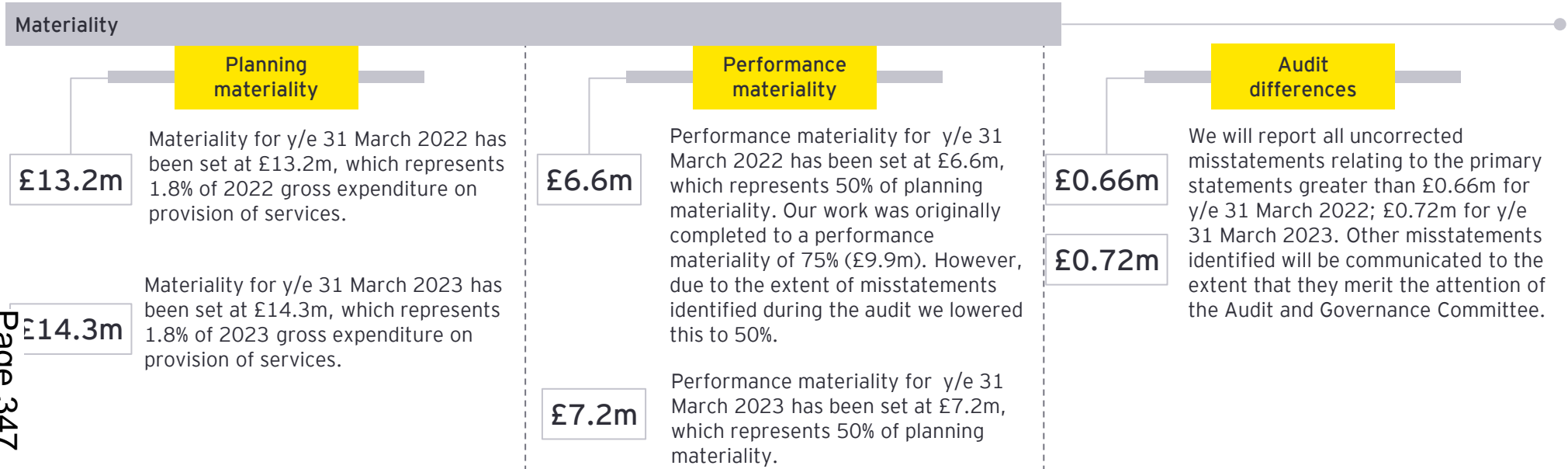
Given that Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 13 December 2024 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

This decision is in line with ISA 200: Failure to Achieve an Objective 24.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230 (Revised June 2016).4 (Ref: Para. A77&A78)

Taking the above into account, for the years ended 31 March 2022 and 31 March 2023 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimed audit report.

# Work Plan - Materiality



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In order to ascertain the significance of issues in the draft financial statements we have set materiality based on the published draft financial statements for 2021/22 and 2022/23.

These materiality levels have been set based on the main Authority financial statements - we have not considered group materiality. These levels are being used to assess our response to any issues identified in the Authority's financial statements.

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# Work Plan – Significant, inherent and other risk areas

The following ‘dashboard’ summarises the significant accounting and auditing matters identified as part of our planning work. It seeks to provide Those Charged with Governance with an overview of our initial risk identification for the 2021/22 and 2022/23 years.

## Audit risks and areas of focus

Risk/area of focus	Applicable year(s)	Risk identified	Change from PY	Details
Risk of fraud in revenue recognition: overstatement of fees, charges and other service income	All years covered by this report	Fraud risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. We consider the risk to be relevant to those significant revenue streams other than taxation receipts and grants, where management is able to apply more judgement. Specifically, our risk is focused on the occurrence assertion of fees, charges and other service income. We have rebutted the risk of revenue recognition in relation to grant and taxation receipts where the risk is considered to be low based on the inherent nature of the items.
Misstatement due to fraud or error	All years covered by this report	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in expenditure recognition: understatement of other service expenses	All years covered by this report	Fraud Risk	No change in risk of focus	As set out above, under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We consider the risk to be relevant to other service expenses, where management is able to apply more judgement. Specifically, our risk is focused on the completeness assertion, where expenditure is understated to manage the financial position year on year.
Infrastructure assets	All years covered by this report	Significant risk	New risk in 2021/22	Due to the ongoing consultation of the CIPFA on the derecognition (removal of the carrying amount) of parts of infrastructure assets when replacement expenditure is undertaken as well as issues for the reporting of gross historical cost and accumulated depreciation. There is a risk that policies adopted by the local authorities do not fairly represent the rate in which these assets are consumed or replaced. If records held by the Council do not allow for sufficient appropriate evidence to be obtained to gain assurance over the gross and net positions in respect of these assets, it increases the risk that material assurance cannot be provided within our opinion.
Valuation of property, plant and equipment (PPE) under FV and EUV	All years covered by this report	Significant risk	No change in risk or focus	The Council's PPE account for the biggest proportion of the Council's assets. The assets valued using an Existing Use Valuation (EUV) and/or Fair Value (FV) methodology are subject to a number of assumptions and judgements by the management's expert. There is a risk that the use of inappropriate assumptions or methodologies may have a material impact on the financial statements, especially given high uncertainty in markets at present.

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# Work Plan – Significant, inherent and other risk areas

The following 'dashboard' summarises the significant accounting and auditing matters identified as part of our planning work. It seeks to provide Those Charged with Governance with an overview of our initial risk identification for the 2021/22 and 2022/23 years.

## Audit risks and areas of focus

Risk/area of focus	Applicable years	Risk identified	Change from PY	Details
Valuation of investment properties	All years covered by this report	Significant risk	No change in risk or focus	The Council's investment properties account for a significant proportion of the Council's assets. These assets are valued using the Fair Value (FV) methodology which is subject to a number of assumptions and judgements by the management's expert. There is a risk that the use of inappropriate assumptions or methodologies may have a material impact on the financial statements, especially given high uncertainty in markets at present.
New HR/Payroll system	31 March 2022	Significant risk	New risk in 2021/22	A new payroll system was used by the Council during the 2021/22 from using "Resourcelink" to "Midland iTrent". With the migration to a new payroll/HR system, there is a significant risk in relation to completeness of data transferred, implementation of controls and accessibility of historical data.
Valuation of property, plant and equipment (PPE) under DRC	All years covered by this report	Higher inherent risk	Decrease in risk or focus	Given their more formulaic nature and less reliance on market value, we do not consider there to be a significant risk associated with the valuation of PPE assets where the valuation methodology is Depreciated Replacement Cost (DRC). However, as there is still an element of judgment and estimation involved we do consider there to be a higher inherent risk that the use of inappropriate assumptions or methodologies may have a material impact on the financial statements.
Valuation of assets and liabilities in the Local Government Pension Scheme (LGPS)	All years covered by this report	Higher inherent risk	Decrease in risk or focus	The accounting entries relating to the Local Government Pension Schemes are underpinned by significant assumptions and estimates. There is therefore an increased risk of misstatement and error. The estimation of the defined benefit obligations is sensitive to a range of assumptions such as rates of pay and pension inflation, mortality and discount rates. The pension fund valuations separately involve external specialists, to provide these actuarial assumptions. The estimation of the defined benefit assets involves estimation on the expected asset returns for the year based on the movement in the underlying Pension Authority total assets. A small movement in these assumptions could have a material impact on the value in the balance sheet.
Incorrect recognition of COVID-19 related grants	31 March 2022	Higher inherent risk	Decrease in risk or focus	The risk includes the incorrect assessment of the Council as either principal or agent, affecting the income recognition. Additionally, this includes a focus on grants already received in prior year but income recognition was deferred. There is a risk that the subsequent recognition to income will not appropriately reflect the underlying terms and conditions of the grant agreement.
Existence of property, plant and equipment	All years covered by this report	Higher inherent risk	Decrease in risk or focus	There is a risk that the PPE recorded in the financial statements may not exist, or incorrect costs may have been capitalised as PPE.

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Agenda Item 4

# Work Plan - Independence

The FRC Ethical Standard 2019 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

## Required communications

### Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
  - ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- The overall assessment of threats and safeguards;
- Information about the general policies and process within EY to maintain objectivity and independence

### Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

# Work Plan - Independence

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However, we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

## Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Hayley Clark, your audit engagement partner and the audit engagement team have not been compromised.

## Self-interest threats

A self-interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES). None of the services are prohibited under the FRC's ES. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 0:1 (see table below). We have adopted the following safeguards as a result. A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

The table below sets out the other self interest threats that exist as the date of this report.

## Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements. The table below sets out the self review threats that exist as the date of this report

Description of relationship or service	Related independence threat	Period provided/ duration	Safeguards adopted and reasons considered to be effective
<b>Housing Benefit (Subsidy) Assurance Process (HBAP)</b>	<ul style="list-style-type: none"> <li>Self-review</li> <li>Self interest</li> </ul>	<ul style="list-style-type: none"> <li>2021/22 and 2022/23</li> </ul>	<ul style="list-style-type: none"> <li>Self-review threat: Safeguard: The specific testing of individual benefit claims and associated subsidy calculations undertaken in respect of this AUP engagement is distinct and separate to any work we have or will undertake on the financial statements of the Authority. The results of the AUP testing is not reflected in the amounts included/disclosed in the financial statements. In respect of the checking of benefit system parameters, this work is common across our external audit procedures and this AUP engagement. Where the AUP engagement is conducted ahead of our external audit, it remains the responsibility of the external audit team to satisfy themselves that the parameters work has been appropriately performed, should they wish to use it for the purposes of the audit. Therefore, the external audit conclusion is not reliant upon the conclusion of our AUP engagement. No advice will be given in relation to accounting treatment. The report provided will be prepared or given solely for the purposes of the agreed upon procedures and will not be used or relied upon for any other purposes.</li> <li>Self-interest threat: Safeguard: The NAO's AGN01 excludes HBAP from the PSAA and ethical standards fee caps because this service is required by the awarding central government department. In addition, the fees for this work are relatively limited.</li> </ul>

# Work Plan - Independence

## Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

## Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

## EY Transparency Report 2024

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 30 June 2024: [EY UK 2024 Transparency Report | EY - UK](#)





# 03 Results and findings

# Results and findings

## Status of the audit

Our audit work in respect of the Authority opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- ▶ Completion of subsequent events procedures;
- ▶ Receipt of approved and signed financial statements, annual governance statement and management representation letter.

Given that the audit process is still ongoing, we will continue to consider existing and new information which could influence our final audit opinion, a current draft of which is included later in this section.

## Value for Money

Our value for money (VFM) work is complete and reported in Section 4 of this report. We identified a risk of significant weakness in respect of governance, including how the body monitors and ensures appropriate standards, such as legislative and regulatory requirements are met. Having updated and completed the planned procedures in these areas we identified a significant weakness. See Section 4 of the report for further details.

## Audit differences

In relation to our 2021/22 audit, we reported a number of audit differences (both adjusted and unadjusted) in our preliminary audit results report presented to the Audit and Governance Committee on 27 September 2023. This reported our findings at a point in time and the heightened level of findings as a result of our audit procedures, led to a requirement to reduce our performance materiality resulting and the need to perform further procedures across the financial statements. Following discussions with officers in late 2023, and with acknowledgment of the wider reset proposals to move to the most recent year of audit (which at that point was 2023/24), we concluded it was not practical to finalise the 2021/22 audit and schedule the 2022/23 audit. Therefore, for the reasons listed above we did not have the audit resource necessary to perform the 2021/22 and 2022/23 audits before the backstop date. As a result we cannot confirm if the findings reported in September 2023 are complete.

