



Statement of Accounts for the year 2025/26

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NARRATIVE REPORT ON THE 2025/26 STATEMENT OF ACCOUNTS

1. INTRODUCTION

In preparing its annual Statement of Accounts, Knowsley Council adopts the relevant national and international accounting requirements. To comply with these accounting requirements the Statement of Accounts is a long and complex document. This narrative report aims to help readers understand the Statement of Accounts. It explains the various accounting statements; provides a summary of the Council's overall financial position at 31 March 2026; and explains the most significant matters that are reported in the detailed Statements. The report also comments on the performance of the authority during the year and how that performance has been monitored through financial and non-financial performance indicators.

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

- Knowsley's Council Tax information leaflet
- Council budget reports
- The Council's Corporate Plan

You can also request a version of the Statement of Accounts in a more accessible format - for example produced in a larger print. Please call 0151 443 3064 if you wish to discuss the options that are available.

2. PURPOSE OF THE ACCOUNTING STATEMENTS

The Statement of Accounts aims to help readers understand the Council's financial position at the end of the year; give assurance that expenditure was efficient and effective; and demonstrate that the Council is financially viable. To achieve this, the Statement of Accounts provides information on the following areas:

- **What money was spent and received by the Council during the year.**
 - The Comprehensive Income and Expenditure Statement shows the day-to-day revenue costs of providing services, and the income that Knowsley received from grants, fees and charges and Council Tax.
- **What assets the Council holds, what the Council is owed and what the Council owes to others.**
 - The Balance Sheet shows:
 - How much money is set aside in general balances, provisions and reserves;
 - How much money was spent on acquiring or improving assets (capital expenditure);
 - How much money is owed to the Council (debtors) and by the Council (creditors); and,
 - The Council's share of the Pensions Fund Liability.

3. THE ACCOUNTING STATEMENTS

The individual statements within the overall Statement of Accounts are as follows:

Statement of Responsibilities: This sets out the financial responsibilities of Council Members and the Council's Chief Financial Officer – the Executive Director (Resources and Partnerships).

Primary Statements

Movement in Reserves Statement: This statement shows the movement in the year on the different reserves held by the Council – analysed into 'usable' reserves (that can be applied to fund expenditure) and other reserves. It also shows how much money has actually been added to the Council's General Fund at the end of the year.

Comprehensive Income and Expenditure Statement: This summarises the Council's income and expenditure for the year. It also shows how the Council paid for the day-to-day cost of its services.

This Statement shows:

- the overall expenditure and income relating to the Council's services in the year;
- the principal sources of funding (such as Government Grants and Council Tax); and
- the net position at the end of the year.

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

Balance Sheet: This sets out the financial position of the Council at the end of the financial year and gives details of the Council's assets and liabilities.

Cash Flow Statement: This summarises how the Council generates and uses its cash flows by classifying them as those arising from operating, investing and financing decisions.

Explanatory Notes: Each of the main statements is accompanied by explanatory notes that provide additional analysis and help to provide a wider context to the figures.

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

Accounting Policies: These explain how the Council accounts for its expenditure, income and balance sheet items using the recommended accounting practices.

4. FINANCIAL PERFORMANCE AGAINST SERVICE BUDGETS

The Comprehensive Income and Expenditure Statement reflects the Council's final Budget Monitoring for 2025/26. On 4 March 2025 the Council approved its Net Revenue Budget for 2025/26, without the need for cuts in frontline services. The net revenue expenditure budget of £263.758m (£239.280m in 2024/25) was funded by Retained Business Rates and Grant Funding of £187.157m (£167.573m in 2024/25) and Council Tax receipts of £76.601m (£71.707m in 2024/25).

Financial performance against the approved service budgets has been monitored and reported to Members throughout the year. The final monitoring position was reported to the Council's Cabinet on 4 June 2026.

The final 2025/26 Budget Monitoring Report to the Cabinet on 4 June 2026 confirms that a balanced position was achieved at the end of the year. During the year there has been continued growth in demand, need and costs for key services. These pressures on essential public services are being experienced by all local authorities - and Knowsley is no exception. Increased demand for Children's Social Care, Home to School Transport and Adult Social Care contributed to an overall deficit of £4m against the original budget.

