Public Document Pack

Sefton Council

MEETING: AUDIT AND GOVERNANCE COMMITTEE

DATE: Wednesday 12 February 2025

TIME: 3.00 pm

VENUE: Town Hall, Bootle

Member	**Substitute**
Cllr. Dave Robinson (Chair)	Cllr. Mike Desmond F.R.C.A.
Cllr. Michael Roche (Vice-Chair)	Cllr. Paula Murphy
Cllr. Jim Conalty	Cllr. Leslie Byrom C.B.E.
Cllr. Joe Johnson	Cllr. James Hansen
Cllr. Ian Maher	Cllr. Laura Lunn-Bates
Cllr. Dominic McNabb	Cllr. Judy Hardman
Cllr. Dave Neary, PhD	Cllr. Catie Page
Cllr. Dr. John Pugh	Cllr. Mike Sammon
Cllr. Simon Shaw	Cllr. Mike Sammon
Cllr. Tom Spring	Cllr. Jennifer Corcoran

COMMITTEE OFFICER: Amy Dyson, Democratic Services Officer
Telephone: 0151 934 3173

E-mail: amy.dyson@sefton.gov.uk

If you have any special needs that may require arrangements to facilitate your attendance at this meeting, please contact the Committee Officer named above, who will endeavour to assist.

We endeavour to provide a reasonable number of full agendas, including reports at the meeting. If you wish to ensure that you have a copy to refer to at the meeting, please can you print off your own copy of the agenda pack prior to the meeting.

A G E N D A

1. Apologies for absence

2. Declarations of Interest

Members are requested at a meeting where a disclosable pecuniary interest or personal interest arises, which is not already included in their Register of Members' Interests, to declare any interests that relate to an item on the agenda.

Where a Member discloses a Disclosable Pecuniary Interest, he/she must withdraw from the meeting room, including from the public gallery, during the whole consideration of any item of business in which he/she has an interest, except where he/she is permitted to remain as a result of a grant of a dispensation.

Where a Member discloses a personal interest he/she must seek advice from the Monitoring Officer or staff member representing the Monitoring Officer to determine whether the Member should withdraw from the meeting room, including from the public gallery, during the whole consideration of any item of business in which he/she has an interest or whether the Member can remain in the meeting or remain in the meeting and vote on the relevant decision.

3. Statement of Accounts 2023/2024 (Pages 3 - 284)

Report of the Executive Director – Corporate Services and Commercial

Sefton Council

Report Title:	Statement of Accounts 2023/2024		
Date of meeting:	12th February 2025		
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 2023/2024, including the updated Annual Governance Statement, for consideration and approval, and also to consider the Grant Thornton's Interim Auditor's Annual report and their Audit Findings report.

In addition, the proposed "Letter of Representation" document to be provided by Sefton to Grant Thornton is attached for approval.

Recommendation(s):

That Audit and Governance Committee:

(1) Approve the Statement of Accounts for 2023/24, 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 Statement for 2023/24 (Section 11 of the Statement of Accounts).

(4) Note the comments of Grant Thornton within their Interim Auditor's Annual report and their Audit Findings 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.

(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.

1. 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 2023/24 was 30 September 2024. 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 28th February 2025 for audits to be finalised for Statement of Accounts for 2023/24 so the Statement of Accounts are now being presented for approval in advance of this deadline.

1 Background

1.1 Since 2010/2011 the Audit and Governance Committee has only been required to approve the Statement of Accounts following the completion of the Audit and doesn't need to approve the draft Statement of Accounts. However, the Council has continued to present the draft Statement of Accounts to the Committee so that it is able to consider the contents prior to the final audited version being presented for approval at a later date.

1.2 Since 2019/20 the deadlines for approval and publication of the audited Statement of Accounts have been changed a number of times. The Government have now implemented legislation that from 2022/2023 (to 2027/2028) the deadline for approving the audited Statement of Accounts will be 30 September rather than 31 July (with a deadline of 31 May for the publication of the draft accounts).

1.3 The draft Statement of Accounts for 2023/2024 were published on the 31 May 2024 in line with the regulations and were presented to the Committee for their consideration in June 2024.

1.4 The audit of the Statement of Accounts for 2023/2024 has been undertaken by the Council's new external auditors, Grant Thornton. The audit is almost complete, and this report presents their Interim Auditor's Annual report, and their Audit Findings report for consideration.

1.5 The deadline for publication of the final approved Statement of Accounts for 2023/24 was 30 September 2024. 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*".

1.6 Members will also recall that the Government has issued regulations to try to resolve the issue of numerous local government audits still being outstanding. An overview of these regulations were reported to Audit and Governance in September 2024. The main impact on Sefton's outstanding audits for 2023/24 was the introduction of a backstop date of 28th February 2025. By this date the Statement of Accounts would need to be approved, and the audit completed.

2 <u>Current Position on the Completion of the audit of the Statement of Accounts 2023/24</u>

2.1 The draft Statement of Accounts for 2023/24 were presented to the Committee on 19th June 2024. Since then, the Council's new external auditors, Grant Thornton, has been conducting their audit of the Statement of Accounts, as well as undertaking work to assess the Council's Value for Money arrangements. A significant amount of work had been undertaken by September 2024. However, the audit couldn't be completed until the audits of the Statement of Accounts for 2021/22 and 2022/23 had been completed by the Council's previous external auditors. The Statement of Accounts for 2021/22 and 2022/23 were approved in early December 2024. Grant Thornton are therefore now able to complete their audit for 2023/24.

2.2 At the time of publishing this report there were still a number of areas where the audit has yet to be completed. These are outlined at the beginning of Grant Thornton's Audit Findings report (**Appendix C**).

2.3 The final Statement of Accounts for 2023/24 is attached as **Appendix B** (subject to final changes being identified before the audit is completed). Since the draft Statement of Accounts was previously considered by the Committee in June 2024 the document has been updated for a number of adjustments identified as being required during the audit – these are summarised in Appendix D of Grant Thornton's Audit Findings report. It should be noted that none of the adjustments made to the Statement of Accounts impact on the Council's General Fund position previously reported to Cabinet. In addition, a number of disclosures / narrative items have been updated throughout the Statement of Accounts.

3 Annual Governance Statement

3.1 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.

4 Grant Thornton's Reports to those charged with Governance.

4.1 Grant Thornton's Interim Auditor's Annual Report for the year ended 31st March 2024 is attached at **Appendix B**. Their Audit Findings for Sefton Council – year ended 31st March 2024 is attached at **Appendix C**. The reports cover the audit of the Statement of Accounts and Value for Money work undertaken by Grant Thornton for 2023/24. Staff from Grant Thornton 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.

4.2 As has been previously reported, due to the Statement of Accounts for 2021/22 and 2022/23 having a "disclaimed" opinion, the Statement of Accounts for 2023/24 will therefore also need to a "disclaimed" opinion issued. Grant Thornton will explain this issue at the meeting.

5 Letter of Representation

5.1 The Council is required to provide a letter of representation to the Auditor at the conclusion of the audit. This acknowledges the Council's responsibilities in preparing the Accounts 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.

5.2 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) has been 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 2023/24 need to be finalised by the 28th February 2025. This report presents the final Statement of Accounts for 2023/24 for approval.

Alternative Options Considered and Rejected

None.

Equality Implications: There are no equality implications.
Impact on Children and Young People: None.
Climate Emergency Implications: 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 (FD 7943/25).

The Chief Legal and Democratic Officer (LD6043/25) 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 2023/24
Appendix B – Grant Thornton – Interim Auditor's Annual Report for the year ended 31st March 2024
Appendix C – Grant Thornton – The Audit Findings for Sefton Council – year ended 31st March 2024
Appendix D – Letter of Representation - year ended 31st March 2024

Background Papers:

There are no background papers to this report.

This page is intentionally left blank

Sefton Council

STATEMENT OF ACCOUNTS 2023/2024

As Presented to Audit & Governance Committee on 12th February 2025

Contents

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 281,000 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 2023/2024. 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 2023/24, the Government announced a £19.6 million (15.7%) increase in the Sefton Council's core grant funding, which equated to a 10.1% increase in total core funding when council tax income was taken into account. The grant increase included £3.6 million from the ASC Market Sustainability and Improvement Fund and £2.2m from the ASC Discharge Fund which come with new responsibilities. This is only the fourth year in which funding has increased since 2010/11 and core grant funding remains lower than it was in 2013/14 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.

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 Council commissioned an LGA peer group review during 2023/24 which was undertaken in October 2023. The recommendations of the review were considered by the Council's Cabinet in April 2024 and an action plan has been approved.

The challenges faced by the Council have been compounded over the past few years as a result of the ongoing impact of Covid-19, the cost-of-living crisis, increasing demand for services (particularly children's social care), interest rate increases (higher cost of borrowing), and the impact of inflation (higher energy costs). The annual increase in the Consumer Price Index peaked at 11.1% in October 2022 and remained at over 10% until April 2023. Inflation has reduced in 2023/24, however, this simply means the rate of increase has slowed whilst the costs faced by the Council remain much higher than 2 years ago. The impact of these pressures has meant the Council needed to introduce further cost saving measures in 2023/24. Despite this the Council has been able to set a balanced budget for 2024/25 and agree a Medium-Term Financial Plan for the period up to 2026/27 setting out its approach to funding service provision over the next three years.

An overview of Sefton Council

Sefton Councillors in 2023/2024

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 2024 is identified below:

Labour	50
Liberal Democrat and Progressive Alliance Group	9
Conservative	5
Lydiate, Maghull, Aintree & Lunt Community Independents	1
Vacancy	1
Total	**66**

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.

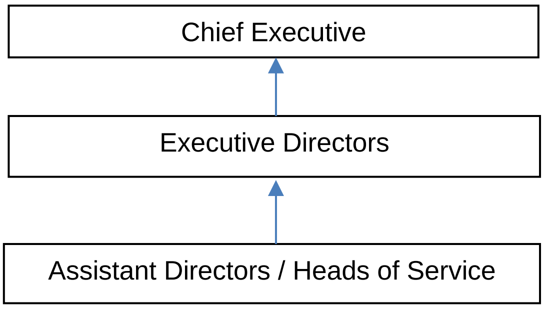
There is also the opportunity for the public to ask questions or submit petitions directly to the Council.

The Leader of the Labour Group, Councillor Marion Atkinson, 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 2024.



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

Assistant Directors / Heads of Service: (1) Adult Social Care, (2) Children's Safeguarding and Quality Assurance (3) Cared for Children, (4) Commercial Development, (4) Communities, (6) Economic Growth and Housing, (7) Education, (8) Help and Protection and Early Help, (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, (14) Restorative Transformation, and (15) Strategic Support.

The number of Assistant Directors / Heads of Service has increased from 14 to 15 in 2023/24. The change 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 2023/2024 the Council employed approximately 2,605 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.

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.

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

The Council commissioned the Local Government Association (LGA) to conduct a peer review as an independent check on how it is doing in terms of planning for and delivering against our ambitious plans for the future.

The peer review was completed in November 2023 and the peer review team was made up of experienced elected member and officer peers.

The peer review team considered the following five core themes; (1) Local priorities and outcomes, (2) Organisational and place leadership, (3) Governance and culture, (4) Financial planning and management, and (5) Capacity for improvement.

The overarching conclusion from the LGA peer team following the review was that there are clear and exciting opportunities for the borough over the coming years, including the regeneration of Bootle Strand, Crosby Town Centre, and the development of the Southport Marine Lake Events Centre, however the Council, like all councils, is facing significant and pressing challenges.

The review confirmed that importantly, the Council is aware of areas that require prioritisation. Most notably, this includes the Transformation and Improvement Plan for Children and Young People that the Council developed and reviewed following an inadequate OFSTED inspection in February 2022. These challenges of service improvement are complicated by the financial challenges facing the Council and the wider sector. This includes low levels of reserves, recent overspends against key demand led budgets, and increased costs associated with the Dedicated Schools Grant driven by their High Needs Block which is forecast as a £24 million deficit by the end of 2023-2024.

The peer team provided a detailed feedback report which suggested some areas for the Council to consider including the following 10 key recommendations: (1) Review and align corporate capacity to support council priorities, (2) Use the process of developing the Council's Medium Term Financial Plan to develop a widespread understanding and ownership of the Council's financial challenges, (3) Increase Financial Reserves, (4) Maintain the recent progress which has been made regarding improvements to Children's Services, (5) Ensure that regeneration opportunities are supporting inclusive growth, (6) Develop the wider assurance framework within the Council, (7) Consider the use of meetings and their impact on capacity, (8) Review and refine the Council's performance management framework, (9) Develop a culture of high challenge, high support behaviours across the organisation, and (10) Build on the findings of the upcoming staff survey and consider the benefit of a resident survey.

The Council's Cabinet considered the detailed LGA Peer Group feedback report at their meeting in April 2024 and approved an action plan to address each of the key recommendations.

Corporate Plan 2023 to 2026

In 2023, the Council published its Corporate Plan that brings together our priorities for the next three years. It is underpinned by our Workforce Strategy and core values. Our ambition is for Sefton to be a confident and connected borough that offers the things we all need to start, live and age well, where everyone has a fair chance of a positive and healthier future. Local people are at the heart of our plan, and we will continue to work with our partners to reduce the many inequalities that exist across Sefton.

Safeguarding children, with our partners, is our highest priority. Our Children's Services team continues to face high demand and increases in complexity of need. The actions in our Improvement Plan identify the steps we are taking to make the required changes.

The plan set out the following priorities:

- Children & Young People - Improving outcomes for children and their families.
- Health & Wellbeing – Improving the health and wellbeing of everyone in Sefton and reduce inequality.
- Adult Social Care – Empowering people to live an independent life, exercise choice and control, and be fully informed.
- Working for Our Communities Every Day - Working together to deliver affordable services which achieve the best possible outcomes for our communities.
- Inclusive Growth – Creating more and better jobs for local people.
- Financial Sustainability

The Council's overarching goal is to continue to address inequalities, to protect the most vulnerable, and to facilitate resilient communities across the Borough.

The Corporate Plan sets out where we are now and what we need to do next to achieve our aims and meet our prioritise.

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 18th 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.

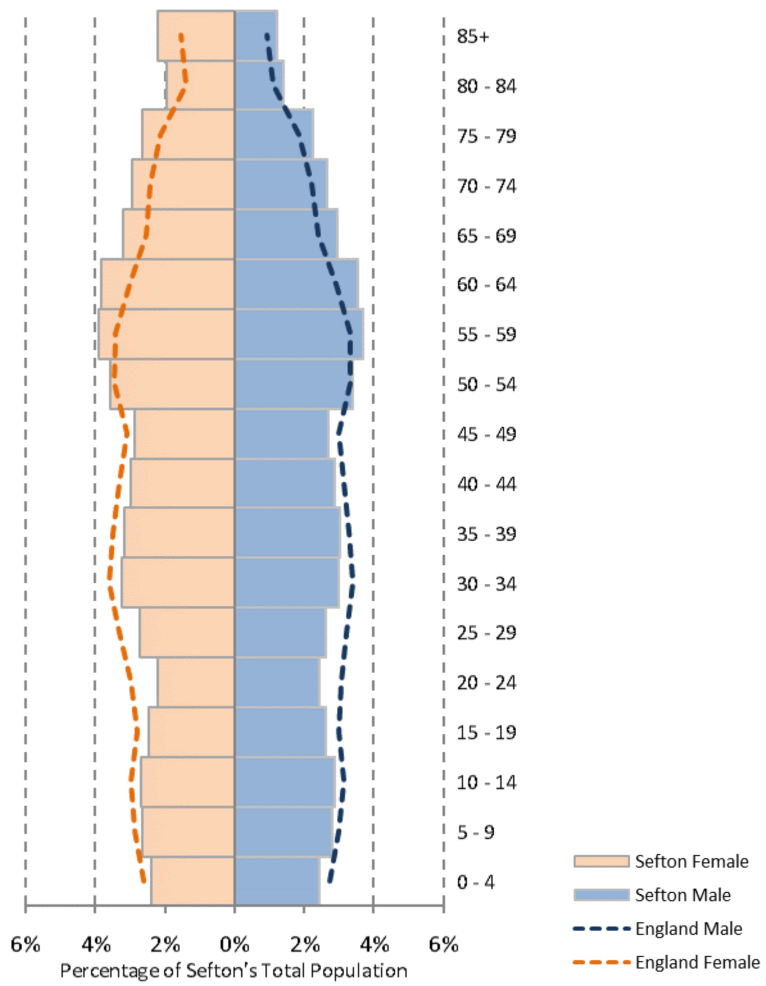
Achieving these aims will require investment in developing renewable energy generation, use of biogas produced through waste streams and agricultural waste stock, carbon offsetting, and moving to low carbon fleet vehicles as well as adapting the way we deliver services to reduce energy usage.

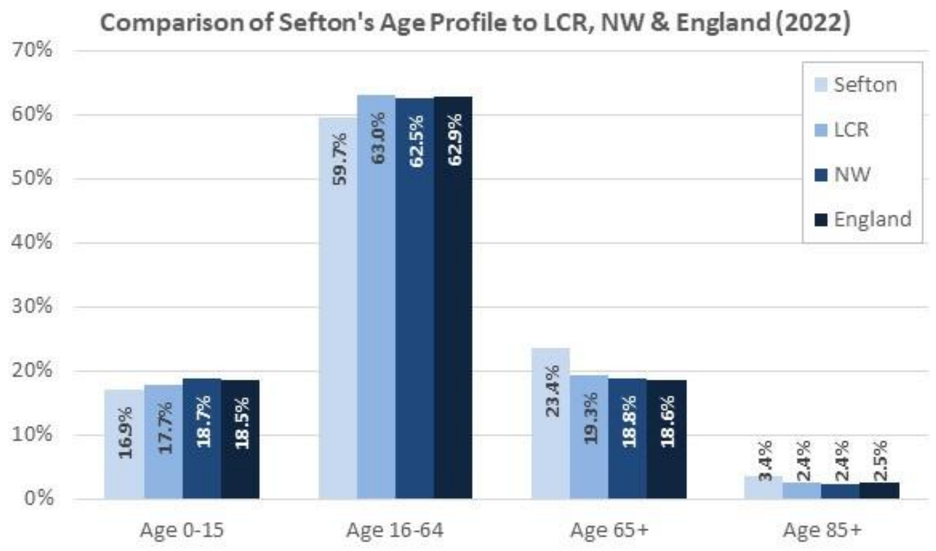
Progress towards the Council's clean energy targets is being regularly monitored. A report was taken to Council in July 2024 highlighting the significant work that has been undertaken in 22/23. From 1 April 2023 all of Sefton's electricity was generated by renewable energy sources such as solar PV or wind. This has a significant impact on the Council's carbon footprint as it meant that our existing emissions from using electricity fell to zero emissions. In relation to the Council's carbon footprint overall, emissions continued to fall for the 4th successive year and during 23/24, the Council has reduced overall emissions by 29%. The reductions are in line with the plan to net zero. Overall reduction in emissions since 2019/20 is 41% (4,7[illegible]1 tCO2).

Climate change may have an impact on expenditure incurred by the Council, for example from investing in flood defence, or may potentially impact on the value of the Council's assets and liabilities currently or in the future.

Age Profile of Sefton Residents

The age profile of residents is important to local authorities as it influences where / what services are provided. The 2022 mid-year population estimates suggested that Sefton's total population was 281,027. The figures also showed that 23% of Sefton's residents are aged 65 and over; this is above the Liverpool City Region – LCR, North West and England averages (with all thee being 19%). Sefton is ranked 72nd highest out of 296 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 6th highest proportion of over 65's across the 35 North West local authorities and is highest of the six Liverpool City Region (LCR) authorities.

Sefton is the 47th highest LA for the proportion of residents aged 85 and over throughout England (and is within the top 20% of LAs nationally. With the Borough being 3rd highest in the North West, at 3.4% of the overall population, Sefton is again higher than the LCR (2.4%), North West (2.4%) and national (2.5%) 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 38,260) and an increase for females of 31% (35,900 to 46,938). This means an overall 65+ population increase of 33% rising from 64,032 in 2018 to 85,198 by 2043.

Greatest increases are amongst those aged 85 and above with and 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 Estimates 2022 / Population Projections 2018]

Performance information

Core Funding

Business Rates: There was no change in the standard business rate multiplier in 2023/24. The Council billed £64.160m of business rates charges in 2023/24 (excluding prior year adjustments). The council collected 98.8% of the amount billed in the year, down from 99.4% in 2022/23. A deficit of £1.544m is reported in the Collection Fund for 2023/24 (excluding contributions towards the previous year's estimated surplus) of which Sefton Council's retained share is £1.528m (99.0%). The deficit is largely due to the impact of valuation changes on the 2017 Rating List. The deficit on the Collection Fund will be recouped over the next two years (2024/25 and 2025/26).

Council Tax: The Council increased its council tax band D charge by £88.22 (4.99%) in 2023/24. This included a social care precept of 2.0%. The Council billed £196.603m of council tax charges in 2023/24 (including precepts) of which 94.8% was collected in the year, slightly down from 95.0% in 2022/23. A surplus of £1.546m is reported in the Collection Fund in 2023/24 (excluding contributions towards the previous years estimated surplus) of which Sefton Council's share is £1.297m (83.9%). The surplus is largely due to a reduction in the provision for bad debts in respect of previous years. The surplus on the Collection Fund will be distributed over the next two years (2024/25 and 2025/26).

Government Grant Funding: During 2023/2024, Sefton's core grant funding (including Settlement Funding Assessment, New Homes Bonus, Improved Better Care Fund, Social Care Grant, ASC Market Sustainability and Improvement Fund, ASC Discharge Fund, and Services Grant) increased by £19.6m (15.7%), which included a £3.6 million from the ASC Market Sustainability and Improvement Fund and £2.2m from the ASC Discharge Fund which comes with additional conditions and responsibilities. It also included a one-off Services Grant of £2.6m which may not be repeated in future years.

Future Funding: In December 2023, 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 has been a General Election resulting in a change of Government. 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 2024/25 to 2026/27 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 2024 was 3.6%. Sefton is slightly lower than the rates seen across LCR (4.5%), the North West (4.3%) and England (3.9%). Compared to the previous year there has been a marginal reduction in the number of unemployed people in Sefton (approximately 145 / 22%), though February 2023 has the third highest number of claimants in the last nine years (with February 2021 having the highest).
- The economic activity rate in Sefton is 78.3%, higher than the rates seen across the city region (77.0%) and regionally (77.2%) yet slightly lower than those seen across Great Britain (78.5%).
- There are currently 130,300 Sefton residents in employment (77.8% employment rate).
- 67.1% of residents are educated to Registered Qualifications Framework (RQF) Level 3 or above, higher than the averages of LCR (64.9%), the North West (64.5%) and Great Britain (66.9%).
- In 2023, the average full-time earnings for residents of Sefton were £590 per week, or £33,676 per annum, 5% lower than the English average weekly rate.
- The National Living Wage increased to £11.44 per hour in April 2024 for those 21 and over 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 89th out of 317 local authorities for deprivation affecting Children and 72nd 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 Debry 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 2024, NOMIS Labour Market Profile: ONS Annual Population Survey October 2022 to September 2023 / January to December 2022, NOMIS Labour Market Profile: ONS Annual Survey of Hours and Earnings – Residents Analysis 2023, GOV.UK National Minimum Wage and National Living Wage rates 2024, IMD 2015/19]

Social Care

Sefton's Adult Social Care dealt with 23,661 contacts during 23/24, 28% of these related to new clients. Sefton supported 5,509 clients in long term community or residential services during the year, along with providing support to 529 carers.

Current Sefton based figures show that at 31st March 2024, there were 2,485 Children in Need a rate of 465.1 per 10,000 population aged 0 to 17. At the same time 281 children were subject to a Child Protection Plan which was 56.6 per 10,000 population aged 0 to 17. With 591 children recorded as Looked After as at 31st March 2024 a rate of 110.6 per 10,000 population aged 0 to 17.

Nationally produced figures show that at the 31st March 2023, Sefton's Children in Need rate (516.8 per 10,000 population aged 0 to 17) was considerably higher than that of England (342.7), the North West (386.8) and Sefton's Statistical Neighbours average (390.2). At the same time, the Borough's rate of children subject to a Child Protection Plans (62.6 per 10,000 population aged 0 -17) was higher than those seen regionally (49.1), nationally (43.2) and the statistical neighbours average (50.1). Similar to Children in Need and Child Protection Plans, the Children Looked After rate as at 31st March 2023, was considerably higher in Sefton (114.0) than England (71.0 per 10,000 children aged 0 - 17), the North West (96) and the Statistical Neighbour group (93.3).

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 second year of the current Supporting Families Programme was completed on 31st March 2024. The target of 536 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 £428 800 worth of funding to support interventions provided by Social Workers to support families. The third year commenced 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. The third year will be the final year of this phase of the programme. The target is to turn 1530 families round by the end of this three-year phase which will generate, overall, funding of £1 224 000.

[Sources: Sefton Adult Social Care, Sefton Children Social Care, B1 children in need 2013 to 2023, D1 child protection plans 2013 to 2023, local authority children looked after on 31 March by characteristics, Local Authority Interactive Tool (LAIT) February 2024, 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 such as Royal Birkdale that will yet again host The Open Championship in 2027. 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 in 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 was extended to 30 September 2025, as per the extension clauses of the contract, and procurement activity is shortly due to commence to identify a supplier for these services from 1 October 2025.

The Council has continued to develop and improve its hosting of Council systems and data, with the majority hosted in the cloud; this ensures 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 an upgrade of its main social care case management system, and the ongoing development of tools and processes within it. With dedicated programmes of work in place to support Children's and Adults Services. Greater use is being made of online portals to enhance service provision to service users and external agencies.

Councillors continue to use 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 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 complete and new offerings actively being developed.

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 is also exploring how the use of Artificial Intelligence (AI) could improve internal operations and services to customers.

The Council continues to actively work with partner organisations in the borough improve digital inclusion and has launched a programme of initiatives across its Libraries including a refresh of all public devices, data banks and a tablet loan scheme. In addition, the Council has extended its support to local businesses, with the establishment of a dedicated networking group for the borough's Digital Creative and Technology Sector (DCT).

The Council continues to work in partnership with key agencies across the borough to implement 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 including (but not limited to) the provision of Remote Monitoring Solutions to reduce falls and associated hospital admissions. In addition, the authority has successfully implemented a dedicated information, guidance, and self-assessment toolkit online for Sefton Residents.

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 alm nians 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 refuges 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 2023/2024 of £15.116m. Specific options to contribute to the budget shortfall in 2023/2024 were identified, including a 4.99% 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 2023/2024

The budget reductions identified in the budget for 2023/2024 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 2023/2024 budget represented the fourteenth 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 2023/2024

<u>Non-School General Fund Net Expenditure</u>

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 2 March 2023, the Council approved a revenue budget for 2023/2024 of £260.922m, which included £1.424m relating to the expenditure of Parish Councils. At that time, it was anticipated that balances for non-school budgets would total £16.414m at 31 March 2024. The 2023/2024 Budget assumed an increase in general balances of £4.423m as part of a strategy to increase balances and ensure financial resilience.

Overall, actual expenditure for 2023/2024 on General Fund services (excluding Schools' delegated expenditure) was £0.114m higher than the Base Estimates after mitigating actions, but this still enabled the Local Authority to increase General Fund Balances by £4.309m.

The Authority's reported Non-School General Fund balances at 31 March 2024 are therefore £16.300m as shown in the following table:

Non-School General Fund Balances	**£m**
Actual Non-School General Fund Balances at 31 March 2023	-11.991
Plus Budgeted Contribution to Balances	-4.423
Less overspend in comparison to the 2023/2024 Base Estimate:	0.114
Actual Non-School General Fund Balances at 31 March 2024	**-16.300**

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

Net Revenue Expenditure	**Budget**	**Net Expenditure Chargeable to General Fund Balances (per EFA)**	**Adjustments for Internal Recharges / Earmarked Reserves**	**Outturn Expenditure against Budget for Monitoring Purposes**	**Variance**
	£m	**£m**	**£m**	**£m**	**£m**
Services					
Strategic Management	3.939	1.165	2.914	4.080	0.141
Adult Social Care	111.316	113.867	0.354	114.221	2.905
Children's Social Care	81.581	87.331	2.228	89.559	7.977
Communities	12.008	13.269	-2.127	11.142	-0.866
Corporate Resources	8.867	33.158	-24.798	8.360	-0.507
Economic Growth & Housing	6.647	5.690	0.704	6.394	-0.253
Education Excellence	15.765	17.104	0.373	17.477	1.713
Education Excellence - Schools	0	-5.440	5.440	0.000	0.000
Health and Wellbeing	19.645	16.415	2.105	18.520	-1.126
Highways & Public Protection	10.973	7.508	3.303	10.811	-0.162
Operational In-House Services	17.470	17.404	0.108	17.512	0.043
Other Services	2.773	2.154	0.746	2.900	0.127
Corporate Unallocated Costs		2.149	-2.149	0.000	0.000
Total Service Net Expenditure	**290.983**	**311.775**	**-10.800**	**300.975**	**9.992**
Corporate Items	12.028	8.465	-3.751	4.714	-7.314
Levies	36.193	36.193	-	36.193	-
Parish Precepts	1.424	1.424	-	1.424	-
Total Net Expenditure	**340.628**	**357.857**	**-14.551**	**343.306**	**2.678**

Financed by:					
Council Tax Payers	-161.952	-161.952	-	-161.952	-
Business Rates Top-Up	-23.917	-23.917	-	-23.917	-
Retained Business Rates	-75.096	-75.096	-	-75.096	-
General Government Grants	-84.086	-84.472	-2.178	-86.650	-2.564
Total Financing	**-345.051**	**-345.437**	**-2.178**	**-347.615**	**-2.564**
Amount Funded from / contributed to (-) General Balances	**-4.423**	**12.420**	**-16.729**	**-4.309**	**0.114**

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 2023/24 by £7.977m, a position that was reported to Cabinet throughout the year.

The 2023/2024 approved budget included an additional £21m of investment in the service based on the requirement for additional staffing (including temporary funding for additional agency costs whilst more permanent staff are recruited to, including International Social Workers and from staff coming through the social work academy) as well as additional resources to reflect the number of packages at the time, some potential growth as well as resource for inflationary pressures.

Staffing overspent during the year. There was a clear set of assumptions originally driving the budget in terms of when expensive project/court teams will leave the Council as new staff are onboarded from the International Social Worker cohort and the academy. As these assumptions were changed the overspend was revised with additional pressure being experienced. This is also a key aspect of budget setting and medium-term financial planning.

Certain areas of accommodation and support packages overspent during the year, partly due to additional packages in the late part of 2022/2023 and early part of 2023/2024. As mentioned in reports during the year, packages have been at a higher cost than previously seen. However, recent improvements in practice have resulted in more children being placed in more appropriate settings at a lower cost.

This is the key aspect of the position in 2023/2024 - the service is stabilising and as this takes place the review of placements will continue to be undertaken.

Adult Social Care – Like all councils, the Service experienced growth pressure with demand for services and sought to meet the cost of this within the resources available, including taking account of the additional funding from Central Government that was made available to councils to meet increases in demand and financial pressure including those that maybe experienced during winter and in respect of discharges. However, despite this, and the achievement of £5.7m of savings across the year, the service overspent by £2.905m due to these pressures.

Education Excellence – The net overspend of £1.713m 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. Also, additional costs relating to SEND staffing contributed towards the overspend.

Health & Wellbeing – A net surplus of £1.126m 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.

Remedial Action Plans – Due to the overall pressures faced during the year, particularly from the increased cost of pay award and Children's Social Care, Cabinet approved a Remedial Action Plan to fund these pressures. In November 2023 they approved the release of reserves (£3.795m) along with actions being delivered directly by services (£1m). In February, Cabinet approved a further £3.561m following another review of reserves, balance sheet and sales, fees and charges income.

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 £2.381m in 2023/2024. This comprised an underspend of £2.398m across Individual Schools' delegated budgets, and a net decrease in the level of DSG school funds held by the Local Authority during 2023/2024 in respect of the Supply Teachers scheme (£0.040m increase) and the Business Rates scheme (£0.057m decrease). Movements in Schools' balances during 2023/2024 can be summarised as follows:

Schools' Balances	**£m**
Schools' balances as at 1 April 2023	-17.994
Underspend on Schools' Delegated Budgets	-2.381
Schools' balances at 31 March 2024	-20.375

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 2023, was a deficit of £17.059m. During 2023/2024, 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 £36.121m (see below).

Centrally Retained DSG Balances	**1 April 2023** £m	**Movement 2023/2024** £m	**31 March 2024** £m
Schools Block	-0.963	0.024	-0.938
Early Years Block	-0.644	-0.292	-0.937
High Needs Block	18.666	19.330	37.996
	17.059	**19.062**	**36.121**

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 has provided 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 d[illegible]espect.

Capital Strategy / Programme 2023/2024

The Capital Programme 2023/2024 was approved by Budget Council on 2 March 2023. 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.

The Capital Programme 2023/2024 report highlighted Government grant funding for 2023/2024 of £2.790m for schools, £8.154m for the City Region Sustainable Transport Settlement and £4.823m for the Better Care Fund, giving a total grant allocation of £15.767m. Of the £2.790m for schools, £0.363m was ring-fenced Devolved Formula Capital Grant (DFC), and £2.426m was Schools Condition Allocation.

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

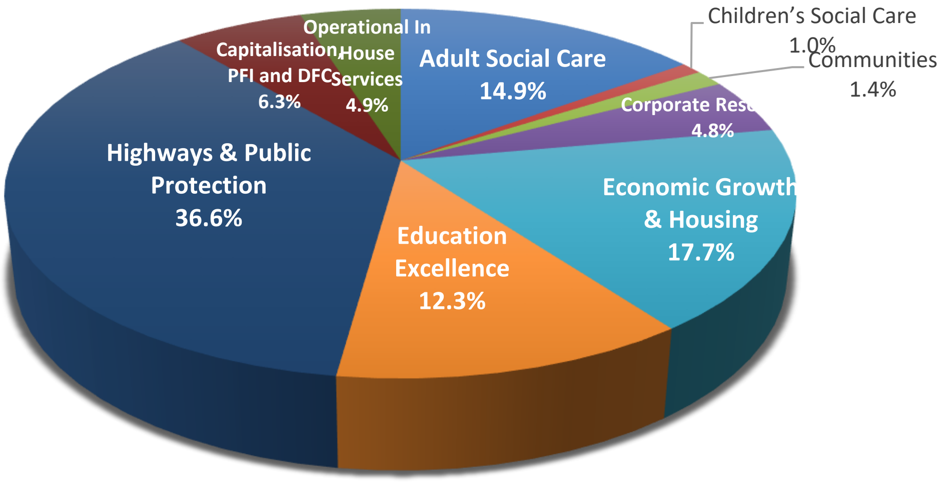
Revenue – financing capital expenditure from the Council's revenue resources.

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 2023/2024

In 2023/2024 the Authority spent £40.937m on capital projects. Examples of some of the major areas of spend include expenditure on the Schools programme (£5.037m), Highways integrated schemes (£3.890m), Highways carriageway maintenance (£5.943m), LED street lighting upgrades (£3.459m), Disabled Facilities Grants (£3.660m), Growth and Strategic Investment projects (£6.690m), Sustainable Warmth schemes to improve energy efficiency in homes (£0.687m), Essential Maintenance to Council Buildings (£1.572m) and the Regional Flood and Coastal Monitoring Programme (£1.060m).

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

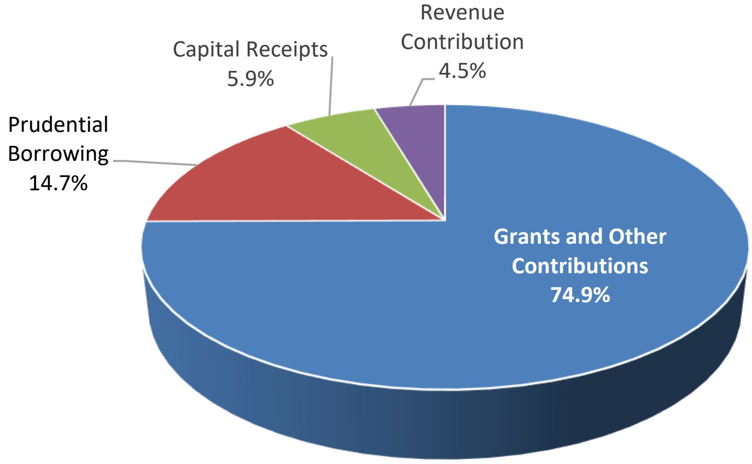


Sefton's Capital Expenditure for 2023/2024

	£m	%
Adult Social Care	6.086	14.9%
Children's Social Care	0.420	1.0%
Communities	0.593	1.4%
Corporate Resources	1.979	4.8%
Economic Growth & Housing	7.244	17.7%
Education Excellence	5.037	12.3%
Highways & Public Protection	14.996	36.6%
Operational In-House Services	2.001	4.9%
Capitalisation, PFI and DFC	2.582	6.3%
	40.937	100.0%

Financing of Sefton's 2023/2024 Capital Expenditure

Source of Finance	£m	%
Grants and Other Contributions	30.660	74.9%
Prudential Borrowing	6.005	14.7%
Capital Receipts	2.426	5.9%
Revenue Contribution	1.847	4.5%
	40.937	100



Total capital expenditure consists of the following additions:

Type of Asset	**£m**
Fixed Assets:	
- Property, Plant & Equipment	11.350
- Infrastructure	18.080
- Investment Properties	0.000
- Assets Under Construction	2.994
Intangible Assets (e.g. software licences)	1.473
Revenue Expenditure Funded from Capital Under Statute	7.041
	40.937

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 145 to 152).

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 31 May 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.

(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 - 112)

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 113 - 116)

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 117 – 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 - 140)

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 141 - 144)

(k) Glossary (pages 145 - 152)

(l) Abbreviations (pages 153 – 154)

(m) Useful Addresses (page 155)

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 2023/2024 (the Code).

There have been no material changes to the accounting policies in 2023/24.

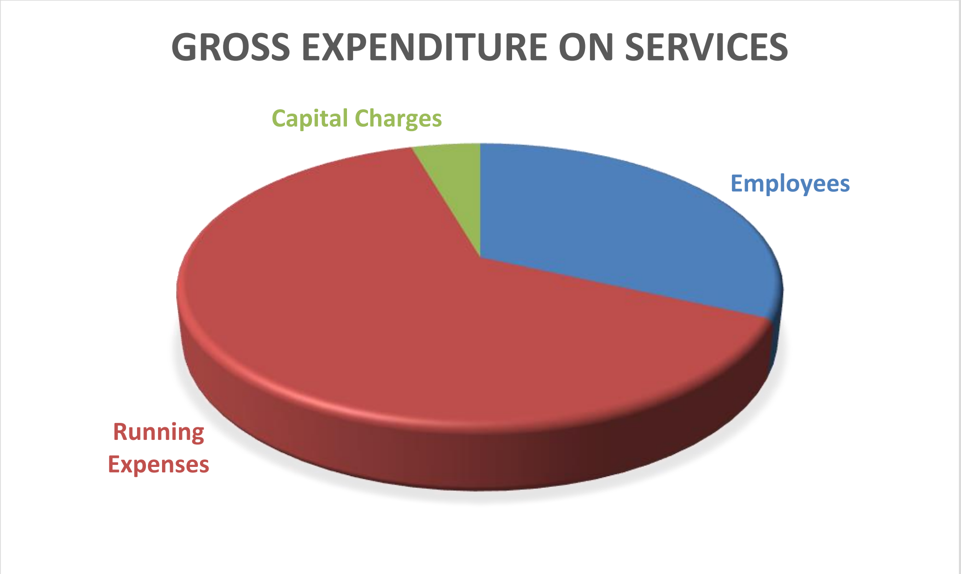
Agenda Item 3

Analysis of the Income and Expenditure Account

The tables and charts below summarise the Authority's **gross** revenue expenditure within the General Fund for 2023/2024 and highlights the main sources of General Fund Financing for 2023/2024.