In relation to the 2022/23 audit we have not identified any audit differences, either adjusted or unadjusted to bring to your attention.

For 2021/22 and 2022/23 we have noted that some of the comparative figures do not agree to the prior year signed financial statements. The Council should ensure that in approving the Statement of Accounts, all prior year comparative figures agree to the final set of prior year Statement of Accounts, or explanations for prior year adjustments have been set out by the Section 151 officer. The Council should also ensure that casting and internal consistency checks have been performed and the financial statements are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom for 2021/22 and 2022/23, including all disclosure requirements.

## Other Reporting Issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work. The Comptroller and Auditor General has confirmed that he plans to issue his opinion and certificate on the 2022-23 Whole of Government Accounts on 22 November 2024. Given we expect to issue our 2021/22 and 2022/23 audit reports after that date but before the statutory backstop of 13 December 2024, we therefore expect to be able to certify completion of the audit as part of our final 2021/22 and 2022/23 audit reports.

## Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

# Results and findings

## Areas of audit focus

Section 2 of this report includes the areas of audit focus for our audits of the 2021/22 and 2022/23 financial statements. We note that in relation to 2021/22 we presented a separate Audit Plan to the Audit and Governance Committee on 14 December 2022. We concluded we would disclaim the audits and therefore have not completed detailed audit testing on these areas but instead have reported any matters that came to light from the work we did complete. The status of our 2021/22 audit, including and audit findings were reported to the Audit and Governance Committee in September 2023. No detailed testing has been undertaken in relation to 2022/23.

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no further considerations or matters that could impact these issues
- ▶ You concur with the resolution of the issue
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no other matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Governance Committee or full Council.

## Control observations

During the 2021/22 audit we identified a number of observations and improvement recommendations in relation to management's financial processes and controls. We first reported these in our preliminary audit results report to the Audit and Governance Committee in September 2023. We have liaised with management since then and refined our findings which are set out in appendix H. As we have not been able to conclude our 2021/22 audit, we cannot confirm that these are complete.

## Independence

Further to our review of independence in section 2 of this report we have not identified any issues to bring to your attention..

## Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ Any significant difficulties encountered during the audit;
- ▶ Any significant matters arising from the audit that were discussed with management;
- ▶ Written representations we have requested;
- ▶ Expected modifications to the audit report;
- ▶ Any other matters significant to overseeing the financial reporting process;
- ▶ Findings and issues around the opening balance on initial audits (if applicable);
- ▶ Related parties;
- ▶ External confirmations;
- ▶ Going concern;
- ▶ Consideration of laws and regulations; and
- ▶ Group audits

We have no other matters to report.

# Results and findings - Draft Audit Report

Draft audit report - 2021/22

Our draft opinion on the financial statements

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEFTON METROPOLITAN BOROUGH COUNCIL

### Disclaimer of Opinion

We were engaged to audit the financial statements of Sefton Metropolitan Borough Council ('the Council') and its subsidiaries (the 'Group') for the year ended 31 March 2022. The financial statements comprise the:

- Council and Group Movement in Reserves Statement,
- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement
- the related notes 1 to 56 and Group Accounts notes 1 to 12 including a summary of significant accounting policies and including the Expenditure and Funding Analysis,
- Collection Fund and the related notes 1 to 8.

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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the Group and the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907), which came into force on 30 September 2024, requires the accountability statements for this financial year to be approved not later than 13th December 2024.

We completed the audit of the 2020/21 financial statements and issued our audit opinion on 9 February 2024.

The Council published their 2021/22 financial statements on 30 August 2022, 1 month after the statutory publication deadline. We commenced our audit for 2021/22 in November 2022 but were unable to complete our audit procedures following a decrease in the materiality used to undertake our procedures as a result of heightened audit findings. Along with the wider requirements of the local audit system reset, we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to perform the 2021/22 and 2022/23 audits before the backstop date.

### Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements, performed subject to the pervasive limitation described above, we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Group and the Council.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)

# Results and findings – Draft Audit Report (cont'd)

## Draft audit report - 2021/22

### Our draft opinion on the financial statements

- 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 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects

In respect of the following, we have matters to report by exception:

We report to you, if we are not satisfied that the Group and the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

On the basis of our work, having regard to the Code of Audit Practice 2020, and to the guidance issued by the Comptroller and Auditor General in December 2021, we have identified the following significant weakness in the Council's arrangements for the year ended 31 March 2022.

#### Significant weakness in arrangements

Our judgement on the nature of the weakness identified:

In May 2021 Ofsted reported the findings from their focused visit and outlined that improvements were needed in:

- The quality assurance arrangements and senior management oversight of social work practice.
- The strategic and operational focus on achieving change and reducing risk for vulnerable children.
- The capacity in social work teams and the number of children on social workers' caseloads.

Following their 2021 focused visit Ofsted undertook a full inspection in 2022 and overall the Council were graded as "inadequate" with each of the following areas of judgement also rated as inadequate:

- The impact of leaders on social work practice with children and families
- The experiences and progress of children who need help and protection
- The experiences and progress of children in care and care leavers

Ofsted reported that over a long period the political and executive leadership had not secured the structures, systems and processes to keep an effective single line of oversight of children's service and that the focused visit in 2021 identified serious weaknesses in child protection practice and management oversight resulting in areas for priority action. Ofsted outlined that the council and senior leaders had not sufficiently understood these failures or taken the necessary actions to improve services for children.

The Ofsted inspection outcome was undertaken in February 2022 and was published in March 2022. This means that the corrective actions planned by the Council would fall within the year 2022/23. However, in February 2023 Ofsted completed a monitoring visit which was released in March 2023. The headline finding of the visit identified that there had been insufficient progress in improving the response to children in need of help and protection. The pace of improvement was too slow and most practice weaknesses identified at the inspection in February 2022 remained. The report further states that, recruitment and retention of social workers remained a significant challenge and a barrier to improvement. There was a continued high dependence on agency social workers, which made the service fragile. The director of children's services (DCS) had announced plans to leave the local authority, and this brought further change. Too many children continued to experience drift and delay in having their needs met and some continued to experience ongoing harm because risks were not always fully recognized in assessments, and the resulting plans were not supporting timely and appropriate decision-making.

# Results and findings – Draft Audit Report (cont'd)

Draft audit report - 2021/22

Our draft opinion on the financial statements

Not much progress was made by the Council on the recommendations by Ofsted for the period 2022/23. The inadequate rating given in 2022 has yet to be reassessed. This will only occur when the Council is subject to a full "Inspecting local authority children's services" visit at some point beyond the reporting date. Substantial progress was made in the subsequent period in 2023/24.

The weaknesses reported by Ofsted are evidence of significant weaknesses in arrangements for governance, including how the Council monitors and ensures appropriate standards, such as legislative and regulatory requirements, are met.

The evidence on which our view is based:

- Ofsted Children's services focused visit published on 10 March 2021
- Ofsted Children's services inspection published on 21 February 2022
- Ofsted Children's services monitoring visits published on 21 February 2023
- Ofsted Children's services monitoring visits published on 19 July 2023
- Ofsted Children's services monitoring visits published on 15 November 2023
- Review of the most recent Council minutes of the Overview and Scrutiny Committee responsible for monitoring the challenges relating to improvement of Children's Services to the Council's Cabinet.

Impact on the local body:

Ofsted identified both serious and widespread failures in core areas of social work practice including assessment, planning, and management oversight. Ofsted reported that there is insufficient capacity across the workforce to secure a timely and appropriate response for children. As a result, some children are left with inadequate protection, and experience delays in having their needs met, including the need for timely permanence. Ofsted also reported that there is a heavy reliance on agency staff across all areas of the service making the service unstable and there is a lack of management

oversight to support timely decision-making and planning in the best interests of children.

Action the body needs to take to address the weakness:

The Council needs to execute the Children's Improvement Plan - Phase 1, Phase 2 and Phase 3 effectively, bringing about the necessary changes to enhance outcomes for vulnerable children and young people in Sefton. This will require collaboration with regulators and key stakeholders to address the shortcomings in safeguarding arrangements highlighted by Ofsted.

This issue is evidence of weaknesses in proper arrangements for governance, including how the body monitors and ensures appropriate standards, such as legislative and regulatory requirements, are met.

## **Responsibility of the Executive Director of Corporate Resources and Customer Services**

As explained more fully in the Statement of the Executive Director of Corporate Resources and Customer Services' Responsibilities set out on page 25, the Executive Director of Corporate Resources and Customer Services is responsible for the preparation of the Statement of Accounts, which includes the Group and the Council 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Executive Director of Corporate Resources and Customer Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Corporate Resources and Customer Services is responsible for assessing the Group and the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of

# Results and findings – Draft Audit Report (cont'd)

Draft audit report - 2021/22

Our draft opinion on the financial statements

accounting unless the Group and the Council either intends to cease operations, or has no realistic alternative but to do so.

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

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

Our responsibility is to conduct an audit of the Group and the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group and the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

## Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether Sefton Metropolitan Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Sefton Metropolitan Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Sefton Metropolitan Borough Council had put in place proper arrangements to secure 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 (as amended) to satisfy ourselves 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.

## Certificate

We certify that we have completed the audit of the accounts of Sefton Metropolitan Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

## Use of our report

This report is made solely to the members of Sefton Metropolitan Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Council and the Group and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

# Results and findings – Draft Audit Report (cont'd)

Draft audit report - 2022/23

Our draft opinion on the financial statements

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEFTON METROPOLITAN BOROUGH COUNCIL

### Disclaimer of opinion

We were engaged to audit the financial statements of Sefton Metropolitan Borough Council ('the Council') and its subsidiaries (the 'Group') for the year ended 31 March 2023. The financial statements comprise the:

- Council and Group Movement in Reserves Statement,
- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement
- the related notes 1 to 55 and Group Accounts notes 1 to 12 including a summary of significant accounting policies and including the Expenditure and Funding Analysis,
- Collection Fund and the related notes 1 to 7.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the Group and the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the

accountability statements for this financial year to be approved not later than 13<sup>th</sup> December 2024.

The audit of the 2021/22 financial statements for Sefton Metropolitan Borough Council was not completed for the reasons set out in our opinion on those financial statements dated xxxx.

As a result of the delays to the previous year's audit together with the wider requirements of the local audit system reset, we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2022/23 financial statements before the 13<sup>th</sup> December 2024 backstop date.

Therefore, we are disclaiming our opinion on the financial statements.

### Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements, performed subject to the pervasive limitation described above, we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Group and the Council.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- 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 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)



# Results and findings – Draft Audit Report (cont'd)

## Draft audit report - 2022/23

### Our draft opinion on the financial statements

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

We have nothing to report in these respects.

In respect of the following, we have matters to report by exception:

We report to you, if we are not satisfied that the Group and the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

On the basis of our work, having regard to the Code of Audit Practice 2020, and to the guidance issued by the Comptroller and Auditor General in December 2021, we have identified the following significant weakness in the Council's arrangements for the year ended 31 March 2023.