The Council had planned ahead for these challenges and set aside one-off resources to deal with these pressures, ensuring that an overall balanced position was reported at the end 2025/26.

The deficits were offset by surpluses across other service areas – which demonstrates the continuing effectiveness of actions being taken by service managers with support and expertise from the finance service, across the Council to manage budget pressures, and the continued contribution of Council-wide restrictions on non-essential expenditure. The Council's continued commitment to strong financial management has provided the long-term financial resilience which is needed to cope with the challenging financial climate in which the Council is operating.

Full details of the final monitoring position are set out in the report to the Council's Cabinet on 4 June 2026 which is available on the Council's website.

5. REVIEW OF COUNCIL PERFORMANCE DURING THE YEAR

Performance against the Council Plan 2025-30

The Knowsley Council Plan 2025-30 sets out the key strategic priorities for the Council. The Council Plan includes a detailed delivery plan which is updated annually and monitored regularly as part of the Council's robust approach to performance management. The Council Plan 2025-30 and the associated annual delivery plan for 2025/26 was approved by the Council in March 2025.

Based on the opportunities and challenges and recognising the need to support the most disadvantaged residents and communities, the Council Plan 2025-30 sets out a vision of: **Supporting Knowsley residents to thrive.**

The plan includes three priorities that set out what the Council wants to achieve over a five year period to support the delivery of the Knowsley Better Together Partnership 2030 Strategy. The Council's priorities are:-

- **Deliver effective, high-quality services and support** - that positively impact the lives of Knowsley residents;
- **Encourage growth that benefits everyone** - ensuring our communities and town centres can flourish; and
- **Deliver targeted support to encourage fairness and opportunity** - for those residents facing the biggest challenges.

The Council Plan 2025-30 also includes five guiding principles that signal to stakeholders how the Council intends to achieve its Knowsley 2030 ambitions. The guiding principles are:-

- Identifying issues early and taking action before problems escalate;
- Understanding our people and our communities better and helping them find their own solutions;
- Effective and efficient services for all;
- Inclusive growth – everyone benefits, and no one is 'left behind'; and
- Knowsley Better Together – more can be achieved if people, organisations and communities work together.

Progress against the delivery of the plan is reported to Cabinet four times per year following the introduction of a new Performance Management Handbook in September 2025.

The final quarterly report covering 2025/26 will be presented to Cabinet on 15 July 2026. This was the final monitoring report against the 2025/26 Annual Delivery Plan. The reports presented to the Cabinet throughout the year recognise the significant progress which the Council has continued to make in relation to the delivery of its key priorities, whilst also identifying the significant risks, challenges and areas requiring further focus and attention.

During 2025/26 the Council has been responsible for:



The following section outlines some of the key actions the Council has taken to deliver its priorities during 2025/26.

5.1 Delivering effective, high-quality services and support

- (i) Following the Ofsted inspection of Children’s Social Care in November 2024, the outcome of the inspection was published on 20 January 2025, with a judgement of ‘Inadequate’. During 2025/26, the Council has continued to take significant steps to deliver its Children’s Social Care Improvement Plan.

In March 2025 the Council approved a £1m programme of permanent interventions to help improve Children’s Social Care services, alongside a further £1m investment to provide an overall Improvement Fund of £2m. This funding has been used during 2025/26 to drive rapid and tangible improvements in the services provided, alongside the ‘whole Council’ approach adopted to improve services.

In September 2025, Inspectors conducted their first monitoring visit. The inspectors recognised the following:-

- Significant changes in senior and corporate leadership to support a renewed focus on improvement planning, and increased staffing capacity across the service at senior and frontline levels, including the development of a new court team and additional child protection workers;
- Changes and improvements to the quality assurance framework implemented at pace;

- Robust governance arrangements in place to support oversight of progress against the improvement plan, and political and corporate support for children’s services are strong;
- Most children who are referred to early help services or stepped down from child in need or child protection teams have the right thresholds of need applied, and Early help assessments are mostly timely, thorough and include the views of the family and the child and early help plans are comprehensive and child-focussed;
- Most contacts into the multi-agency safeguarding hub (MASH) are made in a timely way by partners and they receive a prompt response. For most children, threshold decisions in the MASH are appropriate, meaning they receive the appropriate level of support; and
- Social workers in Knowsley describe managers and senior leaders as being supportive and accessible.