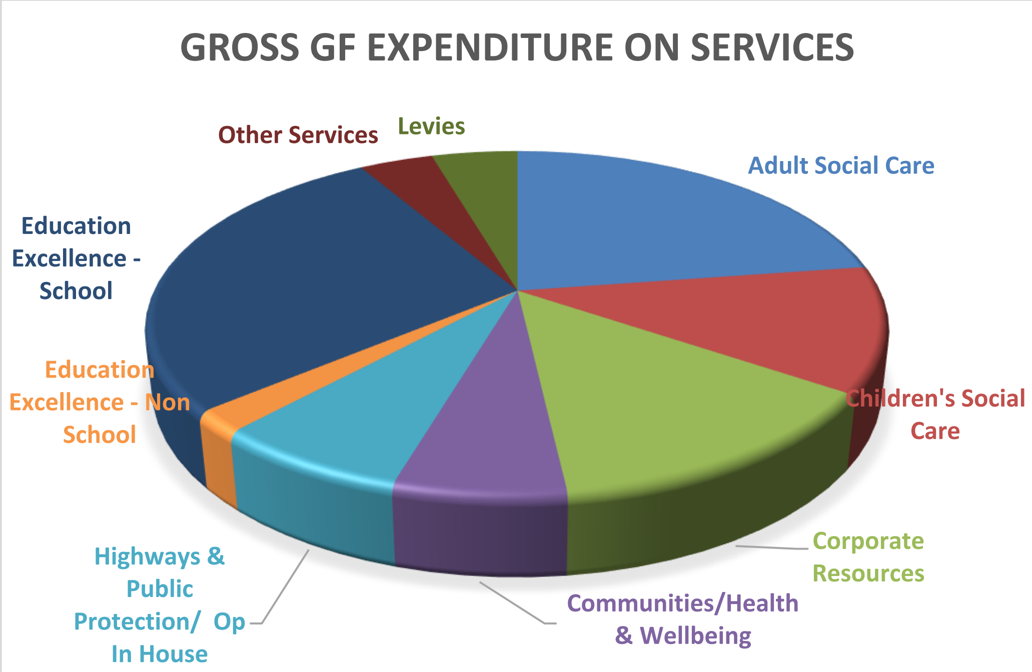
Gross Expenditure on Services (including Levies) (by Expenditure Type)

Expenditure Type	£m	%
Employees	256.053	32
Running Expenses	511.703	64
Capital Charges	37,446	4
	805,202	100



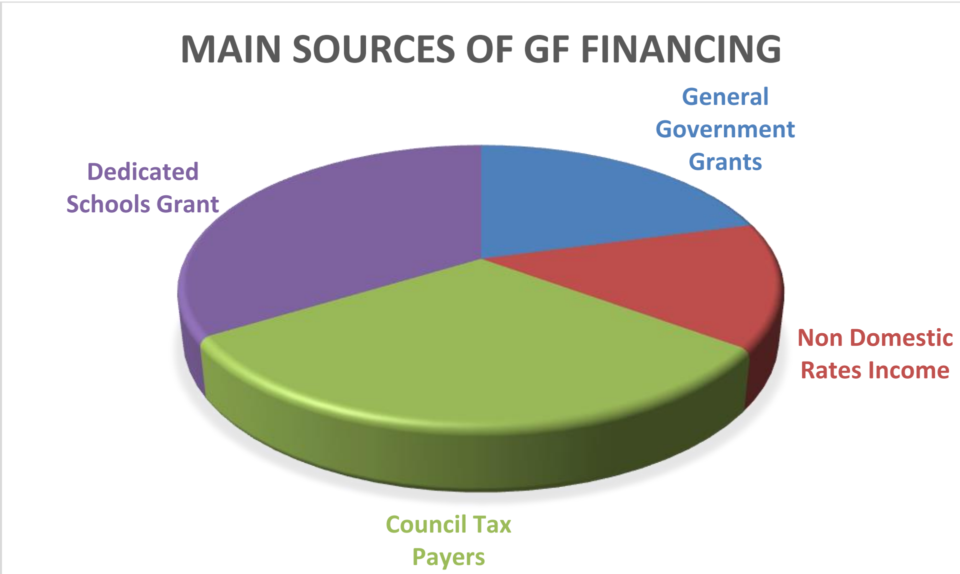
2023/24 Gross General Fund Expenditure on Services (including Levies)

Service	£m	%
Adult Social Care	182.115	23
Children's Social Care	94.891	12
Corporate Resources	110.298	14
Communities / Health & Wellbeing	51.208	6
Highways and Public Protection / Operational In-House Services	59,131	7
Education Excellence - Non-School	17,367	2
- Schools	222.768	28
Other Services	31,177	3
Levies	36.288	5
	805,202	100



Main Sources of General Fund Financing for 2023/2024

Source of Income	£m	%
General Government Grants	108.389	21
Non-Domestic Rates Income	75.096	14
Council Tax Payers	161.952	31
Dedicated Schools Grant	176.475	34
	521.912	100



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 53) 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 2023/2024 this limit was set at £220m; the Council stayed within this figure during the year.

As at 31 March 2024, the Council had outstanding borrowing of £138.459m (£134.793m as at 31 March 2023). This includes local authority bonds, stocks, mortgages and loans from the Public Works Loans Board (PWLB). At 31 March 2024, accrued interest of £1.66m, was due to be repaid within 12 months.

During 2023/2024, £15m new long-term borrowing from the PWLB was required to fund capital expenditure. Principal of £11.9m was repaid during the year of which £7.260m related to Equal Instalments of Principal (EIP) loans and £1.112m related to Annuity loans.

Interest on long-term borrowing from the PWLB totalled £4.775m during the year (£6.036m in 2022/2023).

In line with its Treasury Management Policy and Strategy the Council makes daily investment decisions. At 31 March 2024, the Council had short-term investments of £11.770m (£26.110m at 31 March 2023). The Council had no short-term deposits with banks and building societies (£0.000m at 31 March 2023). The Council had long term investments with the Church and Charities Local Authority (CCLA) Property Fund (£5.071m).

Pension Liability

As at 31 March 2024 the Pensions Liability figure in the Balance Sheet includes a net surplus on the Local Government Pension Scheme Fund attributable to Sefton of £16.719m (a deficit of £27.936m as at 31 March 2023). The surplus / deficit is reviewed periodically (normally every three years) by the Fund's actuary and steps are taken to address the surplus / deficit via reduced / 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 surplus / 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 2024 there was a net deficit relating to unfunded Teachers' Pensions attributable to Sefton of £3.964m (£4.598m as at 31 March 2023). 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 2023/2024 accounts include a provision for the cost of NNDR checks, challenges and appeals. The total value of the Provision as at 31 March 2024 is £5.190m (£6.239m as at 31 March 2023). Sefton's share of the Provision as at 31 March 2024 is £5.138m (£6.177m as at 31 March 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 £16.300m. 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 2024/2025 and future years.

The Council has £63.703m of capital resources available as at 31 March 2024 (£45.639m as at 31 March 2023). These are amounts already received that will be used to fund the Council's Capital Investment Plan in 2024/2025 and future years (see pages 16 to 17). This Plan will be vital in assisting the Borough's recovery from the pandemic.

The Council also has £32.680m of Earmarked Reserves as at 31 March 2024 (£51.790m as at 31 March 2023). These are described in Note 34. 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 £327.357m of Unusable Reserves as at 31 March 2024 (£288.385m as at 31 March 2023). 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 2023/2024 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 a small overspend which has reduced General Balances slightly from those originally budgeted for.

Decisions taken for the agreed 2024/2025 budget will increase General Fund balances from the 31 March 2024 position by nearly £14m. 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 155 of this document.

Stephan Van Arendsen

Executive Director of Corporate Services and Commercial

Agenda Item 3

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 Services and Commercial.

- 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 Services and Commercial Responsibilities

The Executive Director of Corporate Services and Commercial 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 Services and Commercial 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 Services and Commercial 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 Services and Commercial 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 2024, and its income and expenditure for the financial year ended 31 March 2024.

Stephan Van Arendsen
Executive Director of Corporate Services and Commercial
Date: 12th February 2025

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 12th February 2025.

Councillor Dave Robinson
Chair, Audit and Governance Committee
Date: 12th February 2025

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.

2022/2023			Note		2023/2024		
Gross Expenditure	Gross Income	Net Expenditure / Income (-)			Gross Expenditure	Gross Income	Net Expenditure / Income (-)
£000s	£000s	£000s		Continuing Operations	£000s	£000s	£000s
1,348	-11	1,337		Strategic Management	1,191	-10	1,181
159,898	-57,231	102,667		Adult Social Care	182,115	-66,894	115,221
77,236	-4,109	73,127		Children’s Social Care	94,891	-7,164	87,727
38,779	-19,467	19,312		Communities	32,782	-16,696	16,086
113,544	-73,925	39,619		Corporate Resources	110,299	-73,990	36,309
25,528	-17,802	7,726		Economic Growth and Housing	21,378	-13,903	7,475
19,335	-2,504	16,831		Education Excellence	17,366	-2,613	14,753
216,515	-204,578	11,937		Education Excellence - Schools	222,768	-208,092	14,676
19,010	-23,848	-4,838		Health and Wellbeing	18,426	-25,361	-6,935
24,650	-9,172	15,478		Highways and Public Protection	23,560	-8,692	14,868
38,349	-14,124	24,225		Operational In-House Services	35,531	-14,754	20,777
8,344	-11,180	-2,836		Corporate Unallocated Costs	8,607	-6,151	2,456
742,536	**-437,951**	**304,585**		**Net Cost of Services**	**768,914**	**-444,320**	**324,594**
				Other Operating Income and Expenditure			
		1,381	7	Precepts paid to Parish Councils			1,424
		35,317		Levies			36,288
		5,299	45	Loss / Gain(-) on the disposal of non-current assets			332
		-1,037	8	Other Operating Income			-1,300
		40,960					36,744
				Financing and Investment Income & Expenditure			
		7,036	9	Interest payable and similar charges			6,357
		11,453	50	Net Interest on the Net Pension Defined Benefit Liability			892
		-2,093	53	Interest Receivable			-2,480
		-2,531	20	Income and Expenditure on Investment Properties			-2,688
		4,890	20	Changes in the Fair Value of Investment Properties			-143
		1,042	53	Changes in the Fair Value of Financial Instruments			206
		19,797					2,144
				Taxation and Non-specific Grant Income			
		-152,958		Income from Council Tax			-161,533
		-79,197		Non-Domestic Rates Income			-60,860
		-71,563	17	Non-Ringfenced Government Grants			-85,027
		-31,530	17	Capital Grants and Contributions			-40,799
		-335,248					-348,219
		30,094	5	**Surplus (-) / Deficit on Provision of Services**			**15,263**
		-2,259	37	Surplus (-) / Deficit on Revaluation of non-current assets			-16,368
		-433,417	39	Re-measurement of the Net Defined Benefit Liability			-42,838
		-435,676		**Other Comprehensive Income and Expenditure**			-59,206
		-405,582		**Total Comprehensive Income and Expenditure**			**-43,943**

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.

Movements in Reserves in 2023/2024	General Fund Balance £000	Earmarked Reserves Account £000	Total General Fund Revenue Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves (Notes 38 to 43) £000	**Total Authority Reserves £000**
Balance at 1 April 2023	-29,985	-51,790	-81,775	-10,967	-34,335	**-127,077**	-288,382	**-415,459**
Movements in Year								
Total Comprehensive Income and Expenditure	15,263	0	15,263	0	0	**15,263**	--59,206	**-43,943**
Adjustments between accounting basis and funding basis under regulations (Note 7)	-2,843	0	-2,843	-1,482	-16,919	**-21,244**	21,244	**0**
Net Increase before Transfers to Earmarked Reserves	12,420	0	12,420	-1,482	-16,919	**-5,981**	-37,962	**-43,943**
Transfers to / from Earmarked Reserves (Note 34)	-19,110	19,110	0	0	0	**0**	0	**0**
Decrease / Increase (-) in Year	-6,690	19,110	12,420	-1,482	-16,919	**-5,981**	-37,962	**-43,943**
Balance at 31 March 2024	-36,675	-32,680	-69,355	-12,449	-51,254	**-133,058**	-326,344	**-459,402**

Movements in Reserves in 2022/2023	General Fund Balance £000	Earmarked Reserves Account £000	Total General Fund Revenue Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves (Notes 38 to 43) £000	**Total Authority Reserves £000**
Balance at 1 April 2022	-33,087	-81,253	-114,340	-6,260	-23,862	-144,462	134,585	-9,877
Movements in Year								
Total Comprehensive Income and Expenditure	30,094	0	30,094	0	0	30,094	-435,676	-405,582
Adjustments between accounting basis and funding basis under regulations (Note 7)	2,471	0	2,471	-4,707	-10,473	-12,709	12,709	0
Net Increase before Transfers to Earmarked Reserves	32,565	0	32,565	-4,707	-10,473	17,385	-422,967	-405,582
Transfers to / from Earmarked Reserves (Note 34)	-29,463	29,463	0	0	0	0	0	0
Decrease / Increase (-) in Year	3,102	29,463	32,565	-4,707	-10,473	17,385	-422,967	-405,582
Balance at 31 March 2023	-29,985	-51,790	-81,775	-10,967	-34,335	-127,077	-288,382	-415,459

Agenda Item 3

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'.

31 March 2023 £000s		Note	31 March 2024 £000s
500,950	Property, Plant and Equipment	18	524,249
13,149	Heritage Assets	19	13,149
27,315	Investment Property	20	27,577
1,471	Intangible Assets	21	1,520
12,032	Long Term Investments	23	11,101
8,621	Long Term Debtors	24	9,027
563,538	**Long-Term Assets**		586,623
4,881	Assets Held for Sale	25	6,019
693	Inventories		662
77,085	Short Term Debtors	26	78,879
5,086	Prepayments	26	10,949
26,332	Cash and Cash Equivalents	27	11,941
114,077	**Current Assets**		108,450
-27	Cash Overdrawn	27	-13,518
-12,995	Current Portion of Long-Term Borrowing	53	-10,506
-63,526	Short Term Creditors	28	-64,888
-15,195	Receipts in Advance	29	-17,193
-983	Deferred Liabilities	31	-1,105
-92,726	**Current Liabilities**		-107,210
0	Pensions Asset	50	28,883
0	**Long Term Assets**		28,883
-9,600	Provisions	30	-8,871
-121,798	Long Term Borrowing	53	-127,953
-5,498	Deferred Liabilities	31	-4,392
-32,534	Pensions Liability	50	-16,128
-169,430	**Long Term Liabilities**		-157,344
415,459	**Net Assets**		**459,402**

31 March 2023 £000s	Balance Sheet (Continued)	Note	31 March 2024 £000s
	Reserves		
	Usable Reserves		
-17,994	General Fund - Delegated Schools	33	-20,375
-11,991	General Fund - Non-Delegated Services	33	-16,300
-51,790	Earmarked Reserves	34	-32,680
-10,967	Capital Receipts Reserve	35	-12,449
-34,335	Capital Grants and Contributions Unapplied	36	-51,254
-127,077			-133,058
	Unusable Reserves		
-91,116	Revaluation Reserve	37	-107,164
-225,341	Capital Adjustment Account	38	-235,899
192	Financial Instruments Adjustment Account		148
-278	Pooled Investment Funds Adjustment Account		-71
-2,232	Deferred Capital Receipts		-2,232
32,534	Pensions Reserve	39	-12,755
-24,653	Collection Fund Adjustment Account	40	-9,999
5,452	Accumulated Absences Account	41	5,507
17,060	Dedicated Schools Grant Adjustment Account	42	36,121
-288,382			-326,344
-415,459	**Total Reserves**		**-459,402**

The Notes on pages 35 to 112 form part of the financial statements.

The unaudited accounts were issued on 14th June 2024 and the audited accounts were authorised for issue on 12th February 2025.

Stephan Van Arendsen
Executive Director of Corporate Services and Commercial
Date: 12th February 2025

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.

2022/2023 £000s		Note	2023/2024 £000s
	Operating Activities		
30,094	Net deficit on the provision of services		15,263
-11,800	Adjustments to net surplus or deficit on the provision of services for non-cash movements	45	-13,678
26,221	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	45	41,525
44,515	Net cash flows from Operating Activities		43,110
	Investing Activities		
30,701	Purchase of property, plant and equipment, investment property and intangible assets		33,247
10	Purchase of short-term and long-term investments		0
-8,456	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		-3,908
0	Proceeds from short-term and long-term investments		-724
-28,568	Capital Grants and Contributions		-40,799
-164	Other receipts from investing activities		-1,510
-6,477	Net cash flows from Investing Activities		-13,694
	Financing Activities		
0	Cash receipts of short- and long-term borrowing		-15,000
-460	Other receipts from financing activities		0
496	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		546
33,949	Repayments of short- and long-term borrowing		12,353
0	Other payments for financing activities		567
33,985	Net cash flows from Financing Activities	45	-1,534
72,023	**Net decrease / (increase) in cash and cash equivalents**		**27,882**
-98,328	Cash and cash equivalents at the beginning of the reporting period		-26,305
-26,305	**Cash and cash equivalents at the end of the reporting period**	27	**1,577**

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.

2023/2024	Outturn Expenditure against Budget for Monitoring Purposes	Adjustments for Internal Recharges / Earmarked Reserves	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	4,080	-2,914	1,166	15	1,181
Adult Social Care	114,221	-354	113,867	1,354	115,221
Children's Social Care	89,559	-2,228	87,331	396	87,727
Communities	11,142	2,127	13,269	2,817	16,086
Corporate Resources	8,360	24,798	33,158	3,151	36,309
Economic Growth and Housing	6,394	-704	5,690	1,785	7,475
Education Excellence	17,477	-373	17,104	-2,351	14,753
Education Excellence - Schools	0	-5,440	-5,440	20,116	14,676
Health and Wellbeing	18,520	-2,105	16,415	-23,350	-6,935
Highways and Public Protection	10,811	-3,303	7,508	7,360	14,868
Operational In-House Services	17,512	-108	17,404	3,373	20,777
Corporate Unallocated Costs	2,900	1,403	4,303	-1,847	2,456
Net Cost of Services	**300,975**	**10,800**	**311,775**	**12,819**	**324,594**
Other Operating Income and Expenditure	37,618	0	37,618	-874	36,744
Financing and Investment Income & Expenditure	4,713	3,751	8,464	-6,320	2,144
Taxation and Non-specific Grant Income	-347,615	2,178	-345,437	-2,782	-348,219
Other Income and Expenditure	**-305,284**	**5,929**	**-299,355**	**-9,976**	**-309,331**
Deficit/(Surplus) on Provision of Services	**-4,309**	**16,729**	**12,420**	**2,843**	**15,263**

Opening General Fund Balance	**-81,775**
Less: Loss in the Year	12,420
Closing General Fund Balance	**-69,355**
Analysis of Closing General Fund Balance:	
General Fund - Delegated Schools	-20,375
General Fund - Non-Delegated Services	-16,300
Earmarked Reserves	-32,680
Closing General Fund Balance	**-69,355**

The following table shows the comparative information for 2022/2023:

2022/2023	Outturn Expenditure against Budget for Monitoring Purposes	Adjustments for Internal Recharges / Earmarked Reserves	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	4,074	-2,914	1,160	177	1,337
Adult Social Care	102,706	-3,735	98,971	3,696	102,667
Children's Social Care	73,256	-2,572	70,684	2,443	73,127
Communities	16,209	-2,132	14,077	5,235	19,312
Corporate Resources	4,868	26,793	31,661	7,958	39,619
Economic Growth and Housing	6,703	-1,980	4,723	3,003	7,726
Education Excellence	13,293	-575	12,718	4,113	16,831
Education Excellence - Schools	0	-2,044	-2,044	13,981	11,937
Health and Wellbeing	17,682	-112	17,570	-22,408	-4,838
Highways and Public Protection	11,592	-3,167	8,425	7,053	15,478
Operational In-House Services	17,880	-558	17,322	6,903	24,224
Corporate Unallocated Costs	4,853	-8,791	-3,938	1,102	-2,836
Net Cost of Services	**273,116**	**-1,787**	**271,329**	**33,256**	**304,585**
Other Operating Income and Expenditure	36,604	0	36,604	4,356	40,960
Financing and Investment Income & Expenditure	-21,915	30,590	8,675	11,122	19,797
Taxation and Non-specific Grant Income	-284,997	954	-284,043	-51,205	-335,248
Other Income and Expenditure	**-270,308**	**31,544**	**-238,764**	**-35,737**	**-274,491**
Deficit/(Surplus) on Provision of Services	**2,808**	**29,757**	**32,565**	**-2,471**	**30,094**

Opening General Fund Balance	**-114,340**
Plus: Surplus in the Year	32,565
Closing General Fund Balance	**-81,775**
Analysis of Closing General Fund Balance:	
General Fund - Delegated Schools	-17,994
General Fund - Non-Delegated Services	-11,991
Earmarked Reserves	-51,790
Closing General Fund Balance	**-81,775**

8 OTHER NOTES TO THE FINANCIAL STATEMENTS

1 PRIOR PERIOD COMPARATORS / ADJUSTMENTS

Transfers between Services
At the beginning of 2023/2024 the Council transferred functions of the Communities service into the Children's Social Care service. 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 16 Leases issued in January 2016
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023.

IFRS 16 Leases: This standard's main impact is to remove the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions (with the asset on the Balance Sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as 'pay as you go' arrangements, with rentals expensed in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset and therefore reflecting the assets and liabilities of the right to use assets on the Balance Sheet. The full impact of the standard is not known as of 31st March 2024, as the exercise required to calculate the impact of the new standard has not been undertaken. The Local Authority will implement the standard upon the mandatory introduction of the standard which is from 1 April 2024 and therefore included in the 2024/25 Statement of Accounts.

The other amendments 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 55, 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 given a number of warranties, from the date of transfer, 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 relating to the warranties so the Council has chosen not to make provision any potential costs that may arise at a future date. As there is a potential for claims to made against the warranties at a future day, the Council has determined this should be treated as a Contingent Liability. Should any claims be made then the Council will assess whether a provision is required.

- 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
Property, Plant and Equipment	Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. 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. The total value of PP&E as at 31 March 2024 is £524.249m.	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. A 10% reduction in Net Book Value would equate to £52.4m. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for assets would increase by about £1m for every year that useful lives had to be reduced.

Pensions Liability	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. As at 31 March 2024 the value of assets was £1,158,765 and liabilities was £1,146,010m. The net asset is therefore £12.755m.	The effects on the net pension liability of changes in individual assumptions can be measured. The impact of changes in individual assumptions are shown in Note 50, as required by the Code of Practice.

Arrears	At 31 March 2024, Sefton had a net balance of sundry debtor accounts issued by the Authority but not yet paid of £39.376m. A review of significant balances suggested that an impairment of doubtful debts of approximately 13% (£5.309m) was appropriate for these accounts. At 31 March 2024, Sefton had a balance of Council Tax arrears (including Court Costs) of £41.455m (Sefton's share only). A review of significant balances suggested that an impairment of doubtful debts of approximately 76% (£31.580m) was appropriate for these accounts. At 31 March 2024, Sefton had a balance of NNDR arrears (including Court Costs) of £8.405m (Sefton's share only). A review of significant balances suggested that an impairment of doubtful debts of approximately 69% (£5.831m) was appropriate for these accounts. At 31 March 2024, Sefton had a balance of Housing Benefit arrears of £5.354m. A review of significant balances suggested that an impairment of doubtful debts of approximately 39% (£2.071m) was appropriate for these accounts. However, in the current economic climate it is possible that such allowances would not be sufficient.	If collection rates were to deteriorate, an increase of 10% in the amount of the impairment of doubtful debts would require an additional £9.5m to be set aside as an allowance.

5 EXPENDITURE AND INCOME ANALYSED BY NATURE

2022/2023 £000s		2023/2024 £000s
	Expenditure	
277,614	Employee benefit expenses	256,053
430,910	Other service expenses	500,578
34,187	Depreciation, amortisation and impairment	29,724
7,039	Interest Payments	6,357
36,698	Precepts and Levies	20,438
11,231	Gain / Loss on Disposal of Non-Current Assets and Changes in Fair Value of Investment Properties and Financial Instruments	395
11,453	Net Interest on the Net Pension Defined Benefit Liability	892
809,132	**Total Expenditure**	814,437
	Income	
-78,124	Fees, charges and other service income	-83,885
-2,420	Interest and Investment Income	-3,371
-232,155	Income from council tax and non-domestic rate income	-222,393
-466,339	Government Grants and Contributions	-489,525
-779,038	**Total Income**	-799,174
30,094	**Surplus (-) / Deficit on the Provision of Services**	**15,263**

6 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis in 2023/2024

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	15	0	15
Adult Social Care	1,088	257	9	1,354
Children's Social Care	69	316	11	396
Communities	2,712	147	-42	2,817
Corporate Resources	2,780	359	12	3,151
Economic Growth and Housing	1,881	136	-232	1,785
Education Excellence	-2,440	87	2	-2,351
Education Excellence - Schools	341	745	19,030	20,116
Health and Wellbeing	0	12	-23,362	-23,350
Highways and Public Protection	7,860	94	-594	7,360
Operational In-House Services	4,351	391	-1,369	3,373
Corporate Unallocated Costs	5,731	-5,902	-1,676	-1,847
Net Cost of Services	**24,373**	**-3,343**	**-8,211**	**12,819**
Other Income and Expenditure	-52,806	892	41,938	-9,976
Surplus (-) or Deficit	**-28,433**	**-2,451**	**33,727**	**2,843**

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
Net Cost of Services	**26,232**	**27,637**	**-20,613**	**33,256**
Other Income and Expenditure	-31,275	11,453	-15,905	-35,737
Surplus (-) or Deficit	**-5,043**	**39,090**	**-36,518**	**-2,471**

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, Prudential Borrowing costs charged to Services and internal recharges between services and reserve adjustments.

Segmental Analysis of Revenues from External Customers

2022/2023 £000s		2023/2024 £000s
-11	Strategic Management	0
-22,140	Adult Social Care	-27,521
-246	Children's Social Care	-309
-7,910	Communities	-8,824
-6,147	Corporate Resources	-4,593
-4,162	Economic Growth and Housing	-3,793
-1,733	Education Excellence	-1,915
-4,809	Education Excellence - Schools	-5,577
-17	Health and Wellbeing	-20
-8,634	Highways and Public Protection	-8,261
-13,537	Operational In-House Services	-14,049
-7,741	Corporate Unallocated Costs	-5,014
-77,087	**Net Cost of Services**	-79,876
-1,037	Other Income and Expenditure	-4,009
-78,124	**Surplus on the Provision of Services**	**-83,885**

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.

Adjustments in 2023/2024	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation of non-current assets	-21,125			21,125
Revaluation gains / losses on non-current assets	-135			135
Movements in the market value of Investment Properties	143			-143
Amortisation of intangible assets	-1,424			1,424
Capital grants and contributions applied	12,774			-12,774
Revenue expenditure funded from capital under statute - Gross	-7,041			7,041
Revenue expenditure funded from capital under statute – Related Capital Grants and Contributions	6,779			-6,779
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	-2,976			2,976
Amortisation of Deferred Income re. Crosby PFI Scheme	107			-107
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	7,756			-7,756
Capital expenditure charged against the General Fund	1,847			-1,847
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	34,206		-34,206	
Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	-6,181		6,181	
Application of grants to capital financing transferred to the Capital Adjustment Account			11,106	-11,106
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,644	-2,644		
Transfers to Usable Capital Receipts not relating to the disposal of assets	1,264	-1,264		
Use of the Capital Receipts Reserve to finance new capital expenditure		2,426		-2,426

Adjustments in 2023/2024 Continued	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustment primarily involving the Financial Instruments Adjustment Account:				
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	44			-44
Adjustment primarily involving the Pooled Investment Funds Adjustment Account:				
Amount by which Financial Instruments held under Fair Value through Profit & Loss are subject to MHCLG statutory over-ride.	-206			206
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-25,644			25,644
Employer's pensions contributions and direct payments to pensioners payable in the year	28,095			-28,095
Adjustments primarily involving the Collection Fund Adjustment Account:				
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	-14,654			14,654
Adjustment primarily involving the Accumulated Absences Account:				
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	-55			55
Adjustment primarily involving the Dedicated Schools Grant Adjustment Account:				
Transfer of Dedicated Schools Grant (DSG) over/(underspend) to the DSG Adjustment Account	-19,061			19,061
Total Adjustments	-2,843	-1,482	-16,919	21,244

The table below shows the comparative figures for 2022/23:

Adjustments in 2022/2023	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
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

Adjustments in 2022/2023 Continued	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	-12,852			12,852
Amortisation of Deferred Income re. Crosby PFI Scheme	107			-107
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	7,479			-7,479
Capital expenditure charged against the General Fund	1,172			-1,172
Adjustments primarily involving the Capital Grants Unapplied Account:				
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
Adjustments primarily involving the Capital Receipts Reserve:				
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
Adjustment primarily involving the Financial Instruments Adjustment Account:				
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
Adjustment primarily involving the Pooled Investment Funds Adjustment Account:				
Amount by which Financial Instruments held under Fair Value through Profit & Loss are subject to MHCLG statutory over-ride.	-1,042			1,042
Adjustments primarily involving the Pensions Reserve:				
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
Adjustments primarily involving the Collection Fund Adjustment Account:				
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

Adjustments in 2022/2023 Continued	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustment primarily involving the Accumulated Absences Account:				
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
Adjustment primarily involving the Dedicated Schools Grant Adjustment Account:				
Transfer of Dedicated Schools Grant (DSG) over/(underspend) to the DSG Adjustment Account	-5,962			5,962
Total Adjustments	2,471	-4,707	-10,473	12,709

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:

2022/2023 £000s	Other Income	2023/2024 £000s
-809	Capital Receipts re. Former Council Dwellings	-523
-94	Other Capital Receipts not relating to the Disposal of Council Assets	-741
-134	Sefton’s share of a VAT Shelter Agreement with One Vision Housing	-36
-1,037		**-1,300**

9 INTEREST PAYABLE AND SIMILAR CHARGES

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

2022/2023 £000s		2023/2024 £000s
6,392	External Interest Charges	5,651
298	Finance Charge re. Leasing Agreements	277
346	Finance Charge re. PFI Schemes	429
7,036	**Total**	**6,357**

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 in Sefton for the provision of intensive care packages for service users with a learning disability. Contributions of £1.727m from Cheshire & Merseyside ICB (£1.385m in 2022/2023 from CCG's) and £1.448m from

Sefton Council (£1.305m in 2022/2023), £3.175m in total (£2.690m in 2022/2023), 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.

Provision of an Integrated Community Equipment Service

Sefton has a joint working arrangement with Cheshire & Merseyside ICB 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 £1.009m from Cheshire & Merseyside ICB (£0.876m in 2022/2023 South Sefton CCG/ Cheshire & Merseyside ICB) and £0.944m from Sefton Council (£0.819m in 2022/2023); £1.953m in total (£1.696m in 2022/23), 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.
- Aging Well
- Integration & Transformation
- Hospital Discharge

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.

Financial performance in the year was as follows:

2022/2023 £'000		2023/2024 £'000
	Contributions	
-4,196	South Sefton CCG	N/A
-3,018	Southport & Formby CCG	N/A
-22,967	Cheshire and Merseyside ICB	-31,725
-20,801	Sefton Council	-21,467
-3,386	Discharge Grant	-4,203
-54,368	**Total Contributions**	**-57,395**
53,805	**Total Expenditure**	**58,328**
-563	**Variance**	**933**

The additional spend of £0.933m relates capital expenditure in the pooled fund arrangement utilising surplus Disabled Facilities Grant from prior years. Total spend of £6.177m in year against 2023/2024 grant allocation of £4.823m plus additional received in year of £0.421m. The remaining prior years surplus 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.

2022/2023 £000		2023/2024 £000
98	Fees for external audit services carried out by the appointed auditors	390
32	Fees payable for the certification of grant returns	58
0	Fees payable in respect of any other services	0
130	**Total**	448

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 2023/24 as some were only for part of the year (72 members in 2022/23) as shown below:

2022/2023 £000s		2023/2024 £000s
723	Basic Allowances	726
236	Special Responsibility Allowances	232
7	Expenses	59
966	**Total**	1,017

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 2023/2024

Exit Package Cost Band	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band	Total Cost of Exit Packages in each Band
£0 - £20,000	5	56	61	£0.348m
£20,001 - £40,000	0	3	3	£0.076m
£40,001 - £60,000	0	2	2	£0.097m
Total	5	61	66	£0.521m

Exit Packages in 2022/2023

Exit Package Cost Band	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band	Total Cost of Exit Packages in each Band
£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

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.

Note that the tables below exclude Senior Officers' remuneration, which is disclosed separately in Note 15.

Teaching Staff (including Voluntary Aided Schools)				
2022/2023		Remuneration Band	2023/2024	
Employed on 31/03/23	Left during the year		Employed on 31/03/24	Left during the year
75	8	£50,000 - £54,999	82	0
32	0	£55,000 - £59,999	67	2
23	0	£60,000 - £64,999	30	1
21	5	£65,000 - £69,999	22	0
30	0	£70,000 - £74,999	19	2
12	3	£75,000 - £79,999	23	0
9	0	£80,000 - £84,999	11	0
4	0	£85,000 - £89,999	11	0
0	1	£90,000 - £94,999	2	0
2	0	£95,000 - £99,999	0	0
0	0	£100,000 - £104,999	1	0
1	0	£105,000 - £109,999	2	0
0	0	£110,000 - £114,999	0	0
0	0	£115,000 - £119,999	1	0
0	0	£130,000 - £134,999	0	0

Non-Teaching Staff (including schools)				
2022/2023		Remuneration Band	2023/2024	
Employed on 31/03/23	Left during the year		Employed on 31/03/24	Left during the year
44	0	£50,000 - £54,999	101	2
21	0	£55,000 - £59,999	35	0
32	0	£60,000 - £64,999	29	2
6	1	£65,000 - £69,999	15	1
7	0	£70,000 - £74,999	13	0
3	0	£75,000 - £79,999	3	0
4	0	£80,000 - £84,999	3	1
3	0	£85,000 - £89,999	0	0
9	0	£90,000 - £94,999	0	0
0	0	£95,000 - £99,999	0	0
0	0	£100,000 - £104,999	2	0
0	0	£105,000 - £109,999	0	0
0	0	£110,000 - £114,999	0	0
0	0	£115,000 - £119,999	0	0
3	1	£120,000 - £124,999	2	0
2	0	£125,000 - £129,999	1	0
1	0	£130,000 - £134,999	0	0
0	0	£135,000 - £139,999	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 2023/2024:

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 PP	a)	139,788.75	0	0	139,788.75	21,744.08	161,532.83
Chief Executive DJ	a)	64,217.70	0	0	64,217.70	10,532.74	74,750.44
Executive Director - People		126,043.08	0	0	126,043.08	21,199.81	147,242.89
Executive Director - Place		126,043.08	0	0	126,043.08	21,089.57	147,132.65
Executive Director of Adult Social Care and Health		134,450.04	0	0	134,450.04	22,759.86	157,209.90
Executive Director of Children's Social Care and Education		132,277.13	0	0	132,277.13	22,202.11	154,479.24
Executive Director of Corporate Resources and Customer Services		126,043.08	0	0	126,043.08	21,178.56	147,221.64
Assistant Director Corporate Resources and Customer Services		92,574.60	0	0	92,574.60	15,613.28	108,187.88
Assistant Director of Adult Social Care		92,935.20	0	0	92,935.20	15,520.98	108,456.18
Assistant Director of Children's Social Care – Cared for Children	b)	43,640.74	0	0	43,640.74	15,123.05	58,763.79
Assistant Director of Help & Protection	c)	0.00	0	0	0.00	0.00	0.00

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** £
Assistant Director of Children's Social Care – Safeguarding & Quality Assurance		92,936.20	0	0	92,936.20	15,509.41	108,445.61
Assistant Director of Restorative Transformation	d)	0.00	0	0	0.00	0.00	0.00
Assistant Director of People – Communities	e)	53,221.67	0	0	53,221.67	8,817.08	62,038.75
Assistant Director of Place - Economic Growth and Housing		92,574.60	0	0	92,574.60	15,555.04	108,129.64
Assistant Director of Children's Services - Education	f)	126,798.42	0	0	126,798.42	12,849.02	139,647.44
Head of Health and Wellbeing (Director of Public Health)		95,115.00	0	0	95,115.00	10,795.76	105,910.76
Assistant Director of Place - Highways and Public Protection		92,574.60	0	0	92,574.60	15,604.51	108,179.11
Assistant Director of People - Operational In-House Services		92,574.60	0	0	92,574.60	15,570.65	108,145.25
Assistant Director or Place - Commercial Development		92,574.60	0	0	92,574.60	15,595.67	108,170.27
Assistant Director of Life Course Commissioning		92,574.60	0	0	92,574.60	15,635.40	108,210.00
Chief Legal and Democratic Officer	g)	68,080.36	0	0	68,080.36	11,448.05	79,528.41

a) The current Chief Executive Phil Porter started 3rd July 2023, the previous postholder Dwayne Johnson left on 15th August 2023.

b) The Assistant Director Cared for Children was on maternity leave from 2nd June 2023 to 8th February 2024. This post was covered on an interim basis by an external contractor. The substantive pay for this post is £92,575 and the superannuation is £15,419.

c) The Assistant Director Help and Protection was vacant for the full year and was covered on an interim basis by an external contractor. The substantive pay for this post is £92,575 and the superannuation is £15,419.

d) The Assistant Director Restorative Transformation was vacant for the full year and was covered on an interim basis by an external contractor. The substantive pay for this post is £92,575 and the superannuation is £15,419.

e) The Assistant Director Communities was vacant from 1st September 2023 to 4th February 2024

f) The Assistant Director of Childrens Services Education left on 31st January 2024. This post has been covered on an interim basis by an external contractor from 1st February 2024. The substantive pay for this post is £92,575 and the superannuation is £15,419.

g) The Chief Legal and Demographic Officer had a reduction in hours to 21.6 from 1st August 2023.

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.

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.