#### Significant weakness in arrangements

Our judgement on the nature of the weakness identified:

In May 2021 Ofsted reported the findings from their focused visit and outlined that improvements were needed in:

- The quality assurance arrangements and senior management oversight of social work practice.
- The strategic and operational focus on achieving change and reducing risk for vulnerable children.
- The capacity in social work teams and the number of children on social workers' caseloads.

Following their 2021 focused visit Ofsted undertook a full inspection in 2022 and overall the Council were graded as "inadequate" with each of the following areas of judgement also rated as inadequate:

- The impact of leaders on social work practice with children and families
- The experiences and progress of children who need help and protection
- The experiences and progress of children in care and care leavers

Ofsted reported that over a long period the political and executive leadership had not secured the structures, systems and processes to keep an effective single line of oversight of children's service and that the focused visit in 2021

identified serious weaknesses in child protection practice and management oversight resulting in areas for priority action. Ofsted outlined that the council and senior leaders had not sufficiently understood these failures or taken the necessary actions to improve services for children.

The Ofsted inspection outcome was undertaken in February 2022 and was published in March 2022. This means that the corrective actions planned by the Council would fall within the year 2022/23. However, in February 2023 Ofsted completed a monitoring visit which was released in March 2023. The headline finding of the visit identified that there had been insufficient progress in improving the response to children in need of help and protection. The pace of improvement was too slow and most practice weaknesses identified at the inspection in February 2022 remained. The report further states that, recruitment and retention of social workers remained a significant challenge and a barrier to improvement. There was a continued high dependence on agency social workers, which made the service fragile. The director of children's services (DCS) had announced plans to leave the local authority, and this brought further change. Too many children continued to experience drift and delay in having their needs met and some continued to experience ongoing harm because risks were not always fully recognized in assessments, and the resulting plans were not supporting timely and appropriate decision-making.

Not much progress was made by the Council on the recommendations by Ofsted for the period 2022/23. The inadequate rating given in 2022 has yet to be reassessed. This will only occur when the Council is subject to a full "Inspecting local authority children's services" visit at some point beyond the reporting date. Substantial progress was made in the subsequent period in 2023/24.

The weaknesses reported by Ofsted are evidence of significant weaknesses in arrangements for governance, including how the Council monitors and ensures appropriate standards, such as legislative and regulatory requirements, are met.

# Results and findings – Draft Audit Report (cont'd)

Draft audit report - 2022/23

Our draft opinion on the financial statements

## The evidence on which our view is based:

- Ofsted Children's services focused visit published on 10 March 2021
- Ofsted Children's services inspection published on 21 February 2022
- Ofsted Children's services monitoring visits published on 21 February 2023
- Ofsted Children's services monitoring visits published on 19 July 2023
- Ofsted Children's services monitoring visits published on 15 November 2023
- Review of the most recent Council minutes of the Overview and Scrutiny Committee responsible for monitoring the challenges relating to improvement of Children's Services to the Council's Cabinet.

## Impact on the local body:

Ofsted identified both serious and widespread failures in core areas of social work practice including assessment, planning, and management oversight. Ofsted reported that there is insufficient capacity across the workforce to secure a timely and appropriate response for children. As a result, some children are left with inadequate protection, and experience delays in having their needs met, including the need for timely permanence. Ofsted also reported that there is a heavy reliance on agency staff across all areas of the service making the service unstable and there is a lack of management oversight to support timely decision-making and planning in the best interests of children.

## Action the body needs to take to address the weakness:

The Council needs to execute the Children's Improvement Plan - Phase 1, Phase 2 and Phase 3 effectively, bringing about the necessary changes to enhance outcomes for vulnerable children and young people in Sefton. This will require collaboration with regulators and key stakeholders to address the shortcomings in safeguarding arrangements highlighted by Ofsted.

This issue is evidence of weaknesses in proper arrangements for governance, including how the body monitors and ensures appropriate standards, such as legislative and regulatory requirements, are met.

## **Responsibility of the Executive Director of Corporate Resources and Customer Services**

As explained more fully in the Statement of the Executive Director of Corporate Resources and Customer Services' Responsibilities set out on page 25, the Executive Director of Corporate Resources and Customer Services is responsible for the preparation of the Statement of Accounts, which includes the Group and the Council financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Executive Director of Corporate Resources and Customer Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Corporate Resources and Customer Services is responsible for assessing the Group and the Council'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 the Group and the Council either intends to cease operations, or has no realistic alternative but to do so.

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

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

Our responsibility is to conduct an audit of the Group and the Council's financial statements in accordance with International Standards on Auditing

# Results and findings – Draft Audit Report (cont'd)

Draft audit report - 2022/23

Our draft opinion on the financial statements

(UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group and the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

## *Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources*

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in January 2023, as to whether Sefton Metropolitan Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Sefton Metropolitan Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Sefton Metropolitan Borough Council had put in place proper arrangements to secure 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 (as amended) to satisfy ourselves 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.

## **Certificate**

We certify that we have completed the audit of the accounts of Sefton Metropolitan Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

## **Use of our report**

This report is made solely to the members of Sefton Metropolitan Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Council and the Group and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

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# 04 Value for Money

# Executive Summary

## Purpose

Auditors are required to be satisfied that Sefton Metropolitan Borough Council have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditor's provide an annual commentary on arrangements published as part of the Auditor's Annual Report to comply with the requirements of the 2020 Code of Audit Practice (updated for 2024) and Auditor Guidance Note 3 (AGN 03). For 2021/22 and 2022/23, the annual commentary is included in this report.

The 2024 Code has reduced the scope of the VFM reporting up to and including the 2022/23 financial year. However, in the February 2024 consultation on the new Code, the NAO stated that where auditors have begun or already undertaken work that no longer falls under the reduced scope, they may still report on it in accordance with paragraph 13 of Schedule 3 of the 2024 Code. EY are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

## Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of committee reports;
- meetings with officers;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with management and the finance team.

We completed our risk assessment and any detailed audit procedures and identified a significant risk related to governance, including how the body monitors and ensures appropriate standards, such as legislative and regulatory requirements, are met as part of our risk assessment procedures. We set out our planned response to address this risk in the table below.

Description of risk identified	Years affected	Planned procedures to address the risk of significant weakness
<p>VFM Criteria: <b>Governance</b></p> <ul style="list-style-type: none"> <li>• A full inspection was undertaken by Ofsted during 2021/22 following a focused visit. The Council was graded as inadequate and this triggered the identification of a risk of significant weakness on the governance of the Council's operations/services. Furthermore, the first monitoring visit in February 2023 published in March 2023 highlighted that there has been insufficient progress by the Council in improving the response to children in need of help and protection.</li> </ul>	<p>2021/22</p> <p>2022/23</p>	<ul style="list-style-type: none"> <li>▪ Undertake discussions with management on the plans, improvement program and performance monitoring in place to improve Children's services.</li> <li>▪ Consider progress made against the improvement plans management has submitted to Ofsted over the period, including a review of minutes.</li> <li>▪ Obtain and consider the results and findings arising from Ofsted Monitoring Visits.</li> </ul>

# Executive Summary (continued)

## Other focus areas

Other focus area	Years affected	Procedures
VFM Criteria: Improving economy, efficiency and effectiveness:	2021/22	<ul style="list-style-type: none"> <li>Review minutes on the concerning the early surrender of the lease.</li> </ul>
<ul style="list-style-type: none"> <li>Whilst we did not identify a risk of significant weakness, we did consider the impact of the early lease surrender of the Bootle Strand Shopping Centre on value for money.</li> </ul>	2022/23	<ul style="list-style-type: none"> <li>Consider the implications of the lease surrender with regards to value for money</li> </ul>

## Reporting

Our commentary for 2021/22 and 2022/23 is set out over pages 29 to 37. The interim commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2021/22 and 2022/23. We include within the VFM commentary below the associated recommendations we have agreed with the Council.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Auditor's Annual Report and have been updated for 2021/22 and 2022/23.

The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
<b>Financial sustainability:</b> How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
<b>Governance:</b> How the Council ensures that it makes informed decisions and properly manages its risks	Ofsted undertook a full inspection during 2021/22 in relation to children's services following a focused visit in 2021. The overall grade for the Council was inadequate.	After the inspection, the first monitoring visit in February 2023 published in March 2023 highlighted that there has been insufficient progress by the Council in improving the response to children in need of help and protection. As a result, a significant weaknesses has been identified.
<b>Improving economy, efficiency and effectiveness:</b> How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified

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# Value for Money Commentary

**Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services**

**No significant weakness identified in 2021/22 and 2022/23**

Sefton Metropolitan Borough Council adhered to governance processes for setting a balanced budget and Medium-Term Financial Plan (MTFP). The budget and MTFP were underpinned by assumptions that we deemed reasonable and well supported. The Council set a balanced budget and Medium-Term Financial Plan for both periods. The 2021/22 and 2022/23 plan was presented to cabinet on 7/11/2019 and 04/11/2021.

The balanced budget for 2021/22 was based on below assumptions:

- The proportion of Business Rates retained by local authorities will increase from 50% to 75%.
- Increase in pay awards, annual pay increases and pensions provisions
- Built service budget pressures from Children's Social Care - Placements & Packages, Communities - Children with Disabilities / PSR2 and Education Excellence - Home to School Transport.
- Increase in provision for levies paid to other authorities
- Additional emergency funding to be received from government during 2021/22 to respond to the financial impact of the pandemic.
- Projected reduction in business rates collection due to COVID-19.
- A reduction in the Council Tax Base for 2021/22 to 82,722.1, a reduction of 2,182.3 from 2020/21.

The Council initially approved a revenue budget for 2021/2022 of £192m, however due to a budget shortfall of £8.997m identified, the council revised and approved the budget for the period was £255m The following measures were proposed to close the budget shortfall in 2021/2022

- 4.99% increase in Council Tax (including a 3% increase for the Adult Social Care Precept).
- There was no planned use of the Council's General Fund Balances to support the short- or medium-term budgets in 2021/22.
- Initial savings identified for 2021/22 amounted to £1.4m.

The council faced unprecedented financial pressure particularly within Children's Social Care, Communities (Children with Disabilities) Education Excellence (Home to School Transport) and Operational In-House Services. These pressures, and the unprecedented financial challenges faced by the Council in relation to COVID-19 made the council implement a remedial action plan by utilising the resources provided by the Government to support the Council's response to ensure a balanced budget position would be achieved.

The final revised budget for 2021/22 was £13.7m. Actual net expenditure for 2021/2022 was £12.5m leading to a positive outturn of £1.2m. The council's General Fund reserve as at 31 March 2022 was £5m and total Earmarked reserves fund as at 31 March 2022 was £3.3m. Final approved capital budget for 2021/22 was £8.8m and the actual outturn at the end of the period was £2.5m with the majority of the projects were carried forward into 2022/23.