In February 2026, the Council received its second Ofsted monitoring visit focussing on Child Protection, Children in Need and identifying risk. Inspectors noted that progress is being made, particularly around Section 47 investigations, child protection planning and auditing of casework, and that increasing workforce stability at a senior leadership and management level is supporting purposeful and appropriately focused improvement planning for children and families.

In addition, Inspectors again noted that there are robust governance arrangements in place to support the oversight of progress against the improvement plan, and political and corporate support for children’s services are strong. Other key findings from this latest monitoring visit included:-

- Significant financial investment from the Council is supporting service development;
- Stability in the workforce has largely been achieved;
- Recruitment and retention have been prioritised, 20 new social work posts have been created which have reduced caseloads to enable improved quality of practice and children’s experiences;
- Quality assurance processes are now more structured, underpinned by a new quality assurance framework which is providing leaders with more effective oversight of practice;
- Regular use of performance data, timely quality assurance reviews, collaborative audits, the use of a moderation panel and the support of the Social Work Academy, are contributing to a more accurate understanding of service quality;
- For most children, Section 47 investigations are appropriately detailed and focus on the current risks, while considering the child’s history and ensuring the voice of the child is captured within assessments;
- Children are visited regularly and in line with their needs with positive relationships developed with their social worker;
- For most children, child protection plans robustly address children’s needs and risks well, with timebound actions;
- Pre-proceedings work, as part of the Public Law Outline (PLO), is developing well, with effective tracking and oversight by senior managers;

- The exploitation and contextual safeguarding service (Shield) was highlighted as good practice and seen to provide timely intervention and support, when risks of criminal and sexual exploitation had been identified; and
- Practitioners are positive about working in Knowsley – they feel listened to, well-engaged and can feel a real change for the better.

The primary focus for improvement is to ensure Children’s Social Care staff are ‘brilliant at the basics’ to ensure children receive the right help, at the right time by the right person. The Council’s Annual Delivery Plan 2026/27 will ensure that the Council will continue to prioritise improving Children’s Social Care.

(ii) Special Education Needs and/ or Disabilities

Improving outcomes for children and young people with Special Educational Needs and/or Disabilities (SEND) remains a key priority.

During 2025/26, the Council has seen a slowing down of the increase in the number of Education and Health Care Plans, with assessment requests reduced from 17% increase in 2024 to 8% increase during 2025. However, the percentage of children per head of 0-25 population remains the highest in the country at 5.6%. This is having an impact in terms of performance (including Education, Health and Care Plans rated good and timeliness of annual reviews) and demand for placements, particularly in independent special schools.

During 2025/26, the Council has continued to progress with its expansion of in-borough places. In November 2024, Knowsley Council’s Cabinet approved a significant capital programme to create at least 130 additional special school places in the borough. The first phase of this investment programme has now been completed, delivering six new modular classrooms offering space for new science labs and art rooms at the Huyton school. The new facilities mean that from September 2025 Alt Bridge had an additional 30 places for local students, with 80 more over time. Phase 2 of Alt Bridge School’s expansion is ongoing along with work at the Kirkby Centre for the post 16 site. In December 2025 the Cabinet approved the following projects:

- Knowsley Central School expansion - replacing the existing modular building with a new building creating an additional 30 new places (60 places in total);
- Contract amendment to allow capital works at Bluebell Park School in the future; and
- Financial support for new SEN Unit at Willow Tree Primary to create 12 places.