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 2023/2024 are as follows:

	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2023/24 before academy and high needs recoupment			263,232
Academy and high needs figure recouped for 2023/24			-94,297
Total DSG after Academy and high needs recoupment for 2023/24			168,935
Plus: Brought forward from 2022/23			0
Less: Carry forward to 2024/25 agreed in advance			0
Agreed initial budgeted distribution in 2023/24	37,260	131,675	168,935
In year adjustments	159	-3	156
Final budgeted distribution for 2023/24	37,419	131,672	169,091
Actual central expenditure	-56,480		-56,480
Actual ISB deployed to schools		-131,672	-131,672
Local authority contributions in 2023/24	0	0	0
In Year Carry forward to 2024/25	-19,061	0	-19,061
Carry forward to 2024/25 agreed in advance			0
DSG unusable reserve at end of 2022/23			-17,060
Addition to DSG unusable reserve at end of 2023/24			-19,061
Total of DSG unusable reserve at end of 2023/24			-36,121
Net DSG position at the end of 2023/24			-36,121

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:

2022/2023 £000s	Credited to Taxation and Non-specific Grant Income	2023/2024 £000s
	Non-Ringfenced Government Grants	
-22,151	Non-Domestic Rates Top-Up Grant	-23,917
-794	New Homes Bonus	-382
-20,354	Business Rates Relief - S31 Grant	-24,536
-2,107	Independent Living Fund - Transition Funding	0
-16,085	Additional Social Care Funding	-27,206
-418	Council Tax Support Grant	-649
-462	Lower Tier Services Grant	0

-4,477	Services Grant	-2,626
-1,029	Market Sustainability	-3,571
-1,170	Other Specific COVID Funding	0
-2,516	Other Non-Ringfenced Government Grants	-2,141
-71,563		-85,028

2022/2023 £000s	Credited to Taxation and Non-specific Grant Income	2023/2024 £000s
	Capital Grants and Contributions	
-6,753	Liverpool City Region Combined Authority – Transport Grants	-10,605
-4,823	Better Care Fund	-5,244
-4,502	Liverpool City Region Combined Authority – Growth Projects Grants	-585
-9,307	Department for Education Capital Grants	-8,562
-6,882	DLUHC - Towns Fund	-15,681
0	DLUHC – Local Authority Housing Fund	-1,300
0	DLUHC – Levelling Up Fund	-1,192
-595	Environment Agency - Northwest Regional Coastal Monitoring Grant	-1,002
-2,611	Other Capital Grants and Contributions	-2,808
3,943	Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	6,181
-31,530		-40,798

2022/2023 £000s	Grants Credited to Services	2023/2024 £000s
	Revenue Grants	
-168,631	Dedicated Schools Grant	-168,023
-63,657	Housing Benefit Subsidy	-63,599
-22,624	Public Health Grant	-23,362
-8,301	Pupil Premium	-8,085
-4,870	Household Support Fund	-4,871
-3,278	School Supplementary Grant	-3,476
-2,333	Universal Infant Free School Meals	-2,531
-2,690	Post 16 6th Form Grant	-2,363
-2,209	Discharge Grant	-2,205
-1,002	Supplemental Substance Misuse Treatment and Recovery	-1,623
-696	Unaccompanied Asylum-Seeking Children	-1,623
-1,143	DFE Leeds Family Valued Model	-1,500
-1,543	Recovery Premium	-1,478
0	Teachers Pay Grant	-1,384
-1,274	PE and Sport Funding	-1,249
-1,147	Pupil Premium Plus	-1,222
-579	Ways to Work	-1,222
-1,017	Supporting Families Programme (previously Troubled Families)	-1,201
-3,285	Homes for Ukraine	-1,058
0	Early Years Supplementary Grant	-1,033
-1,035	Holiday Activity Fund	-998
0	Housing Benefit Admin Grant	-938
-490	Homelessness Reduction – New Burdens Grant	-863
-967	LCRCA – Adult Education and Community Learning	-854
0	Restart Grant	-767
0	Urgent and Emergency Care	-715
-668	Arts Council	-677
-607	Domestic Abuse – New Burdens	-619
-561	PFI Grant	-561
-495	Discretionary Housing Payments	-495
-147	Resettlement	-472
0	Youth Justice Board	-436
-402	Rough Sleeper Initiative	-406
0	Delivering Better Value	-365
-716	Digital Transition Fund	-358
-299	NNDR Administration Grant	-296
0	Front Door & Early Help	-233
-540	Police and Crime Comm	-229

-618	Homelessness Prevention	-206
0	DWP Funded Schemes	-194
0	ERDF Growth Programmes	-193
0	Supported Accommodation	-190
0	Staying Put	-149
0	LCRA Destination Marketing	-147

2022/2023 £000s	Grants Credited to Services (continued)	2023/2024 £000s
0	DLUHC Elections	-129
0	Early Career Framework	-127
0	UKSPF Grant Arts	-124
0	Turnaround	-114
0	Individual Placement & Support Grant	-106
-706	School Led Tutoring	-101
0	LCRA Multiply Grant	-97
-1,488	Syrian Refugees (Home Office)	-47
-413	Teacher's Employer Pension Grant	0
-264	Social Worker Academy	0
-418	Local Council Tax Support Administration	0
-545	Additional Discharge Funding	0
-6,525	Other Revenue Grants	-9,142
-308,183		-314,456
	Capital Grants	
-9,269	Capital Grants utilised to fund Revenue Expenditure Funded from Capital Under Statute	-6,779
	Contributions	
-31,466	Health Contributions	-30,287
-6,051	School Contributions and Donations	-5,279
-1,861	Other Local Authorities	-1,225
-5,815	Other Contributions	-5,674
-45,192		-42,464
-465,737	**Total Revenue and Capital Grants**	**-489,525**

18 PROPERTY PLANT AND EQUIPMENT

An analysis of the Net Book Value of Property, Plant and Equipment is shown below:

	2022/2023 £000s	2023/2024 £000s
Other Land and Buildings	272,046	287,988
Vehicles, Plant and Equipment	7,174	5,383
Community Assets	23,248	23,514
Surplus Assets	14,963	11,851
Assets Under Contruction	5,340	8,201
Infrastructure Assets	178,179	187,312
Net Book Value as at 31 March	500,950	524,249

An analysis of the movements in Property, Plant and Equipment (excluding Infrastructure Assets) is shown below:

Movements in 2023/2024	Other Land and Buildings (OL&B) £000s	Vehicles Plant and Equipment £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total £000s
Cost or Valuation						
At 1 April 2023	315,459	19,442	23,248	14,963	5,340	378,453
Additions	9,174	1,420	281	474	2,994	14,343
Revaluations - recognised in the Revaluation Reserve	15,570	0	0	783	0	16,353
Revaluations – recognised in the Surplus/Deficit on the Provision of Services	-8,740	0	0	0	0	-8,740
Derecognition - Other	-27	-324	-35	-133	-20	-539
Reclassifications:						
-To Other Land & Buildings	4,037	0	0	-3,924	-113	0
-To Assets Held for Sale	-150	0	0	-4,269	0	-4,419
-From Assets Held for Sale	0	0	0	9	0	9
-To Community Assets	-22	0	22	0	0	0
-To Surplus Assets	-3,955	0	0	3,955	0	0
-To Investment Properties	-273	0	0	-7	0	-280
-From Investment Properties	176	0	0	0	0	176
At 31 March 2024	331,249	20,538	23,516	11,851	8,201	395,355
Accumulated Depreciation and Impairment						
At 1 April 2023	-43,413	-12,268	0	0	0	-55,681
Depreciation Charge	-8,968	-3,211	0	0	0	-12,179
Revaluations - recognised in the Revaluation Reserve	0	0	0	0	0	0
Accumulated Depreciation written out upon impairment	9,069	0	0	0	0	9,069
Derecognition - Other	4	325	0	0	0	329
Reclassifications						

-From Other Land & Buildings	47	0	-2	-45	0	0
-To Assets Held for Sale	0	0	0	45	0	45
At 31 March 2024	-43,261	-15,155	-2	0	0	-58,417
Net Book Value						
At 1 April 2023	272,046	7,174	23,248	14,963	5,340	322,771
At 31 March 2024	287,988	5,383	23,514	11,851	8,201	336,938

Movements in 2022/2023	Other Land and Buildings (OL&B) £000s	Vehicles Plant and Equipment £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total £000s
Cost or Valuation						
At 1 April 2022	324,894	20,444	23,133	10,306	945	379,722
Additions	7,435	1,544	115	134	4,395	13,623
Revaluations - recognised in the Revaluation Reserve	463	0	0	179	0	642
Revaluations – recognised in the Surplus/Deficit on the Provision of Services	-4,439	0	0	-211	0	-4,650
Derecognition - Other	-9,998	-2,546	0	-523	0	-13,067
Reclassifications:						
To Assets Held for Sale	-2,896	0	0	-9	0	-2,905
From Assets Held for Sale	0	0	0	5,087	0	5,087
From Investment Properties	0	0	0	0	0	0
At 31 March 2023	315,459	19,442	23,248	14,963	5,340	378,452
Accumulated Depreciation and Impairment						
At 1 April 2022	-38,164	-10,950	0	0	0	-49,114
Depreciation Charge	-9,457	-3,864	0	0	0	-13,321
Revaluations - recognised in the Revaluation Reserve	0	0	0	0	0	0
Accumulated Depreciation written out upon impairment	1,309	0	0	0	0	1,309
Derecognition – Other	2,111	2,546	0	0	0	4,657
Reclassifications:						
To Assets Held for Sale	788	0	0	0	0	788
At 31 March 2023	-43,413	-12,268	0	0	0	-55,681
Net Book Value						
At 1 April 2022	286,730	9,494	23,133	10,306	945	330,608
At 31 March 2023	272,046	7,174	23,248	14,963	5,340	322,771

Highways Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

Infrastructure Assets	2022/2023 £000s	2023/2024 £000s
Net Book Value at 1 April	171,277	178,179
Additions	14,213	18,079
Deprecation	-7,311	-8,946
Net Book Value as at 31 March	178,179	187,312

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

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 2024, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2024/2025 and future years which are budgeted to cost £15.956m. Similar commitments at 31 March 2023 were £14.130m. The major commitments are:

Scheme	Expenditure approved and contracted at 31 March 2024 £000s
Highway Maintenance	5,319
LED Street Lighting Upgrade	4,000
Marine Lake Events Centre	1,961
Enterprise Arcade	1,315
Coastal Erosion and Risk Management	914
Crosby Town Centre Access	700
Newfield School	442
New Street Lighting Columns	300
Vehicle Replacement Programme	237
Ainsdale Coastal Gateway	224
Maritime Corridor Study	153
Marshside Primary	144
Christchurch Primary	126
Council Wide Essential Maintenance	120

Revaluations

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

All freehold and leasehold land and properties which have been revalued this year within the rolling programme, 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 £000s	Vehicles Plant and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total £000s
Cost or Valuation							
Valued at Current Value in:							
2023/2024	140,409				444		141,342
2022/2023	9,595				5,560		15,155
2021/2022	136,542				2,088		138,630
2020/2021	30,717				64		30,781
2019/2020	10,380				3,648		14,028
Assets valued at Historic Cost							
Assets not subject to Revaluation	3,606	20,538	187,312	23,516	47	8,201	243,220
At 31 March 2024	331,249	20,538	187,312	23,516	11,851	8,201	582,667

Notes:
- The amounts contained in the table above are Gross Book Value.
- 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:

2022/2023				2023/2024		
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	12,292	857	13,149
0	0	0	Additions (Expenditure)	0	0	0
0	0	0	Disposals	0	0	0
1,617	0	1,617	Revaluations	0	0	0
0	0	0	Depreciation	0	0	0
12,292	**857**	**13,149**	**Balance at the end of the year**	**12,292**	**857**	**13,149**

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 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:

2022/2023 £000s		2023/2024 £000s
-2,709	Rental Income from Investment Property	-2,855
178	Direct operating expenses arising from Investment Property	167
-2,531	Net gain	**-2,688**

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 2024, the Authority had no contractual obligations for the construction or enhancement of investment property in 2024/2025 and future years. There were also no similar commitments at 31 March 2023.

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

2022/2023 £000s		2023/2024 £000s
32,338	Balance at the start of the year	27,315
157	Additions – Subsequent expenditure	0
-290	Disposals	0
-4,890	Net gains / losses (-) from fair value adjustments recognised in the Income and Expenditure Statement	143
0	Net gains / losses (-) from fair value adjustments recognised in the Revaluation Reserve	15

	Reclassifications:	
0	- From Other Land and Buildings	273
0	- From Surplus Assets	7
0	- To Other Land and Buildings	-176
27,315	**Balance at the end of the year**	**27,577**

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 55 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 £1.424m charged to revenue in 2023/2024 (£0.944m in 2022/2023) 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 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:

2022/2023 £000s	**Purchased Software Licences**	2023/2024 £000s
1,599	Gross Carrying Amount	3,117
-702	Accumulated Amortisation	-1,646
897	Net carrying amount at start of the year	**1,471**
1,518	Purchases in the year	1,473
-944	Amortisation in the year	-1,424
0	Revaluations	0
1,471	**Net carrying amount at the year end**	**1,520**
	Comprising:	
3,117	Gross Carrying Amount	4,590
-1,646	Accumulated Amortisation	-3,070
1,471		**1,520**

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.

2022/2023 £000s	Capital Financing Requirement	2023/2024 £000s
233,130	Opening Capital Financing Requirement	231,309
	Capital Expenditure	
27,836	Property, Plant and Equipment	32,423
158	Investment Properties	0
1,518	Intangible Assets	1,473
9,269	Revenue expenditure funded from capital under statute	7,041
	Sources of Finance	
-1,517	Capital Receipts	-2,426
-30,326	Grants and Contributions	-30,659
-1,173	Direct Revenue Contributions	-1,847
	Provision for Repayment of Debt	
-7,479	Statutory Provision for financing capital investment	-7,756
-107	Amortisation of Deferred Income re. Crosby PFI	-107
231,309	**Closing Capital Financing Requirement**	**229,451**

2022/2023 £000s	Explanation of movements in the year	2023/2024 £000s
	Decrease (-) / Increase in underlying need to borrow:	
5,765	Increase in underlying need to borrow	6,005
-7,586	Provision for Repayment of Debt	-7,863
-1,821	**Increase (+) / Decrease (-) in Capital Financing Requirement**	**-1,858**

23 LONG TERM INVESTMENTS

31 March 2023 £000s		31 March 2024 £000s
5,278	Churches & Charities Local Authority LAMIT Property Fund	5,072
1	Sefton New Directions	1
6,743	Sandway Homes	5,718
10	Sefton Hospitality Operations Limited	310
12,032	**Total**	**11,101**

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 2023 £000s		31 March 2024 £000s
	Transferred Services	
71	Merseyside Residuary Body	63
71		63
	Other	
8,550	Long Term Sundry Debtor Accounts	10,803
8,550		10,803
	Less Impairment	
0	Other Entities and Individuals	-1,839
0		-1,839
8,621	**Total**	**9,027**

25 ASSETS HELD FOR SALE

2022/2023 £000s	**Movements in the year**	2023/2024 £000s
12,004	Balance Outstanding at start of the year	4,881
-4,153	Disposals	-2,764
0	Revaluations	-463
	Assets newly classified as held for sale:	
2,108	- From Other Land and Buildings	150
9	- From Surplus Assets	4,224
	Assets declassified as held for sale:	
-5,087	- To Surplus Assets	-9
4,881	**Balance Outstanding at the year-end**	**6,019**

Fair Value Hierarchy

The Council’s Assets Held for Sale are valued using the fair value hierarchy for valuation purposes (see Note 55 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.

26 SHORT TERM DEBTORS AND PREPAYMENTS

31 March 2023 £000s	Short Term Debtors	31 March 2024 £000s
	Amounts Falling Due Within One Year	
4,074	Central Government Bodies	3,913
4,197	HM Revenue and Customs	5,401
377	Academies	1,672
11,404	Other Local Authorities	8,570
28,603	NHS Bodies	27,232
36,378	Council Tax Payers	41,555
8,089	NNDR Payers	8,405
57	Accrued Interest on Investments	10
25,263	Other Entities and Individuals	25,073
118,442		121,831
	Less Impairment	
-28,345	Council Tax Payers	-31,579
-5,818	NNDR Payers	-5,831
-7,195	Other Entities and Individuals	-5,542
-41,358		-42,952
77,084	**Net Debtors**	**78,879**

31 March 2023 £000s	Prepayments	31 March 2024 £000s
2,212	Early Years Providers	2,972
1,583	ICT Contracts	1,954
0	Direct Payments	4,504
0	Payment of Pension Contributions to Merseyside Pension Fund	0
1,291	Other	1,518
5,086	**Net Debtors**	**10,949**

27 CASH AND CASH EQUIVALENTS

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

31 March 2023 £000s		31 March 2024 £000s
63	Cash in hand of officers	60
26,269	Short-term deposits with banks and building societies	11,881
26,332	**Total Cash and Cash Equivalents**	**11,941**
-27	Bank current accounts	-13,518
-27	**Total Cash Overdrawn**	**-13,518**

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.

28 SHORT TERM CREDITORS

31 March 2023 £000s		31 March 2024 £000s
-5,052	HM Revenue and Customs	-5,673
-9,492	Government Departments	-5,208
-4,479	Other Local Authorities	-2,726
-2,789	NHS Bodies	-7,065
-2,590	Council Tax Payers	-2,768
-4,401	NNDR Payers	-3,421
-29,271	Other entities and individuals	-32,520
-5,452	Accumulated Absences	-5,507
-63,526	**Total**	**-64,888**

29 RECEIPTS IN ADVANCE

31 March 2023 £000s		31 March 2024 £000s
-6,353	Planning Section 106 Agreements	-7,569
-3,597	Rechargeable Works	-4,390
0	COVID Additional Relief Fund	0
0	Council Tax Energy Rebate Scheme	0
-5,245	Other entities and individuals	-5,234
-15,195	**Total**	**-17,193**

30 PROVISIONS

Movements in provisions during 2023/2024 were as follows:

		1 April 2023 £000s	Additions in Year £000s	Applied In Year £000s	Released In Year £000s	31 March 2024 £000s
	Long-term					
(a)	Internal Insurance Cover	-3,423	-2,183	1,873	0	-3,733
(b)	Provision for NDR Appeals	-6,177	-5,138	6,177	0	-5,138
		-9,600	**-7,321**	**8,050**	**0**	**-8,871**

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
	Long-term					
(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
		-24,985	**-1,012**	**6,224**	**10,173**	**-9,600**

(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 (Arthur J Gallagher Insurance Brokers), the resources available in the Authority's Insurance Fund are no longer 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 £3.856m, 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). However, there is a possibility that the ultimate levy rate could eventually be higher than this.

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 £5.138m based on the rateable value of properties subject to challenges and appeals on the 2017 Rating List at 31 March 2024 and an estimate of future rateable value reductions arising from checks, challenges, and appeals against the rateable value of properties on the 2023 Rating List at 31 March 2024 (£6.177m on 31 March 2023).

The provision made is the Council's best estimate of the actual liability as at the 31 March 2024. 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 2023 £000s		31 March 2024 £000s
	Short Term	
-438	Merseyside Residuary Body	-438
-215	Finance Lease Liability – Crosby Baths PFI	-315
-223	Finance Lease Liability – Property, Plant and Equipment	-246
-107	PFI Deferred Income	-107
-983	**Total Short Term**	**-1,105**
	Long Term	
-875	Merseyside Residuary Body	-438
-1,456	Finance Lease Liability – Crosby Baths PFI	-1,141
-2,737	Finance Lease Liability – Property, Plant and Equipment	-2,491
-430	PFI Deferred Income	-322
-5,498	**Total Long Term**	**-4,392**

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 £0.876m at 31 March 2024 (£1.313m at 31 March 2023).

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.

Portfolio and Name of Trust	Balance at 1 April 2023 £	Income £	Expenditure £	Balance at 31 March 2024 £
Children's Services				
Bootle Holiday Camp - Children	24,309	1,198	0	25,507
Wignall Scholarship	13,035	642	0	13,677
Corporate Services				
Netherton Green Trust	14,362	708	0	15,070
Other				
Mayor of Sefton's Charity Fund	7,122	0	0	7,122
Total	58,828	2,548	0	61,376
The balances are invested as follows:				
Government Securities	300		0	300
Sefton Cash Balances	58,528		0	61,076
Total	58,828			61,376

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 2023. 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 2022/2023.

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.

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.

2022/2023 £000s	Non-School General Fund Balances	2023/2024 £000s
-14,799	Balance at 1 April	-11,991
2,808	Increase (-) / Decrease in Balances	-4,309
-11,991	**Balance at 31 March**	**-16,300**

2022/2023 £000s	School General Fund Balances	2023/2024 £000s
-18,288	Balance at 1 April	-17,994
294	Increase (-) / Decrease in Balances	-2,381
-17,994	**Balance at 31 March**	**-20,375**

34 EARMARKED RESERVES

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

	Movements in 2023/2024	1 April 2023 £000s	Transfers in £000s	Transfers Out £000s	31 March 2024 £000s
(a)	Environmental Warranty	-9,000	0	1,952	-7,048
(b)	Insurance Fund	-1,633	0	1,633	0
(c)	Transforming Sefton	-1,861	0	1,830	-31
(d)	Redundancy Reserve	-946	0	946	0
(e)	Community Transition Fund	-327	0	131	-196
(f)	Contamination Clearance	-1,379	0	0	-1,379
(g)	Rating Appeals / Reduction in NDR Income Reserve	0	0	0	0
(h)	Secondary School Deficit Reserve	-1,513	0	636	-877
(i)	Council Tax - spreading of 2020/2021 Deficit Reserve	-499	0	499	0
(j)	Business Rates - spreading of 2020/2021 Deficit	0	0	0	0
(k)	Regeneration Scheme Reserve	-2,500	0	378	-2,122
(l)	Revenue Grants and Contributions Unapplied	-22,476	-3,144	10,030	-15,590
(m)	Other Earmarked Reserves	-9,656	-1,068	5,288	-5,436
	Total	**-51,790**	-4,212	23,322	**-32,680**

	Movements in 2022/2023	1 April 2022 £000s	Transfers in £000s	Transfers Out £000s	31 March 2023 £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
	Total	**-81,253**	**-17,009**	**46,472**	**-51,790**

(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 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 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 (£0.775m) and the Formby Pool Sinking Fund (£1.329m).

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.

2022/2023 £000s		2023/2024 £000s
-6,260	Balance at 1 April	-10,967
	Receipts in the Year	
-7,553	Sale proceeds credited to the Comprehensive Income and Expenditure Account as part of the gain/loss on disposal of non-current assets	-2,644
-809	Capital Receipts from Former Council House Sales	-523
-94	Other Capital Receipts not relating to the Disposal of Council Assets	-741
	Applied in the Year	
1,517	Applied to finance new capital expenditure	2,426
	Reclassification	
2,232	Transfer to Deferred Capital Receipts	0
-10,967	**Balance at 31 March**	**-12,449**

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.

2022/2023 £000s		2023/2024 £000s
-23,862	Balance at 1 April	-34,335
-22,392	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-34,206
3,943	Reversal of capital grants and contributions unapplied previously credited to the Comprehensive Income and Expenditure Statement	6,181
7,976	Transferred to the Capital Adjustment Account	11,106
-34,335	**Balance at 31 March**	**-51,254**

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.

2022/2023 £000s		2023/2024 £000s
-91,720	**Balance at 1 April**	-91,116
-3,123	Upward revaluation of assets	-20,616
864	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	4,248
-2,259	Surplus (-) / Deficit on revaluation of non-current assets not posted to the Surplus / Deficit on the Provision of Services	-16,368
1,521	Difference between fair value depreciation and historical cost depreciation	320
1,342	Accumulated gains on assets sold or scrapped	0
2,863	Amount written off to the Capital Adjustment Account	320
-91,116	**Balance at 31 March**	**-107,164**

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.

2022/2023 £000s		2023/2024 £000s
-233,805	**Balance at 1 April**	-225,341
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
20,633	Depreciation of non-current assets	21,125
3,341	Revaluation of non-current assets	135
944	Amortisation of intangible assets	1,424
0	Revenue expenditure funded from capital under statute	261
12,852	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	2,976
-107	Amortisation of Deferred Income re. Crosby PFI Scheme	-107
37,663		25,814
	Amounts written out to the Revaluation Reserve	
-1,521	Difference between fair value depreciation and historical cost depreciation	-320
-1,342	Accumulated gains on assets sold or scrapped	0
-2,863		-320
	Capital financing applied in the year	
-1,517	Capital receipts applied to finance capital expenditure	-2,426
-13,081	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to finance capital expenditure	-12,774
-7,976	Transfer from the Capital Grants and Contributions Unapplied Account to finance capital expenditure	-11,106
-7,479	Statutory provision for the financing of capital investment	-7,756
-1,173	Capital expenditure charged to the General Fund	-1,847
-31,226		-35,909
	Other Movements	
4,890	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-143
4,890		-143
-225,341	**Balance at 31 March**	**-235,899**

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.

2022/2023 £000s		2023/2024 £000s
426,862	**Balance at 1 April**	32,534
-433,417	Re-measurements (Liabilities and Assets)	-42,838
61,162	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	25,644
-22,073	Employer's pensions contributions and direct payments to pensioners payable in the year	-28,095
32,534	**Balance at 31 March**	**-12,755**

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.

2022/2023 £000s		2023/2024 £000s
17,646	**Balance at 1 April**	-24,653
-42,299	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	14,654
-24,653	**Balance at 31 March**	**-9,999**

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.

2022/2023 £000s		2023/2024 £000s
5,573	**Balance at 1 April**	5,452
	Transactions in Year	
-5,573	Settlement or cancellation of accrual made at the end of the preceding year	-5,452
5,452	Amounts accrued at the end of the current year	5,507
-121	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	55
5,452	**Balance at 31 March**	**5,507**

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.

2022/2023 £000s		2023/2024 £000s
11,097	**Balance at 1 April**	17,060
5,963	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	19,061
17,060	**Balance at 31 March**	**36,121**

43 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 31 May 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 2024, 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 £18.707m 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 £0.577m 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 £2.498m 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 relevant Members did not take part in any discussion or decision relating to the grants.

2023/2024	Income 2023/24 £000s	Expenditure 2023/24 £000s	Debtors 31/03/2024 £000s	Creditors 31/03/2024 £000s
Sefton CVS	-1	1938	0	0
Sefton Women and Childrens Aid	-6	560	0	-45
Kilter Care Ltd	0	567	0	0
Elevate EBP Ltd	0	34	0	0
Imagine Formby	0	10	0	0

2022/2023	Income 2022/23 £000s	Expenditure 2022/23 £000s	Debtors 31/03/2023 £000s	Creditors 31/03/2023 £000s
One Vision Housing	-97	130	38	-27
Bosco Society	-1	1,033	0	0

Other Public Bodies

A number of Councillors are nominated to serve as representatives on other public bodies. These include, for example, LUH 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:

2023/2024	Income £000s	Expenditure £000s	Debtors £000s	Creditors £000s
Merseyside Police and Crime Commissioner	-115	22,053	664	0
Merseyside Fire and Rescue Authority	0	8,494	230	-146
LCRCA Mayoral Precept	0	1,645	46	0
Parish Councils	0	1424	0	0
Liverpool City Region Combined Authority	-61	20,102	24	0
Merseyside Recycling and Waste Authority	-1,246	15,849	128	0
Merseyside Pensions Authority - Employers' Contributions	0	7,182	0	-1,461
Merseycare NHS Foundation	-25	7,063	461	-576
NHS Cheshire & Merseyside ICB	-32,458	1,243	16,298	-230
Sefton New Directions Limited	-64	8,353	9	-676
Sandway Homes	-1,207	18	2,402	0
Sefton CVS	-1	1,938	0	0
Sefton Carers Centre	-8	853	0	0

2022/2023	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
LCRCA Mayoral Precept	0	1,617	28	0
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

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.

There are no senior officer car loans outstanding at the end of 2023/2024.

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 2023/2024, they are not shown in 2022/2023.

45 CASH FLOW STATEMENT

OPERATING ACTIVITIES

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

2022/2023 £000s		2023/2024 £000s
	Adjustments to net surplus or deficit on the provision of services for non-cash movements	
-20,633	Depreciation charged to CIES	-21,125
-3,341	Revaluation Gains / Losses (-) charged to CIES	-135
-4,890	Movements in the Market Value of Investment Properties	143
-944	Amortisation of Intangible Assets	-1,424
-39,089	Reversal of non-cash items relating to retirement benefits debited to the CIES	2,451
623	Movement in Long-Term Debtors	2,253
70	Movement in Inventories	-31
30,858	Movement in Short-term Debtors	1,056
-14,070	Movement in Prepayments	5,863
129	Borrowing (Interest Accrual)	-581
-893	Movement in Short-term Creditors	-879
25,124	Movement in Receipts in Advance	-1,998
15,385	Movement in Provisions (Long-Term)	729
-11,671		**-13,678**
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
-5,299	Gain (+) / Loss (-) on Sale of Fixed Assets	-332
31,530	Capital Grants and Contributions credited to the CIES	40,799
903	Capital receipts not related to disposals	1,264
-1,042	Pooled Investment Fund Adjustment Account	-206
26,092		**41,525**

The cash flows for operating activities include the following items:

2022/2023 £000s	The cash flows for operating activities include the following items:	2023/2024 £000s
-2,137	Interest received	-2,527
7,165	Interest Paid	5,776

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:

2023/2024	31 March 2023 £000s	Financing Cash Flows £000s	Acquisitions £000s	Other non-financing Cash Flows £000s	31 March 2024 £000s
Current Portion of Long-term Borrowing	-12,995	3,070	0	-581	-10,506
Long-term Borrowing	-121,798	-6,155	0	0	-127,953
Short-term Deferred Liabilities	-983	-122	0	0	-1,105
Long-term Deferred Liabilities	-5,498	1,106	0	0	-4,392
Short-Term Debtors	77,085	401	0	1,393	78,879
Short-Term Creditors	-63,526	166	0	-1,528	-64,888
Total	**-127,715**	**-1,534**	**0**	**-716**	**-129,965**

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.

2022/2023	31 March 2022 £000s	Financing Cash Flows £000s	Acquisitions £000s	Other non-financing Cash Flows £000s	31 March 2023 £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
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
Total	**-195,855**	**33,985**	**0**	**34,155**	**-127,715**

46 INTEREST IN COMPANIES

As the three companies below don't have to file their accounts until 31 December 2024, 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 2024.

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 2024.

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 2024.

47 OPERATING LEASES

Authority as a Lessee

The Council employs operating leases to obtain the use of certain vehicles and equipment. During 2023/2024 operating lease payments totalled £0.000m (£0.011m in 2022/2023).

In addition, the Council leases a number of properties from third parties under operating lease agreements. During 2023/2024 lease rentals paid for properties under these lease agreements totalled £0.118m (£0.118m in 2022/2023).

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

31 March 2023 £000s		31 March 2024 £000s
51	Not later than one year	51
188	Later than one year and not later than five years	181
2,207	Later than five years	2,164
2,446		2,396

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 2023/2024 lease rentals received from these operating lease agreements totalled £4.746m (£5.630m in 2022/2023).

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

31 March 2023 £000s		31 March 2024 £000s
3,982	Not later than one year	3,270
11,075	Later than one year and not later than five years	10,737
262,544	Later than five years	236,503
277,601		**250,511**

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:

31 March 2023 £000s		31 March 2024 £000s
1,643	Other Land and Buildings	1,456
1,643		1,456

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:

31 March 2023 £000s		31 March 2024 £000s
	Finance lease liabilities (net present value of minimum lease payments):	
222	• Current	246
2,737	• Non-current	2,491
1,257	Finance costs payable in future years	1,000
4,216	Minimum lease payments	3,737

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2023 £000s	31 March 2024 £000s	31 March 2023 £000s	31 March 2024 £000s
Not later than one year	480	480	223	246
Later than one year and not later than five years	1,920	1,920	1,148	1,267
Later than five years	1,817	1,337	1,590	1,225
	4,217	3,737	2,961	2,738

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 2023/2024 £0.020m contingent rents were payable by the Authority (£0.020m were paid in 2022/2023).

Authority as Lessor

The Authority did not lease out any properties on finance leases in 2023/2024 (none in 2022/23).

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 2023/2024 were £1.478m (£1.410m in 2022/2023) with government grants of £0.561m received in the year (£0.561m in 2022/2023).

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.

Commitments under PFI Contract	Reimbursement of Capital Expenditure £000s	Interest £000s	Service Charge £000s
Contract Payments in 2024/2025	315	169	792
Contract Payments between 2025/2026 and 2026/2027	722	215	1,701
Contract Payments in 2027/2028	419	39	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:

2022/2023 £000s		2023/2024 £000s
-1,859	Balance outstanding at start of year	-1,672
187	Payments during the year	216
-1,672	Balance outstanding at the year-end	-1,456

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:

2022/2023 £000s	Other Land & Buildings: PFI Assets	2023/2024 £000s
	Cost or Valuation	
11,356	Opening Balance at 1 April	11,433
77	Additions	8
0	Revaluations	0
11,433	Closing Balance at 31 March	11,441
	Depreciation and Impairments	
0	Opening Balance at 1 April	-211
-211	Depreciation Charge	-214
0	Revaluations	0
-211	Closing Balance at 31 March	-425

2022/2023 £000s	Other Land & Buildings: PFI Assets	2023/2024 £000s
	Balance Sheet Amount	
11,356	Opening Balance at 1 April	11,222
11,222	Closing Balance at 31 March	11,016

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 12,350 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 2024, the Authority's own contributions equate to approximately 0.21%.

In 2023/2024, the Council paid £13.834m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of teachers' pensionable pay. The figures for 2022/2023 were £14.181m and 23.68%. Contributions of £1.196m remained payable at the year-end. The contributions due to be paid in 2024/2025 are estimated to be £17.463m.

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 2023/2024 these contributions amounted to £0.805m, representing 1.38% of teachers' pensionable pay. The figures for 2022/2023 were £0.774m and 1.29%.

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 7,850 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 2023/2024, the Authority's own contributions equate to less than 0.001%.

In 2023/2024, the Council paid £0.032m to NHS Pensions in respect of retirement benefits, representing 15.00% of the employees' pensionable pay. The figures for 2022/2023 were £0.034m and 20.11%. Contributions of £0.002m remained payable at 31 March 2024 (£0.004m at 31 March 2023). The contributions due to be paid in 2024/2025 are estimated to be £0.029m.

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 2023/2024, the Council paid £21.675m to the MPF in respect of retirement benefits, representing 16.42% of employees' pensionable pay. The figures for 2022/2023 were £19.934m and 15.88%. Contributions of £1.461m remained payable at 31 March 2024 (£2.551m at 31 March 2023).

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 2023/2024 these contributions amounted to £1.320m representing 1.00% of pensionable pay. The figures for 2022/2023 were £1.250m and 1.00%.

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:

2022/2023		**Comprehensive Income and Expenditure Statement**	2023/2024	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
		Cost of Services:		
48,958	0	Current Service Cost	23,961	0
123	0	Curtailment Cost	87	0
628	0	Administration Expenses	660	0
0	0	Effect of Settlements	0	0
0	0	Past Service Cost	44	0
		Financing and Investment Income and Expenditure:		
11,304	149	Net Interest Cost	686	206
61,013	149	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	25,438	206
-432,941	-476	Re-measurement of the Net Defined Benefit Liability	-42,803	-35
-371,928	-327	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	-17,365	171

2022/2023 LGPS £000s	2022/2023 TPS Unfunded Liabilities £000s	**Movement in Reserves Statement**	2023/2024 LGPS £000s	2023/2024 TPS Unfunded Liabilities £000s
-61,013	-149	Reversal of net charges made to the Deficit for the Provision of Services for post-employment benefits in accordance with the Code	-25,438	-206
		Actual amount charged against the General Fund for pensions in the year:		
21,299	774	• employers' contributions payable to the scheme • retirement benefits payable direct to pensioners	27,290	805

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:

2022/2023 LGPS £000s	2022/2023 TPS Unfunded Liabilities £000s		2023/2024 LGPS £000s	2023/2024 TPS Unfunded Liabilities £000s
-1,127,899	-4,598	Present Value of the Defined Benefit Obligation	-1,142,046	-3,964
1,099,963	0	Fair Value of Plan Assets	1,158,765	0
-27,936	-4,598	Net Asset / Liability (-) arising from defined benefit obligation	16,719	-3,964

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

2022/2023 LGPS £000s	2022/2023 TPS Unfunded Liabilities £000s		2023/2024 LGPS £000s	2023/2024 TPS Unfunded Liabilities £000s
1,566,809	5,699	Opening Balance at 1 April	1,127,899	4,598
48,958	0	Current Service Cost	23,961	0
43,431	149	Interest Cost on Pension Liabilities	53,236	206
8,115	0	Contributions from scheme participants	8,383	0
		Remeasurement Gains (-) and Losses:		
0	-71	- Actuarial Gains / Losses arising from changes in demographic assumptions	-14,677	-60
-601,995	-727	- Actuarial Gains / Losses arising from changes in financial assumptions	-16,919	0
101,962	322	- Experience Gains / Losses	6,039	25
-39,504	-774	Benefits paid	-46,007	-805
123	0	Curtailment Cost	87	0
0	0	Settlements	0	0
0	0	Past Service Cost	44	0
1,127,899	4,598	Closing Balance at 31 March	1,142,046	3,964

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

2022/2023			2023/2024	
LGPS £000s	TPS Unfunded Liabilities £000s		LGPS £000s	TPS Unfunded Liabilities £000s
1,145,646	0	Opening Balance at 1 April	1,099,963	0
32,127	0	Interest Income	52,550	0
		Remeasurement Gains / Losses (-):		
-67,092	0	- The return on plan assets, excluding the amount included in the net operating expense	17,246	0
21,299	774	Contributions from Employer	27,290	805
8,115	0	Contributions from Employees into the Scheme	8,383	0
-39,504	-774	Benefits paid	-46,007	-805
-628	0	Administration Expenses	-660	0
1,099,963	0	Closing Balance at 31 March	1,158,765	0

Local Government Pension Scheme Assets Comprised:

2022/2023			2023/2024	
Quoted £000s	Unquoted £000s		Quoted £000s	Unquoted £000s
19,020	**0**	Cash and Cash Equivalents	**11,315**	**0**
		Equities:		
147,541	12,376	- UK	146,764	3,688
245,142	127,348	- Global	285,292	168,274
392,683	**139,724**		**432,056**	**171,962**
		Bonds:		
651	0	- Overseas Government	4,548	0
713	0	- Collateralised Bonds	419	0
13,789	0	- UK Government	5,519	0
24,131	0	- UK Corporate	10,269	0
100,922	0	- UK Index Linked	57,493	0
6,419	0	- Overseas Corporate	7,684	0
-5,103	0	- Derivative Contracts	738	0
141,522	**0**		**86,670**	**0**
		Property:		
0	49,180	- UK Direct Property	0	51,748
977	35,284	- Property Managed (UK)	983	46,954
0	34,090	- Property Managed (Global)	0	35,892
977	**118,554**		**983**	**134,594**
		Alternatives:		
109	41,038	- Private Equity (UK)	123	51,994
0	62,860	- Private Equity (Global)	615	59,492
0	217	- Other Alternatives (UK)	0	369
0	26,599	- Other Alternatives (Global)	0	29,746
0	59,494	- Infrastructure (UK)	0	69,940
0	33,547	- Infrastructure (Global)	0	38,596
0	16,285	- Private Credit (UK)	369	16,717
1,737	37,021	- Private Credit (Global)	1,598	40,563
0	3,908	- Multi Asset	0	4,671
0	4,668	- Goodhart	0	6,392
1,846	**285,637**		**2,705**	**318,480**
556,048	**543,915**	**Total Assets (Quoted / Unquoted)**	**533,729**	**625,036**
	1,099,963	**Total Assets**		**1,158,765**

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:

2022/2023		2023/2024
	Mortality assumptions (years):	
	Local Government Pension Scheme:	
21.2	Longevity at 65 for current pensioners: Men	20.9
23.7	Longevity at 65 for current pensioners: Women	23.4
22.6	Longevity at 65 for future pensioners: Men	22.2
25.5	Longevity at 65 for future pensioners: Women	25.2
	Teachers' Pension Scheme Unfunded Liabilities:	
21.2	Longevity at 65 for current pensioners – aged 65: Men	20.9
23.7	Longevity at 65 for current pensioners – aged 65: Women	23.4
12.8	Longevity at 65 for current pensioners – aged 75: Men	12.6
14.8	Longevity at 65 for current pensioners – aged 75: Women	14.5
	Other assumptions	
2.7%	Rate of Inflation – CPI	2.7
4.2%	Rate of increase in salaries	4.2
2.8%	Rate of increase in pensions	2.8
4.8%	Rate for discounting scheme liabilities (LGPS)	4.9
4.9%	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	Decrease in Assumption
	£000s	£000s
Local Government Pension Scheme		
Longevity (increase or decrease in 1 year)	28,882	-28,882
Rate of Inflation (increase or decrease by 0.25%)	41,583	-41,583
Rate of Increase in Salaries (increase or decrease by 0.25%)	7,065	-7,065
Rate of Increase in Pensions (increase or decrease by 0.25%)	41,583	-41,583
Rate for Discounting Scheme Liabilities (increase or decrease by 0.5%)	-78,834	78,834
Investment Returns (increase or decrease by 1%)	-11,665	11,665

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption	Decrease in Assumption
	£000s	£000s
Teachers' Additional Unfunded Pensions		
Longevity (increase or decrease in 1 year)	247	-247
Rate of Inflation (increase or decrease by 0.25%)	46	-46
Rate for Discounting Scheme Liabilities (increase or decrease by 0.5%)	-89	89

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 2025/2026.

The next triennial valuation will take place on 31 March 2025 and will set contribution levels for 2026/2027 to 2028/2029. Contribution levels will be reduced during this period as the Scheme now has a funding level of over 100%. Should the Scheme remain in surplus then contribution levels will continue to be reduced for the following 10 years as well. It should be noted that the Pension Asset shown in the Statement of Accounts is calculated differently from the triennial valuation, so contribution levels won't necessarily reflect the value of the Pension Asset.

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 £1.924m 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 £0.1m 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:

FINANCIAL ASSETS	Long Term		Current	
	31/03/2023 £000s	31/03/2024 £000s	31/03/2023 £000s	31/03/2024 £000s
Fair Value through Profit or Loss				
Investments	0	11,101	0	0
Amortised Cost				
Debtors	8,621	10,866	66,780	66,329
Cash and cash equivalents	0	0	26,305	11,941
Total Financial Assets	8,621	10,866	93,085	78,270
Non-financial assets – Debtors	0	0	10,304	12,550
Total	**8,621**	**21,967**	**103,389**	**90,820**

FINANCIAL LIABILITIES	Long Term		Current	
	31/03/2023 £000s	31/03/2024 £000s	31/03/2023 £000s	31/03/2024 £000s
Amortised Cost				
Borrowing	121,798	127,953	12,995	10,506
Creditors	0	0	56,535	58,699
Service Concessions and Finance Lease Liabilities	5,498	4,415	983	1,103
Cash & Cash Equivalents – overdraft	0	0	0	13,518
Total Financial Liabilities	127,296	132,368	70,513	83,826
Non-Financial Assets - Creditors	0	0	6,991	6,189
Total	127,296	132,368	77,504	90,015

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 commenced on the 1st April 2018 and was originally due to last for five years, but has subsequently been extended to March 2025. 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 2024		
	Surplus or Deficit on the Provision of Services £000s	Other Comprehensive Income and Expenditure £000s	Total £000s
Net Gains/ Losses on:			
Financial assets measured at fair value through profit or loss	-206	0	-206
Total net gains/ losses (-)	**-206**	**0**	**-206**
Interest Revenue			
Financial assets measured at fair value through profit or loss	-2,480	0	-2,480
Total Interest Revenue	**-2,480**	**0**	**-2,480**
Interest Expense	**6,378**	**0**	**6,378**

Comparative figures for the previous financial year 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
Net Gains/ Losses on:			
Financial assets measured at fair value through profit or loss	-1,042	0	-1,042
Total net gains/ losses (-)	**-1,042**	**0**	**-1,042**
Interest Revenue			
Financial assets measured at fair value through profit or loss	-2,093	0	-2,093
Total Interest Revenue	**-2,093**	**0**	**-2,093**
Interest Expense	**7,036**	**0**	**7,036**

Fair Value of Assets and Liabilities.

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.