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified in 2021/22 and 2022/23

In 2022/23 the council approved an initial budget of budget of £212m. The balanced budget for 2022/23 was based on below assumptions:

- A provision for the estimated costs of annual increases in pay, pensions totalling £5.950m per year.
- A 2.99% increase in Council Tax
- A minimum reserves level of 5.5%- a strategy to increase reserves by £1.500m per year.
- An expectation for the Government to continue to make payments of New Homes Bonus in 2022/23.
- Reductions in council tax and business rates collection due to COVID-19 effects.
- Increase in budget allocations for inflation, cost pressures, pay awards, and energy costs
- Increase in council tax base for 2022/23
- Reduction in income from the Strand Shopping Centre as well as income from sales, fees and charges for a range of services

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The 2022/23 Medium Term Financial Plan (MTFP) identified budget gaps in its forecast assumptions over the medium term. The medium-term plan is regularly revised to update the funding gap when information is available. The forecast gaps were as follows;

- £10.9m in 2022/23
- £7.6m in 2023/24
- £4.4m in 2024/25

Management intended to bridge the gap with savings strategies and cost cutting measures across all services as well as increases from council tax and business rates income. The forecast efficiency savings proposed across service areas for future periods were as follows:

- £7.5 million in 2023/24
- £4.3 million in 2024/25
- £2.5 million in 2025/26
- £4.3 million in 2026/27

At the end of 2022/23, the final approved budget for 2022/23 was £ 13.6m. Actual expenditure at the end of the period was £13.2m creating a positive outturn of £430k. The general fund as at 31 March 2023 was £4.5m and the total earmarked reserves at the end of the period was £51.8m.

We note that in the Council's final outturn position for 2022/23 included significant overruns as follows;

- Children's social care by £20.38m
- Energy costs by £2m



# Value for Money Commentary

**Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services**

**No significant weakness identified in 2021/22 and 2022/23**

There were 2 remedial actions plans not budgeted for in July and September leading to additional over runs of £14m due to overall pressures noted in the year from increased costs of energy, the pay award and Children's Social Care. The Council was able to achieve increased returns on its cash investments due to the increase in interest rates across the year. This resulted in a net underspend of £1.026m in the Council's Treasury Management budget. The approved capital budget for 2022/23 was £16.8m against capital expenditure of £2.7m which resulted in a year end variance of £14.2m.

The financial sustainability of the council was at risk for the period 2021/22 due of financial pressures and COVID-19. However, the council was able to achieve a surplus outturn of £2m for 2021/22. This was due to the outcome of stringent financial management and budget monitoring as the Council met the financial pressure from demand led services, the extreme challenges of national government policy as well as the impact of COVID19. We thereby conclude that no significant weaknesses were identified in relation to financial sustainability in 2021/22.

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the period 2022/23, the risks to the financial sustainability of the Council was due to inflation levels, reduction in direct government funding and the rising demand for services which places a strain on the Council's resources. We also noted that fund reserves for the council were low therefore strategies to increase the reserve levels needed to be implemented as part of medium-term financial planning. As a result, significant budget and cost reductions have been required.

Monitoring records note the Council's significant financial pressures and risks remain in 2 key business areas namely, children's social care and adults social care for both periods. We also identified the impact of the local government's pay award and energy price rises as additional cost pressures for 2022/23. At the end of January 2023, the Budget Council approved additional resources to be added to the 2022/23 budget in response to the abovementioned pressures. It was funded from additional government grants, savings and increase in council taxes.

We had discussions with Management on their plans and measures in place to sustain their finances for the current and medium-term periods. Management noted that there are monthly updates on budget performance to cabinet to track performance. Also there has been a recent introduction of quarterly reports to Cabinet on financial performance and risk. Plans are also in place to ensure that financial pressures arising are being identified and mitigated early.

We reviewed the budget and noted that significant increases have been built in future budgets when pressures are identified from increasing adult care provider fees and children's care were increasing during the year. Also, the medium-term Financial Plan was aligned to the improvement plan for children's services and agreed with the commissioner in February 2022/23 to make sure resources were available with the plan. However, the findings were reflected in 2023/24 budget.

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# Value for Money Commentary

**Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services**

**No significant weakness identified in 2021/22 and 2022/23**

The council approved a budget of in 2023/24. The following assumptions were built into the 23/24 budget and MTFP:

- Business rates retained by the council at 100%.
- Growth in the Tax Base for additional properties that would generate £0.500m in each of the next three years.
- Increase in the provision for pay awards of 6.5%.
- National Insurance contribution increase of £1.25m
- The use of the Budget pressures fund of £1 created in 2022/23.
- Increase in provision for levies paid to other authorities.

A 3.99% increase in Council Tax

Increase in the provision for inflation on contracts

Investment of £17.9m made into Children's Services during 2023/24 making the annual budget of children's services to £70m

The financial resilience of Sefton for the periods 2021/22 and 2022/23 was not identified as a significant weakness for the council as measures were put in place to manage the financial pressures for the budget for both years. However, Sefton should take steps to ensure that both in-year overspends are minimised and future savings gaps are identified early with schemes put in place to mitigate those gaps, without compromising front line service delivery. The council also needs to work on bridging the funding gaps within the medium term.

**Conclusion: Based on the work performed, the Council had proper arrangements in place in for 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.**

# Value for Money Commentary (continued)

**Governance: How the Council ensures that it makes informed decisions and properly manages its risks**

**Significant weakness identified**

The Council has a governance framework in place supported by the Audit and Governance Committee and several appropriate Oversight and Scrutiny sub-committees to provide sufficient oversight of key areas of activity within the Council. The Council also maintains a constitution which sets out how the Council functions, the decision-making processes in place and the procedures which are followed to ensure that decisions are responsible, effective, and transparent.

The Council has a Risk Management Strategy included within the Risk Handbook and is approved by Audit and Governance Committee. The Handbook provides comprehensive guidelines around risk ownership, assessment, control, monitoring and reporting. Furthermore, the Corporate Risk Register is reviewed by the Audit and Governance Committee each quarter. The Committee will then update the risk register if any of the risks identified require amendment.

The Council has its own in-house Internal Audit function in place with the Chief Internal Auditor reporting to the Section 151 officer and Audit and Governance Committee. The Internal Audit Plan outlines how Internal Audit resources will be used during the forthcoming financial year to provide assurance on the effectiveness of the Council's internal control system. The Internal Audit Plan is reflective of the changing risk landscape of the Council and emphasises the role of Internal Audit at strategic level.

During 2021/22, 68 pieces of internal audit work were completed and during 2022/23, 106 pieces of internal audit work were completed, 91 for the Council and 15 for schools. Less audit work was completed in 2021/22 due to staffing issues. Based on the work undertaken by Internal Audit in respect of 2021/22 and 2022/23, the overall opinion of the Chief Internal Auditor on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control was adequate and the potential for improvement was also adequate. The Overall School Opinion in accordance with CIPFA's guidance on "Internal Audit Untapped Potential" for both years was also adequate.

The audit report includes an "organisational risk opinion" which highlights the level of risk to the organisation presented by the risks identified in the audit. The risks are graded as major, moderate, minor and negligible. There were eight audits in 2021/22 with a "Major" Organisational Risk Opinion in relation to schools, contract management and ICT security and there were seven audits in 2022/23 with a "Major" Organisational Risk Opinion. Eight significant governance issues were reported in the internal audit opinion report and the annual governance statement for 2021/22. Significant governance issues reduced to four in the 2022/23 internal audit opinion report and the annual governance statement with only one risk still existing within the period. The reports details the nature of the governance issue, actions to address the issue, the timescale and the responsible parties.

We have reviewed the Annual Governance Statement and confirmed that it is consistent with the financial statements and the CIPFA Code for both years. We have shared our observations on the Annual Governance Statement and the financial statement with management. The annual report describes how council reviews the effectiveness their governance, the key sources of assurance that inform the review, analysis of the effectiveness of the governance framework, actions plans for areas of improvement. Key governance issues were reported in the annual governance statement for 2021/22 and 2022/23. The council implements and reports on improvement plans each year that addresses governance issues identified.

# Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Significant weakness identified

The Council published their draft 2021/22 and 2022/23 financial statements for audit on 30 August 2022 and 08 November 2023 respectively, in line with the Audit and Accounts regulations, and advertised an inspection period for members of the public in line with these regulations for both periods. We confirm that the 2021/22 and 2022/23 draft financial statements were arithmetically correct, agreed to the data in the general ledger, and prepared in line with the content required by the CIPFA Code. The Council has carried out bank reconciliations during the year. Therefore, appropriate arrangements for financial reporting were in place during both periods. There were no significant changes to the leadership team during 2021/22 and 2022/23.

## Ofsted Inspection at Children's Services identified as a risk of significant weakness in the arrangements

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the prior year, it was identified that a review had been performed by Ofsted during 2020/21 looking at the Children's Services at the Council. Originally, the Council was overdue an Ofsted Inspection of Local Authority Children's Services following a pause in the inspection framework due to COVID-19. In March 2021, Ofsted undertook a 'restart' focused visit of the Council's Children's Social Care, but this was not regarded a full inspection and therefore was not graded.

2021/22, the Ofsted Inspection of Sefton Local Authority Children's Services took place and the Council was graded inadequate. As mentioned earlier, this has been assessed as part of a risk of significant weakness on economy, efficiency and effectiveness. The first monitoring visit in February 2023 published in March 2023 highlighted that there had been insufficient progress on the Council in improving the response to children in need of help and protection. The local authority was still judged inadequate as much not much progress was made.

The first monitoring visit in February 2023 published in March 2023 highlighted that there has been insufficient progress on the Council in improving the response to children in need of help and protection. Therefore, as at 31/03/2023 after the first monitoring visit, the local authority was still judged inadequate as much not much progress was made. We have reviewed the board minutes of the Overview and Scrutiny Committee (Children's Services and Safeguarding) till date to review the updates of the Children's Service Improvement Program. We have inspected subsequent Ofsted Monitoring Visits to the Council with their findings. We have assessed the three improvement plans management has submitted to Ofsted over the period and the progress updates to the plans till date. We had discussions with the Executive Director of Corporate Resources and Customer Services on the plans, improvement programs and performance monitoring in place to improve Children's services. Our review identifies that the Council has focused on improving Children's Services throughout the period from 2021/22.

Three Improvement plans have been developed by the Council and has been submitted to Ofsted over the period. Three monitoring visit subsequent to the inspection in 2021/22 have been made in February 2023, July 2023 and November 2023. The last inspection in November 2023 noted that significant progress has been made with respect to children's services. The report noted that Sefton is making some steady progress in improving services for children with specific vulnerabilities. However, since this issue has been reported in 2020/21 and has not yet been addressed in 2021/22 and 2022/23, we draw attention to the ongoing significant weakness identified.

# Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Significant weakness identified

**Conclusion:** Based on the work performed, we have identified a significant weakness in the arrangements that we will be reporting by exception in relation to governance, including how the body monitors and ensures appropriate standards, such as legislative and regulatory requirements, are met.

**Recommendation:** We recommend that the improvement plans submitted to Ofsted over the period are executed and completed within the specified timelines. All recommendations in the Ofsted reports from their inspection in 2021/22 as well as the subsequent monitoring reports regarding improvements to the children's services should also be executed by the council with oversight of the Overview and Scrutiny Committee.

# Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

The Council maintain a set of key strategic performance measures to help monitor progress against Council priorities. Performance against these indicators is measured regularly with progress considered by Cabinet. In order to monitor the Council's performance progress, the Council produced an Annual Performance Report, the first of which was published in the 2019/20 financial year which considers the Council's performance in a number of key areas, both financial and non-financial. This includes updates on tackling the Covid-19 spread, business grant allocations in year, climate sustainability measures, as well as the 2022/23 financial year service expenditure results, sources of funding, and council tax and business rates comparisons of targeted versus collected performance.