(iii) Adult Social Care

In February 2025 the Council's Adult Social Care services were inspected by the Care Quality Commission (CQC). The CQC has a duty under the Care Act (2014) to assess how local authorities work with their communities and partners to meet their responsibilities. This includes promoting the wellbeing and independence of working age disabled adults, older people, and their unpaid carers to reduce their need for formal support where appropriate. Where support is needed it should provide people with choice and control of how their care needs are met. The CQC inspection of Knowsley's adult social care services looked at nine areas spread across four themes, to assess how well the authority is meeting their responsibilities. The outcome of the inspection was published in August 2025 and rated Knowsley Council's adult social care and support as being 'Good' – with 'Good' ratings being achieved across all nine areas inspected. The inspection team highlighted that:-

- People consistently share positive feedback about the support provided to them, emphasising the professionalism and helpfulness of the staff at Knowsley Council. They appreciate care plans that reflect their goals and enable active participation;
- Knowsley Council's social workers are approachable, thorough in their assessments, and attentive to the needs of both people and unpaid carers. Many valued timely reviews, clear contact information for social workers, and tailored support services such as advocacy, day centre placements, financial explanations, and welfare benefits checks;
- Unpaid carers expressed gratitude for additional services offered by Knowsley Council, such as coffee mornings and assistance with legal applications, which demonstrate a commitment to addressing their diverse needs. They also highlighted the benefits of tailored support that significantly improves the lives of those they cared for;
- Knowsley's preventative services, such as innovative technology and extra care housing, were described as "transformative", enhancing independence and overall quality of life;
- Knowsley Council demonstrates a commitment to providing high-quality and safe services. It carries out effective audits, achieve person-centred assessments, and streamline processes that reduce delays in interventions and discharges.;
- Knowsley Council embraces inclusivity and provides staff training on respectful practices;
- Safeguarding remains a priority, with robust quality assurance measures in place; and
- The local authority's Transformation Plan for 2024–2027 demonstrated a commitment to continuous improvement and reflected its vision of supporting people to live independently, with a focus on early intervention and prevention.

The Council has continued with its programme of transformation in Adult Social Care. In February 2026, a new Care Management Service was implemented following a comprehensive review. Delivering a modernised, resilient, and future-focused service that will meet the needs of residents and support a sustainable social care workforce. The new structure was developed following an extensive period of staff engagement, and formal consultation. The transformation ensures the service is equipped to manage the significant increase in demand and complexity that has emerged since the Covid-19 pandemic. Since 2020, Adult Social Care has seen increases in both the volume and complexity of cases, including mental health concerns, self-neglect, domestic abuse, substance misuse and those with complex care needs. The new model ensures the Council can continue to meet all statutory duties while creating the capacity needed to address current and future demand. It also embeds the learning from successful pilot teams that received positive feedback during the CQC inspection, when the council received a 'Good' rating for all its Adult Social Care services.

(iv) New Food Waste Collection Service

The Council may have faced significant reputational and potential financial implications if it failed to comply with the introduction of the Government's Resources and Waste Strategy for England (2018), through failure to effectively plan and / or resource the required service transformation to create a new food waste collection service. The Council developed a robust plan to ensure readiness for the national deadline of April 2026, a deadline which the Council fully met. This included a significant amount of work on the part of the Waste Management service, including:-

- Early recruitment of key operational roles, ten Team Leaders (Drivers), and twenty Recycling Officers (Loaders). Knowsley was the first authority to commence its recruitment campaign, positioning the Council to attract the strongest possible candidates ahead of service launch. Knowsley was the first of the city region authorities to receive their new vehicles, which arrived at the end of December 2025;
- A 'name the truck' competition was launched to find names for each of the nine new food waste vehicles which assisted with raising the profile of the new service;
- Eight new food waste collection rounds designed and fully tested prior to April 2026 - the day of collection remained the same for the majority of residents, enabling residents to present the new food waste caddy alongside the weekly presentation of their existing bins;
- Distribution of food waste containers, liners and instructional leaflets to approx. 69,000 households; and
- Engaged with Registered Social Landlords regarding infrastructure, engagement and implementation in preparation for rollout to multi-occupancy properties later in the year.

The focus now in 2026/27 will be on monitoring the take up of this service, improving Knowsley's recycling rates and reducing residual waste.

5.2 Encourage growth that benefits everyone

(i) Economic Growth and Town Centres

In October 2025 the Council approved its Economic Growth Plan 2025-30 to support the Council's ambitions to drive inclusive growth.

The Council has continued to make progress with facilitating the regeneration and evolution of the Borough's Town Centres.