CCLA

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 2023 £000s	31 March 2024 £000s
Financial Instruments – CCLA	Level 1	Unadjusted quoted prices in active markets for identical shares	5,278	5,072

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 (31st March 2024), 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:

FINANCIAL LIABILITIES	31 March 2023		31 March 2024	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Financial Liabilities held at amortised cost				
Borrowing-PWLB	134,773	118,561	138,439	123,460
Borrowing-Other	20	20	20	20
Short-term Creditors	63,526	63,526	64,888	64,888
PFI and finance lease liabilities	6,683	6,481	5,518	5,518
Cash & Cash Equivalents - overdraft	0	0	13,518	13,518
Total	**205,002**	**188,588**	**222,383**	**207,404**

The fair value is less than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date.

FINANCIAL ASSETS	31 March 2023		31 March 2024	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Cash and Cash Equivalents	26,305	26,305	11,941	11,941
Short-term Debtors	66,780	66,780	64,490	64,490
Long-term Debtors	8,621	8,621	10,866	10,866
Total	**101,706**	**101,706**	**87,297**	**87,297**

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

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 31/03/23		Amount at 31/03/24	Historical experience of default	Historical experience adjusted for market conditions at 31/03/24	Estimated maximum exposure to default & uncollectability at 31/03/24
£000s		£000s A		C	£000s (A x C)
0	Deposits with Banks	0	0	0	0
0	Deposits with Money Market	11,770	0	0	0
0	Deposits Other	0	0	0	0
1,691	Customers	39,376	3.29%	3.29%	1,295
1,691					**1,295**

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 an accordance with the Council's Treasury Management Policy.

The profile of investments by country is shown below:

	Total Investments at 31 March 2023 £000s	Total Investments at 31 March 2024 £000s
United Kingdom Banks	0	0
Other: CCLA	5,278	5,072
	5,278	5,072

Although the Authority does not generally allow credit for customers, £32.849m of the £39.376m balance is past its due date for payment. The total debt amount can be analysed by age as follows:

	31 March 2023 £000s	31 March 2024 £000s
Less than three months	33,563	23,829
Three months to one year	8,010	5,636
More than one year	9,789	9,911
	51,387	39,376

A provision for bad debts relating to customers exists which totals £5.307m at 31 March 2024 (£4.878m at 31 March 2023). This provision relates to a wide variety of assets of which none are individually significant. The provision was increased by £1.376m in 2023/2024 (£0.849m in 2022/2023) and £0.947m was written-off during the year (£0.000m in 2022/2023).

Of this debt £8.403m is secured against properties at 31 March 2024 (£6.140m as at 31 March 2023). 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.

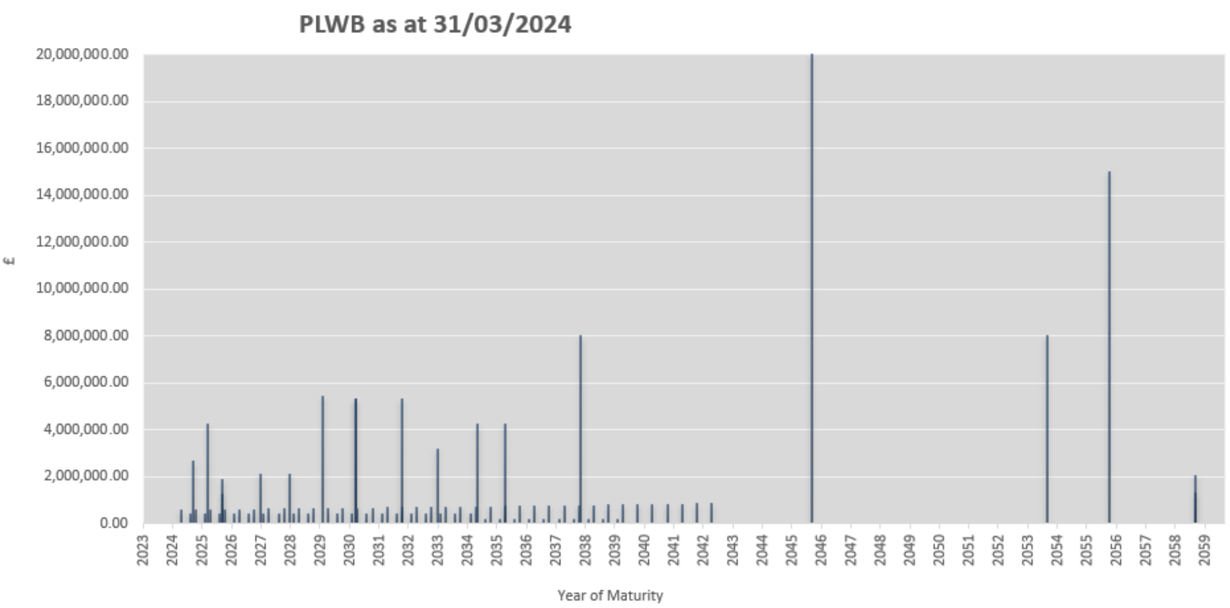
The risk for the Authority is that it will need to replace its borrowings at a time when interest rates are unfavourable, leading to additional ongoing financing costs. The strategy for the Council is to ensure that by careful planning of the repayment date for new and replacement loans, and (when economic 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.

Without Interest 31 March 2023 £000s	With Interest Due 31 March 2023 £000s	**Analysis of Loans by Type:**	Range of Interest Rates Payable (%)	Without Interest 31 March 2024 £000s	With Interest Due 31 March 2024 £000s
134,773	208,701	Public Works Loan Board	1.91 – 6.25	138,439	211,454
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
134,793	208,721	**Total**		138,459	211,474

Without Interest 31 March 2023 £000s	With Interest Due 31 March 2023 £000s	**Analysis of Loans by Maturity:**	Without Interest 31 March 2024 £000s	With Interest Due 31 March 2024 £000s
13,015	17,789	Maturing within one year	10,526	15,709
8,012	12,484	Maturing in 1-2 years	5,116	9,875
10,917	22,852	Maturing in 2-5 years	15,376	28,600
25,532	42,328	Maturing in 5-10 years	29,844	46,227
23,713	35,820	Maturing in 10-15 years	25,541	36,977
7,246	15,963	Maturing in 15-20 years	5,698	14,262
20,000	26,688	Maturing in 20-25 years	20,000	26,148
0	5,608	Maturing in 25-30 years	8,000	13,426
23,000	25,755	Maturing in 30-35 years	18,358	20,249
3,358	3,433	Maturing in 35-40 years	0	0
0	0	Maturing in 40-45 years	0	0
0	0	Maturing in more than 45 years	0	0
134,793	208,720	**Total**	138,459	211,474

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 1st 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.

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 2023 £000s		31 March 2024 £000s
852	Increase in interest receivable on variable rate investments (and resultant impact on the Surplus or Deficit on the Provision of Services)	1,025
9,861	Decrease in fair value of fixed rate loans (no impact on Other Comprehensive Income and Expenditure)	10,174
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 ENTITIY 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.

Current cash and cash-equivalents have been modelled, using reasonable assumptions regarding service costs, staff costs and income, for 12 months from the final certification of these statements to September 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 2025 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 further borrowing to support cashflow until March 2025. 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. In 2024/25 the Council have moved towards the General Fund Balance being maintained above 12% of the 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 2024/25 – 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.

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 2023/2024*.

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.

(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.

(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 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:

Asset Type	Building	Roof	Services	Externals	Total
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.

Agenda Item 3

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.

2022/2023			INCOME AND EXPENDITURE ACCOUNT	Note	2023/2024		
Business Rates £000s	Council Tax £000s	Total £000s			Business Rates £000s	Council Tax £000s	Total £000s
			INCOME				
			Council Tax				
0	-186,326	-186,326	Income from Council Tax Payers		0	-195,745	-195,745
			Transfers from the General Fund				
0	-252	-252	Hardship Relief / Care leavers Discounts		0	-869	-869
			Business Rates				
-63,099	0	-63,099	Income from Business Ratepayers		-59,512	0	-59,512
0	0	0	Transitional Protection Receivable		-2,907	0	-2,907
			Contributions				
-18,702	0	-18,702	Contributions towards previous year's estimated deficit	2	0	0	0
-81,801	**-186,578**	**-268,379**	**TOTAL INCOME**		**-62,419**	**-196,614**	**-259,033**
			EXPENDITURE				
			Distribution of Resources				
0	178,591	178,591	Council Tax	4	0	191,039	191,039
57,236	0	57,236	Non-domestic Rates Income	5	63,018	0	63,018
516	0	516	Transitional Protection Payments		0	0	0
			Transfers to the General Fund				
299	0	299	Cost of Collection Allowance		296	0	296
0	13	13	Council Tax Benefit		0	12	12
			Impairment of Debts / Appeals				
-2,599	4,462	1,863	Provision for Bad and Doubtful Debts	6	1,698	4,016	5,714
-15,114	0	-15,114	Provision for Appeals	7	-1,049	0	-1,049
			Contributions				
0	2,022	2,022	Contributions towards previous year's estimated surplus	2	12,836	2,045	14,881
40,338	**185,088**	**225,426**	**TOTAL EXPENDITURE**		**76,799**	**197,112**	**273,911**
-41,463	**-1,490**	**-42,953**	**MOVEMENT ON FUND BALANCE**		**14,380**	**498**	**14,878**

2022/2023			INCOME AND EXPENDITURE ACCOUNT (continued)	Note	2023/2024		
Business Rates	Council Tax	Total			Business Rates	Council Tax	Total
			COLLECTION FUND BALANCES				
18,610	-928	17,682	Balances Brought Forward		-22,853	-2,418	-25,271
-41,463	-1,490	-42,953	Movement in Year		14,380	498	14,878
-22,853	**-2,418**	**-25,271**	**BALANCES AT YEAR END**		**-8,473**	**-1,920**	**-10,393**
			BALANCES TO BE ALLOCATED				
-22,624	-2,029	-24,653	Sefton MBC		-8,388	-1,611	-9,999
0	-276	-276	Police and Crime Commissioner		0	-217	-217
-229	-93	-322	Fire and Rescue Authority		-85	-76	-161
0	-20	-20	Combined Authority		0	-16	-16
-22,853	**-2,418**	**-25,271**			**-8,473**	**-1,920**	**-10,393**

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 2023/2024 (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*	76.0	5/9	42.2
A	24,094.0	6/9	16,062.7
B	20,985.0	7/9	16,321.7
C	25,806.0	8/9	22,938.7
D	13,557.1	9/9	13,557.1
E	7,818.9	11/9	9,556.4
F	3,633.4	13/9	5,248.3
G	2,470.4	15/9	4,117.4
H	230.1	18/9	460.3
	98,671.0		88,304.7
Adjustment for estimated collection rate (97.0%)			-2,649.1
Adjustment for Ministry of Defence properties			8.0
Council Tax Base			85,663.6

* 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	2022/2023 £000	2023/2024 £000
Sefton Council	1,699	1,716
Merseyside Police and Crime Commissioner	226	234
Merseyside Fire and Rescue Service	79	78
Liverpool City region Combined Authority	18	17
	2,022	2,045

Business Rates	2022/2023 £000	2023/2024 £000
Sefton Council	-18,515	12,708
Merseyside Fire and Rescue Service	-187	128
	-18,702	12,836

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	2022/2023	2023/2024
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 2023 Rating List was £186,990,511 at 31 March 2024. The rateable value on the 2023 Rating List was £187,002,731 at 1 April 2023.

The rateable value on the 2017 Rating List was £180,471,508 at 31 March 2023 as published in the 2022/23 accounts which is not directly comparable to the current total rateable value due to the impact of revaluation.

4 PRECEPTS AND DEMANDS ON THE COLLECTION FUND

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

Council Tax	2022/2023 £000	2023/2024 £000
Sefton Council (Including Parish Precepts)	150,008	160,236
Merseyside Police and Crime Commissioner	19,946	21,585
Merseyside Fire & Rescue Authority	7,037	7,591
Liverpool City Region Combined Authority	1,599	1,628
	178,591	191,039

5 SHARES OF NON-DOMESTIC RATES INCOME

Business rates income is shared on the following basis:

Business Rates	Share %	2022/2023 £000	2023/2024 £000
Sefton Council	99%	56,664	62,388
Merseyside Fire & Rescue Authority	1%	572	630
	100%	57,236	63,018

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	2022/2023 £000	2023/2024 £000
Balance at 1 April	-27,106	-31,571
Write-offs in year	-3	282
Increase / Decrease in Year	-4,462	-4,016
Balance at 31 March	-31,571	-35,305

Business Rates	2022/2023 £000	2023/2024 £000
Balance at 1 April	-8,314	-5,719
Written-off in year	-5	1,694
Increase / Decrease in Year	2,600	-1,698
Balance at 31 March	-5,719	-5,723

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	2022/2023 £000	2023/2024 £000
Balance at 1 April	-21,353	-6,239
Movement in the Year	15,114	1,049
Balance at 31 March	-6,239	-5,190

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 £2.237m (£3.302m increase as at 31 March 2023), 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 £1.065m in 2023/2024 (£0.891m in 2022/2023).

Copies of the Company's accounts for 2023/2024 are 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 increase revenue reserves by £0.322m in 2023/2024 (£0.441m reduction as at 31 March 2023) 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 £0.763m in 2023/2024 (£1.793m in 2022/2023).

Sefton Hospitality Operations Limited
The main effect of consolidation has been to reduce revenue reserves by £1.439m in 2023/2024 (£0.813m reduction as at 31 March 2023) 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 £0.626m in 2023/2024 (£0.728m in 2022/2023).

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.

2022/2023			Note	2023/2024		
Gross Expenditure	Gross Income	Net Expenditure / Income (-)		Gross Expenditure	Gross Income	Net Expenditure / Income (-)
			Continuing Operations			
1,348	-11	1,337	Strategic Management	1,191	-10	1,181
159,898	-57,231	102,667	Adult Social Care	182,115	-66,894	115,221
77,236	-4109	73,127	Children’s Social Care	94,891	-7,164	87,727
38,779	-19,467	19,312	Communities	32,782	-16,696	16,086
113,544	-73,925	39,619	Corporate Resources	110,299	-73,990	36,309
25,528	-17,802	7,726	Economic Growth and Housing	21,378	-13,903	7,475
19,335	-2,504	16,831	Education Excellence	17,366	-2,613	14,753
216,515	-204,578	11,937	Education Excellence - Schools	222,768	-208,092	14,676
19,010	-23,848	-4,838	Health and Wellbeing	18,426	-25,361	-6,935
24,650	-9,172	15,478	Highways and Public Protection	23,560	-8,692	14,868
38,349	-14,124	24,225	Locality Services	35,531	-14,754	20,777
8,344	-11,180	-2,836	Corporate Unallocated Costs	8,607	-6,151	2,456
1,585	-598	987	Sefton New Directions - Net	1,887	-778	1,109
6,012	-7,978	-1,966	Sandway Homes - Net	6,936	-7,862	-926
1,294	-565	729	Sefton Hospitality Operations - Net	2,359	-1,745	614
751,427	**-447,092**	**304,335**	**Net Cost of Services**	**780,096**	**-454,705**	**325,391**
			Other Operating Income and Expenditure			
		1,381	Precepts paid to Parish Councils			1,424
		35,317	Levies			36,288
		5,299	Loss on the disposal of non-current assets			332
		-1,037	Other Operating Income			-1,300
		40,960				36,744
			Financing and Investment Income & Expenditure			
		7,036	Interest payable and similar charges			6,369
		11,453	Net Interest on the Net Pension Defined Benefit Liability			892
		-1,934	Interest Receivable			-2,361
		-2,531	Income and Expenditure on Investment Properties			-2,688
		4,890	Changes in the Fair Value of Investment Properties			-143
		1,042	Changes in the Fair Value of Financial Instruments			206
		19,956				2,275
			Taxation and Non-specific Grant Income			
		-152,958	Income from Council Tax			-161,533
		-79,197	Non-Domestic Rates Income			-60,860
		-71,563	Non-Ringfenced Government Grants			-85,027
		-31,530	Capital Grants and Contributions			-40,799
		-335,248				-348,219
		30,003	**Deficit on Provision of Services**			**16,191**
		-82	Taxation			0
		29,921	**Group Deficit**			**16,191**

2022/2023 Gross Expenditure	2022/2023 Gross Income	2022/2023 Net Expenditure / Income (-)	Continued from previous page	2023/2024 Gross Expenditure	2023/2024 Gross Income	2023/2024 Net Expenditure / Income (-)
		-2,259	Surplus (-) / Deficit on Revaluation of non-current assets			-16,368
		-433,417	Re-measurement of the Net Defined Benefit Liability			-42,838
		-435,676	**Other Comprehensive Income and Expenditure**			-59,206
		-405,755	**Total Comprehensive Income and Expenditure**			**-43,015**

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.

Movements in Reserves in 2023/2024	Council Usable Reserves £000	New Directions Surplus £000	Sandway Homes Surplus £000s	SHOL Surplus £000s	**Total Usable Reserves £000**	Council Unusable Reserves £000	**Total Council Reserves £000**	**Total Group Reserves £000**
Balance at 1 April 2023	-127,077	-3,302	441	813	-129,125	-288,382	-415,459	-417,507
Movements in Year								
Total Comprehensive Income and Expenditure	15,263	1,065	-763	626	16,191	-59,206	-43,943	-43,015
Adjustments between accounting basis and funding basis under regulations (Note 7 of single entity accounts)	-21,244	0	0	0	-21,244	21,244	0	0
Net Increase (-) / Decrease before Transfers to Earmarked Reserves	-5,981	1,065	-763	626	-5,053	-37,762	-43,943	-43,015
Transfers to / from Earmarked Reserves (Note 34 of single entity accounts)	0	0	0	0	0	0	0	0
Increase in Year	-5,981	1,065	-763	626	-5,053	-37,762	-43,943	-43,015
Balance at 31 March 2024	-133,058	-2,237	-322	1,439	-134,178	-326,344	-459,402	-460,522

Agenda Item 3

Movements in Reserves in 2022/2023	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**
Balance at 1 April 2022	-144,462	-4,194	2,234	0	-146,422	134,585	-9,877	-11,837
Movements in Year								
Total Comprehensive Income and Expenditure	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
Net Increase (-) / Decrease before Transfers to Earmarked Reserves	17,385	892	-1,793	813	17,297	-422,937	-405,582	-405,670
Transfers to / from Earmarked Reserves (Note 34 of single entity accounts)	0	0	0	0	0	0	0	0
Increase in Year	17,385	892	-1,793	813	17,297	-422,967	-405,582	-405,670
Balance at 31 March 2023	-127,077	-3,302	441	813	-129,125	-288,382	-415,459	-417,507

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'.

31 March 2023 £000s		Note	31 March 2024 £000s
503,546	Property, Plant and Equipment	5	526,978
13,149	Heritage Assets		13,149
27,315	Investment Property		27,577
1,471	Intangible Assets		1,520
5,288	Long Term Investments		5,383
6,389	Long Term Debtors		6,795
557,158	**Long-Term Assets**		581,402
4,881	Assets Held for Sale		6,019
8,467	Inventories		5,866
76,617	Short Term Debtors	6	77,955
5,086	Prepayments		10,949
32,035	Cash and Cash Equivalents	7	16,265
127,086	**Current Assets**		117,054
-27	Cash Overdrawn		-13,518
-12,995	Short Term Borrowing		-10,506
-68,107	Short Term Creditors	8	-67,151
-15,195	Receipts in Advance	8	-17,193
-983	Deferred Liabilities		-1,105
-97,307	**Current Liabilities**		-109,473
0	Pensions Asset	50	28,883
0	**Long Term Assets**		28,883
-9,600	Provisions		-8,871
-121,798	Long Term Borrowing		-127,953
-5,498	Deferred Liabilities		-4,392
-32,534	Pensions Liability		-16,128
-169,430	**Long Term Liabilities**		-157,344
417,507	**Net Assets**		**460,522**

31 March 2023 £000s	Balance Sheet (Continued)	Note	31 March 2024 £000s
	Reserves		
	Usable Reserves		
-17,994	General Fund - Delegated Schools		-20,375
-11,991	General Fund - Non-Delegated Services		-16,300
-3,302	New Directions - Profit and Loss Account		-2,237
441	Sandway Homes - Profit and Loss Account		-322
813	Sefton Hospitality Operations - Profit and Loss Account		1,439
-51,790	Earmarked Reserves		-32,680
-10,967	Capital Receipts Reserve		-12,449
-34,335	Capital Grants and Contributions Unapplied		-51,254
-129,125			-134,178
	Unusable Reserves		
-91,116	Revaluation Reserve		-107,164
-225,341	Capital Adjustment Account		-235,899
192	Financial Instruments Adjustment Account		148
-278	Pooled Investment Funds Adjustment Account		-71
-2,232	Deferred Capital Receipts		-2,232
32,534	Pensions Reserve		-12,755
-24,653	Collection Fund Adjustment Account		-9,999
5,452	Accumulated Absences Account		5,507
17,060	Dedicated Schools Grant Adjustment Account		36,121
-288,382			-326,344
-417,507	**Total Group Reserves**		**-460,522**

The Notes to the single entity accounts on pages 35 to 112, and to the Group Accounts on pages 117 to 128 form part of the financial statements (note that the disclosures on pages 127 and 128 are for information only and do not form part of the financial statements).

The unaudited accounts were issued on 14th June 2024 and the audited accounts were authorised for issue on 12th February 2025.

Stephan Van Arendsen
Executive Director of Corporate Services and Commercial
Date: 12th February 2025

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.

2022/2023 £000s		Note	2023/2024 £000s
	Operating Activities		
29,921	Net Deficit on the provision of services		16,191
-12,560	Adjustments to net surplus or deficit on the provision of services for non-cash movements		-4,691
26,221	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		33,010
43,582	Net cash flows from Operating Activities	9	44,510
	Investing Activities		
30,916	Purchase of property, plant and equipment, investment property and intangible assets		33,247
10	Purchase of short-term and long-term investments		0
-8,456	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		-3,908
0	Proceeds from short-term and long-term investments		-724
-28,732	Other receipts from investing activities		-42,309
-6,262	Net cash flows from Investing Activities		-13,694
	Financing Activities		
0	Cash receipts of short- and long-term borrowing		-15,000
-460	Other receipts from financing activities		0
496	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		525
33,949	Repayments of short- and long-term borrowing		12,353
0	Other payments for financing activities		567
33,985	Net cash flows from Financing Activities		-1,555
71,305	**Net decrease / increase (-) in cash and cash equivalents**		**29,261**
-103,313	Cash and cash equivalents at the beginning of the reporting period		-32,008
-32,008	**Cash and cash equivalents at the end of the reporting period**	7	**-2,747**

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.

2022/2023 £000		2023/2024 £000
	Sefton New Directions Limited	
19	Fees payable to Hazlewoods LLP for external audit services	19
	Sandway Homes	
13	Fees payable to Beever and Struthers for external audit services	13
32	**Total**	**32**

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 £0.054m in 2023/2024 relating to Land and Buildings and other assets (£0.074m in 2022/2023). Sefton New Directions has obligations to make payments for operating leases in future years as follows:

31 March 2023 £000s		31 March 2024 £000s
54	Not later than one year	72
76	Later than one year and not later than five years	60
497	Later than five years	772
627		904

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:

2022/2023 Sefton Council £000s	2022/2023 Sefton New Directions Limited £000s	Comprehensive Income and Expenditure Statement	2023/2024 Sefton Council £000s	2023/2024 Sefton New Directions Limited £000s
		Cost of Services:		
48,958	0	Current Service Cost	23,961	0
123	0	Curtailment Cost	87	0
628	0	Administration Expenses	660	0
0	0	Past Service Cost	44	0
		Financing and Investment Income & Expenditure:		
11,453	0	Net Interest Cost	892	0
61,162	0	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	25,644	0
-433,417	0	Actuarial Losses / Gains (-) on Pension Assets and Liabilities	-42,838	0
-372,255	0	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	-17,194	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:

2022/2023 Sefton Council £000s	2022/2023 Sefton New Directions Limited £000s		2023/2024 Sefton Council £000s	2023/2024 Sefton New Directions Limited £000s
-1,132,497	-38,832	Present Value of the Defined Benefit Obligation	-1,146,010	-39,729
1,099,963	46,278	Fair Value of Plan Assets	1,158,765	49,856
0	-7,446	Other amounts recognised in the statement of financial position	0	-10,127
-32,534	0	Net Liability arising from defined benefit obligation	12,755	0

Basis for Estimating Assets and Liabilities

The principal assumptions used by the actuary for Sefton New Directions have been:

2022/2023		2023/2024
	Mortality assumptions (years):	
	Local Government Pension Scheme:	
21.0	Longevity at 65 for current pensioners: Men	21.0
24.0	Longevity at 65 for current pensioners: Women	23.0
23.0	Longevity at 65 for future pensioners: Men	22.0
26.0	Longevity at 65 for future pensioners: Women	25.0
	Other assumptions	
2.7%	Rate of Inflation - CPI	2.7%
4.2%	Rate of increase in salaries	4.2%

2.8% 4.9%	Rate of increase in pensions Rate for discounting scheme liabilities	2.8% 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 £0.090m for Vehicles, Plant and Equipment of Sefton New Directions Limited at 31 March 2024 (£0.125m at 31 March 2023) and £0.029m for Land and Buildings (£0.046m at 31 March 2023). It also includes £2.232m at 31 March 2024 for Land of Sandway Homes (£2.232m at 31 March 2023) and includes £0.180m for Vehicles, Plant and Equipment of Sefton Hospitality Operations Limited at 31 March 2024 (£0.144m at 31 March 2023) and £0.198m for Land and Buildings (£0.050m at 31 March 2023). 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 £1.527m for Debtors of Sefton New Directions Limited at 31 March 2024 (£0.948m at 31 March 2023), £0.000m at 31 March 2024 for Debtors of Sandway Homes (£0.263m at 31 March 2023) and £0.043m at 31 March 2024 for Debtors of Sefton Hospitality Operations Limited (£0.050m at 31 March 2023). Details of Sefton's Debtors are shown in Note 26 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 2023 £000s		31 March 2024 £000s
26,305	Sefton MBC - Cash and Cash Equivalents	-1,577
3,368	Sefton New Directions Limited - Bank Deposits	1,533
1,896	Sandway Homes	2,634
439	Sefton Hospitality Operations Limited	157
32,008	**Total Cash and Cash Equivalents**	**2,747**

8 CURRENT LIABILITIES

The Current Liabilities figure in the Group Balance Sheet includes £0.940m for Creditors of Sefton New Directions Limited at 31 March 2024 (£1.183m at 31 March 2023), £9.722m for Creditors (£10.356m at 31 March 2023) relating to Sandway Homes and £0.799m for Creditors of Sefton Hospitality Operations Limited at 31 March 2024 (£0.728m at 31 March 2023). Details of Sefton's Creditors are shown in Note 28 to the single entity accounts.

9 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2022/2023 £000s		2023/2024 £000s
-,1,978	Interest received	-2,408
7,165	Interest paid	5,809

10 STATEMENT OF ACCOUNTING POLICIES

The Accounting Policies for the Group are described in Note 55 to the single entity accounts.

11 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

2022/2023 £000		2023/2024 £000
10,084	Turnover	10,170
-9,246	Cost of Sales	-9,748
838	Gross Profit	422
-1,596	Administrative Expenses	-1,531
-758	Gross Profit / Loss (-)	-1,109
-229	Costs of reorganisation and restructuring / COVID19 Related Costs	0
14	Other interest receivable and similar income	44
-973	Profit / Loss (-) before Tax	-1,065
82	Taxation	0
-891	**Profit / Loss (-) for the financial year**	**-1,065**

Balance Sheet

2022/2023 £000		2023/2024 £000
	Fixed Assets	
170	Tangible Assets	119
	Current Assets	
948	Debtors	1,527
3,368	Cash at bank and in hand	1,532
4,316		3,059
-1,183	**Creditors: Amounts falling due within one year**	-940
3,133	**Net Current Assets**	2,119
3,303	**Total assets less current liabilities**	**2,238**
	Capital and reserves	
1	Called up share capital	1
3,302	Retained earnings	2,237
3,303		2,238
3,303	**Total capital and reserves**	**2,238**

SANDWAY HOMES SUMMARY FINANCIAL INFORMATION

Balance Sheet

2022/2023 £000		2023/2024 £000
	Fixed Assets	
2,232	Tangible Assets	2,232
	Current Assets	
7,755	Work in Progress	5,177
263	Debtors	0
1,896	Cash at bank and in hand	2,635
9,914		7,812
	Current Liabilities	
-10,355	Creditors: Amounts falling due within one year	-9,722
-10,355		-9,722
-441	**Net Current Assets**	-1,910
1,791	**Total assets less current liabilities**	**322**
	Long-Term Liabilities	
2,232	Creditors: Amounts falling due after one year	0
	Capital and reserves	
-441	Retained earnings	-322
1,791	**Total capital, reserves and long-term liabilities**	**-322**

SEFTON HOSPITALITY OPERATIONS LIMITED SUMMARY FINANCIAL INFORMATION

Balance Sheet

2022/2023 £000		2023/2024 £000
	Fixed Assets	
194	Tangible Assets	378
	Current Assets	
18	Stocks	27
49	Debtors	43
441	Cash at bank and in hand	157
508		227
	Current Liabilities	
-428	Creditors: Amounts falling due within one year	-799
-428		-799
80	**Net Current Assets**	-572
274	**Total assets less current liabilities**	**-194**
	Long-Term Liabilities	
1,087	Creditors: Amounts falling due after one year	1,245
	Capital and reserves	
-813	Retained earnings	-1,439
274	**Total capital, reserves and long-term liabilities**	**-194**

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, Phil Porter 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 2023/24 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 2024/25. 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 2023/24 and we will monitor their implementation and operation as part of our annual review in 2024/25.

Councillor Marion Atkinson	**Phil Porter**
Leader of the Council	**Chief Executive**

Annual Governance Statement 2023/24

Year Ended 31 March 2024

Sefton Council

Table of Contents

Sefton Council

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 (Amendment) Regulations 2022 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 in September 2023 and has subsequently approved a revised 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 2023 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 was updated and approved by the Audit and Governance Committee on 6 September

Sefton Council

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 2023/24. 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 2023/24 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 2023/24 on 19 July 2023, 6 September 2023, 27 September 2023, 13 December 2023 and 20 March 2024. The Council's Annual Statement of Accounts for 2022/23 were discussed at the Committee's meeting on 27 September 2023. The Committee's Annual Work Programme for 2024/25 has a special meeting scheduled for September 2024 for the consideration of the Council's Annual Statement of Accounts for 2023/24. 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 Cou

Sefton Council

As part of the corporate governance review for 2023/24 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 2023/24 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

Grant Thornton are the Council's appointed External Auditor for the audit of the 2023/24 draft statement of accounts. 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 2023/24, 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. A self-assessment against the Standards was undertaken by the Chief Internal Auditor during 2023/24 and an Improvement Action Plan subsequently devised. The Internal Audit function is not currently Public Sector Internal Audit Standards compliant due to the five-year external validation not taking place. There are plans for this to be scheduled to take place during 2024/25.

Risk Management Framework

A comprehensive review of the Corporate Risk Register (CRR) was undertaken during 2023/24 and presented to the Audit and Governance meeting held in December 2023. Several risks were de-escalated to relevant Service Risk Registers and the CRR focuses on the 12 key risks that are most critical to the council.

Sefton Council

The Chief Internal Auditor presents regular reports to the Audit and Governance Committee on anti-fraud and corruption activity. The council is developing arrangements to deal with fraud and corruption risks and is committed to maintaining its vigilance to tackle fraud. In the council's day-to-day operations, a framework of internal controls (e.g. authorisation, reconciliations, separation of duties, etc.) manages the risks of fraud or error, and this framework is reviewed by internal audit.

LGA Peer Review

The Council commissioned the Local Government Association (LGA) to conduct a peer review as an independent check on how it is doing in terms of planning for and delivering against our ambitious plans for the future. The peer review took place in October 2023 concluded that whilst there are clear and exciting opportunities for the borough over the coming years, the Council is facing significant and pressing challenges. The review made 10 recommendations for the Council to consider which were accepted and the Cabinet signed off an action plan at the meeting held in April 2024. The progress made against the action plan was due to be revisited by Cabinet in July 2024 but has been delayed until September 2024 due to the election. The implementation of these recommendations, alongside the delivery of the Transformation and Improvement Plan for Children and Young People and the Council's risk management framework will have a big impact on enhancing governance during 2024/25.

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;
- 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 2023/24 annual governance review has identified the following issues:

	Significant Governance Issue (SGI)	Source	Action to Address the Issue	Timescale	Lead
1	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. A refreshed and focussed Transformation and Improvement Plan for Children and Young People was launched during 2023/24 which focusses on five clear priorities. OFSTED completed three monitoring visits to Children's Services during 2023/24. The report from the most recent visits in February 2024 stated "senior leaders have made steady progress in strengthening a number of areas of practice for care leavers, from a very low starting point. Despite some improvements, the pace of progress in some areas of practice has been too slow."	GAS Review	Work will continue during 2024/25 to implement the recommendations within the refreshed Improvement Plan. Further OFSTED monitoring visits will take place during 2024/25. The progress made regarding the Implementation Plan and the outcomes of monitoring visits will continue to be reported through the Councils governance structure.	31 March 2025	Chief Executive and Risthardh Hare, Executive Director of Children's Services

	Significant Governance Issue (SGI)	Source	Action to Address the Issue	Timescale	Lead
2	Sefton Council's High Needs budget continued to face severe cost pressures and was overspent in 2023/24, increasing the accumulated deficit balance on High Needs to over £35m. The budget report presented to Cabinet in April 2024 states that "the increase to the High Needs funding allocation for 2024/25 is well below the 2023/24 expenditure and increases in new demand for Education, Health and Care plans (EHCPs) in 2024/45 will make the overspending situation even more acute in 2024/25". The increasing deficit has had a significant impact on the Council's cash flow position and represents a major risk to the Council's financial sustainability.	GAS Review	Some of the initiatives to help reduce costs and generate future cost efficiencies started to be rolled out during 2023/24, including growing the number of in-house places in special schools and resourced units to meet future demand and hourly rates of SEN Inclusion support have been uplifted to current pay levels to support keeping children with EHCPs in mainstream settings. Work will continue in 2024/25 and over the coming years including investment in the expansion special school places and SEN Resource Unit places attached to mainstream schools. Cabinet and Council will receive quarterly reports from the Executive Director of Children's Social Care and Education and the Assistant Director of Children's Services (Education) with regard to the High Needs budget and the changes that are proposed, details of sufficiency planning, the Council's engagement on the Delivering Better Value Programme and the current high needs deficit and the risk around future central government decision making in respect of this deficit.	31 March 2025	Risthardh Hare, Executive Director of Children's Services and Lynda Poole, Interim Assistant Director Children's Services (Education)

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   **Date**

Chief Executive

………………………………………………………   ………………………………

Councillor Marion Atkinson   **Date**

Leader of the Council

Sefton Council

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 3

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). Further copies are also available upon request to the following addresses.

Sefton Council

Executive Director of Corporate Services and Commercial,
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,
7th 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 Services and Commercial at the above address. We would particularly like to hear from you if you have any suggestions on how the accounts could be improved.

Grant Thornton

Sefton Council

Interim Auditor's Annual Report for the year ended 31 March 2024

February 2025

Contents

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive summary

Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The NAO has consulted and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year (30 November) and for the audited body to publish the Report thereafter. This new requirements will be introduced from November 2025. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2023/24 is the fourth year that these arrangement have been in place. Your previous external auditor-presented their Value for Money commentary for 2021/22 to 2022/23 at the Audit and Governance Committee on 21 November 2024 and identified a significant weakness in arrangements relating to an inadequate Ofsted inspection carried out during 2021/22. We had already identified this as a potential risk of significant weakness in our risk assessment for our 2023/24 work., where we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

Criteria	2023/24 Risk assessment		2023/24 Auditor judgement on arrangements
Financial sustainability	We identified a potential risk of significant weakness in relation to the medium-term financial sustainability of the council, including managing budget pressures, in particular in relation to children's social care, DSG deficit and adequacy of reserves.	R	We have confirmed one significant weakness in relation to the Council's medium term financial sustainability We have also identified four improvement recommendations.
Governance	No potential risks of significant weakness were identified during audit planning	R	We have confirmed one significant weakness in relation to the level of procurement waivers, and we have also identified ten improvement recommendations.
Improving economy, efficiency and effectiveness	We identified a potential risk of significant weakness in relation to insufficient improvement in Children's Social Care following an inadequate Ofsted inspection.	R	We have confirmed one significant weakness in relation to the Council needing to take more effective corporate grip of the improvement of Children's Social Care. We have also identified six improvement recommendations.

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (continued)

Financial sustainability

The local government sector is operating with a significant degree of financial uncertainty. The Council, like others in the sector, continues to face financial challenges in terms of the medium-term financial outlook and is facing a very difficult period in order to maintain financial sustainability. The Council has recognised this, and management has taken action throughout 2023/24 with further work planned in 2024/25 and beyond. However, based on the work undertaken and evidence reviewed, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. Further immediate action is required to ensure that budget pressures are more effectively managed, and reserves are maintained at planned levels. The Council should also have a clear plan to implement additional savings identified across the MTFP period. The current position of increasing demand pressures leading to budget overspends, despite increasing service budgets, particularly in relation to Children's Social Care is not sustainable and represents a significant weakness in arrangements for securing financial sustainability. Due to the significance of this matter we have raised a key recommendation. See page 6 for more detail.

We have also found opportunities for financial sustainability arrangements to be further enhanced and we have made four improvement recommendations set out on pages 19 and 20 of this report.

Governance

We have reviewed the Council's arrangements for governance in terms of internal control, decision making, risk management, budget setting and monitoring, internal audit and compliance with standards and have established the Council had suitable arrangements in place to support its control environment during the reporting period, except for the level of procurement waivers being applied. Based on our work undertaken and evidence reviewed we have identified this as a significant weakness and have raised a key recommendation in relation. See page 7 for more detail.

We have also found opportunities for governance arrangements to be further enhanced and we have made ten improvement recommendations set out on pages 30 to 34 of this report. These include in relation to internal audit, procurement, and capital programme governance.

Improving economy, efficiency and effectiveness

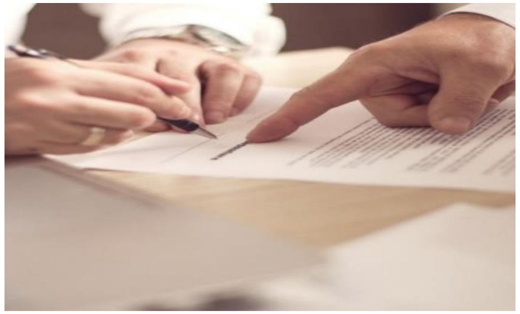
The Council has a history of poor Ofsted inspection outcomes and has been under government intervention for its children's social care services since June 2021. Whilst Ofsted has noted some progress, it repeatedly reports, most recently in June 2024, that the Council has not taken sufficient action to tackle some of the weaknesses identified and the pace of improvement in some areas is too slow where leaders are not monitoring the impact of these changes well enough. Notwithstanding significant investment into the revenue budget of the service, it continues to realise and forecast overspends on annual budgets. Due to the significance of this matter we have raised a key recommendation, See page 8 for more detail.

We have also found opportunities for arrangements to be further enhanced and we have made six improvement recommendations set out on pages 41 to 43 of this report. These predominately relate to arrangements concerning the Council's wholly owned companies.

Financial Statements opinion

We have substantially completed our audit of your financial statements and anticipate issuing a disclaimer of audit opinion due to the prior year disclaimed accounts and lack of assurance over opening balances, following the Audit and Governance Committee meeting on 12 February 2025.

Our findings are set out in further detail on pages 45 to 46.



Acknowledgement
We would like to take this opportunity to record our appreciation for the assistance provided by Council officers and Members with whom we have engaged during the course of our review.

Use of auditor's powers

We bring the following matters to your attention:

	2023/24
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.	We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We did not issue a public interest report.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We did not make an application to the Court.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We did not issue any advisory notices.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not make an application for judicial review.