## Repurposing project of the Strand relating to the lease surrender identified as a risk of significant weakness in the arrangements

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During the 2021/22 period negotiations were taking place between the Council and the Tenant with regards to the potential early surrender of the lease at the Bootle Strand Shopping Centre. The units let had not been occupied by M&S for more than 5 years as M&S had changed their business model/strategy. M&S sub-let part of their units to a charity who pay service charges. This prompted the Council to repossess the units from M&S. The Council planned to include the unit within future development plans for the Centre and the Tenant is offered a one-off payment of £2.5M.

The council approved the lease surrender to proceed with the early surrender of the lease. The Council's plans for the demolition of a small section of Bootle Strand have been given the go-ahead. Approval of the plans means that work can begin to unlock the Strand's potential by opening parts of the centre to create more public spaces. Cabinet has approved proceeding with Phase 1 of the proposed Transformation Programme.

We have reviewed minutes on the concerning the early surrender of the lease. Cabinet Members approved the M&S lease surrender with effect from 31 March 2023 for a surrender premium. We assessed the lease surrender transaction and its accounting treatment. We also considered the implications of the lease surrender with regards to value for money.

We have considered the lease surrender of the Strand shopping center. We are satisfied that the accounting treatment proposed by the Council towards the lease surrender premium is appropriate based on the above ground. We are satisfied that the business decision regarding the early lease surrender between the Council and M&S to proceed with the repurposing programme of The Strand has followed proper arrangements and processes based on the above grounds. We conclude that no significant weaknesses were identified with respect to the lease surrender of the Stand Shopping Centre. These are all based on the assumption that the programme is being delivered as planned. Specifically, the Council will need to continually consider the following moving forward:

- Volatile condition of the retail market
- Support of the prospected tenants and the need to find additional interested tenants
- Financial and performance monitoring to ensure that the programme is delivered as planned.

# Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

## Lack of SEND specialist placements for children and young people

There has been an increase in the request for specialist provisions for children and young adults. Also, the High Needs budgets are under considerable pressure from increasing numbers of children being diagnosed with complex and life-long SEND related issues. National funding allocations are not increasing annually at a rate to reflect increases in local population demand and so any additional commissioned places need to be financed from within existing budget envelope. Increase in number of EHC Plans for children with SEND - rise from 1765 in 2020 to 2888 in 2023. There is a lack of parental confidence in mainstream provision being able to meet children's needs. This has resulted in an increase in request for specialist provisions. The special school capacity is limited by current physical capacity on current sites so demand for this provision cannot be met within current capacity.

Page 375 We have reviewed the minutes and subsequent corporate risk registers of the council to monitor the progress of the risk identified. We held discussions with key officers of Sefton and they noted that DFCE has introduced the Delivering Better Value Programme for councils in 3 phases to assist them in managing the deficits. Grants are also being provided to councils for the programme. Sefton is no longer putting many children in external provisions which is more costly to reduce the deficit. Engagements are also being held with DHULC on how to deal with the growing deficit that has increased to £19m (end of 2022/23) ahead of 2026. The council has agreed more projects to generate additional resourced places and a sufficiency report for longer term in-borough placements. The council is reviewing and improving consultation process and challenge under SEND code of practice under reasonable steps. Sefton is also Implementation of Delivering Better Value Programme workstreams to support increased mainstream inclusion process and challenge under SEND code of practice under reasonable steps.

We conclude that this is not a significant weakness, however the council should continue to embark on more projects to generate additional resourced places and manage the growing SEND High Needs deficit.

**Conclusion:** Based on the work performed, the Council had proper arrangements in place in for 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



# 05 Appendices



# Appendix A - Management representation letter

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

## Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

### Ernst & Young

This letter of representations is provided in connection with your audit of the [consolidated and parent] Authority financial statements of [name of entity] ("the [Group and] authority") for the year ended [balance sheet date]. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent Authority financial statements give a true and fair view of (or 'present fairly, in all material respects,') the [Group and] authority financial position of [name of entity] as of [balance sheet date] and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the [Group and] the Authority, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

We understand that the purpose of your audit of our [consolidated and parent] Authority financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist. Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the [Group and the parent] Authority, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
2. We acknowledge, as members of management of the [Group and] authority, our responsibility for the fair presentation of the consolidated and parent Authority financial statements. We believe the [consolidated and parent] Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the [Group and parent] Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the [Group and] authority financial statements are appropriately described in the [Group and] authority financial statements.
4. As members of management of the [Group and] authority, we believe that the [Group and] authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with [applicable financial reporting framework] for the Group and [applicable financial reporting framework] for the Authority that are free from material misstatement, whether due to fraud or error.

# Appendix A - Management representation letter

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5. *[When there are unadjusted audit differences in the current year]* We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and parent Authority financial statements taken as a whole. We have not corrected these differences because *[specify reasons for not correcting misstatement]*.
6. *[When the comparative figures have been restated]* The comparative amounts have been restated to reflect the below matter(s) and appropriate note disclosure of this (these) restatement(s) has (have) also been included in the current year's consolidated and parent Authority financial statements. *[Add a paragraph providing a brief description of each matter giving rise to a restatement and the amount(s) concerned.]* There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year's consolidated and parent Authority financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the consolidated and parent Authority financial statements for the year ended *[date]* are solely the result of reclassifications for comparative purposes.
7. We confirm the *[Group and]* authority does not have securities (debt or equity) listed on a recognized exchange.
8. We have confirmed to you any changes in service organizations within the *[Group and]* authority since the last audited financial year.

## B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the *[Group and]* authority's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the *[consolidated and parent]* Authority financial statements may be materially misstated as a result of fraud.
4. *[When management is aware of the occurrence of non-compliance with laws or regulations, or has received allegations of non-compliance with laws and regulations.]* We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations, including fraud, known to us that may have affected the *[Group or]* Authority (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), including non-compliance matters:
  - Involving financial improprieties
  - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the *[consolidated and parent]* Authority financial statements
  - Related to laws or regulations that have an indirect effect on amounts and disclosures in the *[consolidated and parent]* Authority financial statements, but compliance with which may be fundamental to the operations of the *[Group and]* authority's business, its ability to continue in business, or to avoid material penalties

# Appendix A - Management representation letter

## Management representation letter

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## Management Rep Letter

- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the [consolidated and parent] Authority financial statements.
3. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the [period] to the most recent meeting on the following date: [list date].

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the [Group and] authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the [consolidated and parent] Authority financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with [applicable financial reporting framework].
6. We have disclosed to you, and the [Group and] authority has complied with, all aspects of contractual agreements that could have a material effect on the [consolidated and parent] Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the [consolidated and parent] Authority financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

# Appendix A - Management representation letter

## Management representation letter

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## Management Rep Letter

8. We have disclosed to you, and provided you full access to information and any internal investigations relating to, unauthorized access to our information technology systems that has a material effect on the [consolidated and parent] Authority financial statements, including disclosures.

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the [consolidated and parent] Authority financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note [X] to the consolidated and parent Authority financial statements all guarantees that we have given to third parties.

### E. Going Concern

1. Note [X] to the consolidated and parent Authority financial statements discloses all the matters of which we are aware that are relevant to the Group and authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

### F. Subsequent Events

1. Other than the events described in Note [X] to the [consolidated and parent] Authority financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and parent Authority financial statements or notes thereto.

### G. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent Authority, subsidiary undertakings and associated undertakings.

### H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information contained within the Narrative Statement and also the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

### I. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and the [Group and] authority have reflected these in the consolidated and parent financial statements.

*Yours faithfully,*

(Chief Financial Officer/Finance Director)

(Chairman of the Audit Committee)

# Appendix B – Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

A breakdown of our fees is shown in the table to the right.

The original fees for these years were based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment
- ▶ The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

Due to the reset, the above clearly will not be achieved and we will be liaising with PSAA Ltd to discuss and agree fees.

	2022/23	2021/22
	£	£
Scale fee - Code work	130,950	97,711
Determined scale fee variation	TBC - see note 1	TBC - see note 1
<b>Total audit</b>	<b>0</b>	<b>0</b>
Other non-audit services not covered above (Housing benefits)	33,750 - see note 2	21,450
<b>Total other non-audit services</b>	<b>TBC</b>	<b>21,450</b>
<b>Total fees</b>	<b>TBC</b>	<b>TBC</b>

All fees exclude VAT

Note 1 - PSAA Ltd, in line with the joint statement issued DLUHC (as at that date) and the FRC is responsible for the determination of the final audit fee in respect of 2021/22 and 2022/23.

In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

Note 2 - The fee payable for the housing benefit non-audit services is estimated as work remains in progress. Final fees will be discussed and agreed with management.

# Appendix C – Required communications with the Audit and Governance Committee

We have detailed the communications that we must provide to the Audit and Governance Committee.

**Our Reporting to you**

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> <li>▶ The planned scope and timing of the audit</li> <li>▶ Any limitations on the planned work to be undertaken</li> <li>▶ The planned use of internal audit</li> <li>▶ The significant risks identified</li> </ul> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	This Completion report for Those Charged with Governance
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	This Completion report for Those Charged with Governance

# Appendix C – Required communications with the Audit and Governance Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	This Completion report for Those Charged with Governance
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	This Completion report for Those Charged with Governance
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:                             <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud</li> <li>▶ Any other matters related to fraud, relevant to Audit and Governance Committee responsibility</li> </ul>	This Completion report for Those Charged with Governance

# Appendix C – Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	This Completion report for Those Charged with Governance
dependence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> <li>▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:                             <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> </ul> </li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	This Completion report for Those Charged with Governance
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	This Completion report for Those Charged with Governance
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	This Completion report for Those Charged with Governance



# Appendix C – Required communications with the Audit Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	This Completion report for Those Charged with Governance
Group audits	<ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements</li> </ul>	This Completion report for Those Charged with Governance
Representations	Written representations we are requesting from management and/or those charged with governance	This Completion report for Those Charged with Governance
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	This Completion report for Those Charged with Governance
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	This Completion report for Those Charged with Governance
Auditors report	<ul style="list-style-type: none"> <li>▶ Key audit matters that we will include in our auditor's report</li> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	This Completion report for Those Charged with Governance

# Appendix D - Non-Compliance with Laws and Regulations (NOCLAR)

## Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

### Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ..."