Progress continues on the Council's Town Centre Developments, with the Phase 2 retail planning application for LIDL in Kirkby approved, Prescott shopping centre demolition completed, and approval secured on £19.1m Homes England funding for Phase 1 of the Huyton Campus redevelopment. The Council plans to transform its existing seven-acre site into a vibrant mixed use district featuring opportunities for office space, coworking facilities, and new residential accommodation, all centred around an attractive village green connecting enhanced public spaces, an improved rail station gateway, and high quality event areas on Derby Road. The development will also introduce a new community hub - incorporating the library and flexible community spaces - and convert the multistorey car park into a sustainable travel hub. Supported by excellent road, bus and rail links, the scheme will act as a catalyst for further regeneration in the village centre, potentially creating up to 1,700 new jobs and contributing £50m annually to the local economy.

The Council has also approved the next phase of Prescott Town Centre's regeneration, which will include: a new library, museum and cultural hub; improved retail space near the high street; better pedestrian routes with 24/7 access; enhanced parking; and space for new homes.

Progress has also continued in Halewood on the site known as 'East of Halewood' - an exciting new residential development of high-quality housing in a semi-rural setting in Knowsley. Once completed, the development will include: improved green and open space; a new play area and walking and cycling routes; and 1,500 high quality new homes.

During the year 572 new homes have been built in the Borough, of which 369 are affordable.

(ii) Employment and Business Support

Whilst the service has seen a reduction in business enquiries and also businesses reporting growth over this year, which is reflective of the current tough economic climate, in 2025/26 the Business Growth service achieved their key UKSPF targets. 44 businesses have now completed their UKSPF programme against a target of 40, with a small selection of businesses close to the end of delivery but not quite in time for year end. The service also met the target of 9 new start businesses (from 70 residents engaged) and there is a pipeline of individuals still in the process of receiving support via their business

idea, business plans and cashflow forecasts, who will continue to be supported as the service's focus shifts to the delivery of the new Local Growth Fund.

Despite meeting or exceeding target across Information Advice and Guidance, and employability training, Employment Initiatives have seen some reductions in performance during the year, with apprenticeships created and residents supported into employment programmes finishing the year slightly under target. Delivery of apprenticeships for 2026/27 will likely be impacted by the increase in National Insurance contributions and minimum wage increases, and this will be closely monitored. The Connect to Work programme commenced delivery on 2 March 2026 with initial client engagement activity undertaken and the target of 68 starts before the end of March 2026 was successfully achieved.

5.3 Deliver targeted support to encourage fairness and opportunity

(i) Knowsley Community Fund

The fund was launched in Summer 2025, bringing several smaller funding pots together into one, simpler fund. This totalled an investment of £672,000 in 2025/26, building on an original £560,000 thanks to additional support from across different Council services. This funding is helping 116 local community groups deliver projects that make a real difference – from supporting residents to stay warm, safe and well over the winter, to growing and improving important local services.

(ii) Best Start in Life – Family Hubs

The Council has continued to make significant progress on Family Hubs during 2025/26, with two new hubs in Halewood and Huyton opening in 2025. Family Hubs bring together professionals, services and support all in one place, in the heart of local communities, to help children and families to thrive and make services easier to navigate, and we have continued to receive positive feedback about the invaluable support they provide.

(iii) The Holiday Activities and Food (HAF) Programme

In 2025/26, Knowsley's HAF programme provided just under 29,000 places to children and young people across the Borough. Support provided by HAF is focused on helping families access healthy meals, enriching activities, and free childcare places to children benefiting their health, wellbeing and learning.

(iv) Funding for youth spaces and facilities

In December 2025, the Council and its partners secured funding of just under £1 million to help youth organisations in Knowsley to better support the young people they work with. 13 Knowsley organisations will receive a share of the funding which can be used towards securing equipment to support youth activities and undertaking refurbishments that deliver improvements to youth spaces, creating safe spaces and helping to expand the youth offer in Knowsley.