Agenda Item 3

Key recommendations

Key Recommendation 1	Further immediate action is required to ensure that budget pressures, in particular in children's services, are more effectively managed, and reserves are maintained at planned levels. The Council should also have a clear plan to implement additional savings identified across the MTFP period.
Identified significant weakness in arrangements	Whilst the Council has taken and continues to take steps to manage its medium to financial resilience, there remain unidentified savings or actions to meet funding gaps in the MTFP. This is particularly the case given ongoing and significant demand and cost pressures in relation to Children's Social Care, Home to School Transport and more recently in relation to Adult Social Care
Summary findings	Whilst general fund reserve balances have been increased for 2024/25 the current position of increasing demand pressures leading to budget overspends, despite increasing service budgets, particularly in relation to Children's Social Care is not sustainable. Reserves will not be adequate to manage the funding gaps in the MTFP, including the management of any potentially significant financial shocks.
Criteria impacted by the significant weakness	Financial sustainability
Auditor judgement	Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. We have therefore identified a significant weakness in arrangements.
Management comments	Agreed. The Council always sets robust budgets which are informed based on advice by the relevant executive and service directors in terms of investment required, especially to meet demand, and where appropriate savings that will support financial sustainability. Savings are successfully implemented by the Council and have been over the last 14 years due to arrangements being put in place to ensure delivery through Transformation Boards, etc. There is an agreed reserves strategy in place for the Council. Aside from Children's Services, all other services within the Council have substantially operated within their budget limits. Children's Services is a demand and need based service which, as stated, is set based on the advice of the Executive Director and in line with the Improvement Plan – this service has overspent in the last four years despite continued investment and rigorous monitoring lead by the Chief Executive and the S151 officer. The Council will continue to try to forecast this demand and need to inform the financial sustainability of the Council.

Page 174

The range of recommendations that external auditors can make is explained in Appendix B.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendations (Cont'd)

Key Recommendation 2	The Council must take urgent steps to change procurement culture in the use of waivers, ensure waiver data is reported quarterly to the Audit Committee, analyse waiver activity to understand the reasons for the level of waivers, confirm that waivers related to existing contracts or framework agreements, confirm that no waiver approvals resulted in a conflict of interest, gain assurances that all waivers are approved in line with the Council's Contract Procedure Rules and relevant procurement legislation and that procurement activity that required a waiver did not take place.
Identified significant weakness in arrangements	The Council has a recent history of significant use of procurement waivers (exceptions to contract procedure rules) which presents risks to the Council in realising value for money.
Summary findings	Analysis of waivers provided by the Council identified the total value of waivers during 2023/24 was £16.664m, with waivers being used in all service areas. The total value of waivers represents 6.5% of the Council's net revenue expenditure for the year. The interim head of procurement has recently updated the Waiver Request Report so that the approver of the waiver should declare any conflict of interest, and has amended the waiver process so that the Head of Procurement is able to check waiver requests prior to their approval. This should bring some additional controls to the process. However, the level and value of waivers is a significant concern.
Criteria impacted by the significant weakness	Governance
Auditor judgement	Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. We have therefore identified a significant weakness in arrangements.
Management comments	Agreed. The Council's Contract Procedure Rules are currently the subject of review to take account of new Procurement legislation. As part of that process a review of when waivers are required, and at what financial level and under what circumstances, will also be undertaken. This will ensure that waivers are appropriate and material in value. As part of the training for the new arrangements, the approach to waivers will be a key part of the training. Waiver data will be provided quarterly to Audit and Governance Committee.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

The range of recommendations that external auditors can make is explained in Appendix B.

Key recommendations (Cont'd)

Key Recommendation 3	The Council must ensure there is a corporate grip on successfully delivering the Improvement Plan for Children's Social Care.
Identified significant weakness in arrangements	The overall pace of improvement of the service is impacting on the Council's ability to effectively and efficiently meet its children's social care statutory responsibilities, and at the same time failure to manage demand pressures is having a significant impact on the Council's medium-term financial sustainability.
Summary findings	The Council has a history of poor Ofsted inspection outcomes and has been under government intervention for its children's social care services since June 2021. Whilst Ofsted has noted some progress, it repeatedly reports, most recently in June 2024, that the Council has not taken sufficient action to tackle some of the weaknesses identified and the pace of improvement in some areas is too slow where leaders are not monitoring the impact of these changes well enough. Notwithstanding significant investment into the revenue budget of the service, it continues to realise and forecast overspends on its annual budget.
Criteria impacted by the significant weakness	Improving economy, efficiency and effectiveness
Auditor judgement	Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. We have therefore identified a significant weakness in arrangements.
Management comments	Agreed. There are currently arrangements in place to ensure this takes place.

The range of recommendations that external auditors can make is explained in Appendix B.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Page 177

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Our commentary on the Council's arrangements in each of these three areas, is set out on pages 11 to 43.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications

Agenda Item 3

The current local government landscape

It is within this context that we set out our commentary on the Council's value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.

National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents.

For Housing Revenue Accounts, inflation in recent years led to cost increases often outstripping rent rises. In the coming years, new legal duties on landlords are expected to increase costs further, without there necessarily being any additional funding to cover the new costs. At the same time, high construction prices are making it harder for councils to invest in the new accommodation which might have helped make savings in the revenue account, for example on temporary accommodation and homelessness. Housing Revenue Accounts are under further pressure due to regulatory challenges in housing quality in the light of national issues in respect of cladding and damp/mould issues.

In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven councils issuing eleven section 114 notices between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018, with an increasing number of other councils publicly warning of a section 114 risk;
- Twenty councils being with government approval for exceptional financial support during 2024/25, totalling approximately £1.5 billion. Only six of these councils had previously issued a section 114 notice.; and
- The Local Government Association warning that councils in England face a funding gap of £4 billion over 2023/24 and 2024/25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. A change in government took place following the general election on 4 July 2024. The new government policies that impact on the sector include planned reform of planning and the introduction of house building targets, with indications that the local government funding settlement will be multi-annual. The Chancellor's Budget on 30 October 2024 confirmed the Government's plans for greater devolution in England and confirmed a real terms increase in core spending power to local government for 2025/26 of 3.2%. Including an increase in grant of £1.3 billion. The Chancellor also announced £1 billion additional funding for SEND, an additional £2.3 billion for schools, and councils will be able to use the full amount of capital receipts from right to buy sales. The detail of what the Chancellor's announcement means for individual councils will become clearer when their provisional finance settlement for 2025/26 is confirmed by the Government in December 2024.

Local context

Sefton Council is a metropolitan borough of Merseyside, one of six that comprise the Liverpool City Region Combined Authority and the Council plays an active role with lead responsibilities for issues of education, skills and employment in the region. The borough spans the industrial Bootle to Southport, and from Liverpool to West Lancashire. It extends along 22 miles of coastline of the Irish sea which is a defining feature of the area The borough encompasses the towns of Crosby, Hightown, Formby and Southport and covers approximately 60 square miles. There are 25 conservation areas and 5 historic parks within the borough as well as attractions such as Aintree Grand National, Anthony Gormley's Another Place, and the Royal Birkdale Golf Club.

Sefton has a population of approximately 275,900, with a relatively old average population of 23.7% aged 65 or older. The population density of the borough is over four times higher than the rest of England and it is the fifth most deprived of all local authority areas in England.

The Council is made up of 66 councillors who have a term of 4 years, representing 22 wards with 3 councillors per ward. Following the May 2024 local election the Council comprises 49 Labour councillors, 9 Liberal Democrat councillors, 4 Conservative councillors, 2 Independent councillors and 1 Green councillor.

Since 2016, the Council has been working towards a future vision called Sefton 2030 with key aims including social reinvestment and sustainable economic prosperity.

Financial sustainability

We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures 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
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Short and Medium-Term Financial Planning

The full Council agreed its Medium-Term Financial Plan (MTFP) for the period 2023/24 to 2025/26 on 2 March 2023. The associated budget papers noted that the Council's budget report of March 2022 had highlighted the financial risk to the Council from children's social care, which was reflected in the overall risk analysis that determined the reserves that the Council should hold at that point. The main budget report reflected that in the absence of further government funding, if costs in children's social care (and adults social care) increased then savings would be required in future years. The financial risk of children's social care principally related to the number of children being looked after, and the cost of accommodation for children who require support. Children's social care had been the main areas of budget growth, increasing from £33m in 2018/19 to £52m in 2022/23.

The Council's S151 Officer's Section 25 Report, which formed part of the papers to the 2 March 2023 full Council, provided an assessment of the robustness of the 2023/24 budget assumptions and adequacy of reserves. This report noted that financial planning assumptions had been reviewed and were considered prudent. However, the report noted that there were some assumptions related to areas where the final cost was yet to be identified, such as the pay award, which would be monitored, and any variation reported to Members. The Section 25 report further noted that due to prevailing economic conditions, the volatility that exists within the budget for 2024/25 could not be underestimated. As a result, the budget would need proactive management to contain expenditure within the approved levels.

The March 2023 budget report noted that these risks had increased exponentially during 2022/23 for reasons that were unforeseen at the time that the budgets for the year were originally agreed. The report summarised these as the impact of a significant increase in inflation on accommodation costs, and the increase in rates of agency social workers, which in turn had impacted on the recruitment and retention of permanent social workers. The report, correctly, notes that these are national issues. As a consequence, £17m of additional 2022/23 in year pressures were reported of which £11.3m were forecast to continue into 2023/24.

Analysis of demand, accommodation and staffing costs, including inflation assumptions, resulted in a budget growth for children's services of £17.9m in 2023/24 (plus additional temporary funding of £3.2m) with the annual budget for the service totalling £70m. The budget report noted that the children's services budget would be aligned to the service's improvement plan, as recommended by the Department for Education's (DfE) Children's Commissioner, and that the budget had to be managed effectively during 2023/24, and that the service could not overspend this budget, as had been the case in prior years. The budget report further noted that there were no surplus balances available to meet any additional budget pressures in children's services and should cost pressure be experienced within the service during 2023/24, it should be identified at the earliest opportunity via the monthly monitoring process and reported to Members.

The Children's Services Improvement Plan, which is monitored by Overview and Scrutiny Committee, as already noted, is now aligned to the service budgets, and all budget estimates for the next two financial years had been signed off by the Executive Director of Children's Services.

Financial sustainability (Cont'd)

Short and Medium-Term Financial Planning (Cont'd)

The 2023/24 budget, along with the MTFP (2023/24 to 2025/26), was approved by full Council on 2 March 2023. This included funding gaps for each year of the plan, as summarised in the table below.

	2023/24 £m	2024/25 £m	2025/26 £m
Initial MTFP position - funding gap	10.418	13.800	10.450
Changes to government funding	-20.070	-9.968	-2.600
Growth Items	24.768	5.498	1.700
Updated funding gap	15.116	9.330	9.550
Budgeted savings	-7.568	0.455	-0.800
Revised funding gap	7.548	9.785	8.750
Council Tax (at 4.99%)	-7.548	-7.977	-8.400
Residual funding gap	**0.000**	**1.808**	**0.350**

The revised funding gap in 2023/24 was met by the Council approving the maximum level of Council Tax increase, resulting in a planned balanced budget for the year.

The November 2023 Local Government Association (LGA) Corporate Peer Review recommended that the Council use the process of developing the MTFP to develop a widespread understanding and ownership of the Council's financial challenges to ensure accurate forecasts on costs and demand, and the development of clear saving plans. The Council's action plan in response noted that the next MTFP will include detail provided by services on all aspects of demand growth and cost inflation and will inform the overall budget gap which will be used to determine the savings required from the Council via its transformation programme and budget proposals.

The next budget, for 2024/25, along with the MTFP (2024/25 to 2026/27) was approved by full Council on 29 February 2024. This included funding gaps for each year of the plan, as summarised in the table on the right. As with the previous year, in approving the maximum Council Tax increase the Council was able to approve a balanced budget for 2023/25.

Planned savings over the MTFP do not meet the forecast funding gaps in each year of the plan, and the residual funding gap in year 3 of the plan is increasing. For future years the Council will need to determine how funding gaps are managed in order to set and maintain a balanced budget in 2025/26 and 2026/27 of the plan when the budgets for these years are being developed and agreed.

	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Initial MTFP position - funding gap	19.422	12.030	13.150	44.602
Changes to government funding	-17.780	-3.000	-2.000	-22.78
Growth Items	10.621	2.400	3.510	16.531
Updated funding gap	12.263	11.430	14.660	38.353
Budgeted savings	-4.265	-2.465	-4.378	-11.108
Revised funding gap	7.998	8.965	10.282	27.245
Council Tax (at 4.99%)	-7.998	-8.438	-8.884	-25.320
Residual Funding Gap	**0**	**0.527**	**1.398**	**1.925**

Reserves

The General Fund Reserve (General Balances) is the Council's primary reserve. It exists to provide the Council with a contingency against unexpected financial events or shocks. The fund should only be utilised to address short-term issues and should not be relied upon to finance ongoing budget deficits. Where the General Fund Reserve is used, it should be replenished in full in the next financial year.

The Section 25 report that formed part of the budget papers presented to full Council on 2 March 2023 noted that the Council was forecast to start 2023/24 with a General Fund balance of £11.991m, which was considered to be below that considered prudent when compared to the risks faced. The 2023/24 budget included a contribution to General Balances of £3.400m funded from the net Council Tax / Business Rates surplus declared for 2023/24. This increased General Balances to £15.391m, which was still below the level considered prudent compared to the risks faced. The report noted that the budget included £1.023m to be carried forward as General Balances to offset anticipated one-off costs in 2024/25, and that these could also be drawn on if required during 2023/24.

The report recommended that the reserves strategy of the Council be re-visited as part of the next MTFP. This reflected that there was no surplus funding available to support the current budget nor meet budget pressure in 2023/24 thereby re-enforcing the requirement for budget holders to deliver services within the approved budget.

The November 2023 LGA Corporate Peer Review recommended the Council should increase financial reserves, noting that the Council was aware that their reserve levels are amongst the lowest in the country, and there was a need to increase them over the cycle of the MTFP to support resilience against potential unexpected financial pressures.

Financial sustainability (Cont'd)

Reserves (Cont'd)

The Section 25 report of 29 February 2024 considered various national and local risks which resulted in the General Fund Balances being increased to £30m for 2024/25 (from £15m) which represents approximately 11% of the Council's net budget requirement, with General Fund balances expected to increase by £2m each year thereafter. The Council must continue to maintain and replenish its general fund reserve as planned over the medium term as part its wider strategy to maintain financial stability.

The Section 25 report in the February 2024 Budget Paper included as context that the CIPFA Financial Resilience Index identified that the Council is at a higher risk of financial due to its level or reserves and balances, being relatively low in comparison to other Metropolitan ıstrict Councils (based on 2021/22 data). The report further noted that the Council has the ‌h lowest level of reserves (General Balances and Earmarked Reserves as a proportion of t revenue expenditure) of all metropolitan districts as at 31 March 2023. The Section 25 ›ort concluded that the budget proposed was robust, and ensured there are adequate ·neral Balances to draw on if the service budgets turn out to be insufficient.

like the General Fund Reserve, Earmarked Reserves are held for a specific purpose. These purposes may be determined by the Council to coincide with its policy objectives, dictated by statute or agreed with partners who also contribute to the reserve.

The Council holds earmarked reserves separately from its General Fund to meet a number of specific purposes. These are summarised in the table below.

Earmarked Reserves	1 Apr 2022 (£m)	31 Mar 2023 (£m) Est	Change (£m)	1 Apr 2023 (£m)	31 Mar 2024 (£m) Est	Change (£m)
Strategic	15.472	14.583	-0.889	16.370	9.891	-6.479
Committed	10.948	10.948	0.000	10.633	10.633	0.000
Uncommitted	3.077	0.000	-3.077	0.000	0.00	0.000
Restricted	1.921	2.042	0.121	1.812	1.999	0.187
Temporary	49.835	16.364	-33.471	22.975	14.785	-8.190
Total	**81.253**	**43.937**	**-37.316**	**51.79**	**37.308**	**-14.482**

These earmarked reserves relate to:

- Strategic Reserves - In accordance with policy decisions, funding may be set aside and ringfenced for the benefit of a particular service or project ensuring that there is funding to take the activity forward as planned. This can also include general support to the budget.
- Committed Reserves – Where the Council makes a decision that commits it to incurring additional costs in the future, it can set aside the funding necessary to meet that cost when it arises, ensuring that the costs of current decisions are recognised at the point that decisions are made and do not become a burden on future budgets.
- Uncommitted Reserves – Where the Council is aware of an issue that may incur additional costs in the future, it can set aside the funding necessary to meet that cost if and when it arises, ensuring that the potential costs of these issues do not become a burden on future budgets.
- Restricted Reserves – The Council sometimes receives contributions from partners or has to set aside its own funding in a way that restricts where it can be spent in the future. These reserves can only be used to support eligible expenditure which may be restricted to a particular place, activity or service.
- Temporary Reserves – These are used to phase out timing differences between when the Council (or another body) funds expenditure and when it is incurred.

Reserve levels are reviewed twice a year, which includes benchmarking with other councils in the Liverpool City Region.

Transformation and Savings Plans

Since 2016 the Council has had a framework for a transformation programme with financial sustainability at the centre of it. The second iteration, Framework for Change 2020, concluded at the time the 2023/24 budget was being set, when a new transformation programme was in development.

At Cabinet in September 2022 it was agreed that the Council Vision would be reviewed, with a focus on two areas: Growth and Strategic Investment, with continued transformation of key services that reflected political priorities due to the importance to residents and those with the greatest financial impact. This activity was due to be aligned to the next MTFP, commencing in 2024/25. This was one of key findings from the LGA Corporate Peer Review in 2022.

Agenda Item 3

Financial sustainability (Cont'd)

Transformation and Savings Plans (Cont'd)

A review of all areas of the Council has taken place and a new transformation programme for 2024-2027 has been agreed. Transformational activity is focussed on the largest Council budgets and those under demand and cost pressure and is designed to support the Council's financial resilience and financial stability. Priority projects relate to Adult Social Care, SEND, Home to School Transport, Corporate Landlord, and Operational In-House Services.

The Budget Report of 29 February 2024 set out planned savings as follows:

Page 182

	2024/25	2025/26	2026/27	
ervice	£m	£m	£m	Total
dult Social Care	2.390	2.140	1.980	6.510
orporate Resources	0.486	0.000	0.505	0.991
ommunities	0.585	0.225	0.725	1.535
perational In-House Services	0.449	0.100	1.168	1.717
Highways & Public Protection	0.355	0.000	0.000	0.355
Total	**4.265**	**2.465**	**4.378**	**11.108**
Revised MTFP funding gap	7.998	8.965	10.282	27.245

As already noted, planned savings do not fully meet the MTFP funding gap. Failure to successfully implement these planned savings will increase the funding gap and put further pressure on the Council's financial sustainability.

Whilst Children's Social Care is a key service affected by demand pressures it does not feature in the savings plan but does have its own improvement programme. The challenges to this service have been described earlier in this section and Children's Social Care is covered further in the section of this report on Improving Economy, Efficiency and Effectiveness. Further areas of financial pressure for the Council are set out below.

The High Needs Budget

Councils with responsibility for the provision of Special Education Needs and / or Disability (SEND) services have seen a significant increase in demand and costs since reforms were introduced by the then government a decade ago. This includes an increase in Education Health and Care Plans (EHCP's), increased demand for non-mainstream education, a rise in demand and cost for home to school transport, and the cost of education provision. These have placed significant pressure on the funding available in the Dedicated Schools Grant (DSG) leading some councils to carry a DSG deficit.

In response the previous government introduced:

- a statutory accounting override which means that the deficit is rolled forward each year until 1 April 2026. It remains unclear if this statutory override will be extended.
- support programmes led by the DfE: the Safety Valve Programme and the Delivering Better Value programme.

The Council has seen the number of active EHCP's increasing from 1,637 in 2019 to 3,184 in February 2024. This has led to increased demand in the staffing required to process EHCP applications (£0.745m) and increased demand for Home to School Transport, whose budget has increased from £7.4m in 2019/20 to £14.4m in 2024/25.

The accumulated High Needs Budget deficit has increased from £6.172m in 2022/23 to £37.996mm in 2023/24 (with an in year overspend of £19.3m). During 2023/24 an additional 600 children were assessed as requiring an EHCP, representing a 21% increase. In addition, placements of children out of borough have increased, in part due to a shortage of in-house places.

The DfE permits councils to carry forward their DSG deficit and the Council holds this on the balance sheet as an unusable reserve. Should the statutory override not be extended from 1 April 2026, future deficits will need to be met from the general fund. The Council is actively seeking clarity from the government on what happens at the end of the statutory override on 31 March 2026.

The Council is part of the DfE Delivering Better Value (DBV) programme which includes a focus on improving capacity and training, redesigning service provision, and developing a data dashboard. Some implementation timescales have had to be adjusted due to recruitment challenges. This forms part of a SEND project as part of the Council's transformation programme.

The significance of this deficit was reported in the 2024/25 budget report, including the S151 Officers Section 25 report, and in the 2023/24 outturn report to Cabinet. The adequacy of high needs funding to meet demand, and the impact of the demand and cost of home to school transport on the Council's financial sustainability, are included in the Council's corporate risk register. The Council must ensure the controls and mitigations to minimise the DSG deficit and to limit general fund risk should the statutory override not be extended by the government.

Financial sustainability (Cont'd)

Academisation

The Academies Act 2010 permitted individual schools to move away from local authority control, based on a decision of a school's governing body, and the numbers of schools to do so has varied by local authority area in the intervening period. Sefton had not seen much academisation until recently, but this position is changing, and the increase of academisation of schools in the borough is included in the Council's corporate risk register. The impacts set out relating to this risks include the loss of income to the Council, via Service Level Agreements (SLAs) from schools who become academies

Cabinet on 4 April 2024 considered the impact of academisation on the Council. Academies are able to decide to choose another provider, and the report noted the potential financial risk to the Council should this happen.

The 4 April 2024 Cabinet report noted that there will be significant financial implications to the Council from the conversion of nine schools to academies.

Maintained schools pay a contribution from their delegated budget each year to the Council for the costs of the Council meeting its statutory education functions and central support functions. On academisation this contribution is no longer made and the Council forecast a loss of income of £74.3k during 2024/25 with this pressure to be met from within exiting Education Excellence budgets.

In addition, Academies may choose to purchase support services formerly provided by the Council from another provider and the Council forecast a financial loss of £213.8k from the loss of traded services in 2024/25, with this loss to be met from within existing Corporate Resources and Customer Services budgets, with a review of service provision planned to manage the impact on the MTFP. Whilst the financial impacts of academisation currently predicted by the Council are less significant than demand pressures faced by other Council services, the Council needs to have a clear plan on its approach to the provision of services to academies, and continue to understand the impact of any lost income to traded services, the impact on delegated budget contributions, and the implications for the MTFP.

Capital grant is also transferred to the academies and capital balances transferred to the new academies totals £63.7m.

Adult Social Care

The Section 25 Report in the Budget Papers of February 2024 noted that whilst the Adult Social Care budget had historically been underspent, challenges facing the service through demand, cost pressure and provider fees is increasing substantially. During 2023/24 the service had required increased savings to be delivered and in year remedial actions undertaken. Whilst the budget for 2024/25 increased by a net £12m (excluding the impact of a pay award from April 2024) this budget is now a key risk for the Council.

2023/24 Outturn

The Cabinet was provided with updates of the Council's forecast revenue position each month during the financial year from July 2023. The report to Cabinet on 7 March 2024, noted that as at the end of January 2024, the forecast outturn was a net overspend on services of £9.911m compared to the originally approved budgets, the majority of which related to additional pressure within the following areas:

- Children's Social Care: potential net overspend of £6.555m: this included forecast overspend on staffing casts of £1.161m and additional accommodation costs of £4.807m. It was reported that there had been recent improvements in practice resulting in more children being placed in more appropriate settings at a lower cost, reviews into demand and cost was ongoing including whether pressures were temporary or permanent in nature, and that the service was stabilising.
- Adult Social Care: potential net overspend of £2.493m: budget pressures relating to increased demand and increased provider fees. £5.7m of savings had been agreed and at the time of this report £5.5m had been delivered.
- Education Excellence: potential net overspend of £1.730m relating to the provision of additional SEND staff and home to school transport. The 2023/24 budget had included additional funding but further pressures had arisen due an increase in the number of EHCPs.

The other key variance related to the local government pay award with a forecast overspend of £1.4m. The approved base budget included an assumption of 4.5% for the pay award. The nationally agreed award agreed resulted in an increase of 6%.

Financial sustainability (Cont'd)

2023/24 Outturn (Cont'd)

As part of previous monthly reports mitigating actions had been agreed, in November 2023 and February 2024, reducing the forecast overspend to £1.555m. The report noted that there would be no flexibility left for the use of existing reserves or general balances, should any additional pressures arise, and that the Council needed to meet a balanced budget for 2023/24 to ensure its financial sustainability.

The final 2023/24 outturn position was reported to Cabinet on 25 July 2024, which represented a £0.114m overspend. This overall position incorporated a net overspend on service expenditure of £10.4m. This overspend related to issues reported during 2023/24 and included overspends in the following services:

- Children's Social Care were £8.0m overspent,
- Adult Social Care were £2.9m overspent
- Education Excellence were £1.7m overspent, mainly due to the Home to School Transport function.

As already mentioned, the Section 151 Officer's Section 25 report when setting the 2023/24 budget noted that there were no surplus balances available to meet any additional budget pressures in children's services during the year. However, a significant overspend did arise.

Most other services were underspent or reporting close to balanced positions. Remedial Actions Plans approved by Cabinet in November 2023 (£4.795m) and February 2024 (£3.561m), together with savings across corporate budgets meant the overall overspend was reduced to £0.114m. There was a transfer to General Balances of £4.309m which was £0.114m less than budgeted for due to the overspend.

Whilst the outturn position represents a small net overspend, service overspends remain significant in Children's and Adult Social Care, and in Home to School Transport, and the service overspend at outturn represented an increase compared to the March 2024 forecast

2024/25 Forecast Outturn

Cabinet received at its July 2024 meeting an update on the Council's forecast revenue position for 2024/25. Overspends were forecast in Adult Social Care (£2m) and in Children's Social Care (£3.5m) with underspends forecast in Health and Wellbeing (£0.120m) and in council wide budgets (£0.430m). The forecast year end position for 2024/25 was a net deficit of £4.950m.

Adult Social Care had delivered £0.9m of the planned £4.8m savings and expected to deliver all savings in year. Additional savings are also required to manage the in-year budget pressure due to increased demand.

Children's Social Care had received an additional £21m budget during 2023/24 to invest in additional staffing and care package costs. The 2024/25 budget included a further £3m increase to manage inflationary pressures and care package costs. The 2024/25 outturn forecast an overspend of £1.4m on staffing costs due to the need to use high-cost agency staff whilst permanent roles are recruited to in the service's new structure. The rest of the service overspend (£2.4m) relates to the cost of accommodation and care packages.

The Council is undertaking a comprehensive review of Adults and Children's residential placements and agency staff in order to inform a revised year end forecast.

Capital Programme

The capital budget for 2023/24 was £47.171m and the outturn position presented to Cabinet in July 2024 noted actual expenditure of £38.355m resulting in a year-end variance of £8.816m (18.6%). Total capital expenditure for the year was £40.937m when taking account of capital spend devolved to schools, and capitalisation of highways expenditure. Capital expenditure was funded as follows:

Capital Funding 2023/24	£m
Grants and other contrbutions	30.660
Prudential Borrowing	6.005
Contributions	2.426
Revenue Contribution	1.847
Total	**40.937**

Financial sustainability (Cont'd)

Capital Programme (Cont'd)

The most significant in year underspends related to:

- Marine Lake Events Centre (£1.869m) due to demolition and main works packages being reprofiled to take place in 2024/25
- The Local Authority Housing Fund (£1.297m) with delays to acquiring homes for refugees due to challenging market conditions to locate suitable homes within the available budget.
- Southport Pier (£0.645m) due to a change in project scope delaying commencement of the main works.

The capital programme is increasing over the medium-term, with planned spend totalling £68.755m in 2024/25 and £57.849m in 2025/26. This includes the successful Towns Fund application awarded by the government which is due to total £37.5m for a range of projects across Southport town centre and sea front.

The Council's single largest capital project is the Marine Lake Events Centre, a town-centre regeneration project for Southport and supported by Towns Fund funding. The project has a planned spend of £16.770m in 2024/25, £43.206m in 2025/25 and £[illegible]4m in 2026/27, and as already noted faced an underspend during 2023/24.

The capital programme supports the Council's corporate priorities including regeneration, economic growth and service transformation. Given the slippage to delivery experienced during 2023/24, the Council should ensure that the project management and contract management arrangements in relation to capital projects are effective to mitigate any delays in project delivery, and any timescale risks relating to government funding.

Overall Conclusion

The local government sector is operating with a significant degree of financial uncertainty. The Council, like others in the sector, continues to face financial challenges in terms of the medium-term financial outlook and is facing a very difficult period in order to maintain financial sustainability. The Council has recognised this, and management has taken action throughout 2023/24 with further work planned in 2024/25 and beyond.

However, further immediate action is required to ensure that planned savings are successfully implemented, that additional savings are identified, that service transformation is delivered as planned, budget pressures are more effectively managed, and reserves are maintained at planned levels. The current position of increasing demand pressures leading to budget overspends, despite increasing service budgets, particularly in relation to Children' Social Care is not sustainable and represents a significant weakness in arrangements for securing financial sustainability. A key recommendation is made in this regard and is set out on page 6 of this report.

We have also found opportunities for arrangements to be further enhanced and we have made four improvement recommendations set out on the following pages.

Financial governance

Financial planning and monitoring

Stakeholders that we met during the course of our work commented that there was an appropriate "tone from the top" with appropriate emphasis on financial risks and clarity of roles and responsibilities.

The Council's Executive Leadership Team (ELT) comprises the Chief Executive and Executive Directors, and the Senior Leadership Board (SLB) comprises members of ELT and Associate Directors. The Council's budgetary position is a standing agenda item at the meetings of ELT and SLB. Departments and services are expected to manage service delivery within approved budgets, with senior management holding each other to account, and there is evidence of corporate responsibility in managing significant budget pressures.

The Council held challenge sessions with key officers and members as part of developing the 2024/25 budget, during September and October 2023, and used benchmarking to identify potential areas of savings.

Financial planning for the 2025/26 budget had commenced at the time of this review, with the first Cabinet discussion taking place on 23 May 2024. The MTFP was updated for the period 2025/26 to 2027/28, with assumptions relating to demand, inflation, government funding and areas of growth, with an assessment of potential funding gaps over the medium-term. Financial planning will continue with options for savings.

Financial Management Code

The CIPFA Financial Management Code (2019) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:

- financially manage the short, medium and long-term finances of a local authority.
- manage financial resilience to meet unforeseen demands on services.
- manage unexpected shocks in their financial circumstances.

The Code has clear links to a number of value for money characteristics such as sound governance at a strategic, financial and operational level, sound management of resources and use of review and options appraisal. The Code, importantly, recognises that a council leadership team must recognise that while statutory responsibility for the financial management of the authority rests with the Chief Finance Officer, the Chief Finance Officer is reliant on the actions of the leadership team, both collectively and individually as elected members and senior officers.

Councils should detail how they meet the Code's standards through self-assessment and identify what improvements are required in order to ensure compliance. An initial review the Council's self-assessment was carried out in early 2021, together with the development of an action plan that was presented to Members of Audit and Governance committee for consideration in March 2021. A follow-up review was presented in June 2022 which identified progress against the action plan and further areas to improve compliance with the Code. The Audit and Governance Committee at its meeting on 19 July 2023 received an update on the latest self-assessment, which included input from the SLB to reflect that financial management and good practice needs to be embedded across the Council and at all levels of the organisation.

The 2023 assessment highlighted that many areas of good practice in financial management are evident across the organisation, and an update on the action plan reported no amber or red rated actions.

The action plan noted the following progress:

- Completion of the update to the Council's Contract Procedure Rules, an update to the Finance Procedure Rules to clarify requirements from Assistant Directors in relation to partnership arrangements, with supplementary guidance being developed, and ongoing work to update the Code of Corporate Governance.
- Financial policies and procedures and service schemes of financial delegation are updated at regular intervals, communicated to those with delegated budget responsibility and are available via the Council's intranet
- Finance recruitment, including CIPFA Trainees, and succession planning arrangements. The rollout of a business partnering approach across the Council with further work being undertaken to embed this approach in Children's Social Care and Adult Social Care.
- Activity in relation to demand management forecasting to support financial planning, and a strategy to increase general fund reserves.
- A new dedicated budget forecasting IT solution had been implemented and this was supported by appropriate training for those with delegated budget responsibility and finance staff.

The CIPFA Financial Management Code is not a statutory requirement and the Council's self-assessment against the Code is good practice which should continue, and actions arising be fully implemented.

Improvement recommendations: Financial Sustainability

Improvement Recommendation 1	The Council must continue to maintain and replenish its general fund reserve as planned over the medium term as part its wider strategy to maintain financial stability.
Improvement opportunity identified	The current reserve level strategy must be maintained to ensure financial sustainability
Summary findings	The Council is at higher risk of financial sustainability compared to other Metropolitan District Councils due to its level of general fund reserves. Whilst these have been increased for 2024/25 with plans to increase in subsequent years, the significant funding gaps in the MTFP risks reserves being depleted.
Criteria impacted	Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed. A Reserves Strategy has always been in place within the Council, and the Council benchmarks its General Fund reserves with other councils. This is evidenced through the substantial increase in General Fund Balances in 2024/25, and a strategy to replenish reserves in the three year period 2025/26 to 2027/28 is included with the budget report that will be approved by Council on 27th February 2025.

Improvement Recommendation 2	The Council must ensure controls and mitigations minimise the DSG deficit and to limit general fund risk should the statutory override not be extended by the government.
Improvement opportunity identified	Participation in the DBV programme and the SEND transformation project are opportunities to bring greater control to the management of the Council's DSG deficit.
Summary findings	The Council's DSG deficit was £39m at the end of 2023/24 with a trend for significant increases. Failure to manage the deficit places risks the financial sustainability of the Council's general fund, particularly if the statutory override is not extended in April 2026.
Criteria impacted	Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed. The Council is delivering all agreed outputs from the DBV Programme as agreed with the DfE and the recommendations from a recent Internal Audit review. It is important to note that the DBV Programme is not focussed on financial sustainability. Therefore, the Council awaits proposals for the reform of the system by central government, who acknowledge it is not fit for purpose and not financially sustainable.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations: Financial Sustainability (Cont'd)

Improvement Recommendation 3	The Council needs have a clear plan on its approach to the provision of services to academies, and continue to understand the impact of any lost income to traded services, the impact on delegated budget contributions, and the implications for the MTFP.
Improvement opportunity identified	Working with academy schools to ensure traded services meet their service and cost requirements.
Summary findings	The increase in academisation of schools will impact on the Council's revenue income, and creates a risk in loss of trading services income and school delegated budget contributions.
Criteria impacted	Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed. This is already in place. The Council acknowledges that there will be certain functions where academy trusts provide support that the Council previously did, and that there will be a loss of income (the impact of which has been included in the Council's Medium-Term Financial Plan). It should be noted that some support services are statutory services that would continue to be undertaken by the Council but the amount of funding available within the Dedicated Schools Grant to fund these services will reduce. For other services the Council takes a proactive approach in selling these services to schools.

Improvement Recommendation 4	The Council should ensure that the project management and contract management arrangements in relation to capital projects are effective to mitigate any delays in project delivery.
Improvement opportunity identified	The capital programme supports the Council's corporate priorities including regeneration, economic growth and service transformation. Mitigating delivery slippage ensures corporate priorities are not impacted and timescale risks to government funding are managed.
Summary findings	The 2023/24 capital programme underspent by 19% and the capital programme is significantly increasing in the medium term.
Criteria impacted	Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed. This is already in place.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Governance

We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Council governance

The Council is politically led through a Leader and Cabinet model, with nine-portfolio holders. The Council also operates with four Overview and Scrutiny Committees which are designed to support Cabinet through recommendations on the delivery of services and the development of policy. The Council's Constitution was reviewed and updated in January 2024. The Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution includes the member code of conduct, the scheme of delegation, financial procedure roles, and officer code of conduct The Council's Corporate Plan 2024 – 2027 sets out the Council's priorities for the medium-term across three themes: Communities, Collaboration and Ambition.

Risk management and internal controls

ELT manages the corporate risk register (CRR) and reviews it with SLB. The CRR was reviewed and updated in Summer 2023. Services manage operational and service risk registers. Service risks are put forward by the relevant Associate Director, based on the risk rating, for ELT to consider if it should be incorporated into the corporate risk register.

The LGA Corporate Peer Review of November 2023 noted that the Council's internal governance is supported by respectful and trusting relationships across members and officers, exemplified by the committed and passionate leadership of the Cabinet. The report further noted that internal processes and systems, including clear financial reporting, pro-active engagement with external audit, and detailed risk registers at a corporate, directorate and service level all support the Council's governance arrangements. Whilst noting the Council has key elements of internal assurance and controls in place, the LGA recommended the Council develops a wider assurance framework within the Council to strengthen internal assurance, rigor, risk management and challenge within the organisation. The Council's action plan in response to the LGA review notes that the Council will be able to demonstrate via quarterly performance reports to Cabinet and via its internal system of management and control, that risks are being managed effectively, to be in place from July 2024.

The LGA Corporate Peer Review was positive about the work of the Audit and Governance Committee including that it is supported by a clear and structured approach to risk management, with clear owners and actions presented. We comment further on this committee later in this section of the report. The LGA also noted positively that the Council has built on the concept of "golden triangle" of the three statutory officers (Head of Paid Service, Monitoring Officer and Section 151 Officer) to develop the 'golden square' comprising the aforementioned statutory officers and the Head of Internal Audit to support risk management across the organisation.

Internal Audit

Internal audit services are provided in house by the Risk and Audit Team which is managed by the Chief Internal Auditor. The annual audit plan is developed to align to corporate risks. The 2023/24 plan was approved by the Assurance and Governance Committee on 15 March 2023 and a revised plan was approved on 6 September 2023.

The Chief Internal Auditor's annual report summarises the work undertaken during the preceding financial year and provides an overall opinion on the robustness of the Council's control environment which has been derived from this work. The Chief Internal Auditor's 2023/24 annual report gave a rating of adequate on the adequacy and effectiveness of the Council's internal control framework.

Governance (Cont'd)

Internal Audit (Cont'd)

78 internal audits were completed during 2023/24 comprising 61 on behalf of the Council and 17 in relation to schools. Two of these audits resulted in a red rating representing a major organisational risk:

- The impact of Sandway Homes Limited on the financial sustainability of the Council: high priority recommendations were made in relation to the loan agreement between the Council and the company to ensure that it is brought up to date with current legislation, states the approved peak debt and that roles and responsibilities for enforcing the conditions of the agreement are clarified.
- Damp and mould in Council owned properties: high priority recommendations were made in respect of the small number of properties owned by the Council and managed by Green Sefton. These include developing policies and procedures defining roles and responsibilities, introducing annual assessments of damp and mould in the properties and new processes for monitoring and reporting to management and Members.

The Chief Internal Auditor's annual report did not provide analysis of planned audits against actual audits completed in year, and an improvement recommendation has been made in this regard.

The public sector internal audit standards (PSIAS) were introduced from April 2013 and updated in April 2017. An Independent External Quality Assessment of Internal Audit should be undertaken on a five-year cycle to ensure compliance with PSIAS. The internal audit service was externally evaluated in March 2018 by CIPFA and was found to generally comply with the standards. The assessment recognised that the service needed to develop its skill set in order to provide a modern and effective audit service that fits with the strategic and commercial direction of the Council. An improvement plan was developed which, the Chief Internal Auditor's 2023/24 Annual Report, noted was still being implemented.

The 2023/34 Annual Report was presented to the Audit and Governance on 19 June 2024 and noted that because it was now more than five years since the previous external quality assessment had taken place, Internal Audit no longer complied with PSIAS and arrangements would be made for external validation during 2024/25.

Further detail was included in the Internal Audit Service performance update to the Audit and Governance Committee on 4 September 2024, that during 2022/23 the planned external assessment was not undertaken, due to resourcing issues within the service, and an external assessment is being planned by CIPFA during January to March 2025.

We note that this non-compliance was reported in the 2022/23 and 20233/24 Annual Reports of the Chief Internal Auditor, but not in the draft Annual Governance Statement (AGS) for 2023/24. This lack of compliance should be disclosed in the Council's AGS for 2023/24 and represents a weakness in arrangements., and we have made an improvement recommendation.

Internal Audit has analysed progress against agreed actions from internal audit reports completed between 2018/19 and 2022/23. As at December 2023, of the total 657 agreed actions, 543 (83%) had been implemented with 108 (16%) of agreed actions still outstanding and for six (1%) the implementation date was not due for review. In undertaking this analysis Internal Audit had a lack of initial response from a small number of services. This analysis highlights that there remain delays in progressing a small number of agreed recommendations across the Council, and the Council leadership should consider how to ensure that all agreed internal audit actions are progressed in line with planned timescales.

During 2023/24, internal audit conducted a full review of the Council's corporate governance arrangements. This followed the mandatory CIPFA/SOLACE guidance "Delivering Good Governance in Local Government" (2016), to inform the Council's Annual Governance Statement (AGS) 2023/24 and ensure that the content of the AGS was fully evidenced.