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

### Auditor Responsibilities

[The International Ethics Standard Board of Accountants' International Code of Ethics \(IESBA Code\)](#) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

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## Examples of Non-Compliance with Laws and Regulations (NOCLAR)

### Matter

- ▶ Suspected or known fraud or bribery
- ▶ Health and Safety incident
- ▶ Payment of an unlawful dividend
- ▶ Loss of personal data
- ▶ Allegation of discrimination in dismissal
- ▶ HMRC or other regulatory investigation
- ▶ Deliberate journal mis-posting or allegations of financial impropriety
- ▶ Transacting business with sanctioned individuals

### Implication

- ▶ Potential fraud/breach of anti-bribery legislation
- ▶ Potential breach of section 2 of the Health and Safety at Work Act 1974
- ▶ Potential breach of Companies Act 2006
- ▶ Potential GDPR breach
- ▶ Potential non-compliance with employment laws
- ▶ Suspicion of non-compliance with laws/regulations
- ▶ Potential fraud / breach of Companies Act 2006
- ▶ Potential breach of sanctions regulations

# Appendix D - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

## What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years



### Management response:

Timely communication of the matter to auditors (within a couple of days)

Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both

Scope the investigation, in discussion with the auditors

Evaluate findings and agree next steps

Determine effect on financial statements including disclosures

Prepare a paper, summarising the outcome of the investigation and management's conclusions

Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

### Key Reminders:

- ▶ Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- ▶ Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups
- ▶ Engage external specialists where needed
- ▶ Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- ▶ Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor

### Audit response:

Initial assessment of the NOCLAR matter and its potential impact

Initial consultation with risk team to determine responsive procedures and the involvement of specialists

Understand and agree scope of management's investigation with support from specialists as needed

Evaluate findings and undertake appropriate audit procedures

Determine audit related impact including accounting and disclosure and audit opinion implications

Document and consult on the outcome of our procedures

Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

# Appendix E - Summary of arrangements

## Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 to 2022/23.

### Reporting criteria considerations

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

### Arrangements in place

- ❖ The Council produces a three-year Medium-Term Financial Plan (MTFP) that takes account of the latest financial estimates and the key assumptions and issues that drive budget development, and these are comprehensively reported in the budget report. The MTFP is regularly updated to reflect the latest information available and to reflect all ongoing service pressures that the Council is facing. The budget is prepared and presented to the Executive Council in February every year. This includes the capital program, the capital strategy, the reserve strategy and the treasury management strategy for the period.
- ❖ Every November, the key MHCLG colleagues and other Merseyside Directors of Finance meet to discuss central government funding and key funding pressures and opportunities; these are reflected in budget planning. In addition to this, the Council's senior leadership board fully engage in budget development to ensure a comprehensive package is developed.
- ❖ The Council closely monitors its finances with routine reports being considered by Cabinet monthly and remedial action being taken whenever required to offset emerging budget pressures. All savings proposals are also regularly reviewed for deliverability and are risk assessed by officers throughout the year.

How the body plans to bridge its funding gaps and identifies achievable savings

- ❖ The Council's officers and Members plan the resource needed for the Council's aspirations for the year through the annual budget setting process and assesses the plan for any financial risks. Officers work on refining MTFP assumptions and developing budget proposals to deliver a robust and sustainable budget that includes a Council Tax strategy.
- ❖ The Council has a Framework for Change program - Demand Management Savings to facilitate the changes required to meet the Council's future priorities. This covers three main strands, Economic Growth and Strategic Investment, Council of 2023 and Demand Management.
- ❖ The savings process followed for the development of the budget is identified through the following stages;
  - Cost savings and budget reductions identified through the challenge process led by the Executive Directors and Assistant directors for each service.
  - Savings identified by the meetings between the Executive Directors and Assistant directors with their respective officers and the S151 officer to identify savings in their service.

# Appendix E - Summary of arrangements (cont'd)

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the the years 2021/22 to 2022/23.

### Reporting criteria considerations

### Arrangements in place

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

- ❖ Sefton has in place a 'Framework for Change' which helps them deliver against its stated objectives including financial sustainability as it identifies how services will be delivered, where savings can be made and where transformation will take place.
- ❖ The Council has Climate Change Emergency Plan that represents its commitment to reducing carbon emissions. Sefton has a 2030 Vision and a Council Core Purpose which enables the Council and partners to demonstrate the connected thinking and action. It will also enable the Council to bring about meaningful and measurable plans with targets, timescales and a performance management framework. The Council reviewed its Vision and the Council Core purpose in 2023, building upon the work previously undertaken, assessing the impact of Vision 2030 and developing Vision.
- ❖ The Council set balanced budget for previous period and this has continued for future periods. A balanced budget was set for 2023/24 and agreed a Medium-Term Financial Plan for the period up to 2025/26 setting out its approach to funding service provision over the next three years after taking into account the challenges it faced from prior years.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

- ❖ The financial plan and budget is presented to Council each February for the following year reflecting approved revenue budget, capital programme, treasury management strategy (new capital strategy) and reserves strategy detailing the financial and service scenarios, and the policy and expenditure changes required for each scenario. The Framework for Change programme includes a dedicated workstream to Workforce development and organisation design so there is full alignment with the budget and other strategies for the period.

# Appendix E - Summary of arrangements (cont'd)

## Financial Sustainability (continued)

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23.

### Reporting criteria considerations

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

### Arrangements in place

- ❖ Budget monitoring is completed each month and is reported to cabinet and any budget variations are supported by demand data or key performance data in order. The council also makes use of the CIPFA resilience index and financial management code. This informs the budget process and is reflected in the budget estimates and the Adequacy of Reserves report and the council self-assesses itself against the management code and reports this to audit and governance committee annually.
- ❖ The council produces an outturn report each year which details financial performance for the period. It shows the revenue outturn, capital outturn, level of reserves and corporate performance. It also outlines the risks to the budget and the proposed remedial plan taken by the council to ensure the expenditure is contained. The Council also considers the ongoing implications of COVID-19 on future financial resilience and sustainability through reports on robustness of budgets going forward and whether adequate reserves and balances are in place to support.
- ❖ As part of its corporate risk management, the Council's corporate risk register is developed and maintained by the Chief Internal Auditor in consultation with Executive Directors and Assistant Directors. The risks in the risk register are identified using a systematic approach by considering risks and assigning a risk score, risk owner, risk trigger, result and options to mitigate the risk to ensure that the Council can manage risk to a reasonable level.

# Appendix E - Summary of arrangements (cont'd)

## Governance

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23.

### Reporting criteria considerations

### Arrangements in place

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

- ❖ The Council has a Risk Management Strategy included within the Risk Handbook and the Corporate Risk Register is submitted to the Audit and Governance committee each quarter for review. The Audit Committee monitors progress in addressing risk-related issues reported including the Corporate Risk Register.
- ❖ The Council has its own independent internal audit function in place headed by a Chief Internal auditor who reports to the Audit Committee. The Audit Plan is approved by Audit and Governance Committee and progress and key issues arising are subsequently reported to Audit and Governance Committee in each quarter.
- ❖ The Council reviews its governance arrangements on an annual basis, along with its arrangements for achieving economy, efficiency and effectiveness, to ensure that it identifies and manages risk effectively and the review. The outcome of the review is reported in the annual governance statement (AGS) which is published as part of the statement of accounts.

How the body approaches and carries out its annual budget setting process

- ❖ The Executive council agrees to the timetable for the budget setting process and the draft MTFP is produced. It outlines the estimated budget planning assumptions, which are refined throughout the year as information is obtained and central government funding announced.
- ❖ Senior Leadership and the Executives are involved throughout the budget setting process, to ensure that priorities are considered, and relevant financial pressures taken into account. There are regular progress updates to cabinet including details of any funding gap, budget pressures, potential savings and options around council tax.
- ❖ The budget package is reported to the Overview and Scrutiny committee, cabinet and the executive council. The annual budgets are underpinned by a number of assumptions regarding the prevailing rates of inflation, interest earned, cost growth, council tax base, business rates and cost pressures.

# Appendix E - Summary of arrangements (cont'd)

## Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23.

### Reporting criteria considerations

### Arrangements in place

How the body approaches and carries out its annual budget setting process

- ❖ Each year the Section 151 Officer is responsible for preparing a budget plan for the Council including an approved revenue budget, capital programme, treasury management strategy (new capital strategy) and reserves strategy. The Cabinet, advised by the Section 151 Officer, Executive Directors and Assistant Directors, will develop a budget package including financing options, policy and expenditure options and capital programme. This will be subject to scrutiny by the Overview and Scrutiny Committee before the Cabinet finalises its recommendations to Council. The final Budget policy and Council Tax will be determined by Council.
- ❖ The prudential indicators is also approved prior to the commencement of the financial year as required by the Code. The indicators required include;
  - a. Estimates of capital expenditure
  - b. Estimate of capital financing requirement (underlying need to borrow for a capital purpose)
  - c. Authorised limit for external debt
  - d. Operational boundary for external debt
  - e. Estimate of gross debt to CFR
  - f. Estimated Liability benchmark
  - g. Estimates of the ratio of financing costs to net revenue stream
  - h. Estimate of net income from commercial and service investments to net revenue stream

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

- ❖ The Council has a financial procedure rules in place which are reviewed annually and are approved by Audit and Governance committee and full council. Service schemes of delegation are also in place and are reviewed quarterly. A regular and embedded cycle of budget monitoring is in place for Sefton. This involves a monthly report presented to the Departmental Management teams and is then transferred to the senior leadership board before progressing to cabinet and overview and scrutiny committee. Should in case budget pressures exist, a remedial plan is identified and then this is approved.
- ❖ Regular monitoring is undertaken in year by the Executive and Assistant Directors against the key measures of affordability and sustainability, by reviewing estimates of financing costs to revenue and the capital financing requirement, reporting to Council, setting out management actions. The Council's Internal Audit department undertake a planned IA programme of work which is reported to the Audit and Governance Committee.



# Appendix E - Summary of arrangements (cont'd)

## Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23.

### Reporting criteria considerations

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

### Arrangements in place

- ❖ Regular budget monitoring reports progress is reported to the overview and scrutiny committee and cabinet month. The council's financial procedure rules provide clear guidance on who can make decisions and where they should be reported to ensure transparency and accountability. Per the constitution, the Council issues and keeps up to date a record of what part of the Council or individual has responsibility for particular types of decisions or decisions relating to particular areas or functions.
- ❖ The Council approves the overall policy and budgetary framework annually and the Cabinet subsequently makes decisions at various points throughout the year that are in line with the policy and budget framework. The decisions of the Cabinet are subject to scrutiny through the Council's Overview and Scrutiny Committees which meets regularly during the year. Each Overview and Scrutiny Committee has a work programme for the year and reviews a range of current activities and potential issues.
- ❖ All decisions made by Committees, Council, Cabinet, Cabinet Member (under their delegated powers) and Chief Officer executive decisions are recorded and published online for transparency and Delegation arrangements for Cabinet Members are reviewed annually by the Chief Legal and Democratic Officer as part of the Constitution review process. The Executive Director of Corporate Resources and Customer Services and the Chief Legal and Democratic Officer are consulted on each decision report and any comments are incorporated into the reports.
- ❖ The Council's Audit and Governance Committee which provides independent assurance on the adequacy of the Council's risk, governance and assurance environment and the Committee monitors the Corporate Risk Register which includes the mitigating actions that have been taken for the Council to manage the risks to achieving its objectives
- ❖ The Council maintains employee and member code of conduct protocols, noted within its constitution and these are approved by Audit and Governance committee and council and are reviewed annually. The Constitution and financial procedures rules also include key detail in relation to conduct and behaviour for employees and staff. Policies and arrangements are in place and standing item on agendas, as such, Councillors are required to complete and update Registers of Interest which are available on the Council's public website.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

# Appendix E - Summary of arrangements (cont'd)

## Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 to 2022/23.