(v) Tackling Health Inequalities

Reducing health inequalities is a key priority for the Council and its partners. Recent figures published in December 2025 (latest data for the period 2022-24) shows that life expectancy in Knowsley for both males and females has improved. The average female life expectancy in Knowsley has increased from 79.3 yrs (2020-22) to 80.3 yrs(2022-24), this is below the England average (83.3yrs). The average male life expectancy in Knowsley has increased from 75.9 yrs (2020-22) to 77.2 yrs (2022-24), this is below the England average (79.5 yrs). Whilst both female and male average life expectancy in Knowsley are both less than the England averages the gaps have been narrowed with both regional and national averages.

Addressing health inequalities is a key priority for the Council and its partners. The Council's annual delivery plan for 2025/26 has delivered improvements, including increased rates of breastfeeding and healthier weight among children. There has also been improved access to Long-Acting Reversible Contraception (LARC) within primary care, a rise in the number of people with drug and alcohol dependency accessing treatment services, and a reduction in the number of smokers living in the Borough.

Performance Management

Detailed Department and Service Plans were again produced which underpin the delivery of the Council Plan and its associated Annual Delivery Plan for 2025/26. Performance reports are reviewed by Departmental Management Teams on a regular basis, with progress and issues reported to Portfolio Holders. These reports provide an overview of service performance, progress against the delivery of key priorities, including those included in the Council Plan, and the management of risks.

In March 2025 the Council adopted a new Council Plan 2025-30. Following the adoption of this plan and associated annual delivery plan for 2025/26, the Council undertook a review of its approach to performance and risk management. Following the recommendations made by the Council's external Auditors in February 2025, which included recommendations to consider reducing the number of risks contained in the Strategic Risk Register, the Council has undertaken a full review of its approach to performance and risk management. The number of risks contained in the register has been reduced from 42 to 10, and these were approved by the Cabinet in December 2025. A significant number of the risks previously included on the Strategic Risk Register continue to be managed via departmental risk registers, with updates provided to Portfolio holders as part of their quarterly performance monitoring discussions. The reduced number of strategic risks included on the register allows for more focussed, and detailed monitoring of those risks which pose the most significant threat to the achievement of the priorities contained in the Council Plan, and to the delivery of key services that our residents rely on.

The Council's Strategic Risk Register is also reported to the independently chaired Governance and Audit Committee, including 'deep-dives' into two risks at each meeting

alongside an overview of all of the risks on the register. The Governance and Audit Committee fully welcomed and fully endorsed this approach in October 2025.

New Performance and Risk Management Handbooks were approved by the Cabinet in September 2025. The production of these documents, which sets out the important role that both Elected Members and officers play in the development and implementation of an effective approach to performance and risk management, are viewed as good practice. These documents have been produced using guidance provided by the Local Government Association (LGA) and ALARM (Association of Local Authority Risk Managers).

In December 2025, the Cabinet received the first report using a new approach to performance reporting, which consolidates the following into one report: progress against the Annual Delivery Plan; key performance indicators; and strategic risks.

6. THE COUNCIL'S ASSETS AND LIABILITIES

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

General Balances represent a financial safety net in the event of unforeseen costs or emergencies. The Council has previously set its level of General Balances to take into account the strategic, operational, and financial risks facing the Authority. The Council's Balance Sheet shows that at 31 March 2025 the Council's General Balances stood at £9.975m, which represented 4% of the 2025/26 net revenue expenditure budget.

The Medium Term Financial Strategy Report to the Council on 4 March 2026 explained that in light of the financial risks facing the Council it was necessary to increase the Council's General Balances to 6% of the Council's annual net revenue expenditure budget in 2026/27, and that this may need to be increased further each year during the medium-term financial planning period. This approach is consistent with the recently published CIPFA resilience index and a recommendation from the recent Corporate Peer Challenge. The Council therefore agree to increase General Balances to £16.796m, which would be 6% of the estimated 2026/27 net revenue budget. This level of General Balances is equivalent to approximately 3-years of funding for similar in-year service pressures that were faced during 2025/26. The level of General Balances will also be kept under close review going forward.

The Council's Balance Sheet also shows the earmarked reserves held by the Council. Details of these are reported to the Cabinet during the year. The Council maintains earmarked reserves for specific future policy developments and projects, and reviews these on a regular basis to identify resources which may be redirected to other Council priorities or to unforeseen budget pressures. Reserves are one-off in nature and are not a sustainable solution to permanent expenditure pressures.