The overall audit opinion for the work was that it presents an organisational risk of Moderate. There were a number of key findings emanating from the work, and two of these feature in the Council's Annual Governance Statement 2023/24 as Significant Governance Issues relating to council services:

- The full Ofsted inspection of February 2022 judgement of inadequate, with at the time the most recent Ofsted visit of February 2024 finding that while steady progress has been made in strengthening a number of areas, this was from a very low starting point and the pace of progress in some areas has been too slow.
- The Council's high needs budget facing severe cost pressures and overspend in 2023/24 with an accumulated deficit of £35m, and demand for EHCPs will make the overspending position more acute in 2024/25.

We provide further commentary on these areas in the Financial Sustainability and Improving Economy, Efficiency and Effectiveness sections of this report.

Governance (Cont'd)

Internal Audit (Cont'd)

Internal audit identified no major risks resulting from schools audits undertaken during the year. One major risk was reported in relation to the Council's companies:

- SHOL governance and risk management: a risk management policy should be developed, a corporate risk register should be developed, and risk monitoring and reporting arrangements should be established.

The Audit and Governance Committee and the SLB received regular updates on risk and audit performance during 2023/24 and there were quarterly meetings between the Monitoring Officer, Section 151 Office and Chief Internal Auditor, to consider governance issues and identify any areas for improvement, such as with the drafting of the annual work plan for the Audit and Governance Committee, and the Committee's training plan.

Page 191

ring 2023/24 work was undertaken to improve the embedding of risk management within Council. The Risk and Resilience Team facilitated the completion of outstanding Service d Operational Risk Registers across the Council working closely with management teams. Chief Internal Auditor's annual report noted that risk appetite is likely to increase as a ult of the Council's ambitious change programme to deliver the Corporate Plan.

An independent risk management health check, was undertaken by Gallagher Basset during the year, assessing the Councils risk management framework. They key recommendations from the review were:

- To provide more developmental opportunities for staff to raise their understanding of risk management, particularly amongst front line service leaders.
- To update the Corporate Risk Management Handbook so that is more user friendly.
- Raising the profile of risk management by publicly celebrating risk management successes as well as publishing lessons learned from failure.
- Identifying ways of integrating risk management more overtly so people are aware of its importance within their roles.
- In the longer term continue to develop the suite of KIPs associated with measuring the performance of risks and opportunities

The Chief Internal Auditor noted in their 2023/24 annual report the importance during 2024/25 of corporate risk management continuing to develop and embed across the Council and in particular the understanding of the Council's risk appetite is embedded across decision making including in Committee papers.

Counter Fraud

The Council's Anti-Fraud, Bribery and Corruption Policy sets out the Council's position in respect of fraud, bribery and corruption and is applicable to all aspect of the Council's business, its members, employees, contractors and any persons or organisations doing business with the Council. It was reviewed, updated and approved by the Cabinet in October 2023, having previously been reviewed in 2016. The Audit and Governance Committee has responsibility for monitoring the policy.

Internal Audit has responsibility for the prevention and detection of fraud, bribery and corruption, which includes co-ordination of the Council's work on the National Fraud Initiative (NFI), compilation of the Council's return to the CIPFA Counter Fraud Tracker, which compares fraud detection levels with peers, and investigation of referrals of suspected fraud and irregularity.

Following the retirement of a previous counter fraud resource and a recruitment freeze instigated across the Council for 2022/23 and 2023/24 there has been limited dedicated resources on counter fraud. A restructure of the Risk and Audit Team was approved for the 2024/25 financial year and completed in June 2024, which created a new Counter Fraud Investigator role, with the appointee starting in role on 1 July 2024. Additional support to this new role is being considered from the wider Risk and Audit Team. This lack of counter fraud resource has impacted on actions, now in train, that include:

- Implementing outstanding actions from a CIPFA Fraud self-assessment.
- Drafting a Counter Fraud Strategy the next three months
- Completion of Fraud Risk Assessments by services
- Delivery of training and awareness programme
- Developing a fraud risk register
- Developing a sanctions policy

The Council must ensure that there is appropriate resource in place to meet the obligations and responsibilities of the Risk and Audit Team in relation to its role in the prevention and detection of fraud, bribery and corruption.

Agenda Item 3

Governance (Cont'd)

Informed decision making including the Audit Committee

The Audit and Governance Committee considers and approves the Council's accounts, internal control systems, risk management and corporate governance issues. The Committee met five times during 2023/24. The Council has a forward plan that is regularly reviewed. The Committee meets on a quarterly basis and these meetings are preceded by dedicated briefing sessions to support members of the Committee and have been well attended.

The Council adopted the CIPFA model Terms of Reference in May 2021 for the Committee. The Terms of Reference requires the Committee to publish an annual report on the work of the committee as well as to report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose. At its meeting on 6 September 2023 the Committee received its Annual Report for 2022/23, the third annual report produced.

The report summarised its activities for the year and noted:

- the appointment of a co-opted non-voting Independent Member to the serve on the Committee, with the successful candidate to take up the role at the start of the 2023/24 municipal year.
- the introduction of quarterly Work Programme update reports for the Committee to monitor adherence to their Work Programme.
- programme of Member Briefings to be held prior to each Committee Meeting based on key competencies outlined by CIPFA.

These are all good practice approaches for the Committee to have adopted.

The Committee undertakes an annual self-assessment that incorporates the key principles set out in the Chartered Institute of Public Finance and Accountancy's (CIPFA) Position Statement and their 2022 publication Practical Guidance for Local Authorities and Police.
The self-assessment is used to support the planning of the Audit and Governance Committee Work Programme, support the planning of the Committee's Training Programme, and informs the Committee's Annual Report.

The 2023/24 self-assessment was reported to the Committee on 20 March 2024 and concluded that the majority of 25 criteria were being fully or partly met. Criteria that were partly or not met resulted in the following issues identified:

- The need to assess members of the Committee against the core knowledge and skills framework.
- The need to review training to ensure the Committee has the appropriate skills and experience.
- The committee Chair should obtain feedback on the Committee's performance from those interacting with the committee or relying on its work.
- The committee should have an action plan to improve any areas of weaknesses.
- Conclude the review of its terms of reference.

The effectiveness of the Committee was assessed, with ratings made against 17 areas of the Committee's performance and 15 of these were assessed as 4 or 5, the two highest ratings possible. Two areas were assessed as 3:

- Encouraging ownership of the internal control framework by appropriate managers.
- Raising significant concerns over controls with appropriate senior managers.

It is good practice for the Committee to undertake annual self-assessments, and as part of its approach to continuous improvement, it should progress actions to manage the areas identified by the 2023/24 assessment.

A Council Assurance framework was developed and approved by the Audit and Governance Committee in September 2022. The framework describes the sources of assurance that are provided to Cabinet and the Audit and Governance Committee. The framework did not provide an assessment of how assurance is provided on the key risks to the achievement of the Council's strategic objectives detailed in the Corporate Risk Register. This was supported by findings from the November 2023 LGA Corporate Peer Review already noted

As a result, it was agreed that Internal Audit would prepare an assurance map to list the sources of assurance (through the three lines of defence model) to each key risk using the Corporate Risk Register. The aim of the assurance map is to:

- give senior management and elected/committee members comfort that there is a comprehensive risk and assurance framework with no duplicated effort or potential gaps;
- ensure that Internal Audit plans are targeted to address the key risks facing the Council and where assurance gaps remain;
- identify any potential areas of overlap or duplication of assurance.

The results of the first assurance mapping exercise were presented to the Audit and Governance Committee on 20 March 2024. The results identified effective assurance was in place for nine of the Council's twelve strategic risks.

Governance (Cont'd)

Informed decision making including the Audit Committee (Cont'd)

A red rated gap was identified in relation to the risk "Increase in academisation of schools within the borough" in terms of the level of assurance provided to the relevant governance bodies, in part due to this being a new risk in the corporate risk register.

Amber gaps were identified in relation to the risks "Failure to Comply with Sections 1 and 10 of the Freedom of Information Act 2000" and the "Ability of the Council to recruit to its workforce in order to deliver its Core Purpose". The first of these was due there being an annual report provided to Members on progress, and the second of these was due to there being limited assurance provided to Members on the progress to address the issue outside of Children's Services.

The introduction of assurance mapping is good practice and provides the Audit and Governance Committee with an understanding of how risks are being manged and mitigated across the Council and has also supported internal audit planning for 2024/25 including its alignment to the corporate risk register.

We note that the corporate risk register does not align risks to corporate objectives, which may limit the effectiveness of the Council's corporate risk management approach.

The Council should maintain its approach to assurance mapping and, ensure the assurance gaps identified in this initial exercise are mitigated, and fully implements the LGA recommendations to improve the Council's wider assurance framework. It should also consider aligning corporate risks to corporate priorities.

Scrutiny

The Council operates four Overview and Scrutiny Committees which are overseen by the Overview and Scrutiny Management Board:

- Adult Social Care and Health
- Regulatory, Compliance and Corporate Services
- Regeneration and Skills
- Children's Services and Safeguarding

There is an Executive/ Scrutiny Protocol in Place, which was approved by Cabinet in December 2020 and was based on guidance produced by the Centre for Governance and Scrutiny.

At its meeting on 20 June 2023, the Overview and Scrutiny Management Board considered the Protocol which led to amendments so that:

- Overview and Scrutiny Committees receive all key Council strategies and plans prior to their submission to Cabinet or Council, and that there is adequate timescale for consideration.
- Informal meetings as well as working groups of Overview and Scrutiny Committees were reflected in the protocol.

The protocol is good practice and places more emphasis on pre-decision scrutiny, as is the regular review and where appropriate, making necessary amendments. Overview and Scrutiny Committees meet regularly during the year, and each have forward plans, setting out their planned business for each municipal year, which is also good practice. The amended protocol should ensure that Council strategies and plans, whilst in these forward plans, do not avoid scrutiny, as has been the case for some of these documents in prior years

The Council has put in place external training for their Children's Services Scrutiny Committee and may wish to consider the benefit of extending this training to other scrutiny committees, as recommended in the LGA Corporate Peer Review of November 2023. The LGA noted that scrutiny arrangements could be further improved by the including the contribution of opposition parties, support through action tracking, and further training and development.

Standards and behaviours

The Council's Constitution sets out the standards and behaviours expected from Members. The role of the Hearings Sub-Committees is to hear and determine any complaints against Members which have been referred for investigation and impose sanctions where a Member is found to have breached the Code of Conduct. The last time the Committee met was in September 2014 when it found that an elected member had breached the Members Code of Conduct. The Committee has not met since that time, due to no standards investigations having been investigated.

Governance (Cont'd)

Cyber Security

The Local Government Association (LGA) undertook a review of the Council's cyber security arrangements, reporting in October 2022 which followed a large-scale IT transformation programme. The LGA noted that the Council was developing a strong cyber security culture, due to the strength of leadership within the Council, the hard work and diligence of the security team, and the formation of good relationships and partnerships with key providers.

The LGA further noted that a few key personnel in the Council bear significant responsibility for decision-making about cyber risks, technical expertise, and communication in relation to cyber-security. The Council was aware of this potential overreliance on these individuals and was considering ways to manage this.

During 2023/24 the Council's ICT team engaged with Council services to promote cyber security. This included the use of questionnaires for services to consider issues such as service responsibility for the management and review of cyber related risks, senior management oversight of cyber security risk, and staff training in cyber security awareness.

Whistleblowing

The Council's current Whistleblowing Policy was approved by Audit and Governance Committee at its meeting on 19th June 2019. The Committee received a report at its meeting on 20 March 2024 providing an update on the review of the Council's whistleblowing policy, and referrals made during 2022/23.

Four referrals were received in the year 2022/23 compared to seven referrals during 2021/22 and seven during 2020/21. The four referrals received during 2022/23 were investigated. One was confirmed as a complaint rather than whistleblowing, one was confirmed as a misunderstanding of the use of the whistleblowing policy, one was managed to reach a satisfactory conclusion with the whistle-blower, and one was established to not relate to a breach of Council policies.

Council owned companies

The LGA Corporate Peer Challenge of November 2023 noted positively that the Council had proactively reviewed the governance of the three Council owned companies (Sefton New Directions, Sefton Hospitality, and Sandway Homes) against independent national advice (such as the Caller Report and Local Partnerships Framework).

Partnership protocols are included in the Financial Procedure Rules, with a section on commercial activities which covers the Council's wholly owned companies.

The Council has produced conflicts of interest guidance for company directors, approved by the Audit and Governance Committee on 20 March 2024, to comply with CIPFA good practice guide for local authority owned companies (2022) and assist company directors to comply with their duties and responsibilities under the Companies Act 2006.

Capital Programme Governance

The Council's Asset Management Strategy and Asset Disposal Policy were reviewed and updated in January 2024 and are due to be reviewed again in January 2025. These were approved by Cabinet in February 2024.

The Asset Management Strategy follows guidance set out in the Prudential Code for Capital Finance in Local Authorities, and provides a framework for the planning, prioritisation, management and funding of the Council's asset base, and informs the Council's MTFP. The Asset Disposal Policy sets out the Council's broad objectives in relation to the use of property assets, summarises the Council's property asset base, sets out the principles used when making asset disposal decisions, and identifies a list of sites and property assets that are available for disposal.

The Strategic Capital Investment Group, is a member-led body, supported by senior officers, that meets monthly. It considers performance updates on live capital projects and decides on whether new projects progress to full business cases, which are approved by Cabinet.

The Council has a central property team but there is no single team with responsibility for all property related activity across the Council. The central property team informally supports departmental teams involved in property projects, including sharing learning and good practice to try to ensure there is a standard approach in place across the Council. As previously mentioned, the Council has been increasing its capital programme spend and the Council should take steps to ensure that teams involved in property related projects are appropriately skilled and resourced, and that there is a standard approach to project development, approval and contract management in place.

Governance (Cont'd)

Capital Programme Governance (Cont'd)

The Council has registered with the Regulator of Social Housing following a decision to become a provider of social housing. The Social Housing (Regulation) Act 2023 received Royal Assent in July 2023 introducing significant reforms to social housing, largely in response to the Grenfell Tower Fire and the safety and quality of social housing. At its meeting on 4 April 2024 Cabinet approved the governance arrangements for the management of Council owned homes, delegated authority for the formal adoption of Council housing policies required to facilitate the management and maintenance of any new Council owned homes, and an Early Acquisition Scheme including delegated authority to acquire additional properties for council housing provision. A Housing Advisory Board is to be created to support Cabinet in its oversight of housing management services. The Council should ensure that the planned governance arrangements and housing policies are in place prior to first homes coming under Council management, which is forecast to be in early 2025.

Procurement

At the time of our review the Council did not have a procurement strategy in place, with a strategy in the process of being developed. A procurement strategy is a key document to set out how the Council secures best value and maximises social value from it's procurement activity, and the Council must ensure the strategy is finalised and approved, and reflects obligations relating to the Procurement Act 2023, which come into force in October 2024.

The Council has central procurement team, which is responsible for providing support and training to services teams involved in procurement activity.

Contract Procedure Rules are referred to in the Council's Constitution, but constitute a separate document, and these procedure rules were reviewed and updated in January 2024. The rules set out that when considering a waiver to the Contract Procedure Rules the relevant officer should complete a formal Waiver Request Report, including how value for money will be achieved. Depending on the seniority of the officer, the waiver should be approved by the relevant Head of Service, Executive Director or the Chief Executive.

Analysis of waivers over the years 2021/22 to 2023/24 provided by the Council is summarised in the Table A on the following page. This represents a significant number and value of waivers over this three-year period. The total value of waivers during 2023/24 was £16.654m, which represents 6.5% of the Council's net revenue expenditure for the year. We understand that during the Covid-19 pandemic that some waivers were required to manage service delivery, such as in Adult Social Care.

The Council undertook lessons learned workshops during February and March 2024 of three recent construction projects: Crosby Lakeside Adventure Centre (CLAC) Hospitality, CLAC Bunkbarn, and Bootle Canalside (Salt and Tare).

These lessons learned reviews, which are good practice to undertake, identified that some waivers were "completed at the last minute and after invoices had been received due to time scales of a project". The lessons learned report noted that "to ensure this doesn't happen again, allow sufficient time in programme to undertake the full procurement process. Waivers should not be used on high profile projects, unless in exceptional circumstances, due to high risk."

The interim head of procurement has recently updated the Waiver Request Report so that the approver of the waiver should declare any conflict of interest, and has amended the waiver process so that the Head of Procurement is able to check waiver requests prior to their approval. This should bring some additional controls to the process. However, the level and value of waivers is a significant concern. The Council must take urgent steps to change procurement culture in the use of waivers, ensure waiver data is reported quarterly to Audit and Governance Committee, analyse waiver activity to understand the reasons for the level of waivers, confirm that waivers related to existing contracts or framework agreements, confirm that no waiver approvals resulted in a conflict of interest, gain assurances that all waivers are approved in line with the Council's Contract Procedure Rules and relevant procurement legislation and that procurement activity that required a waiver did not take place.

This represents a significant weakness in arrangements and we have made a key recommendation in this regard, set out on page 7.

We have identified that some suppliers of agency staff did not meet the Council's procurement rules. The Council should review its procurement arrangements for all agency staff to ensure there is full compliance.

Governance (Cont'd)

Procurement (Cont'd)

Table A: Summary of procurement waivers by department, 2021/22 to 2022/23

Service	2021/22 £	2021/22 Waivers	2022/23 £	2022/23 Waivers	2023/24 £	2023/24 Waivers	2021/22 -23/24 £	2021/22 -23/24 Waivers
Adult Social Care	£7,039,148	171	£3,886,389	163	£3,505,559	104	£14,431,096	438
Children's Social Care	£1,838,480	8	£336,730	6	£1,875,223	14	£4,050,433	28
Communities	£844,349	8	£262,755	9	£2,046,100	17	£3,153,205	34
Corporate Resources	£3,617,745	51	£1,792,362	42	£4,972,336	71	£10,382,444	164
Economic Growth & Housing	£949,617	21	£2,141,408	42	£1,843,362	85	£4,934,387	148
Education	£77,385	3	£153,685	9	£383,419	6	£614,489	18
Health & Wellbeing	£1,644,400	27	£97,410	4	£184,043	5	£1,925,853	36
Highways & Public Protection	£700,950	13	£164,563	4	£1,134,304	8	£1,999,816	25
Operational In-house Services	£206,947	7	£1,507,312	12	£544,779	12	£2,259,038	31
Regeneration	£0	0	£116,986	2	£19,795	1	£136,781	3
Strategic Suppport	£22,475	3	£53,258	6	£144,561	4	£220,294	13
Total	**£16,941,497**	**312**	**£10,512,858**	**299**	**£16,653,481**	**327**	**£44,107,836**	**938**

Governance (Cont'd)

Commissioning

The Executive Director for Adult Social Care and Health has responsibility for the commissioning function for Children's Social Care, as well as Adult Social Care. The Executive Director for Children's Services is accountable for Children's Social Care budgets. The commissioning team within Adult Social Care undertake reviews of contacts relating to Children's Social Care and make recommendations to the Executive Director of Children's Services.

At the time of our review a revised structure was being considered to ensure appropriate commissioning capacity and clarity on roles and responsibilities.

An Executive Commissioning Group has been established which is chaired by the Council's Chief Executive, with other members of the Group representing relevant service functions in the Council and NHS bodies. The role of the Group is to provide the senior leadership governance arrangements for the children's social care and health activity:

- The Children and Young Peoples Sufficiency and Improvement Project aligned to Ofsted Improvement Recommendations/Plan
- The Children and Young People's Commissioning Improvement Plan
- The co-design and development of the Start Well Programme
- The interface with the SEND Improvement Programme
- The interface with the co-design and development of the Integrated Care System.
- The interface with the Voluntary, Community and Faith sector spend aligned to Communities

The Group has been established to provide oversight and assurance in respect of the improvement and transformation of the whole system commissioning of services and support for children and young people and their families.

Overall Conclusion

We have identified two significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. These relate to:

- the failure of internal audit to maintain its PSIAS compliance.. This is set out on page 7 of this report.
- the level of procurement waivers . This is set out on page 8 of this report.

We have also found opportunities for arrangements to be further enhanced and we have made ten improvement recommendations set out on the following pages.

Improvement recommendations: Governance

Improvement Recommendation 5	The Chief Internal Auditor's annual report should provide analysis and commentary comparing actual audits completed compared to those set out in the plan agreed prior to the start of the year.
Improvement opportunity identified	By including analysis of planned audits against actual audits completed in year, the Audit and Governance Committee will have greater transparency over delays or changes to planned audits.
Summary findings	The Chief Internal Auditor's annual report for 2023/24 did not provide analysis of planned audits against actual audits completed in year.
Criteria impacted	Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed. This will be introduced during 2025/26.

Improvement Recommendation 6	The Council must ensure that the independent external quality assessment of Internal Audit is completed as soon as possible, so that internal audit is confirmed as being compliant with Public Sector Internal Audit Standards (PSIAS).
Improvement opportunity identified	During 2023/24 the Council's internal audit was non-compliant with PSIAS and remains so at the time of this report.
Summary findings	An Independent External Quality Assessment of Internal Audit should be undertaken on a five-year cycle to ensure compliance with PSIAS. The Council became non-compliant with PSIAS during 2022/23. This was not reported to Audit and Governance Committee until June 2024. Whilst an independent assessment is planned towards the end of 2024/25, this represents a significant weakness in arrangements during 2023/24.
Criteria impacted	Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed. The Council has already planned for this review to take place in before the end of 2025/26.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations: Governance

Improvement Recommendation 7	The Council leadership should consider how to ensure that all services with agreed internal audit actions are progressed in line with planned timescales.
Improvement opportunity identified	Internal audit recommendations relate to identified weakness or areas of improvement. Failure to follow up on actions places risks on the Council's control environment.
Summary findings	Internal audit analysis of actions agreed between 2018/19 and 2022/23 identified that 16% of agreed actions were still outstanding at December 2023.
Criteria impacted	Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed. The Executive Leadership Team and the Audit and Governance Committee receive regular reports on progress. The Council performs well in this area with over 80% implementation against an industry benchmark of 60%, but will continue strive for even better performance.

Improvement Recommendation 8	The Council must ensure that there is appropriate resource in place to meet the obligations and responsibilities of the Risk and Audit Team in relation to its role in the prevention and detection of fraud, bribery and corruption.
Improvement opportunity identified	The need for appropriate resource to deliver activities to prevent and detect fraud, bribery and corruption.
Summary findings	Counter fraud related resource has historically been low and whilst the Council has recently taken steps to try and address this issue, it should review the position to ensure that the expected obligations of the Risk and Audit Team can be met.
Criteria impacted	Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed. This has been implemented with a recent appointment into the team of a Counter Fraud Officer.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Agenda Item 3

Improvement recommendations: Governance (Cont'd)

Improvement Recommendation 9	The Audit and Governance Committee should progress actions to manage the areas identified by its 2023/24 self-assessment.
Improvement opportunity identified	To maintain and fully embed the continuous improvement culture of the Audit and Governance Committee.
Summary findings	The Audit and Governance Committee seeks to continuously improve including via the undertaking of annual self-assessments.
Criteria impacted	Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed. Audit and Governance Committee receive an annual report and actions are progressed in light of the self-assessment.

Page 200

Improvement Recommendation 10	The Council should maintain its approach to assurance mapping and, ensure the assurance gaps identified in this initial exercise are mitigated, and it fully implements the LGA recommendations to improve the Council's wider assurance framework. It should also consider aligning corporate risks to corporate priorities.
Improvement opportunity identified	To implement and conclude the assurance mapping activity to support improvements to the Council's wider assurance framework.
Summary findings	The LGA recommended the Council develops a wider assurance framework within the Council to strengthen internal assurance, rigor, risk management and challenge within the organisation.
Criteria impacted	Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed. This is already in place and will continue.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations: Governance (Cont'd)

Improvement Recommendation 11	The Council should take steps to ensure that teams involved in property related projects are appropriately skilled and resourced, and that there is a standard approach to project development, approval and contract management in place.
Improvement opportunity identified	To ensure a standard approach to property related activity that is appropriately skilled and resourced.
Summary findings	The Council is significantly increasing its capital programme, and it needs to ensure that it has appropriate skills and capacity to deliver the property aspects of the programme, and there is a standard Council-wide approach.
Criteria impacted	Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed. This is already in place and will continue.

Improvement Recommendation 12	The Council should ensure that the planned governance arrangements and housing policies are in place prior to first homes coming under Council management, which is forecast to be in early 2025.
Improvement opportunity identified	To ensure appropriate governance arrangements and associated policies are in place in relation to the Council's decision to become a housing provider.
Summary findings	The decision to become a council housing provider requires the planned governance and policies to be in place prior to the first homes are under Council management.
Criteria impacted	Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed. Plans are already in progress within the Council to do this and the Council has staff with the relevant experience and expertise to progress this.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations: Governance (Cont'd)

Improvement Recommendation 13	The Council must ensure the Procurement Strategy is finalised and approved, and reflects obligations relating to the Procurement Act 2023, which come into force in October 2024.
Improvement opportunity identified	A procurement strategy is a key document to set out how the Council secures best value and maximises social value from it's procurement activity.
Summary findings	During 2023/24 the Council had no Procurement Strategy in place.
Criteria impacted	Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed. The Council has had a project running to address this issue for the last 18 months which includes leadership from Procurement and Legal, which is supplemented by expert external legal advice and support who are producing the Council's updated procurement procedures. The Council has a training programme in place for key staff and provides regular reports to Executive Leadership Team and Strategic Leadership Board.

Improvement Recommendation 14	The Council should review its procurement arrangements for all agency staff to ensure there is full compliance.
Improvement opportunity identified	When procuring agency staff within our outside the matrix system, the Council should ensure that procurement rules are followed.
Summary findings	We have identified that some suppliers of agency staff did not meet the Council's procurement rules
Criteria impacted	Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	This has been actioned. Senior leadership board were instructed to ensure that all agency staff used by the Council were either procured via Matrix or are on fixed term contracts by the end of November 2024-this follows the completion of and exercise that all local authorities needed to undertake to meet HMRC requirements re. IR 35, which the Council has completed to the satisfaction of HMRC.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improving economy, efficiency and effectiveness

We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Use of financial and performance information

The Chief Executive and Section 151 Officer meet corporate directors monthly and the standing agenda includes discussing financial performance. There are performance and finance meetings between the finance team and services to monitor and track spend against budgets.

The LGA Corporate Peer Review of November 2023 noted that the Council had made progress with the introduction of reporting that brings together finance, performance and risk information as recommended in the previous LGA Review in 2018, but the Council recognised that further work is required to build on these improvements to performance reporting. This included reporting to Scrutiny as well as Cabinet to support their work programme and their understanding of the Council's performance position across the wider organisation.

Budget monitoring reports are now shared quarterly with members which includes information on service performance and risks. These reports go to the Audit and Governance Committee, the Regulatory Compliance Scrutiny Committee, Cabinet and full Council. There is potential for this work to go further, and the LGA encouraged the Council to ensure that the outcomes reported best reflect the Council vision and priorities, the incorporation of direction of travel and benchmarking to better understand relative performance, and the use of targets to articulate ambition and focus attention on service improvement. The Council has reviewed the corporate Key Performance Indicators (KPIs) to be used for 2024/25 and performance against the KPIs is due to be supported by benchmarking where appropriate.

The Council uses an IT system (Collaborative Planning) which uses financial data exported from other council systems including Agresso, the Council's main finance system, and the payroll system, as part of its budget monitoring approach. Collaborative Planning is considered a more user-friendly system for budget holders to use and allows services to include updates on the system for the finance team. At the time of reporting not all services were using the e system in this way.

As part of the financial planning approach for 2023/24 the Council reviewed a small number of other councils MTFPs as a lessons learned exercise to identify best practice, including the structure and content of MTFPs, recognising there is no standard template used in the sector. We have been advised that benchmarking was used during the 2024/25 financial planning cycle. The Section 151 Officers of the councils that comprise the Liverpool City Region have started to share benchmarking information including financial planning assumptions, demand forecasts, social care provider fees, and levels of government funding. This has been introduced for the 2025/26 financial planning cycle.

A monitoring dashboard is used within Adult Social Care, which is being further developed during 2024/25 to include demand related information. The Council has used a care analytics model relating to provider fees since 2018 to support financial and service planning.

We have undertaken our own financial benchmarking using 2022/23 Revenue Outturn (RO) data, which was the most recently available at the time of our review. We are aware that the Council undertakes its own financial benchmarking, however as part of our work we compared the Council's unit costs to its nine statistical nearest neighbours. The Council's unit costs benchmarks very high for education services (special schools and alternative provision) and for children's social care (family support services and looked after children). These variation may be because of different policy choices of statistical nearest neighbour councils, but the Council should consider exploring and understanding these variances and where appropriate use that understanding to inform service improvement and support financial and performance reporting.

Improving economy, efficiency and effectiveness (Cont'd)

Key Partnerships and Commercial Activity

At the time of our review the Council's Monitoring Officer was reviewing the Guidance on partnership arrangements which includes Council owned companies. This was being undertaken following some high-profile failures elsewhere in the sector, to provide management with assurances that arrangements at the Council remained appropriate. This work had not concluded at the time of this report.

The Council has three wholly owned companies:

- Sefton New Directions Limited (SNDL), incorporated in January 2007, providing health and social care services for the elderly and disabled in the borough.
- Sandway Homes Limited (SHL), incorporated in November 2018, a housing development company.
- Sefton Hospitality Operations Limited (SHOL), incorporated in June 2021 for the operation of assets in the hospitality sector and provision of outside catering, including the hospitality elements of the Crosby Lakeside Adventure Centre (CLAC).

The value of the Council's shares are of a nominal value of £1 per share. The Council holds 1,000 shares in SNDL, 100 shares in SHL, and 1 share in SHOL.

The Council has Shareholder Agreements with each company and the Cabinet is responsible for the Council's shareholder function, with the relevant portfolio holder acting as Shareholder Representative attending company board meeting as an observer.

As the 100% shareholder in the companies there are matters reserved for the Council to decide upon, for example, to make any material change to the nature of a company's business. The Council's Shareholder Representative has delegated authority from the Cabinet to act as shareholder in respect of all relevant shareholder decisions including appointing and dismissing board directors, making decisions on reserved matters, approving the company strategy and business plan and voting on behalf of the shareholder at Annual General Meetings.

The Cabinet approves company annual business plans including any material changes. During 2023/24 the Council introduced a review of each company's performance against business plan. This is considered by Cabinet and Overview and Scrutiny Committee. The Council should consider establishing a Shareholder Panel so that the shareholder function has dedicated agenda time to focus on company performance, and free up agenda time of the Cabinet.

SHOL

Cabinet agreed a three-year business plan for SHOL in February 2022 and received an update on the company's performance in December 2023. The company has created 50 jobs and the focus of its operations are CLAC and the White House Cafe in Southport which was opened in Spring 2023.

As is common in the hospitality sector, inflationary pressures including on the cost of food, drink and energy, the Covid-19 pandemic, and the cost of living crisis impacting on customer demand, have all led to challenges on the company's finances and operations, with forecast net income below the original business plan target until at least 2024/25.

Overview and Scrutiny reviewed the company's 2022/23 business plan performance at its meeting in January 2024. The company was projected a loss of approximately £200k, The original business plan assumed that the Council's subsidy to CLAC would be removed and this was implemented during 2021/22 and 2022/23.

The Council has provided a shareholder loan facility to the company which was originally £0.9m and had risen to £1.4m at December 2023 due to changes in economic conditions.. The business plan forecast repayment of the loan by the end of 2026/27, along with dividend payments commencing to the Council as shareholder. This remains the target for the company's board, and repayment of the loan during 2026/27 was reported in the Council's Budget Report of February 2024, and the Council remains committed to the long-term future of the company. It is important that the Council regularly monitors the company's financial position so that dividends and loan repayments meet business plan targets.

Council officers are directors of the company and the Council intends to replace them with independent directors in the long-term. To manage potential conflicts of interest the Council should define the timescale for making this change

SNDL

A service review of the company was initiated in March 2023 at the request of the Council's Executive Director of Adult Social Care. The focus of the review was formally agreed via a high-level plan with the SNDL Board in July 2023.

Improving economy, efficiency and effectiveness (Cont'd)

Key Partnerships and Commercial Activity (Cont'd)

SNDL (cont'd)

The review was undertaken due to concerns over the future viability and sustainability of the company, including the company board reporting concerns that future investment from the Council would be required due to inflationary increases in costs. The review was reported to Cabinet in January 2024, who approved a twelve-month transformation plan to address the potential resource gap in collaboration with Commissioners to ensure a balanced financial position can be maintained by the company and it is able to meet the Council's commissioning requirements from within available resources to the Council to fund the company for these services. The Council must ensure that the company deliverers this agreed transformation plan.

Shareholder meetings take place during the year, with membership including the Chair of the company board, the Cabinet Member shareholder representative, the Chief Executive of the Council and the Executive Director of Adult Social Care and Health. These meetings consider progress against the business plan and decisions are made to escalate any matters back to Cabinet.

The company accounts for 2022/23, approved by the board in November 2023 reported turnover of £9.775m with a pre-tax loss of £0.972m (there was a £0.028m loss in 2021/22). The company has an agreed deficit of £0.990m for 2023/24, with the accounts for the year not currently available. The company has passed £0.811m in dividends to the Council over the six-year period to 2022/23, and has taken over services from other providers who were loss-making and of poor quality, based on the findings of the regulator the Care Quality Commission.

There has been no additional direct investment such as loans or debt facilities made available by the Council to the company.

SHL

SHL is wholly owned by Sefton Holding Company which in turn is a wholly owned company of the Council. The company was incorporated in October 2018 under the name Sefton (ACS) Development Company Limited and changed its name to Sandway Homes Limited in December 2018. The objectives of the company are:

- To generate a better financial return on land assets and a revenue stream for the council.
- For the Council to be seen to directly contribute to the need for 11,000 new homes in the Borough.
- To provide good quality homes that meet market needs.

Revised Business Plans for Phase 1 of SHL were approved by Cabinet in October 2021, December 2022 and December 2023. The Business Plans set out the delivery timescales of each of the three sites (Meadow Lane, Barton's Close and Buckley Hill) in Phase 1 of the company operations.

The most recent SHL Business Plan was reported to Cabinet in December 2023 and informs the Council's MTFP assumptions. SHL has a peak debt facility (loans from the Council) of £8.3m, approved by Cabinet in December 2021, representing an increase from the original agreed facility of £5.1m. The Council charges interest on loans to the company 2.2% above base rate.

As at the end of December 2023 the total debt facility provided to the company was £6.743m. This is forecast to be fully repaid by the end of December 2025. The business plan update highlighted challenges relating to the economic environment, which may mean that debt levels may need to be reconsidered, alongside associated risks.

SHL is required to generate financial profits (by way of a Shareholder dividend) to the Council via the sales receipts achieved from Phase 1. The projected dividend to be paid the Council was revised from £1.35m to £1.05m (£1.05m in original Business Plan) in December 2022.

The most recent Business Plan forecasts a dividend of £0.301m to be paid to the Council in November 2025 upon completion of Phase 1. This will be in addition to a capital receipt of £2.2m from the sale of the three sites.

At the time of our review the Council's Shareholder Agreement relating to the company was being reviewed.

In April 2023 Cabinet approved the Council Housing Business Plan which set out proposals for the Council to deliver around 46 homes. In November 2023 Cabinet approved the acquisition of 18 apartments from SHL at the Buckley Hill Lane development site in Netherton. SHL, with their appointed contractor, Challenger Building Services, will develop and construct the apartments, to be handed over to the Council early in 2025.

The Council's internal audit service undertook an audit of SHL, reporting in October 2023,. The audit rated the financial sustainability of the company as a moderate risk but rated the company's impact on the Council's financial sustainability as a major risk.

The report noted a number of factors that are affecting the cost of, the supply, and demand of the new build sector as well as the wider housing sector including high inflation, higher energy costs, increased interest rates impacting mortgage costs, the cost of living crisis, staff recruitment challenges, and supply chain issues relating to availability and cost.

At the time of the internal audit the majority of units had been completed at Meadow Lane and Barton's Close and a large proportion of units had been sold or reserved. Construction had yet to commence at the Buckley Hill site.

Improving economy, efficiency and effectiveness (Cont'd)

Key Partnerships and Commercial Activity (Cont'd)

<u>SHL (Cont'd)</u>

Internal audit recommendations to the company included:

- SHL management should determine an agreed frequency for undertaking formal scenario planning/ stress testing, to assess the impact that a 'worst case scenario' and material changes would have on the project and financial sustainability of SHL.
- The outcomes of the scenario planning / stress testing should be reported to SHL Management Team / Board and used to inform key decision making on whether the exit strategy should be enacted. SHL management may wish to use a RAG (red, amber, green) rating system to assess the results of the stress testing to highlight results considered high risk.

Internal audit also identified several issues regarding the administration of the Loan Agreement in place between the Council and SHL relating to the debt facility provided by the Council including failure to retain and locate a signed copy of the original loan agreement and not updating and signing the amended loan agreement despite having Cabinet approval to undertake the increased lending.

Internal audit also identified issues regarding enforcement of the conditions of the Loan Agreement by the Council which had not been formally documented, agreed or communicated. The Council is responsible for the management of these issues.

As already noted, Cabinet agreed to increase peak debt level from £5.1m to £8.3m in December 2021 . However, following Cabinet approval, the Loan Agreement had not been signed or amended by both parties. As of March 2023, £6.7m of the debt facility had been drawn down by SHL.

Internal Audit were informed by the Council's Monitoring Officer that although the Loan Agreement was not signed by both parties, the current agreement was still legally binding in accordance with law due to acceptance of terms being verbally agreed and implied through conduct. Therefore, repayment of the loan from SHL would be enforceable.

The loan facility is drawn down by SHL via utilisation requests made to the Council's Finance Team. In accordance with Section 7 of the Loan Agreement, "within 30-days of each sale SHL is required to repay the loan using the sales income". Internal Audit noted that there was £5.96m of open market sales made during 2022/23, however SHL has not made any loan repayments to the Council of the £6.7m loan drawn down to date.

The Internal Audit report recommended that roles and responsibilities for enforcing the conditions of the updated Loan Agreement should be clarified and contract management arrangements should ensure the enforcement of loan agreement conditions.

The Council must ensure that all internal audit recommendations in relation to SHL are actioned, and takes steps to ensure the company is able to meet its forecasts for making dividend payments to the Council and repays Council provided loans in line with Business Plan targets.

<u>Other Commercial Arrangements</u>

The Strand Shopping Centre in Bootle was acquired by the Council in 2019. This acquisition was undertaken as a commercial investment as well as to support the Council's plans for the regeneration of Bootle town centre. A revised business plan for the diversification of the use of the centre was approved by Cabinet and full Council in 2019 to reflect a change in market conditions. The Council appointed external advisors including for legal, tax and valuation advice and support the Council's due diligence. The first phase of the associated capital project included £20m of government levelling up funding. The project team report to the service Associate Director who reports to the Executive Director for Place, who in turn reports to ELT and to Cabinet on a monthly basis.

The Council is entering a £73m joint venture arrangement with ASM Global Europe, in relation to the Marine Lake Events Centre project in Southport. This project was initiated in February 2020, when the Council commissioned a Feasibility Study to consider the future options for the Southport Theatre and Convention Centre (STCC) site. The finall business case was approved by Cabinet in July 28 2022 following an options appraisal. An update to Cabinet in November 2024 reported that demolition and enabling works are expected to continue until early 2025. As previously noted, this represents the largest capital project in the Council's capital programme, and forms part of the Southport Town Deal and the Town Investment Plan.

The Council terminated its contract with the key contractor in relation to Crosby Lakeside Adventure Centre, as part of a financial reengineering exercise to ensure that the Council's financial risks are managed and costs are maintained within the forecast cost envelope.

Improving economy, efficiency and effectiveness (Cont'd)

External Regulators

The Local Government and Social Care Ombudsman's annual review for 2023/24 focuses on the Council's response to complaints. The Ombudsman reported that 100% of their recommendations had been complied with and successfully implemented to remedy complaints. The Ombudsman further noted that 73% of complaints investigated were upheld, which compare to 80% for similar organisations. Complaints are upheld where the Ombudsman finds fault in an organisation's actions.

Given the Council's recent decision to become a social housing provider, it should ensure that it meets the requirements of the Regulator for Social Housing and the Housing Ombudsman.

The Care Quality Commission (CQC) and Ofsted joint area SEND inspection took place in April 2019 and judged that local area leaders had not made sufficient progress to improve each of the serious weaknesses identified at the previous inspection in 2016. The Government issued an improvement notice as a result of the 2019 inspection, and an improvement plan was developed. In July 2021, the government improvement notice was revoked due to the progress that had been made. We have been advised that a SEND joint area inspection is due to take place in 2024 but at the time of this review the findings were not yet available.

Ofsted inspections in relation to Children's Social Care are considered in the next section.

Children's Social Care

The Department for Education (DfE) issued an improvement notice due to poor performance in children's social care services in June 2021, which followed an Ofsted focused visit report in May 2021.