### Reporting criteria considerations

### Arrangements in place

How financial and performance information has been used to assess performance to identify areas for improvement

- ❖ Regular reporting of performance and financial information is undertaken. As part of this, the Council considers the delivery of services and the Council priorities and previous performance. The Council Committees receive a variety of performance-based reports throughout the year to continuously monitor performance. The Annual Report and Annual Governance Statement set out the review of performance for the year. The Council has an embedded process with regard to its Financial Management and its reporting strategy that reflects monitoring undertaken by the Executive Leadership Team, Strategic Leadership Board, budget holders and the central Finance Team.
- ❖ Monthly reports are considered by Departmental Management Teams, Strategic Leadership Board and Cabinet and the Overview and Scrutiny Committee also have a standing agenda item in respect of capital and revenue monitoring. The CIFPA resilience index is used to identify themes and areas where the council should consider with regard to its financial sustainability and health

How the body evaluates the services it provides to assess performance and identify areas for improvement

- ❖ The performance of each of the council's services are reviewed continually and this is reported via the annual corporate performance report that accompanies the outturn report. In addition, all the council's services within the make use of internal audit reports, external inspections and formal and informal benchmarking.
- ❖ The Council reviews its service delivery in order to ensure best practice and value for money for its residents in respect of Adults and Children's Social Care. The Council has a Framework for Change 2020 programme which involves significant transformational change as to how services are provided which will result in changes to working practices, commissioning relationships and governance arrangements.

# Appendix E - Summary of arrangements (cont'd)

## Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
How the body evaluates the services it provides to assess performance and identify areas for improvement	<ul style="list-style-type: none"><li>❖ The council publishes an annual performance report that highlights some of what they have achieved, how they have managed the funding they received, and their priorities looking forward and it sets out the Council's Performance in a number of key areas and is considered in conjunction with the Council's Financial Outturn.</li><li>❖ The council undergoes a number of external inspections to assess their services and identify areas of improvement. Appropriate action plans are developed, and processes put in place to track delivery. Notable inspections include, Special Educational Needs and Disabilities Information Advice and Support Services (SENDIASS) Service Review; LGA Corporate Peer Review Revisit and Progress Review; and LGA Adult Social Care Preparation for Assurance Peer Challenge.</li></ul>
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	<ul style="list-style-type: none"><li>❖ Partnerships are entered into for the benefit of Sefton and its residents, as such partnership arrangements have clear outputs that are measured and understood. The nature of the management of a partnership is dependent on what the partnership/collaboration is for. The Council has a Financial Procedure Rules which includes a section on partnerships. Executive Directors and Assistant Directors will carry out their responsibilities regarding partnership arrangements in line with the FPRs and evidence will be made available to provide assurance that partnership arrangements are being adhered to.</li><li>❖ The council has a Sefton Partnership in place established in 2022. This Partnership includes the NHS and Sefton Council, along with NHS Cheshire and Merseyside Integrated Care Board (ICB) who have agreed to work together to respond to the health, care and wellbeing needs of the people of Sefton.</li></ul>

# Appendix E - Summary of arrangements (cont'd)

## Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 and 2022/23

### Reporting criteria considerations

### Arrangements in place

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

- ❖ Sefton Safeguarding Adults Board is a statutory body with a responsibility to protect adults with care and support needs from abuse, harm and neglect in Sefton. It is a partnership set up to ensure that safeguarding arrangements are in place and services in Sefton are high-quality and safe. The partnership consists of local organisations including representatives from Merseyside Police, Sefton Council, Merseyside Fire & Rescue, the Probation Service, NHS agencies and several voluntary sector groups.
- ❖ The Council has a Children’s Social Work Academy which and commenced the recruitment of over 20 international Social Workers to address the recruitment of Social workers.

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

- ❖ The Council has a constitution that contains the procurement strategy and the procurement process and to ensure proper processes are in place and approval is given as per the processes. All procurement, commissioning, contract administration or contract management are carried out in accordance with the Council’s Contract Procedure Rules. The Council has a set of contract procedure rules and procurement is undertaken in compliance with these and to aid control in this area, a contracts register is supplied to services to ensure visibility of existing contracts and when they need re-tendering.
- ❖ The Council maintains various guides on procurement, including Ethical Investment Policies to address the legal obligation to consider the social benefits that can be delivered through their procurement processes. The Council places all tender opportunities through the portal ‘The Chest’ and this portal provides suppliers with access to tender opportunities from across the whole of the North West of England and Suppliers can register their details and be proactively sent opportunities which may be of interest.

# Appendix F – Summary of recommendations

## Recommendations

The table below sets out the recommendations arising from the value for money work in the year(s) covered in this report, 2021/22 and 2022/23. All recommendations have been agreed by management.

Issue	Recommendations	Management response
<p>Governance: Ofsted undertook a ‘restart’ focused visit of the Council’s Children’s Social Care in 2021 but a full inspection was completed by Ofsted during 2021/22. The overall grade for the Council was inadequate. This triggered the identification of a risk of significant weakness on Council’s operations/services</p> <p>The first monitoring visit in February 2023 published in March 2023 highlighted that, there has been insufficient progress on the Council in improving the response to children in need of help and protection. The local authority was still judged inadequate as not much progress was made at the end of the 2022/23 period.</p>	<ul style="list-style-type: none"> <li>• The three improvement plans submitted to Ofsted over the period should be executed and they should be completed within the specified deadlines included in the improvement plans</li> <li>• All recommendations in the Ofsted reports from their inspection in 2021/22 as well as the subsequent monitoring reports regarding improvements to the children’s services should be executed by the council with oversight of the Overview and Scrutiny Committee.</li> <li>• Regular monitoring reports on the Children’s Services Improvement Programme should be given to the Overview and Scrutiny Committee. (Children services and safeguarding) who is responsible for reviewing and making recommendations in relation to all children’s services</li> </ul>	<p>TBC</p>

# Appendix F – Summary of recommendations (cont'd)

## Recommendations brought forward from 2020/21

The table below sets out the recommendations arising from the value for money work in 2020/21 and progress made up to 2022/23. All recommendations have been agreed by management.

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Issue	Progress on Prior year's significant weaknesses	Management response
<p>Improving economy, efficiency and effectiveness- In the prior year (PY), it was identified that a review had been performed by Ofsted during 2020/21 looking at the Children's Services at the Council. The report highlighted that Children's Services within Sefton require some improvement, and there are issues in multiple different areas. In the prior year, it was identified that a full inspection had been undertaken by Ofsted during 2021/22. The overall grade for the Council is inadequate. This triggered the identification of a risk of significant weakness on the economy, efficiency, and effectiveness of the Council's operations/services</p>	<p>Subsequently after the inspection, an improvement plan was prepared and submitted to Ofsted and it comprised of four themes which are quality, Improving Implementation of Learning and Improving Tools. The Overview and Scrutiny Committee is responsible for the monitoring relating to improvement of Children's Services and considers the report of the Executive Director of Social Care and Education on progress made against the Children's Improvement Plan. In January 2023, a phase 2 of the Improvement Plan was presented. In March 2023, the Council's DfE commissioner recommended the alignment of the Medium-Term Financial Plan of the Council to the Improvement Plan that is in place within the service. There were monitoring visits in March, July and November 2023. Our review identifies that the Council has focused on improving Children's Services throughout 2023. The last inspection in Nov 2023 noted that significant progress has been made with respect to children's services.</p>	<p>TBC</p>

# Appendix G – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

## **Preparation of the statement of accounts**

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.
- assign responsibilities clearly to staff with the appropriate expertise and experience;
- provide necessary resources to enable delivery of the plan;
- maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;
- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and
- during the course of the audit provide responses to auditor queries on a timely basis.

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

# Appendix H - Control observations 2021/22

## Financial controls




It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control.

We have identified deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

### Key:

-  A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.
-  Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
-  Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.

The matters reported on the next slide are limited to those that we identified after detailed discussion with Management and that we concluded are of sufficient importance to merit being reported to you.



# Appendix H - Control observations 2021/22 (cont'd)

Area	Property, Plant and Equipment (PPE) Existence - Surplus Assets	Rating
Observation	Our testing on existence resulted to the identification of land assets (HMRI sites) that no longer exist physically but continue to exist in the Council's Fixed Asset Register (FAR).	
Impact	The HMRI sites' discovery undermines FAR reliability, necessitating extensive verification efforts to ensure the continued existence of other assets, raising concerns about data integrity.	
Recommendation	We recommend that Management perform an exercise to validate the existence of Property, Plant, and Existence as part of the close down process to avoid the same situation in the future.	
Management comment	It has been agreed that HMRI assets will be removed from the FAR. An explanation was provided by officers as to why this was a situation considered unique to these assets due to the management and complexities of the HMRI Programme	

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# Appendix H - Control observations 2021/22 (cont'd)

Area	Financial Statements Closedown Process - Quality Assurance	Rating
Observation	We noted several disclosure adjustments with no impact on the primary financial statements but were significant in their value or nature to enhance understandability. Example of these are highlighted in Section 04 of the Audit Results Report previously presented in September 2023.	
Impact	The CIPFA Code provides that an authority shall also consider whether to provide additional disclosures when compliance with the specific requirements in another section of the Code or IFRS is insufficient to enable users of financial statements to understand the impact of a particular transaction, event, or condition.	
Recommendation	We recommend that Management ensure that the process of compiling the financial statements includes controls to reduce the likelihood of material misstatements of a disclosure nature.	
Management comment	Recommendation agreed.	

# Appendix H - Control observations 2021/22 (cont'd)

Area	Supporting information by key judgment	Rating
Observation	<p>During our testing of provisions on debtors, we identified instances where judgements applied by management were not wholly supportable. As an example, a 25% rate is used for the Housing Benefit provision without sufficient evidence to support this being appropriate. Most of the % in the provisioning has been used for several years and inquiry confirmed that assessment has been made with the aid of the Chief Debtor Officer, however there is no real basis to support if they continue to be reasonable.</p>	
Impact	<p>Judgment is an area where it is difficult to evidence, however, they cannot be directly made without a starting point. Basis used to form key judgment and estimates should be documented and retained and assessment on whether they continue to be reasonable and appropriate should be recorded. This would help the audit team build expectation and test the basis.</p>	
Recommendation	<p>We recommend that Management ensure that all estimates and judgements are robustly evidenced and supported.</p>	
Management comment	<p>Recommendation agreed.</p>	

# Appendix H - Control observations 2021/22 (cont'd)

Area	Assets Held for Sale (AHS)	Rating
Observation	<p>We noted that assets transferred and reported as held for sale as of 2020/21 continue to exist and remain unsold in 2021/22. The Council's practice is that non-current assets are first revalued as IP and/or PPE before they are transferred to AHS. If already transferred, they will not be subject to valuation as they are expected to be disposed within one year from the date of reclassification.</p>	
Impact	<p>The Code requirement is for AHS to be carried at the lower of their carrying amount and their fair value less cost to sell. Whilst we were able to verify the correctness of classification of assets classified as AHS, concur with the rationale on why the AHS classification remain to be appropriate and obtain reasonable assurance on their valuation through an alternative procedure, no exercise was done by the Council to compare the fair value less cost to sell and the carrying amount recorded from the year of transfer.</p>	
Recommendation	<p>We recommend that Management ensure that the valuation of AHS in the books is aligned with what is required in the Code.</p>	
Management comment	<p>Recommendation to be implemented.</p>	