The Executive Director (Resources and Partnerships) ensures the ongoing challenge of reserves as part of the budget monitoring process. This ensures that resources remain focussed on the best investments to deliver the Council's priorities for the recovery, regeneration, and sustainability of the Borough. A full review of Council reserves is currently being undertaken and will be reported to the Cabinet in November 2026.

The Council's reserves at 31 March 2026 totalled £90.966m. The reserves include funding for the Council's Private Finance initiatives (£36.3m), reserves held by schools (£2.1m), reserves earmarked for Public Health initiatives (£3.4m). Reserves set aside for service commitments (£31.075m) have been established as funding for a wide range of fixed term posts, contractual commitments, statutory requirements, systems developments and minor projects. There are also £14.0m of reserves that have previously been established to fund specific interventions approved by the Council for delivering the improvement, growth, and regeneration needed to ensure the sustainability of the Borough. This funding will help to address the growing costs of social care, investment in the Borough's town centres, improved jobs and employment opportunities, improvements in education, support for homelessness, and a range of community and environmental projects across the Borough.

Borrowing and Investments

The Council's Treasury Management Strategy is based upon the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management in Local Authorities (the Treasury Management Code). Each year the Council approves its Treasury Management Strategy for the following year, and the Governance and Audit Committee is responsible for ensuring the effective review of the Treasury Management Strategy and performance during the year. The Treasury Management Strategy for 2025/26 was reported to the Governance and Audit Committee on 10 February 2025 and was subsequently approved by the Council on 5 March 2025.

The authorised limit for external debt for the Council for 2024/25 was £370m (£370m in 2024/25). The actual level of outstanding long-term and short-term debt at the year-end totalled £223m which included £90m of liabilities related to the Council's Private Finance Initiative schemes (£223m as at 31 March 2025 including £97m of liabilities relating to the Private Finance Initiative schemes).

At 31 March 2026, the Council had £114.786m of long-term borrowing (compared to £116.171m in 2024/25). This included £107.931m of loans from the Public Works Loans Board. At 31 March 2026 the Council held cash and investments of £45.370m (the 2024/25 figure totalled £46.990m).

The Council paid £7.903m of interest and similar charges in year for its Private Finance Initiative schemes and Lease Liabilities (2024/25 £8.534m) and a further £5.183m (2024/25 £4.591m) on its treasury management activities. The Council received £2.587m of interest on its investments during the year (2024/25 £2.766m).

The Council's bank overdraft facility amounts to £0.100m, but cash balances are monitored on a daily basis and investments adjusted to ensure any overdraft charges are minimised.

Capital Expenditure

The Council's capital expenditure on acquiring or improving Council buildings and other capital assets, and how the Council paid for it, is included within the Balance Sheet and the accompanying notes.

Details of the Capital Programme for 2025/26 were reported to the Cabinet on 4 June 2026. The final level of Capital Programme expenditure for 2025/26 was £47.380m, which was £9.102m lower than the original forecast of £56.482m. The Capital Programme in 2025/26 invested in a wide range of schemes, including improvements to highways across the Borough, disabled facilities and adaptations to residents' properties, new mainstream and special school places, continued progress on the Halewood Levelling Up scheme, the purchase of food caddies to enable the food waste service to commence and improvements to Huyton Village Centre and Prescot Town Centre.

The Council's total Capital Programme for the next three years is £77.110m, of which £63.373m is scheduled to be spent in 2026/27. The significant level of planned capital expenditure demonstrates the Council's continued commitment to investing in the future of the Borough. The importance of supporting the development of local jobs and local businesses is more important than ever, and the Council must continue to do all it can to support the Borough's economy during difficult national economic conditions.

The total amount of grant and other contributions that was spent during 2025/26 was £41.038m. Expenditure totalling £0.672m was funded by Council borrowing – and a full analysis of this borrowing is given in the notes to the accounts.