Ofsted undertook a full inspection of children's services in February and March 2022 and Ofsted rated the service as inadequate. The Ofsted report noted that, over a long period, the political and executive leadership of the Council has not secured the structures, systems and processes to keep an effective single line of oversight of children's services. Services for children and young people had been dispersed across the Council. Since the previous inspection in 2016, there had been a significant deterioration in services. A joint targeted area inspection in September 2019 and a focused visit in March 2021 both identified serious weaknesses in child protection practice and management oversight resulting in areas for priority action. The Council and senior leaders had not sufficiently understood these failures or taken the necessary actions to improve services for children.

The Secretary of State for Education issued a statutory direction in relation to Children's Services in May 2022, following the Ofsted full inspection. The statutory direction replaced the 2021 improvement notice. The statutory direction led to a Children's Commissioner being appointed by the Secretary of State to lead a review of the children's social care function, to determine whether the most effective way of securing and sustaining improvement was to remove the control of children's social care services from the Council.

A revised statutory direction was issued in November 2022 following the Commissioner's first six-month report which recommended that, at that stage, an alternative delivery model was not required, and in order to secure sustained improvement to children's social care services, a Commissioner should remain with oversight for the foreseeable future to ensure the pace and momentum is not lost and services fail to progress. A new Children's Commissioner was appointed at this time.

The Council, working with the Commissioner, developed a Children's Improvement Plan covering the following improvement areas: quality, implementation of learning, tools and strategic partnership.

There have been five Ofsted monitoring visits since the full inspection in 2022, most recently in June 2024 which reported that the Council has not taken sufficient action to tackle some of the weaknesses found at the last inspection. The pace of improvement in some areas is too slow where leaders are not monitoring the impact of these changes well enough.

In particular, Ofsted noted that the response to children at risk of significant harm is not consistently timely or reducing risks to children sufficiently well. Despite these weaknesses, Ofsted noted some positive progress, which included:

- The service "front door" has been restructured to include an early help pathway through the family advice and support team (FAST), and a pathway directly into social care through the children's help and advice team (CHAT), which are supporting more timely decision-making.
- Children who need early help now receive a more timely and effective service.

Agenda Item 3

Improving economy, efficiency and effectiveness (Cont'd)

Children's Social Care (Cont'd)

- The response to children who need help and protection outside of normal office hours and when allegations are made against professionals working with children has improved.
- Increased management oversight, monitoring and regular sampling are leading to greater consistency in application of thresholds. Assessment timeliness has significantly improved, and more assessments now demonstrate elements of stronger practice.
- Enhanced quality assurance is providing a greater understanding of weaknesses in the "front door" response.

Page 208

The Statutory Direction and Children's Commissioner remain in place, and as noted in the Financial Sustainability section of this report, children's social care is the main area of budget growth and is impacting on the Council's financial sustainability.

The new Director of Children's Services, who was appointed in March 2023, meets the Council's Chief Executive (who started in role in July 2023) and Section 151 Officer on a monthly basis.

The overall pace of improvement of the service is impacting on the Council's ability to effectively and efficiently meet its children's social care statutory responsibilities, and at the same time failure to manage demand pressures is having a significant impact on the Council's medium-term financial sustainability. This represents a significant weakness in arrangements, and we have made in key recommendation in this regard, set out on page 8.

Procurement

As noted in the section of this report on governance, the Council currently has no approved Procurement Strategy, which should be a key document to set out how the Council secures best value and maximises social value from its procurement activity. The governance section also commented on the significant used of waivers to the Council's Procurement Procedure Rules. Improvement Recommendations have already been made in relation to both these issues.

Overall Conclusion

We have identified a significant weakness in the Council's arrangements for improving economy, efficiency and effectiveness. This relates to the Council needing to ensure that there is effective corporate grip on successfully delivering the Improvement Plan for Children's Social Care. Further detail is set out on page 8 of this report.

We have also found opportunities for arrangements to be further enhanced and we have made six improvement recommendations set out on the following pages.

Improvement recommendations: 3Es

Improvement Recommendation 15	The Council should consider exploring and understanding key variances in benchmarked unit costs, and where appropriate use that understanding to inform service improvement.
Improvement opportunity identified	Understanding significant variances could support service improvement and efficiencies in identified areas and inform financial and performance reporting.
Summary findings	Benchmarked unit costs in relation Children's Social Care and Education Services are very high when compared to the Council's statistical nearest neighbours.
Criteria impacted	Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed. This is already in place within the Council and has been focussed over the last two years on benchmarking Children's Social Care and Adult Social Care activity and cost against nearest neighbours and comparator local authorities. This has been done in conjunction with the LGA. This reflects that these budgets being the most volatile and representing over 70% of the Council's net expenditure.

Improvement Recommendation 16	The Council should consider establishing a Shareholder Panel for oversight of the Council's wholly owned companies.
Improvement opportunity identified	Introducing dedicated agenda time and focus on the performance of the Council's companies, whilst freeing up Cabinet agenda time.
Summary findings	The Council has three wholly owned Companies with Cabinet portfolio holders acting as the Shareholder Representative, with no formal body in place to dedicate their time to oversight on the performance of the companies.
Criteria impacted	Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed. This will be considered during 2025/26. The Council will continue, through the monitoring officer, to ensure that all governance arrangements in respect of wholly owned companies represent industry best practice.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Page 209

Agenda Item 3

Agenda Item 3

Improvement recommendations: 3Es (Cont'd)

Improvement Recommendation 17	The Council should continue to closely monitor the financial performance of Sefton Hospitality Operations Limited.
Improvement opportunity identified	To ensure the Council loan is repaid and the company is able to make dividend payments to the Council
Summary findings	The company has had financial challenges being established and the Council needs to ensure the company can repay the Council loan and pay the Council dividends as forecast in its business plan.
Criteria impacted	Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed. The Council holds quarterly shareholder meetings with the Company which are led by the Chief Executive, and an annual Business Plan is presented to Cabinet as the shareholder.

Improvement Recommendation 18	The Council should set out a clear timescale to replace Council officers as Directors of Sefton Hospitality Operations Limited.
Improvement opportunity identified	To manage any real or perceived conflicts of interest.
Summary findings	Council officers are directors of the company. Whilst the council plans to remove them from this role, the timescale is currently unclear.
Criteria impacted	Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed. This will be agreed in early 2025/26.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations: 3Es (Cont'd)

Improvement Recommendation 18	The Council must ensure that the Sefton New Directions Limited deliverers this agreed transformation plan.
Improvement opportunity identified	To ensure a balanced financial position can be maintained by the company and it is able to meet the Council's commissioning requirements from within available resources to the Council to fund the company for these services.
Summary findings	The Board of Sefton New Directions Limited have expressed concerns about the company's financial viability and the Council has instigate the development and agreement of a transformation plan for the company.
Criteria impacted	Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed. A report outlining progress was presented to Cabinet as shareholder in December 2024. This will ensure financial sustainability for the Company. This is also considered at the quarterly shareholder meetings with the Company which are led by the Chief Executive.

Improvement Recommendation 20	The Council must ensure that all internal audit recommendations in relation to Sandway Homes Limited are actioned and takes steps to ensure the company is able to meet its forecasts for making dividend payments to the Council and repays Council provided loans in line with Business Plan targets.
Improvement opportunity identified	To support the financial sustainability risks of the company and to ensure it repays Council loan and forecasted dividends in line with the company's business plan.
Summary findings	Internal Audit identified improvements to the company's financial forecasting and issues regarding the administration of the Loan Agreement in place between the Council.
Criteria impacted	Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed. The Council will continue to ensure Internal Audit recommendations are actioned.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Further action?
1	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.	Key	November 2024	Due to the timing of when this recommendation was made, and the timing of our 2023/24 work, we have reported our findings in this AAR on the current position.	We have raised a Key Recommendation in relation to our 2023/24 work.

The Council's previous auditors reported to the Audit and Governance Committee on 20 November 2024, setting out the findings of their VfM work for the audit years 2021/22 and 2022/23. They identified the above significant weakness and reported no other recommendations.

Opinion on the financial statements

Grant Thornton provides an independent opinion on whether the Council's financial statements:

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

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

We have substantially completed our audit of your financial statements and anticipate issuing a disclaimer or audit opinion as a result of the prior year disclaimed accounts and lack of assurance over opening balances, following the Audit and Governance Committee meeting on 12 February 2025.

Further information on our audit of the financial statements is set out overleaf.

Page 213

Agenda Item 3

Opinion on the financial statements (Cont'd)

Timescale for the audit of the financial statements

- Our audit plan was presented to the Audit and Governance Committee on 19 June 2024.
- Our planning and interim work was performed in March and April and our final audit visit took place from July to September 2024 with a follow up in January 2025.
- The Council provided draft financial statements in line with the national timetable
- The audit required a follow up visit in January due to the draft accounts not including group figures or all the investment property valuations. In addition, the previous audits had not been finalised by the predecessor auditors.
- We have substantially completed our audit of your financial statements and anticipate issuing a disclaimer of audit opinion as a result of the prior year disclaimed accounts and lack of assurance over opening balances, following the Audit and Governance Committee meeting on 12 February 2025.

Findings from the audit of the financial statements

- We identified a significant risks in respect of management override of controls, which is a non-rebuttable presumed risk for all entities and was primarily addressed through our journals work. Our work has not identified any issues in respect of management override of controls although our Audit Findings Report notes some recommendations in respect of the control environment.
- We also noted a completeness risk in respect of the risk of fraud related to expenditure recognition in line with the Public Audit Forum Practice Note 10. Our work on cut-off identified no issues.
- The valuation of land and buildings and investment properties is a significant risk and estimate for the Council and our work on the valuations identified adjustments as the draft accounts did not include all asset revaluations and also some other adjustments which needed to be made in prior sets of accounts. We also noted some control findings in our Audit Findings Report.
- The valuation of the pension fund also represents a significant risk and estimate and we also noted adjustments here in respect of the classification and also the requirement for the actuary to recalculate some of their data on investment returns as at the year-end rather than the initial Month 9.

More detailed findings are set out in our Audit Findings Report, which was presented to the Council's Audit and Governance Committee on 12 February 2025. Requests for this Audit Findings Report should be directed to the Council.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Council's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office. Our work found no issues although we cannot certify the audit as National Audit Office have asked us not to certify until they have had chance to finalise their work on the 2023/24 Whole of Government Accounts.

Appendices

Page 215

Agenda Item 3

Agenda Item 3

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

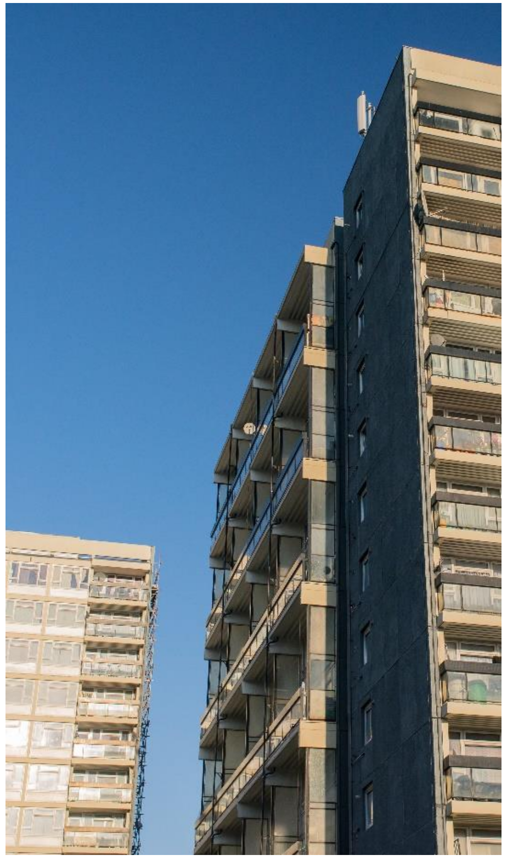
[illegible] local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

Page 216

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

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.



Appendix B:
An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	n/a
y	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes	6 to 8
provement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	19 to 20, 30 to 34, and 41 to 43

grantthornton.co.uk

The Audit Findings for Sefton Council

Year ended 31 March 2024

Page 219

Agenda Item 3

Private and Confidential

Sefton Council
Town Hall
Trinity Road
Bootle
L20 7AE

February 2025

Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS

www.grantthornton.co.uk

Dear Councillor Robinson,

Audit Findings for Sefton Council for the year ended 31 March 2024

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and will be presented to the Audit and Governance Committee on 12 February 2025.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Georgia Jones

Director
For Grant Thornton UK LLP

Contents

Your key Grant Thornton team members are:

Georgia Jones
Key Audit Partner
E Georgia.s.jones@uk.gt.com

Liz Luddington
Audit Manager
E liz.a.luddington@uk.gt.com

Jobelle Bongato
Audit Incharge
E Jobelle.Bongato@uk.gt.com

The Key Audit Partners for **Council's Material Subsidiaries** are:

Key Audit Partners

Firm:

Beever and Struthers (Mark Bradley) – Sandway Homes Limited

Hazlewoods LLP (Martin Howard) – Sefton New Directions Limited

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Sefton Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

As at the date of this report, we have concluded a number of areas of our audit work. Where our work is concluded we have set out the detail of the work undertaken and our findings in the body of this report.

Where audit work has not yet been concluded, we have highlighted the work undertaken to date, and any audit findings and recommendations.

The main area on which we have been unable to conclude our work is opening balances. In addition, our work is substantially complete on the areas we could conclude on subject to the following areas:

- receipt of evidence to allow us to complete our work on other land and building valuations (comparative land value evidence) and operating lease payments (1 item);
- finalisation of our work on service organisations;
- completion of our internal quality review processes, including final quality reviews;
- receipt of management representation letter; and
- review of the final set of financial statements and final Annual Governance Statement.

Our findings from the work undertaken to date are summarised on pages 7 to 26. We have identified adjustments to the financial statements and these audit adjustments are detailed at Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out at Appendix B.

Unfortunately, owing to the challenges of undertaking an audit where the previous audits were disclaimed due to the local authority backstop, this year we have been unable to regain full assurance and it has not been possible for us to undertake sufficient work to support an unmodified audit opinion in advance of the proposed backstop date of 28 February 2025. The limitations imposed by not having assurance on opening balances mean that we will be unable to form an opinion on the financial statements. Our anticipated financial statements audit report opinion will be disclaimed.

Our draft Audit Report is attached at Appendix H.

We have concluded that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

Our work on the Council's value for money (VFM) arrangements will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR).

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We identified significant weaknesses in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (Section 3).

We identified one significant weakness in relation to the Council's medium term financial sustainability as well as four improvement recommendations. In Governance, we have confirmed one significant weakness in relation to the level of procurement waivers, and we have also identified nine improvement recommendations. In improving economy, efficiency and effectiveness, we have confirmed one significant weakness in relation to the Council needing to take more effective corporate grip of the improvement of Children's Social Care and we have also identified six improvement recommendations.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code, however as per National Audit Office's request we will not be able to certify the audit until National Audit Office permit us to do so.

Significant matters

We did experience delays in receiving the group accounts – received January 2025 – and The Strand Shopping Centre valuation – received November 2024 as well as delays receiving supporting information for the Council's valuations. We did not encounter any significant difficulties or identify any significant matters arising during our audit, apart from the VFM items noted above and in Section 3.

1. Headlines

Agenda Item 3

Page 224

National context – audit backlog

Government proposals around the backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament [Written statements - Written questions, answers and statements - UK Parliament] This confirm the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024. As a consequence of this, the authority's accounts for 2021/22 and 2022/23 have been backstopped and a disclaimer of opinion has been issued by Ernst and Young.

The government has set out its intention that from 2023/24, auditors should work with local authorities to begin the process of recovery. A backstop date for 2023/24 has been proposed of 28 February 2025, and a date for 2024/25 audits of 27 February 2026.

Our intention is that over time we will re-build assurance in respect of prior years across all backstopped audits, taking account of guidance from the National Audit Office and the Financial Reporting Council. For 2023/24, we have focused at your audit on the following areas in advance of the backstop date.

- Risk assessment and evaluation of the control environment for 2023/24 including ISA 315 assessment
- Audit of closing balances as at 31 March 2024
- Audit of income and expenditure and movements within financial year 2023/24 and associated cut off testing
- Testing of journals within 2023/24
- Testing of Movement of Reserves statements and other primary statements (within the constraints that we will not have opening balance assurance)
- Financial statements disclosure
- Recognising the sensitivity of cash, including the opening cash position as at 1 April 2023

We will continue the process of recovery during 2024/25 and ongoing years.

National context – level of borrowing

All Councils continue to operate in an increasingly challenging financial context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. Sefton currently has relatively low levels of external borrowing and our value for money work did not identify any weaknesses in the Council's arrangements.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be presented to the Audit and Governance Committee on 12 February 2025.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- an evaluation of the group's internal controls environment, including its IT systems and controls;
- an evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that we would perform specified procedures on the land values in Sandway Homes Limited, which was completed by Beever and Struthers and management override of controls in Sandway Homes Limited and Sefton New Directions Limited, which was performed by Beever and Struthers and Hazlewoods LLP respectively; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

As highlighted in page 4 of this report, unfortunately it will not be possible for us to undertake sufficient work to conclude our work due to the lack of assurances over opening balances as the Council's accounts for 2021/22 and 2022/23 were disclaimed by Ernst & Young under the local authority backstop. We therefore plan to issue a disclaimer of the audit opinion. The draft wording of our Audit Report is set out at Appendix H.

The circumstances resulting in the application of the local authority backstop to prior year audits are clearly extremely unusual. The government has signalled its intent that where backstops have been applied, local authorities and their auditors work together to recover the position over subsequent years. We will follow relevant guidance including from the NAO and the FRC to work with you over the coming years, as we seek to rebuild audit assurance.

Recognising the backstop date of 28 February 2025, we anticipate issuing a disclaimed audit opinion following the Audit and Governance Committee meeting on 12 February 2025, as detailed at Appendix H . Outstanding items are detailed on page 4.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have revised the materiality figures from those included in the Audit Plan following receipt of the draft financial statements, based on the increase in gross expenditure from 2022/23 to 2023/24 as our planning materiality was based on the draft 2022/23 figures as the 2023/24 accounts were not available at the time we issued our plan.

In addition, we have decreased the percentages used to determine both our materiality and performance materiality levels to reflect the increased risk due to a lack of opening assurance due to Ernst & Young's disclaimer of opinion on the 2021/22 and 2022/23 accounts.

We set out in this table opposite our determination of materiality for Sefton Council and group.

	Group Amount (£'000)	Council Amount (£'000)	Qualitative factors considered
Materiality for the financial statements	8,244	8,155	Financial performance of the Council, focusing on the expenditure. We have used 1% of your gross expenditure as presented in the draft 2023/24 statement of accounts.
Performance materiality	4,122	4,076	Inability to review predecessor working papers as no audits performed in previous years as well as Authority response to audit processes and adjusted for our assessment of the control environment
Trivial matters	412	408	The amount below which matters would be considered trivial to the reader of the accounts.
Materiality for senior officer remuneration and related party transactions	5	5	Materiality is reduced for remuneration disclosures due to the sensitive nature and public interest. Related parties adjustments are considered on a case-by-case basis as to whether it is material to either party

2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Risk relates to	Commentary	Relevant to Council and/or Group
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the normal course of business as a significant risk for the Council, which was one of the most significant assessed risks of material misstatement. Our IT audit work also identified significant control deficiencies in respect of system user access and segregation of duties.	Group and Council	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions • factored the risk of financial reporting fraud into our journals work and will make the audit team aware of certain individuals or companies to watch out for during their testing of other areas; • requested assurance from component auditors in relation to the risk of management override of control within Sefton New Directions Limited and Sandway Homes Limited; and • reviewed any transactions posted by the users identified within our IT audit work as having inappropriate access. **Results** Our audit work is complete and has not identified any issues in respect of our testing of management override of controls, however we have noted some recommendations and also report on the significant deficiencies identified by our IT Audit Work – see page 20 and Action plan at Appendix B.	Group and Council

Page 227

Agenda Item 3

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Risk Relates to	Commentary
ISA 240 - Improper revenue recognition risk - rebutted **Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.** This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted because: - There is little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are very limited; - The culture and ethical frameworks of local authorities, including Sefton, mean that all forms of fraud are seen as unacceptable. We have therefore rebutted the risk of improper recognition of revenue from council tax payers, business rates payers and government grants.	Group and Council	There have been no changes to our rebuttal assessment as reported in our audit plan. During the course of the audit we have: • reviewed and tested, on a sample basis, revenue and expenditure transactions, ensuring that it remains appropriate to rebut the presumed risk of revenue recognition. • designed and carried out appropriate audit procedures to ascertain the recognition of income is in the correct accounting period using cut-off testing. We also designed and carried out appropriate audit procedures to ascertain the recognition of revenue is in the correct accounting period using cut-off testing. **Results** No issues noted with improper revenue recognition throughout our audit, although we did include a recommendation in Appendix B about income being recognised in the wrong period, but as the amount was below triviality no adjustment was proposed. We also noted a recommendation in respect of supporting documentation for council tax reliefs and had some small adjustments where the CIES did not agree to the grant income note as reported in Appendix D.
Risk of fraud related to expenditure recognition - Practice Note 10 – risk rebutted In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). Based on our assessment we consider that we are able to rebut the significant risk in relation to expenditure and have determined it to be appropriate to rebut this risk based upon the limited incentive and opportunity to manipulate expenditure within the Council and due to the immaterial expenditure streams within the subsidiaries, but will nevertheless, and in line with PN10, recognise the heighted inherent risk of completeness of 'other service expenditure' in our audit scoping and testing assessment for the Council.	Group and Council	There have been no changes to our rebuttal assessment as reported in our audit plan. During the course of the audit we have • reviewed and tested, on a sample basis, expenditure transactions, ensuring that it remains appropriate to rebut the presumed risk of expenditure recognition. • designed and carried out appropriate audit procedures to ascertain the recognition of expenditure is in the correct accounting period using cut-off testing. We also designed and carried out appropriate audit procedures to ascertain the recognition of expenditure was in the correct accounting period using cut-off testing. **Results** No issues identified in our audit work

2. Financial Statements: Significant risks

<table>
<tr><th>Risks identified in our Audit Plan</th><th>Risk Relates to</th><th>Commentary</th></tr>
<tr><td>

Valuation of Other Land and Buildings and Investment Properties

The Council revalues its land and buildings on a rolling programme over a five-year cycle to ensure the carrying value in the Council's financial statements is not materially different from current value at the financial statements date. This valuation represents a significant estimate by management in the financial statements £288m land and buildings as at 31 March 2024 and £28m in investment property.

The valuation of land and buildings and investment properties is a key accounting estimate which is derived, depending on the valuation methodology, from assumptions that reflect market observations and the condition of the asset at the time. There is a risk that the use of inappropriate assumptions or methodologies may have a material impact on the financial statements especially given a high uncertainty in markets.

owever, the valuation methodology for Local Government land and buildings specified in detail in the CIPFA Code and the sector is highly regulated by CS, therefore we will focus our audit attention on assets that have large and usual changes and/or approaches to the valuation of land and buildings d investment properties, as a significant risk requiring special audit consideration.

Page 229

The exact risk was pinpointed during our final accounts work, once we understood the population of assets revalued, so we considered:

- individual assets that were over our performance materiality; and
- assets that had notable changes in value or where valuation movements were in the opposite direction to our expectations.

</td><td>Council and Group</td><td>

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- written to, and discussed, with the valuer the basis on which the valuation was carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;
- engaged our own valuer to assess the instructions to the Council's valuer, the Council's valuation report and the assumptions that underpin the valuation;
- evaluated the valuer's report to identify assets that have large and unusual changes and/or approaches to the valuation – these assets will be substantively tested to ensure the valuations re reasonable;
- tested a selection of other asset revaluations made during the year to ensure they had been input accurately into the Council's asset register, revaluation reserve and Statement of Comprehensive Income and Expenditure;
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end
- for all assets not formally revalued, evaluate the judgement made by management or others in the determination of current value of these assets; and
- reviewed the component auditor's working papers in respect of the land valuation in Sandway Homes Limited.

<u>**Results**</u>

As we will not have assurance on other land and building assets valued in prior years, due to the backstop, this contributes to our disclaimer opinion. As investment property should be valued every year, we have no assurance on opening balances and in-year movements for the year ending 31 March 2024.

We have not yet completed our work in this area as we experienced significant delays receiving supporting evidence for our samples. At the time of drafting this report our work is substantially complete but we are still waiting for comparable land value support to finalise our work. Our work has identified three adjustments to date, one for duplicated land value, one where incorrect obsolescence rates had been applied and one where the incorrect build rate was used – see Appendix D and we have also raised a recommendation in Appendix B.

</td></tr>
</table>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Risk Relates to	Commentary
Valuation assumptions of the Net Pension Asset The Council's pension fund net asset/liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£17 million asset as at 31 March 2024 for the LGPS and £4m liability for the Teachers Pension Scheme unfunded liabilities) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund net asset as a significant risk, which was one of the most significant assessed risks of material misstatement. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. However, for the first time since IFRS have been adopted the council has had to consider the potential impact of IFRIC 14 - IAS 19 -the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where the Council's actuary has indicated that a 0.25% change in these two assumptions would have approximately £40m effect on the liability/surplus. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.	Council	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; • obtained assurances from the auditor of Merseyside Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements; and • reviewed the asset ceiling calculation provided by the Council's actuary. **Results** Our review of the processes and controls in respect of pensions and the instructions issued by management identified no issues, nor did our assessment of the competence, capability and objectivity of the actuary. We also confirmed the accuracy and completeness of the information provided by the group to estimate the liability. We challenged the actuary's assumptions and used our auditor's expert (PWC) to provide expert input on the assumptions that had been used. Page 17 provides a detailed assessment of the estimation process for the valuation of the pension fund net liability. We noted that the Actuary's calculation of secondary contributions uses a perpetuity assumption rather than a funding horizon which is considered the most appropriate assumption. Although for the current period we are comfortable from our own calculations that there is a sufficient asset ceiling for Sefton to recognise a pension asset, this should form part of the management's experts response to the Council so we have raised a recommendation in Appendix B. We noted that the Council had used month 9 investment data to calculate the rate of return but as this led to a material difference to the full year position we asked the Council to obtain the March investment data. This led to a reduction in the pension asset of £12.8m, which the Council has adjusted for, as noted in Appendix D. In addition, there were some presentational changes made to the statement of accounts to recognise the asset separately from the liability

2. Financial Statements: Other risks

Risks identified in our Audit Plan	Risk relates to	Commentary
Opening Balances	Group and Council	As your newly appointed auditors for 2023-24, we were not responsible for the audit of your accounts for the year ended 31 March 2023. We have been unable to undertake sufficient work to conclude our work due to the lack of assurances over opening balances as the Council's accounts for 2021/22 and 2022/23 were disclaimed by Ernst & Young under the local authority backstop. Due to the limitations imposed by the backstop date, we have been unable to obtain sufficient appropriate audit evidence over the Council and Group's opening balances reported in the financial statements for the year ended 31 March 2024. This is one of the matters noted in our disclaimer of opinion in Appendix H.
Equal Pay	Council	During 2023 there was an emerging national issue across Local Government in respect of equal pay. In general terms, the Equality Act (EA) gives women and men the right to equal pay for equal work unless there is a material reason for the inequality that is not related to gender. The EA achieves this by implying an "equality" clause into every contract of employment that enables a contract to be modified once a successful claim is made out. In discussions, the Council has confirmed to us they currently have not received any claims in respect of equal pay, nor has there been any intimation of potential claims. We will continue to liaise with the Council on this as the national picture continues to develop and as the Council continues to assess any risk of any claims in respect of equal pay.

Page 231

Agenda Item 3

2. Financial Statements: Key findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Sandway Homes Limited	Beever and Struthers	An unqualified audit opinion of Sandway Homes Limited was issued by Beevers and Struthers on 30 December 2024. No significant issues were identified.	None identified – we reviewed the work of the subsidiary auditors in respect of management override of controls and land values with no issues noted.
Sefton New Directions Limited	Hazlewoods LLP	An unqualified audit opinion of Sefton New Directions Limited was issued by Hazlewoods LLP on 10 December 2024. No significant issues were identified.	None identified – we reviewed the work of the subsidiary auditors in respect of management override of controls with no issues noted.

te that in our audit plan we identified Management Override of Controls as a risk at all subsidiaries including Sefton Hospitality Operations Limited (SHOL). However, based on ther understanding of the size of SHOL, which is classified as a micro-entity and is unaudited due to the size of the company, we have not performed specific procedures, other than taining the latest filed unaudited micro accounts from Companies House and noting nothing that impact on our Group Audit.

We have raised a recommendation for the Council in respect of Group Companies, see Appendix B.

2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
IFRS 16 implementation • Following consultation and agreement by FRAB, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. In advance of this standard coming into effect, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases, along with the estimated impact of IFRS 16 on the statement of accounts.	We note that, like many other Authorities, the Council are not yet in a position to quantify the impact of IFRS16 although acknowledge in note 8.2 to the statement of accounts that it is likely to have a significant impact on the financial statements.	As the standard came into effect from 1 April 2024, we consider there to be disclosure deficiency because the Council cannot yet quantify the estimated impact of IFRS 16 on the statement of accounts This is noted as a disclosure misstatement in Appendix D.
Control deficiencies As part of our Information Technology (IT) Audit work, we provide our assessment of the relevant IT systems and controls operating over them. We reviewed the Agresso, ContrOCC and Active Directory systems as part of obtaining an understanding of the information systems relevant to financial reporting and identified significant control deficiencies in respect of Agresso and ContrOCC. See page 20 for our assessment.	We noted significant deficiencies in respect of user access and segregation of duties conflicts in Agresso as well as deficiencies linked to audit logging and monitoring of privileged users, segregation of duties in change management processes and non-compliance with the password policy. For ContrOCC, we noted significant deficiencies in respect of privileged access control, segregation of duties as well as deficiencies linked to leavers, access provisioning, lack of approval for user access changes, lack of review of audit logs, lack of a dedicated development environment and passwords, inactive table logging, segregation of duties between developer and lack of evidence of CAB approval for deployment of a change sample. The recommendations from the IT Audit are included in our Action Plan at Appendix B.	As part of our response to the issues identified from our IT audit we performed the following: • incorporated users with inappropriate access or abilities into our journals testing strategy with a specific review of any journals posted by those individuals; and • performed starters and leavers and changes in circumstances testing, including focusing on the areas identified as deficient by our IT audit team. Our work in this areas is substantially complete and has not identified any issues to date.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Other land and Building (£288m) and investment property valuations – £28m	Other land and buildings had a net book value of £288 million and investment property £28 million at 31st March 2024. The Council has both an internal and external valuer to complete the valuation of properties on a five yearly cyclical basis. 42% of other land and building assets were revalued during 2023/24. Management complete an annual assessment review of the assets not due to be revalued during the year, considering factors that may require them to be revalued. Management's assessment is that the potential difference in the value of the remaining assets not formally revalued during 2023/24 is not material. Valuation of Other Land and Buildings has been carried out by qualified in-house valuation staff with one valuation contracted to an external firm Avison Young (UK) Ltd. The valuations are undertaken in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (RICS). The total year end valuation of other land and buildings was £288m, a net increase of £16m from 2022/23 (£272m). The investment property fair value is in line with a small £0.3m increase on 2022/23 from £27.3m to £27.6m. All investment properties above the Council's deminimis level were valued in year and are valued as at 31 March 2024 as required by the Code.	The Council's accounting policy on valuation of Other Land and Buildings is included in the Accounting Policies note of the financial statements. We have: • assessed the Council's in-house valuer to be competent, capable and objective; • carried out completeness and accuracy testing of the underlying information provided to the valuers used to determine the estimate including floor areas where appropriate; • reviewed management's assessment of assets not valued in the year against the Montague Evans report and concluded that their assessment is reasonable and that assets not valued in the year are not materially misstated; • agreed valuation reports to the Fixed Asset Register and to the Statement of Accounts; and • engaged our own valuation expert to assess the work of the Council's valuer, compliance with RICS requirements and management's assessment of assets not revalued in year. Our expert was able to confirm that the Council's approach was reasonable and in line with those adopted by other Valuers and that the valuations were reasonable. As noted on page 11 our work in this area is not yet complete and we have noted some adjustments as reported in Appendix D. In addition, as only 42% of the other land and buildings were revalued during 2023/24, there are a number of assets which were valued in previous years on which we do not have any assurance due to the disclaimer opinion issued by Ernst & Young on 2022/23.	No overall conclusion formed this year, as our opinion has been disclaimed.

Page 234

Agenda Item 3

2. Financial Statements: key judgements and estimates

Significant judgement or estimate

Net pension surplus – £29m asset as at 31 March 2024 for the LGPS and £16m liability for the LGPS and Teachers Pension Scheme unfunded liabilities.

IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments.

IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Summary of management's approach

The Council's net pension asset at 31 March 2024 was £29m (PY £28m liability) for the Merseyside Local Government defined benefit pension scheme and a £16m liability (PY £33m) for the Teachers Pension Scheme and LGPS unfunded defined benefit pension scheme obligations.

The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £25.6m net actuarial gain during 22/23.

Audit Comments

Our work on the Council's net pension liability is complete. We have:

- assessed management's expert to be competent, capable and objective;
- assessed actuary's approach taken, detail work undertaken to confirm reasonableness of approach;
- used PwC as auditors expert to assess actuary and assumptions made by the actuary as outlined in the table below;

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.9%	PwC confirmed that assumptions are acceptable	●
Pension increase rate	2.8%		●
Salary growth	4.2%		●
Life expectancy – Males currently aged 65	20.9 years		●
Life expectancy – Females currently aged 65	23.4 years		●

- the completeness and accuracy of the underlying information used to determine the estimate, including liaison with the auditor of the Merseyside Pension fund;
- undertook a reasonableness test of the Council's share of LGPS pension assets and assessed the reasonableness of movement in the estimate, and
- assessed the adequacy of disclosure of estimate in the financial statements.

We noted that the Council had used month 9 investment data to calculate the rate of return but as this led to a material difference to the full year position we asked the Council to obtain the March investment data. This led to a reduction in the pension asset of £12.8m, which the Council has adjusted for, as noted in Appendix D. In addition, there were some presentational changes made to the statement of accounts to recognise the asset separately from the liability and a recommendation made in Appendix B in respect of the asset ceiling calculation.

Assessment

No overall conclusion formed this year, as our opinion has been disclaimed.

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Year end provisions and accruals, including National Non-Domestic Rates (NNDR) provision	The Council has year-end provisions of £8.8m of which £5.1m relate to business rates (NNDR) appeals. For NNDR, the Council makes a provision for a reduction in business rate income based on the rateable value of properties subject to challenges and appeals on the 2017 Rating List at 31 March 2024 and an estimate of future rateable value reductions arising from checks, challenges, and appeals against the rateable value of properties on the 2023 Rating List at 31 March 2024	For NNDR, we have: • assessed management's expert and found them to be competent, capable and objective; • reviewed the appropriateness of the underlying information used to determine the estimate with no issues noted; • compared the consistency of estimate against peers/industry practice and found it to be inline; • assessed the reasonableness of increase/decrease in estimate and confirmed it is reasonable; and • reviewed the adequacy of disclosure of estimate in the financial statements and found them to be appropriate.	No overall conclusion formed this year, as our opinion has been disclaimed.
Depreciation	Management use straight line depreciation based on useful economic life (UEL) of assets. The UEL is based on an assumptions of future useful life of different asset types. These rates are reviewed on a yearly basis to ensure that they are reasonably accurate and assets are not being under or over depreciated.	Our review of the depreciation charge for the year identified no issues with the estimate made by management.	No overall conclusion formed this year, as our opinion has been disclaimed.

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Credit Loss and impairment allowances	Expected credit loss model is used for all financial assets held at amortised cost. Management comprehends the degree of estimation uncertainty by evaluating the range of potential measurement outcomes. 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.	We reviewed the basis of estimation for the credit loss provisions and assessed these were sufficient and appropriate. We have checked the arithmetic and reasonableness of the bad debt provision.	No overall conclusion formed this year, as our opinion has been disclaimed.
ıir value estimates and the ıluation of level 2 and level 3 vestments	Level 2 estimates cover most of the City Council's property valuations, and as such the control environment is as set out for Other Land and Building valuations on page 16. Level 3 investments include those with no observable price in an active market. Without observable transactions, all models used to arrive at equity valuations are subject to uncertainty. This risk is mitigated by using recognised experts in the appropriate field and by officers scrutinising those estimates. The only significant fair value assessments not covered by other asset and liability categories relates to external debt (PWLB loans). The fair value estimates are based on present value of the cashflows over the life of the financial instrument. Again, an expert provides the fair value estimates.	We have: • assessed management's expert and found them to be competent, capable and objective; and • reviewed the appropriateness of the underlying information used to determine the estimate with no issues noted. We noted some disclosure misstatements which are noted in Appendix D.	No overall conclusion formed this year, as our opinion has been disclaimed.

Page 237

Agenda Item 3

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate IT Audit Findings report, which is available on request.

			ITGC control area rating			
IT system	**Level of assessment performed**	**Overall ITGC rating**	Security management	Technology acquisition, development and maintenance	Technology infrastructure	**Related significant risks / other risks**
Agresso	Detailed ITGC assessment (design effectiveness)	●	●	●	●	N/A
ContrOCC	Detailed ITGC assessment (design effectiveness)	●	●	●	●	N/A
Active Directory	Detailed ITGC assessment (design effectiveness	●	●	●	●	N/A

Assessment

- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for testing

2. Financial Statements: matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view and management response
Prior year adjustments identified	When we started the 2023/24 audit, the previous audits had not been concluded by Ernst & Young, Some of the adjustments identified by management and also from our audit work related to previous years and therefore we discussed with management updating those previous accounts to reflect those changes before Ernst & Young issued their disclaimer opinion on the accounts in December 2024.	**Auditor view** • The 2022/23 accounts were updated prior to the disclaimer of opinion being issued by Ernst & Young. We have noted changes to the draft set of 2023/24 accounts in Appendices C & D , noting separately changes to the 2022/23 comparatives from the 2023/24 numbers. **Management response** The Council agreed with Grant Thornton that it would be more appropriate to adjust the 2022/23 Statement of Accounts for the items identified, rather than treat them as Prior Period Adjustments within the 2023/24 Statement of Accounts, given the 2022/23 audit had not been concluded. Note it had always been expected that those adjustments that had been identified by management would be adjusted for in 2022/23 prior to completion of the audit, and the draft Statement of Accounts already included these adjustments in the comparator figures.

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any other incidents of fraud in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	Our procedures for 2023/24 noted some adjustments to the related party transactions and a recommendation. We note these in Appendices B and D and the accounts have been appropriately updated for the adjustments.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is set out at Appendix G.

2. Financial Statements: other communication requirements

Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to banks and financial institutions in respect of cash and investment balances and borrowings. This permission was granted and the requests were sent and these requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements, however some small disclosure adjustments were identified as noted in Appendix D.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided, although we did experience delays in receiving the group accounts – received January 2025 – and the strand valuation – received November 2024.

2. Financial Statements: other communication requirements

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. . In doing so, we planned to consider and evaluate: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. However, as we have been unable to conclude our audit in advance of the backstop date, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit – refer to Appendix H .
atters on which e report by ception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on the first matter following receipt of the updated Annual Governance Statement and we have not yet applied any of our statutory powers or duties. Our Auditor's Annual Report is presented to the Audit Committee alongside this report and identified significant weaknesses in respect of the Council's arrangements, see pages 27 and 28 for more detail.

Page 243

Agenda Item 3

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Detailed work is not required as the Council does not exceed the threshold.
Certification of the closure of the audit	We have completed the majority of work under the Code, however as per National Audit Office's request we will not be able to certify the audit until National Audit Office permit us to do so.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

The National Audit Office first issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Page 245

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

Agenda Item 3

3. VFM: our procedures and conclusions

Agenda Item 3

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The significant weaknesses we identified are detailed in the table below, along with the procedures we performed and our conclusions. Our auditor's annual report, presented alongside this report, will make reference to these significant weaknesses in arrangements, as required by the Code.

Criteria	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements
inancial sustainability	We identified a potential risk of significant weakness in relation to the medium-term financial sustainability of the council, including managing budget pressures, in particular in relation to children's social care, DSG deficit and adequacy of reserves.	We have confirmed one significant weakness in relation to the Council's medium-term financial sustainability We have also identified four improvement recommendations.
Governance	No potential risks of significant weakness were identified during audit planning	We have confirmed one significant weakness in relation to the level of procurement waivers, and we have also identified nine improvement recommendations.
Improving economy, efficiency and effectiveness	We identified a potential risk of significant weakness in relation to insufficient improvement in Children's Social Care following an inadequate Ofsted inspection.	We have confirmed one significant weakness in relation to the Council needing to take more effective corporate grip of the improvement of Children's Social Care. We have also identified six improvement recommendations.

4. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms).

In this context, we disclose the following to you:

We have received confirmation that the subsidiary auditors, are independent.