# Appendix H - Control observations 2021/22 (cont'd)

Area	Infrastructure Assets	Rating
Observation	<p>The Council's resolution towards the accounting for its infrastructure assets is the adoption of the Statutory Instrument issued by DLUHC where the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil. This is driven by the situation that the Council does not record infrastructure capital expenditure with sufficient detail to enable identification of prior cost of replaced parts/components and related accumulated depreciation.</p>	
Impact	<p>The statutory relief is granted for only two years, thus temporary. Whilst the Management believes that this will be extended due to the complication and the time it would take for local authorities to comply with the requirement, the Council has to start planning what arrangements to establish to maintain infrastructure asset records at the individual asset level to cope the issue and align infrastructure treatment with CIPFA.</p>	
Recommendation	<p>We recommend that Management start investing for an improved information on the assets included within infrastructure assets to comply with the componentization requirement of the Code.</p>	
Management comment	<p>Recommendation noted.</p>	

# Appendix H - Control observations 2021/22 (cont'd)

Area	Grant and Deferred Grant	Rating
Observation	<p>The Council does not maintain a schedule for grants to specifically monitor the amount received per grant to the amount expensed off from each grant. With various grants received from different sources, some of them may be ring-fenced subject to specific and special conditions with regard to the disbursements and some may be non-ringfenced.</p>	
Impact	<p>Whilst we performed alternative procedure to obtain reasonable assurance over the utilization of grant, the Council's absence of a grants monitoring schedule poses internal control challenges. Without tracking the inflow and outflow of funds for each grant, there's a risk of misallocation or non-compliance with specific grant conditions. This deficiency can lead to financial inaccuracies, jeopardize grant accountability, and potentially result in non-compliance issues, affecting the Council's reputation and financial stability.</p>	
Recommendation	<p>We recommend that Management maintain a record or schedule to monitor receipt and utilization of grants which is essential for transparency and compliance.</p>	
Management comment	<p>A central register of grants will be developed to meet this recommendation. The Council has a grant funding protocol for the management of grants. The Council in utilising any grant is clearly aware from the terms and conditions accompanying the grant determination as to whether it is ring fenced or not. This is tested by the authorisation of grant claims or the internal audit review that now is becoming required for most allocations. Examples of how this operates have been provided to the external auditor to demonstrate the work undertaken by Internal Audit. If there is evidence of this not being complied with this by the external auditor this will be investigated and reported to Audit and Governance committee.</p>	

# Appendix H - Control observations 2021/22 (cont'd)

Area	Timeline of the valuation of De Minimis Investment Property (IP) and PPE	Rating
Observation	<p>For IP and PPE, valuation frequency is followed as per CIPFA Code which is annually and on a 5-year rolling programme, respectively. However, there is an exception which applies to assets with balances of £30,000 and below referred to as "De Minimis". They are not subject to valuation.</p>	
Impact	<p>The absence of exceptions in the CIPFA Code for Intangible Property (IP) and Property, Plant, and Equipment (PPE) valuation raises the Council's responsibility to align its policy with the framework. The use of a de minimis limit is not a noncompliance to the Code. However, as per the concept of the rolling programme, it is possible that the policy or other decisions of the authority will affect the categorization of these properties or changes of use may occur which could alter the valuation.</p>	
Recommendation	<p>We recommend that Management perform an assessment whether the valuation of "de minimis assets" do not materially differ from their values when they were last valued and if already being done, ensure that the assessment and review by the valuer on the de minimis assets is explicitly covered and stated in the valuer's report.</p>	
Management comment	<p>Implementation of recommendation will be agreed with external auditor. The use of a de minimis limit has been in place within the Council since the capital accounting regulations were introduced in 2004/05. The current level was increased from £20k to £30k in recent years with the agreement of the current auditors. The total NBV of de minimis assets is £2.3m and so any misstatement in value is likely to be immaterial. The Council's internal valuer, Suzanne Rimmer, has confirmed that an annual review takes place on all de minimis assets to determine if there has been any change of circumstances that would lead to a revaluation being required.</p>	

# Appendix H - Control observations 2021/22 (cont'd)

Area	Heritage Assets	Rating
Observation	<p>During our testing of the disclosures on Heritage Assets, we identified instances where disclosed number or quantities of categories of heritage assets were not wholly supportable. As an example, the number of artworks pieces disclosed as 3,500 and the 30,000 items of social and natural history are not exactly verified. There is significant documentation backlogs and a number of boxes of items from the Botanic Garden Museum collection are not on the inventory. This results to the total number of objects disclosed being a very broad estimate.</p>	
Impact	<p>Inadequate inventory control hinders our ability to confirm the accuracy of disclosed numbers. This issue results in imprecise disclosures, potentially affecting financial transparency and heritage asset management.</p>	
Recommendation	<p>We recommend that Management start addressing the documentation backlog.</p>	
Management comment	<p>Work is being undertaken with the relevant team to develop an action plan for this and progress will be reported to the Audit and Governance committee at the next meeting.</p>	



# Appendix H - Control observations 2021/22 (cont'd)

Area	Bank Reconciliation - Income Account (Account # 93226632)	Rating
Observation	<p>The bank reconciliation on the general income bank account is not as straightforward and contains reconciling items that could be simplified. Items from the suspense account brought forward from PY continue to appear as a reconciling item even when already cleared in CY. The subsequent clearance is included in the "list of items from the suspense account in the current year" reconciling item. Some of the balances included in the above quoted item were also cleared during the year and the clearance is included in another reconciling item known as the "Y Indicators".</p>	
Impact	<p>Complex bank reconciliation with recurring and growing suspense account items and unclear categorization of cleared balances poses a risk to financial accuracy and efficiency. This issue may lead to prolonged reconciliations, increased error potential, and hindered financial transparency.</p>	
Recommendation	<p>We recommend that Management regularly clear cash suspense account to ensure cash are coded to the proper source and start simplifying its bank recommendation. One point to consider is to net off reconciling items and remove prior year reconciling items that have already been cleared.</p>	
Management comment	<p>Recommendation implementation to be agreed between Sefton MBC and external auditor. The audit finding acknowledges that the reconciliation is a complex process as you would expect for an organisation of this size. The bank reconciliation process is well established, and the current format has been in place since before EY commenced auditing the Council's accounts in 2015/16 and no issues have been raised previously during that period.</p> <p>The recommendation suggests simplifying the presentation and it is suggested that this is reviewed prior to the 23/24 year-end reconciliation being produced (as the 22/23 year-end reconciliations have now been finalised). Officers will engage with Grant Thornton, the Council's new external auditors for 23/24, to determine what changes to the presentation will be required.</p>	

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Ernst & Young  
One Colmore Square,  
Birmingham,  
B4 6HQ

Executive Director of  
Corporate Services and  
Commercial  
Magdalen House  
Trinity Road  
Bootle  
L20 3NJ

Date: 20<sup>th</sup> November 2024



0151 934 4081

[stephan.vanarendsen@sefton.gov.uk](mailto:stephan.vanarendsen@sefton.gov.uk)

Dear Ernst & Young

**Representation letter – audit of Sefton Metropolitan Borough Council’s (the Council) Entity and Group Statement of Accounts for the years ended 31 March 2022 and 31 March 2023**

This letter of representations is provided in connection with your audit of the consolidated and Council financial statements of Sefton Metropolitan Borough Council (“the Group and Council”) for the years ended 31 March 2022, and 31 March 2023. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and Council financial statements give a true and fair view of (or ‘present fairly, in all material respects,’) the Group and Council financial position of Sefton Metropolitan Borough Council as of 31 March 2022 and 31 March 2023 and of its financial performance (or operations) and its cash flows for the years then ended in accordance with, for the Group and the Council, CIPFA LASAAC Codes of Practice on Local Authority Accounting in the United Kingdom 2021/22 and 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

We understand that the purpose of your audit of our consolidated and Council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist. Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**A. Financial Statements and Financial Records**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the Council, the Accounts and Audit Regulations 2015 and CIPFA LASAAC Codes of Practice on Local Authority Accounting in the United Kingdom 2021/22 and 2022/23

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(as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and Council financial statements. We believe the consolidated and Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and the Council in accordance with the CIPFA LASAAC Codes of Practice on Local Authority Accounting in the United Kingdom 2021/22 and 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)) and are free of material misstatements, including omissions. We have approved the consolidated and Council financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Codes of Practice on Local Authority Accounting in the United Kingdom 2021/22 and 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)) for the Group and for the Council that are free from material misstatement, whether due to fraud or error.
5. The comparative amounts have been restated to reflect the below matter and appropriate note disclosures of this restatement have also been included in the current year's consolidated and Council financial statements.

Credits at the year-end relating to Council Tax and NNDR Payers that were previously recorded as Receipts in Advance in 2021/22 have been reclassified as Short-Term Creditors in 2022/23 in line with the disclosure requirements of the Accounting Code of Practice.

The impact of the changes on the figures included in the 2021/2022 Statement of Accounts are shown below:

<b><u>Balance Sheet</u></b>	2021/2022 Statement of Accounts	Adjustments	Restated Figures
	£000	£000	£000
Short Term Creditors	-59,355	-4,212	-63,567
Receipts in Advance	-44,531	4,212	-40,319

There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year's consolidated and Council financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the consolidated and Council financial statements for the years ended 31 March 2022 and 31 March 2023 are solely the result of reclassifications for comparative purposes.

6. We confirm the Group and Council does not have securities (debt or equity) listed on a recognised exchange.
7. We have confirmed to you any changes in service organisations within the Group and Council since the last audited financial year.

## **B. Non-compliance with law and regulations, including fraud**

1. We acknowledge that we are responsible for determining that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - Involving financial irregularities.
  - Related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Group and Council's financial statements.
  - Related to laws and regulations that have an indirect effect on amounts and disclosures in the Group or Council's financial statements, but compliance with which may be fundamental to the operations of the Group or Council's business, its ability to continue in business, or to avoid material penalties.
  - Involving management, or employees who have significant roles in internal controls, or others; or
  - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

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## C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and Council financial statements.
3. We have made available to you all minutes of the meetings of the Group and the Council committees or summaries of actions of recent meetings for which minutes have not yet been prepared held through the year to the most recent meeting on the following date: 20<sup>th</sup> November 2024.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the years ended, as well as related balances due to or from such parties at the year ends. These transactions have been appropriately accounted for and disclosed in the consolidated and Council financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA/LASAAC Codes of Practice on Local Authority Accounting in the United Kingdom 2021/22 and 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and Council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorised access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorised access to our information

technology systems is reasonably likely to have a material impact on the Group and Council financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

8. We have disclosed to you and provided you full access to information and any internal investigations relating to, unauthorised access to our information technology systems that has a material effect on the Group and Council financial statements, including disclosures.

## **D. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and Council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 51 to the consolidated and Council financial statements all guarantees that we have given to third parties.

## **E. Going Concern**

1. Note 55 (a) to the consolidated and Council financial statements discloses all the matters of which we are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

## **F. Subsequent Events**

1. Other than events described in Note 43 to the consolidated and Council financial statements, there have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and Council financial statements or notes thereto.

## **G. Group Audits**

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst the Council, subsidiary undertakings and associated undertakings.

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## H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises information contained within the Narrative Statement and also Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

## I Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and the Group and Council have reflected these in the consolidated and Council financial statements.

Yours faithfully

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Stephan Van Arendsen  
(Executive Director of Corporate Services and Commercial)

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Councillor Dave Robinson  
(Chair of the Audit & Governance Committee)