We have received confirmation that Pricewaterhouse Coopers and Wilks Head Eve as our actuarial and valuation experts, are independent

We confirm that the fees from non-audit services subject to cap do not exceed 70% of the audit fee (taking the average over the previous three years).

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed at Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

4. Independence considerations

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to January 2025, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefits grant – 2023/24	37,970	Self-interest, Self review and management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £37,970 in comparison to the total fee for the audit of £389,972, and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. For the self-review threat safeguards include the fact that we do not prepare any of the work reviewed and any changes would be agreed with the local authority prior to submission, and we would have no subsequent involvement in any decisions made about changes once our report has been issued. In respect of the management threat the scope of our work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We believe these factors all mitigate the perceived threats to an acceptable level.
Certification of Teachers Pension Return – 2023/24	20,000	Self-interest, Self review and management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £20,000 in comparison to the total fee for the audit of £389,972, and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. For the self-review threat safeguards include the fact that we do not prepare any of the work reviewed and any changes would be agreed with the local authority prior to submission, and we would have no subsequent involvement in any decisions made about changes once our report has been issued. In respect of the management threat the scope of our work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We believe these factors all mitigate the perceived threats to an acceptable level.
Certification of Teachers Pension Return - 2022/23	12,500	Self-interest, Self review and management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £389,972, and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. For the self-review threat safeguards include the fact that we do not prepare any of the work reviewed and any changes would be agreed with the local authority prior to submission, and we would have no subsequent involvement in any decisions made about changes once our report has been issued. In respect of the management threat the scope of our work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We believe these factors all mitigate the perceived threats to an acceptable level.
Certification of Teachers Pension Return – 2021/22	10,000	Self-interest, Self review and management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £389,972, and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. For the self-review threat safeguards include the fact that we do not prepare any of the work reviewed and any changes would be agreed with the local authority prior to submission, and we would have no subsequent involvement in any decisions made about changes once our report has been issued. In respect of the management threat the scope of our work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We believe these factors all mitigate the perceived threats to an acceptable level.

These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit & Governance Committee.

None of the services provided are subject to contingent fees.

4. Independence considerations

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and following this consideration, we confirm that we are independent and are able to express an objective opinion on the financial statements.

In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

Page 251

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

Agenda Item 3

B. Action Plan – Audit of Financial Statements

We have identified 12 recommendations for the group as a result of issues identified during the course of our financial statements audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

On pages 37-42, we have also included the 12 recommendations identified during our IT audit. On pages 43 and 44 we have noted 4 controls for which assurance could not be provided. Those recommendations have been agreed with the Council IT team and the report agreed with Council management. If you would like to receive a copy of the full IT audit report, please let us know.

Assessment	Issue and risk	Recommendations
	Control environment As part of our initial review of the Council's control environment we have noted the following findings: - Senior finance staff can post journals - Users can self-authorise journals There is a risk is that users could create and approve inappropriate entries to the financial statements or with collusion that potentially there could be the opportunity to commit fraud.	We recommend that the Council review their IT control environment to establish either some sort of preventative system approval control is built in where practicable, or management introduce a detective control to provide reassurance that journals are posted appropriate. **Management response** The Council has previously investigated implementing controls within the financial system, but the system isn't able to accommodate these. Manual processes are in place for journal approvals (as per the Scheme of Financial Delegation) to ensure all journals are appropriate. In addition, measures are in place to mitigate the risk of potential error though budget monitoring, closedown processes, etc.
	Reconciliations Our audit work identified issues with reconciliations not always been performed on a timely basis or not being performed. Reconciliations are an important financial control, ensuring the accuracy of the financial data. We note that this was often as a result of capacity issues.	We recommend that management ensure regular reconciliations are performed to help mitigate any financial risks associated with discrepancies, fraud or mismanagement. **Management response** Agree The Council will ensure that all reconciliations are completed on a timely basis.
	Related party transactions We noted that not all register of interests had been received and our audit work also noted some undisclosed related party transactions. In addition, the working papers supporting the members transaction could be made clearer.	We recommend that the guidance in respect of the disclosure forms is clarified and that each councilor and senior officer should submit the related party's disclosure forms on a regular, not less than annual, basis. A reminder should be sent to all councilors and senior officers to ensure they are submitted a completed register of interest's form. For completeness, nil returns should be requested. **Management response** Agree The Council believes the guidance is clear but has asked for any examples of best practice that could be shared that would improve our guidance. All councillors and senior officers are required to complete annual returns, reminders are sent, and nil returns are requested. However, the Council will continue to try to ensure 100% compliance.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
	The financial statements preparation process As of the receipt of the draft accounts on June 14th, 2024, we observed that certain aspects were incomplete: a) Group accounts were not populated; b) The valuation of the Strand Shopping Centre (Investment property) was also pending. Additionally, it has been signed by the S151 officer as properly prepared, which should not be the case.	We recommend that management review its year-end process so that when the draft accounts are prepared for publication they are a full set of accounts, subject to audit. **Management response** Agree The Council has introduced more robust processes to ensure the valuations of the Strand is completed in line with the timetable. In addition, the Council will work with its wholly owned subsidiaries to they produce draft accounts that can be incorporated in the Council's draft Statement of Accounts.
	The financial statements preparation process – level of adjustments Whilst we fully acknowledge the circumstances of this audit, i.e. no significant external audit presence for several years, no audited accounts since 2020/21 and starting the audit before the previous years accounts were disclaimed, we have noted a significant number of adjustments to the accounts since the version that was published and submitted for audit.	We recommend, now that management are in a clearer audit cycle, the Council reviews its year-end process and ensures there is sufficient review time built in that the quality of the first draft is sufficiently high that there are less adjustments required post publication. **Management response** Agree As suggested, the production of the 2023/24 Statement of Accounts was impacted by the audit processes still being ongoing on earlier year's Statement of Accounts. The Council's timetable for completion of the 2024/25 Statement of Accounts includes additional review time to ensure the document contains fewer errors.
	Asset ceiling calculation The Actuary's calculation of secondary contributions uses a perpetuity assumption rather than a funding horizon, which is considered the most appropriate assumption. Although for the current period we are comfortable from our own calculations that there is a sufficient asset ceiling for Sefton to recognise a pension asset, this should form part of the management's experts response to the Council.	We recommend that Sefton discuss the appropriateness of their assumptions with their actuary. **Management response** Agree The Council will request the actuary uses the suggested approach when undertaking their calculations.
	Review of valuation assumptions Our audit work identified some adjustments linked to obsolescence rates and build rates being incorrect.	We recommend that the Council review and perform a sense check of the assumptions used by the valuer where similar assets would expect to have similar inputs. **Management response** Agree Additional reviews will be undertaken to ensure consistency.

Page 253

Agenda Item 3

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
	Income recognition We noted as part of our fees and charges testing that due to delays in agreeing the amounts with utility companies, income from the prior year was only being agreed and accounted for in the current year, meaning income is being accounted for in the incorrect period. As the net effect of this was below triviality at £200k for 2023/24 we have not included an adjustment in respect of this.	We recommend that management review the Network management cost centre to make sure there are no significant amounts of unagreed income, which are then being accounted for in the wrong year. **Management response** Agree Will review as part of the 2024/25 closedown process.
	Group Companies The Council's internal audit review identified areas where appropriate internal controls weren't always in place. This combined with the fact that the Council was not able to obtain sufficient information to publish Group Accounts indicates that could be improvements made to the Council's monitoring of its group arrangements. Our Value for Money work also identifies some improvement recommendations on the Council's arrangements with its subsidiaries.	We recommend that management review the arrangements with Group companies and with the shortening deadlines in respect of the local government backstop arrange to receive sufficient information from their subsidiaries to allow the Group Accounts to be included when the draft Statement of Accounts is published for inspection. **Management response** Agree The Council will work with its wholly owned subsidiaries to they produce draft accounts that can be incorporated in the Council's draft Statement of Accounts.
	Financial Instrument Disclosure and credit risk exposure We requested support for the calculation of the 3.29% historical default experience and discovered that this figure has remained unchanged since 2018/19, spanning a period of five years. Consequently, we requested an updated calculation. Upon recalculation, the updated percentage is 2.85%. As a result, the total estimated maximum exposure variance amounts to £172.78k. Since the amount is deemed trivial, no adjustment has been proposed in Appendix D.	We recommend that the Council updates its historical experience assessment. Outdated historical data may not accurately capture current market conditions and debt collection performance, potentially affecting risk management and decision-making processes. **Management response** Agree The Council will ensure the calculation is updated annually.
	Valuation - RICS Compliant Letter of Engagement We have obtained a framework agreement document, but not a RICS compliant terms of engagement letter that sets out key matters. As per enquiry with valuer, no instructions were received from Finance. Finance and Property Services were all part of Corporate Resources at that time so it was not felt necessary that a terms of engagement letter was required. Now that the Property Team has moved to a different directorate, there should be a terms of engagement letter issued for future years starting with valuations as at 31 March 2025.	We recommend that the Council has a RICS compliant terms of engagement letter that sets out key matters for their asset valuations, with both internal and external valuers. **Management response** Agree This will be introduced for 2024/25.
	Signed agreements We noted on our review of service organisations that the agreement with Halton Borough Council was unsigned.	We recommend that the Council has signed contracts where they have arrangements in place with third parties. **Management response** Agree The Council believe this is an isolated occurrence but will ensure all arrangements with third parties have a signed document in place.

B. Action Plan – IT Audit Findings

We have identified 12 recommendations for the Council on progress on these recommendations during the course of the 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards. We also identified 4 controls for which assurance could not be provided. These are detailed on pages 43 and 44.

Assessment	Issue and risk	Recommendations
●	**Segregation of duties conflicts within Agresso** Administrative access to Agresso was granted to users who had financial reporting responsibilities. Specifically, we noted that the MSLSYSADMSC' role, with the privilege to user administration, was inappropriately granted to 5 finance system team with financial reporting responsibilities. This combination of roles violates the fundamental security principles of least privilege and segregation of duties, as it allowed excessive access and undermines the separation of responsibilities.. **Risk** A combination of administration and financial privileges creates a risk that system-enforced internal controls can be bypassed. This could lead to - unauthorized changes being made to system parameters - creation of unauthorized accounts, - unauthorized updates to their own account privileges - deletion of audit logs or disabling logging mechanisms.	Access should be based on the principle of least privilege and commensurate with job responsibilities. Management should define segregation of duty policies and processes and ensure that there is an understanding or roles, privileges assigned to those roles. It may be helpful to create matrices to provide an overview of the privileges assigned to roles. Management should adopt a risk-based approach to reassess the segregation of duty matrices on a periodic basis. This should consider whether the matrices continue to be appropriate or required updating to reflect changes within the business. **Management response** All risks and recommendations noted and understood. The role of the Finance Systems Team is hybrid in nature. The team have responsibility for the following roles: • Management of the main finance system and general ledger for the local authority • To manage resources, delivering a time critical production schedule including interfaces and payments • To ensure effective system administration of the FS, including maintenance of security and efficient and timely intervention related to workflow/processing related issues Due to overall numbers in councils, it is difficult to practically achieve true segregation of duties. That said, Sefton will explore the potential to create separate accounts for users who may need to complete tasks which require elevated permissions.
●	**Developers had Implementer access in the production environment** 5 users were granted the SYSTEM role on production and development environments, allowing them to develop and implement changes into the production environment without adequate segregation of duties. **Risk** Without a dedicated development environment, testing may be compromised due to unstable or incomplete code being tested directly in the test environment. This increases the likelihood of defects going undetected, leading to potential issues in the production environment.	Management should segregate a user's ability to develop and implement changes. Privileged access to the production environment should be revoked from users that are involved in development. Where management is unable to fully segregate access for operational reasons, alternative options to mitigate the risk could include performing a review of change implementation activity logs. These should be regularly reviewed for appropriateness by an independent individual with evidence retained. **Management response** All risks and recommendations noted and understood. Sefton's finance system is hosted and provided by Halton Borough Council. The 5 users named are the administrators of the system and those with the skills, knowledge and experience to advise, test and implement changes. All changes are documented and those requiring end user testing are done so by Sefton resources. That said, Sefton will explore if a more robust change management process (including review and sign-off by a senior officer) could be implemented to increase assurance.

Page 255

Agenda Item 3

Assessment
- ● Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- ● Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- ● Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

B. Action Plan – IT Audit Findings

Assessment	Issue and risk	Recommendations
	Inadequate Audit Logging and Monitoring of Privileged Users It was noted that there was no adequate control in place to ensure that the roles of requester, tester, and approver in the system change management process were inadequately segregated. For a sample change implemented within the audit period, we noted that the same individual - (Finance Systems Manager), was responsible for requesting, testing, and approving the change. Also, the change was approved for production deployment on 10/07/2023, before testing was conducted on 18/08/2023. **Risk** This inadequacy poses a moderate risk to the organization, as it:- Limits the ability to detect unauthorized or malicious administrative actions- Increases the risk of undetected security incidents and data breaches- Hinders forensic investigations and incident response efforts	Considering the criticality of Agresso for financial reporting, information security events such as - repeated invalid/ unauthorized login attempts to access systems, data or applications - privileged user activities - changes to system configurations, tables and standing data should be logged and formally reviewed. It is recommended that security event logs are reviewed on a regular basis for example daily or weekly, ideally by an IT security personnel / team who are independent of those administrating Agresso and its underlying database. Any issues identified within these logs should be investigated and mitigating controls implemented to reduce the risk of reoccurrence. **Management response** All risks and recommendations noted and understood. The finance system is hosted and provided by Halton Council. The Sefton Council set up has replicated the Halton configuration as far as is practicable. However, Sefton Council will discuss with Halton regarding options as to how event logs can be monitored and investigated.
	Insufficient Segregation of Duties in Change Management process for Agresso It was noted that there was no adequate control in place to ensure that the roles of requester, tester, and approver in the system change management process were inadequately segregated. For a sample change implemented within the audit period, we noted that the same individual - (Finance Systems Manager), was responsible for requesting, testing, and approving the change. Also, the change was approved for production deployment on 10/07/2023, before testing was conducted on 20/07/2023. **Risk** This lack of segregation of duties and premature approval for deployment to production increase the risk of introducing unvalidated changes into production, potentially resulting in errors, security breaches, or system downtime.	We recommend that Management should - Establish clear role-based access controls to ensure segregation of duties in the change management process. - Assign distinct responsibilities to different individuals for requesting, testing, and approving changes to prevent single-point control. -Ensure testing is completed successfully before granting approval for production deployment. - Enhance change management policies and procedures to emphasize the importance of segregation of duties and prevent similar control weaknesses. **Management response** All risks and recommendations noted and understood. The role of the Finance Systems Team is hybrid in nature. The team have responsibility for the following roles: • Management of the main finance system and general ledger for the local authority • To manage resources, delivering a time critical production schedule including interfaces and payments • To ensure effective system administration of the FS, including maintenance of security and efficient and timely intervention related to workflow/processing related issues Due to overall numbers in councils, it is difficult to practically achieve true segregation of duties. The nature of changes is that specialised knowledge is required for both the system and the usage of the system for business purposes – due to the nature of the role – this is currently within the remit of the role holder. The Council will look at how formal change control can be managed for this system moving forwards.

Assessment
- Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

B. Action Plan – IT Audit Findings

Assessment	Issue and risk	Recommendations
(green)	**Non-compliance with the Password Policy** The existing configuration on Agresso did not enable password complexity requirements, contrary to industry leading practices. Also, the password minimum length was set to 8 characters which did not meet the Council's password policy requirement of a minimum of 16 characters. **Risk** A lack of robust password settings may allow financial information to be compromised by unauthorized users. In particular: - Short passwords can easily be guessed. -- If password complexity is not configured, users will tend to choose simple, guessable words as their passwords.	Management should ensure that password settings configured on Agresso are in line with the organization's password policy. We recommend that password parameters for Agresso should be configured to meet best practice guidelines such as those recommended by NCSC. **Management response** All risks and recommendations noted and agreed. Sefton's finance system is hosted and provided by Halton Borough Council and replicates as far as possible the Halton set up – Halton utilises SSO and thus the requirements of Sefton for passwords was constructed to accommodate the requirements at the time. All literature and training refers users to the Council Current Password policy. Sefton Council is currently working with Halton Council to introduce SSO for Agresso at Sefton; timescales are to be confirmed. It should also be noted that, in order to access the Sefton instance of Agresso, you have to be logged into the Sefton network, which has a 16 character password (and for hybrid users, the VPN also requires a 16 character password). The Sefton instance of Agresso is not accessible outside of the Sefton network, so the above provides an additional layer of security.
(red)	**Inadequate privileged access control on application level for ContrOCC** We noted the following: - The 'SUPERUSER' role, which had full access to all functionalities, including user management and security configuration, was inappropriately granted to six (6) users with financial reporting and/or business responsibilities. This combination of roles violated the fundamental security principles of least privilege and segregation of duties. **Risk** Granting privileged access permissions to inappropriate users without appropriate justification can result in unauthorized access and bypassing of system-enforced controls such as: - unauthorized changes being made to system parameters - creation of unauthorized accounts, - unauthorized updates to their own account privileges - deletion of audit logs or disabling logging mechanisms.	Access should be based on the principle of least privilege and commensurate with job responsibilities. Management should define segregation of duty policies and processes and ensure that there is an understanding or roles, privileges assigned to those roles and where incompatible duties exist. It may be helpful to create matrices to provide an overview of the privileges assigned to roles. Management should adopt a risk-based approach to reassess the segregation of duty matrices on a periodic basis. This should consider whether the matrices continue to be appropriate or required updating to reflect changes within the business. Redundant privileged generic accounts and user accounts should be removed **Management response** All risks and recommendations noted and agreed. A widespread review of all ContrOCC users and assigned profiles is being planned from within Adult Social Care with the aim of: Restructuring the outdated 'Grouping' of profiles to better reflect the current team structure (and associated duties) within Sefton. Review and reduce superuser access. Remove redundant generic/user accounts. Strip back existing rights to the baseline requirements for all users based on role whilst introducing a change request forum for team managers to use if additional rights are needed for a particular user or role within that team. These would be assessed by a panel consisting of Service Manager, Senior User & Systems Lead

Page 257

Agenda Item 3

Assessment
- Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

B. Action Plan – IT Audit Findings

Assessment	Issue and risk	Recommendations
Amber	**User access within ContrOCC was not timely revoked for a terminated employee** For a sample leaver [Joseph Welch (Finance Support Officer)] who left on 11 June 2023, it was noted that the leaver's access on ContrOCC was revoked on 28 July 2023. However, we noted that last logon date on ContrOCC for this user preceded the date of termination., 06 June 2023. **Risk** Where system access for leavers is not disabled in a timely manner, there is a risk that former employees will continue to have access and can process erroneous or unauthorised access transactions. There is also a risk that these accounts may be misused by valid system users to circumvent internal controls.	Management should ensure that a comprehensive user administration procedures are in place to revoke application and Active Directory access in a timely manner. For a user administration process to be effective, IT must be provided with timely notifications from HR and/ or line managers Management should consider performing user access reviews on all terminated accounts to ensure all accounts have been disabled in a timely manner. Where old or unused accounts have been identified, these should be immediately revoked. **Management response** Generally, we have a robust process in place for managing leavers (as outlined in the starters, movers and leavers policy document). We feel this addresses the first recommendation and picks up the fact that all access is periodically removed even if managers do not notify so also address the second and third recommendations.
Red	**Inappropriate segregation of duties as developers had access to the production environment** Excessive access privileges were identified, as 13 users were granted the SUPERUSER role on production and development/ test environment, allowing them to develop and implement changes into the production environment without adequate separation of duties. **Risk** Without a dedicated development environment, testing may be compromised due to unstable or incomplete code being tested directly in the test environment. This increases the likelihood of defects going undetected, leading to potential issues in the production environment.	Management should segregate a user's ability to develop and implement changes. Privileged access to the production environment should be revoked from users that are involved in development. Where management is unable to fully segregate access for operational reasons, alternative options to mitigate the risk could include performing a review of change implementation activity logs. These should be regularly reviewed for appropriateness by an independent individual with evidence retained. **Management response** All risks and recommendations noted and agreed. Superuser accounts have been reviewed and superuser access has now been reduced to key specific users in production and development environments for the reasons outlined. Sefton Council proposes to implement a regular review of change implementation activity logs, along with a robust process around implementation of changes.

Assessment
- ● Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- ● Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- ● Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

B. Action Plan – IT Audit Findings

Assessment	Issue and risk	Recommendations
	Inconsistent Access Provisioning for User Account within ContrOCC During our review, we identified a discrepancy between the requested access profile and the actual access granted to a sample user account created within the period under review. Specifically, the access granted to these user differed from their requested profile, indicating a potential breakdown in the access provisioning process. **Risk** This inconsistency poses a risk to the organization's access control and segregation of duties, potentially allowing users to perform unauthorized actions or access sensitive data. This could lead to data breaches, financial losses, or compliance violations.	We recommend that the organization reviews and updates its access provisioning process to ensure that granted access aligns with requested profiles. Additionally, consider implementing automated controls or regular audits to detect and correct any discrepancies in user access. This will help ensure that access is properly managed and reduces the risk of unauthorized access or data breaches. **Management response** All risks and recommendations noted and agreed. As part of our internal review relating to profile security and access rights, we will develop robust reporting to monitor and support the upkeep and correction of user accounts. In the case highlighted in appendix 5 of the IT Audit report, we will investigate the discrepancy but are confident that a robust monitoring process would highlight this allowing swift remedial action to be taken.
	Lack of Approval for User Access Modification During our review, we noted that there was no evidence of approval for the modification of user Paul Cousin's access to the application before the changes were made to their profile on ContrOCC. The user made a self-request without evidence of approval from their line manager. **Risk** User access may not be appropriately aligned to job role requirements which may lead to inappropriate access within the application or underlying data.	We recommend that the management establishes a formal approval process for user access modification, requiring line manager approval before making any changes. Additionally, controls should be implemented to detect and prevent unauthorized self-service requests. This will help ensure that access changes are appropriate and authorized, reducing the risk of unauthorized access and security breaches **Management response** All risks and recommendations noted and agreed. As part of our review and proposed change control process, any access modification requests will have to be made by a Team Manager on behalf of a user and agreed by a panel. This robust approach would mitigate unauthorised changes to user profiles.
	Lack of review of information security/audit logs in ContrOCC and Agresso There were no controls in place to actively monitor the usage of active generic privileged users within the ContrOCC applications and the underlying database. **Risk** Without formal and routine reviews of event logs, inappropriate and anomalous activity may not be detected and resolved in a timely manner. Additionally, unauthorised system configuration and data changes made using privileged accounts will not be detected by management.	It is recommended that critical activities on the event logs are reviewed on a regular basis for example daily or weekly, ideally by an IT security personnel / team who are independent of those administrating [the applications and their underlying database. Any issues identified within these logs should be investigated and mitigating controls implemented to reduce the risk of reoccurrence. **Management response** All risks and recommendations noted and understood. Agilisys will be asked to investigate how event logs can be monitored and investigated.

Page 259

Agenda Item 3

Assessment
- Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

B. Action Plan – IT Audit Findings

Assessment	Issue and risk	Recommendations
(amber)	**Lack of evidence of CAB approval for deployment of a change sample** The change management process was not followed for a sample change, as it was deployed to production without CAB approval, although approved for development. This oversight may lead to unauthorized changes, errors, or security breaches in production **Risk** Inadequate change management controls increase the risk of unapproved, untested, or unauthorized changes being introduced into production, potentially compromising system stability, security, and integrity. .	We recommend that the management should do the following : - Ensure that all major changes to production environments receive formal approval from the Change Advisory Board (CAB) prior to deployment. - Reinforce change management policies and procedures to prevent deviations from the approved process. - Conduct regular audits and reviews to ensure compliance with change management controls. - Provide training to personnel involved in the change management process to emphasize the importance of adhering to established protocols. **Management response** All risks and recommendations noted and agreed. Responses to assessments 6, 9 and 10 highlight our commitment to ensuring these recommendations are taken seriously and actions put into place. From the review and change control process, training will materialise from the agreed approach and finer details to ensure all Team Managers responsible for ContrOCC users are aware of the requirements and why those requirements are necessary.

Assessment
- ● Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- ● Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- ● Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

B. Action Plan – IT Audit Findings

As well as the recommendations on the preceding pages, we also identified 4 controls for which assurance could not be provided. These are detailed below on pages 42 and 43 and management's response has been noted.

	Control Name and Description	Reason/Justification
1.	**Agresso Application - Change Management** **CM5** Ability to develop and deploy changes is with the Third-Party Halton Council where the application database is also hosted.	GT has inquired and noted that the Agresso database is hosted and managed by a third-party provider, Halton Council. However, no SOC 2 or other assurance reports were available for review. Furthermore, it was observed that there are no controls in place to prevent developers from implementing changes directly to production. Notably, developers who are employees of Halton Council have access to implement changes, which raises concerns about the separation of duties and the potential for unauthorized changes. **Management response** Risk noted and understood. Sefton Council will discuss the requirement for change management controls with Halton Council.
	Agresso Application - Security Management **SM5** Administrative privileges (including generic super user access rights) to the network, applications and their associated databases are restricted to those users requiring this level of access (in line with their roles and responsibilities). Privileged duties do not conflict with other roles. **SM6** Applications have been configured to generate security event logs (audit logs, user activity logs) which are proactively reviewed to detect any unauthorized access attempts or inappropriate use of the application	GT inquired and noted that Halton Council, the third-party provider, has sole access and management control over the Agresso database. Sefton Council personnel do not have system-administrator privileges, and SOC 1/2 assurance reports are not available. Consequently, GT is unable to provide control assurance **Management response** Risk noted and understood. Sefton Council will discuss the requirement for improved security management controls with Halton Council.

Page 261

Agenda Item 3

B. Action Plan – IT Audit Findings

	Control Name and Description	Reason/Justification
3.	**ContrOCC Application - Security Management** **SM5** Administrative privileges (including generic super user access rights) to the network, applications and their associated databases are restricted to those users requiring this level of access (in line with their roles and responsibilities). Privileged duties do not conflict with other roles. **SM6** Applications have been configured to generate security event logs (audit logs, user activity logs) which are proactively reviewed to detect any unauthorized access attempts or inappropriate use of the application	GT inquired and noted that Agilysis, the third-party provider, has sole access and management control over the ContrOCC database. Sefton Council personnel do not have system-administrator privileges, and SOC 1/2 assurance reports are not available. Consequently, GT is unable to provide control assurance **Management response** Risk noted and understood. Agilisys, as the contracted IT service management provider to Sefton Council, manages key centralised databases (including the ContrOCC database) for the entire Council and all relevant systems. We would not expect Sefton Council staff to have administrator privileges in this respect and any risk is inherent in the overarching contractual agreement.
	Active Directory Application - Security Management **SM5** Administrative privileges (including generic super user access rights) to the network, applications and their associated databases are restricted to those users requiring this level of access (in line with their roles and responsibilities). Privileged duties do not conflict with other roles. **SM6** Applications have been configured to generate security event logs (audit logs, user activity logs) which are proactively reviewed to detect any unauthorized access attempts or inappropriate use of the application	GT inquired and noted that Agilysis, the third-party provider, had sole access and management control over the Active Directory. Sefton Council personnel do not have administrator privileges, and SOC 1/2 assurance reports are not available. Consequently, GT is unable to provide control assurance **Management response** Risk noted and understood. Agilisys, as the contracted IT service management provider to Sefton Council, manages Active Directory for the entire Council and all relevant systems. We would not expect Sefton Council staff to have administrator privileges in this respect and any risk is inherent in the overarching contractual agreement.

C. Audit Adjustments – impact on 2022/23 corresponding amounts

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Page 263

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023. As we started our audit of 2023/24 before the 2022/23 accounts had been finalised some adjustments were noted that related to the prior period and the Council adjusted those accounts before they were finalised in December 2024 impacting on the corresponding amounts in the 2023/24 statement of accounts.

Detail	Comprehensive Income and **Expenditure Statement £'000**	Balance Sheet **£' 000**	Impact on total net **expenditure £'000**	Impact on general fund **£'000**
Derecognitions – originally recognised in 2023/24 but related to 2022/23 so as the accounts were still open these were adjusted in that period.	9,998	(9,998)	9,998	0
Update for asset revaluations not in draft accounts	6,594	(6,594)	6,594	0
Adjustment re capital grants	(1,895)	1,895	(1,895)	0
Overall impact	**£14,697**	**£(14,697)**	**£14,697**	**£0**

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit relating to 2022/23 which have then been updated in the final set of 2022/23 statements of accounts and therefore updated the corresponding amounts in the 2023/24 statement of accounts.

Accounts area	Disclosure/issue/Omission	Adjusted?
Infrastructure assets	Disclosure to be updated to reflect the fact that the Council are taking advantage of the temporary relief to be offered by the Code	✓
Capital receipts	Reclassification of a capital receipt as a deferred capital receipt	✓

Unadjusted errors

Our audit work noted that no depreciation was charged on highway assets during 2022/23. This would have been an adjustment of £524,000 in the 2022/23 accounts but was not processed in the final accounts. This has been updated in the 2023/24 statement of accounts, see page 46.

Agenda Item 3

D. Audit Adjustments - impact on 2023/24

Agenda Item 3

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Page 264

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2024.

Detail	Comprehensive Income and Expenditure Statement **£'000**	Balance Sheet **£' 000**	Impact on total net **expenditure £'000**	Impact on general **fund £'000**
Updating of the accounts for the Strand revaluation	577	(577)	577	0
Updating of pension asset following our request for an update of values to year-end.	12,800	(12,800)	12.800	0
Removal of land value accidentally included twice	395	(395)	395	0
Derecognitions – originally recorded incorrectly in 2023/24 but subsequently adjusted in 2022/23.	(9,998)	9,998	(9,998)	0
Adjustment for wrong obsolescence rate	**1,035**	**(1,035)**	**1,035**	**0**
Adjustment for wrong build rate	**(941)**	**941**	**(941)**	**0**
Adjustment for highway asset depreciation not charged in 2022/23	**524**	**(524)**	**524**	**0**
Overall impact	**£4,392**	**£(4,392)**	**£4,392**	**£0**

There are no unadjusted misstatements for 2023/24.

D. Audit Adjustments - impact on 2023/24

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Page 265

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Accounts area	Disclosure/issue/Omission	Adjusted?
Minor amendments to the narrative report	Improved cross-referencing, typographical errors and to reflect updated numbers in the statement of accounts and updated climate change information.	✓
Audit fees incorrect	Audit fees to be updated.	✓
Cash flow statement	Updated to show consistent accrual methodology between years and also correction of signage and further disclosure of other amounts.	✓
Minor amendments to the statement of accounts	Correction of signage and typographical errors.	✓
Presentation of pension asset/liability	Presentation change to show pension asset in long-term assets with unfunded liabilities remaining in pension liabilities. In addition, the Council needed to add in disclosure in respect of the impact of the asset.	✓
Operating leases	Note updated to be consistent with supporting working paper.	✓
Grant Income	Inconsistencies between CIES and note to be updated and minor presentational changes.	✓
	Reclassification of capital grant disclosure and REFCUS	X
Contingent liabilities	Note updated to reflect Merseyside Pension Fund figures for pension guarantees.	✓
Dedicated School Grant	Note updated to reflect the amounts as per the government funding.	✓
Cash and cash equivalents	Presentational change to show overdraft separately in current liabilities rather than within cash and cash equivalents.	✓
Bad debt provision	The provision for long-term debtors was original sat against the short-term debtor balance so this has been reclassified to be shown against long-term debtors.	✓
Senior officer remuneration	Updating the disclosure to include names where appropriate and original table for over £50k pay did not include all the bandings.	✓

Agenda Item 3

D. Audit Adjustments - impact on 2023/24

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Accounts area	Disclosure/issue/Omission	Adjusted?
Infrastructure assets	Disclosure to be updated to reflect the fact that the Council are taking advantage of the temporary relief to be offered by the Code	✓
Annual Governance Statement	To be updated to reflect non-compliance with PSIAS.	✓
Related party transactions	Note to be updated to reflect missing related party transactions.	✓
Financial Instruments	Some liabilities needed reclassifying between financial liabilities and non-financial liabilities.	✓
	There is no disclosure of the FV hierarchy for FI carried at amortised cost and FV disclosed.	✓
	We identified areas of improvement within the disclosures where the Council wasn't fully compliant with IFRS13.	x
Impact of implementation of IFRS16	Given IFRS 16 applies from 1 April 2024, would expect the council to be able to provide some quantitative disclosures, even if estimated.	x
Compliance with IAS1	Some of the critical judgements and material uncertainties noted in the accounts do not actually represent critical judgements or material uncertainties in accordance with IAS1.	✓
Expenditure and Funding Analysis	Note to be updated to add a column to show the reconciliation to the outturn position.	✓

E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Sefton Council Audit – scale fee	£371,422	£371,422
ISA 315	£12,550	£12,550
Cost for External Valuation expert (may vary depending on work required)	£6,000	£6,000
Total audit fees (excluding VAT)	£389,972	£389,972

Page 267

variations to the scale fee will need to be approved by PSAA.

Agenda Item 3

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services – Housing Benefit Certification	37,970	37,970
Audit Related Services – Teachers Pension Return Certification	20,000	20,000
Total non-audit fees for 2023/24 (excluding VAT)	**£57,790**	**£57,970**
Non-audit fees for previous periods (accrued in the financial statements for those years)		
Audit Related Services – Teachers Pension Return Certification – 2022/23	12,500	12,500
Audit Related Services – Teachers Pension Return Certification – 2021/22	10,000	10,000

Total audit and non-audit fee for 2023/24	
(Audit Fee) £ 389,792	(Non Audit Fee) £57,970

The fees and non-audit fees reconcile to the financial statements. The non-audit fees for previous periods were recorded in the relevant financial statements for those periods.

None of the above services were provided on a contingent fee basis.

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

Page 269

Agenda Item 3

G. Management Letter of Representation

Grant Thornton UK LLP

Royal Liver Building

Liverpool

L3 1PS

[Date] – [TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Grant Thornton UK LLP

Sefton Council

Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of Sefton Council and its subsidiary undertakings Sandway Homes Limited, Sefton New Directions Limited and Sefton Hospitality Operations Limited for the year ended 31 March 2024.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuation of land and buildings and the net defined pension liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

G. Management Letter of Representation

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the group and Council financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the [group and]Council has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the group and Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards. No material issues have been identified in respect of RAAC or Equal Pay claims and we have disclosed any and all related information to our auditors.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

xv. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

Information Provided

xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.

G. Management Letter of Representation

xvii. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.

xviii. On 30 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2023/24 of 28 February 2025. The new National Audit Office Code which was approved on 14 November 2024 also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'statutory backstop date'. It has not been possible to provide you with the all the required information for you to complete your audit for year ending 31 March 2024 by the statutory backstop date. This includes the following:

a. providing you with:

i. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;

ii. additional information that you have requested from us for the purpose of your audit; and

iii. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.

b. communicating to you all deficiencies in internal control of which management is aware.

c. disclosing to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

d. disclosing to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:

i. management;

ii. employees who have significant roles in internal control; or

iii. others where the fraud could have a material effect on the financial statements.

e. disclosing to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

f. disclosing to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

g. disclosing to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xix. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xx. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit & Governance Committee at its meeting on 12 February 2025.

H. Audit opinion

Our anticipated audit report opinion will be disclaimed.

Independent auditor's report to the members of Sefton Council

Report on the audit of the financial statements

Disclaimer of opinion

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

We do not express an opinion on the accompanying financial statements of the Authority or the group. Because of the significance of the matters 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 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2024 by 28 February 2025 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

As a result of the limitations imposed by the previous backstop date, 13 December 2024, we were unable to obtain sufficient appropriate audit evidence that the corresponding figures included in the financial statements for the year ended 31 March 2024 were free from material misstatement. We were therefore unable to obtain sufficient appropriate audit evidence over the corresponding figures or whether there was any consequential effect on the Authority's Comprehensive Income and Expenditure Statement and the Group's Comprehensive Income and Expenditure Statement for the year ended 31 March 2024 for the same reason.

Furthermore, due to the limitations imposed by the backstop date, we have been unable to obtain sufficient appropriate audit evidence over the Authority's and group's opening balances reported in the financial statements for the year ended 31 March 2024. Consequently, we have been unable to satisfy ourselves over the in-year movements in the net pension liability and property, plant and equipment. This has also resulted in uncertainty over the closing balance of property, plant and equipment of £288million as at 31 March 2024. Similarly, we have not been able to obtain assurance over the Authority's and group's closing reserves balance of £461million as at 31 March 2024, also due to the uncertainty over their opening amount.

We have concluded that the possible effects of these matters on the financial statements could be both material and pervasive. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement of the Regulations to publish the financial statements for the year ended 31 March 2024 by the backstop date.

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

Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.

H. Audit opinion

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Opinion on other matters required by the Code of Audit Practice

The Executive Director of Corporate Services and Commercial is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's and group's financial statements and our auditor's report thereon. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority and the Executive Director of Corporate Services and Commercial

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Executive Director of Corporate Services and Commercial. The Executive Director of Corporate Services and Commercial is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Corporate Services and Commercial 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 Services and Commercial is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's and the group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matters 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 those financial statements.

We are independent of the Authority and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

H. Audit opinion

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matters described in the basis for disclaimer of opinion section of our report.

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

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

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

We have nothing to report in respect of the above matter except:

On 12 February 2025 we identified significant weaknesses in the Authority's arrangements for Financial Sustainability. This related to:

• unidentified savings or actions to meet funding gaps in the Medium Term Financial Plan including the ongoing and significant demand and cost pressures in relation to Children's Social Care, Home to School Transport and more recently in relation to Adult Social Care. We recommend that:

Page 275

O further immediate action is required to ensure that planned savings are successfully implemented, that additional savings are identified, that service transformation is delivered as planned, budget pressures are more effectively managed, and reserves are maintained at planned levels.

On 12 February 2025 we also identified significant weaknesses in the Authority's arrangements for Governance. This related to:

• the Authority's recent history of significant use of procurement waivers (exceptions to contract procedure rules) which presents risks to the Authority in realising value for money. We recommend that:

. the Authority take urgent steps to change procurement culture in the use of waivers, ensure waiver data is reported quarterly to the Audit Committee, analyse waiver activity to understand the reasons for the level of waivers, confirm that waivers related to existing contracts or framework agreements, confirm that no waiver approvals resulted in a conflict of interest, gain assurances that all waivers are approved in line with the Authority's Contract Procedure Rules and relevant procurement legislation and that procurement activity that required a waiver did not take place.

On 12 February 2025 we also identified significant weaknesses in the Authority's arrangements for improving economy, efficiency and effectiveness. This related to:

• the Authority's pace of improvement of the Children's Social Care service is impacting on the Authority's ability to effectively and efficiently meet its children's social care statutory responsibilities, and at the same time failure to manage demand pressures is having a significant impact on the Authority's medium-term financial sustainability. We recommend that:

o the Authority ensure there is a corporate grip on successfully delivering the Improvement Plan for Children's Social Care.

Responsibilities of the Authority

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

Agenda Item 3

H. Audit opinion

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

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

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

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

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

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

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

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Georgia Jones, Key Audit Partner

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

Liverpool

Date:

Page 277

Agenda Item 3

grantthornton.co.uk

This page is intentionally left blank

Sefton Council

Executive Director of Corporate Services and Commercial
Magdalen House
Trinity Road
Bootle
L20 3NJ

0151 934 4081
stephan.vanarendsen@sefton.gov.uk

Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS

Date: 12th February 2025

Dear Grant Thornton UK LLP

Sefton Council
Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of Sefton Council and its subsidiary undertakings Sandway Homes Limited, Sefton New Directions Limited and Sefton Hospitality Operations Limited for the year ended 31 March 2024.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuation of land and buildings and the net defined pension liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the group and Council financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the [group and] Council has been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council’s financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the group and Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards. No material issues have been identified in respect of RAAC or Equal Pay claims, and we have disclosed any and all related information to our auditors.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

xv. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

Information Provided

xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xvii. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.

xviii. On 30 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2023/24 of 28 February 2025. The new National Audit Office Code which was approved on 14 November 2024 also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'statutory backstop date'. It has not been possible to provide you with the all the required information for you to complete your audit for year ending 31 March 2024 by the statutory backstop date. This includes the following:

a. providing you with:

i. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;

ii. additional information that you have requested from us for the purpose of your audit; and

iii. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.

b. communicating to you all deficiencies in internal control of which management is aware.

c. disclosing to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

d. disclosing to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:

i. management;

ii. employees who have significant roles in internal control; or

iii. others where the fraud could have a material effect on the financial statements.

e. disclosing to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

f. disclosing to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

g. disclosing to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xix. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework, and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xx. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit & Governance Committee at its meeting on 12 February 2025.

Yours faithfully,

_________________________ 12th February 2025

Stephan Van Arendsen Date

(Executive Director of Corporate Services and Commercial)

_________________________ 12th February 2025

Councillor Dave Robinson Date

(Chair of the Audit & Governance Committee)

This page is intentionally left blank