This capital expenditure during the year is reflected as additions to the value of the Council's assets held on the Council's Balance Sheet (as detailed in Notes 12 to 17 to the Accounts). The capital schemes are funded from various sources – primarily Capital Grants (Note 11); Capital Receipts (Note 24); Revenue contributions (shown within cost of service within the Comprehensive Income and Expenditure Statement); and Borrowing – which is reflected in the Council's Capital Financing Requirement (Note 37).

Pension Fund Liability

The Balance Sheet reflects the Council's participation in the Local Government Pension Scheme (administered by Merseyside Pension Fund). At the end of 2025/26 the Council's share of the overall Fund (excluding Teachers) was a net liability of £14m - similar to the previous year.

While the Accounts show the pension liability position at 31 March 2026, in reality the actual pension payments will not be made until many years into the future. In the short term the Council's share of the overall Fund net liability has a negative impact on the net worth of the Council. This will however be recovered, as the Council pays contributions into the Pension Fund at a rate which is calculated by the Fund's actuary to ensure that the position is balanced in the longer term based upon forecast movements in investment values and changes in actuarial assumptions.

7. MAJOR INFLUENCES ON THE 2025/26 ACCOUNTS

Audit of Local Government Accounts

The audit of the Council's 2024/25 Statement of Accounts was undertaken by the Council's external auditors – Grant Thornton. In order to address the national pressure on external audit capacity, the Government introduced statutory 'backstop' dates for final publication. For 2024/25 accounts this date was 27 February 2026. The Council's 2024/25 Statement of Accounts were signed by the Auditors and published on the Council's website on 29 January 2026, meeting the statutory deadline.

The backstop date for the 2025/26 accounts is 31 January 2027. Grant Thornton's Audit Plan is for completion of the audit by the end of November 2026, two months ahead of the backstop date.

Asset Valuations

From 1 April 2025, the Code of Practice on Local Authority Accounting in the UK (the Code) requirements changed in respect of valuations of Property, Plant and Equipment (PPE). PPE categories of Other Land and Buildings, Vehicles, Plant, Furniture and Equipment, Surplus Assets and Right-of-use assets measured at current value, will be valued on a rolling five-year basis. In the intervening four years, annual indexation will be applied to these assets. Alternatively, a desktop valuation in year three will be applied in rare cases where no index is available.

The Council currently revalues assets on a three-year rolling programme but will move to a five-year programme going forward.

Transitional arrangements have been applied prospectively, with no restatement of prior year figures required.

CIPFA/LASAAC has not mandated the use of any particular index, and the Code sets out that the choice of index is a matter of judgement that should be made in the context of providing a reasonable estimate of the movement in the value of an asset from the prior year. The Council has applied the best indices for each asset group as determined by qualified valuers.

Dedicated Schools Grant - High Needs Block

Knowsley, along with the majority of local authorities across the country, faces significant financial pressures from the rising cost of statutory duties in relation to children and young people with special educational needs and/or disabilities. The pressures are driven largely by growth in Education and Health Care Plan (EHCP) numbers. The fact that almost all local authorities are struggling with the current system suggests that the problems are being driven primarily by the shortfall between public expectations of support and the funding being provided by the Government to schools and local authorities to provide such support.

There was a deficit of £43.788m within the High Needs block at the end of 2025/26 (which includes £26.133m carried forward from 2024/25). The main pressure is the sustained increases in demand for Education, Health and Care Plans – again, a level of demand which is being experienced across the region and nationally.

The Council acknowledges the new government's ambition to create a more inclusive mainstream education system. In line with this national direction, the High Needs budget will continue to be used, not only to meet the cost of specialist provision, but also to support and encourage the education of children and young people with special educational needs within mainstream schools. This includes strengthening early intervention and the graduated approach through the development of central SEND support services.

Statutory override regulations currently allow the Dedicated Schools Grant deficit to be carried forward on the Council's Balance Sheet in a ringfenced reserve. This means that the deficit is not charged to the Council's revenue budget. However, it should be noted that by carrying this debt, the Council is effectively forgoing the ability to earn interest on cash investments of around £2m per year based on latest forecasts. The statutory override regulations are scheduled to remain in place until 31 March 2028.

As part of the Local Government Finance Settlement in February 2026 the Government announced that it will provide a recovery grant for councils to pay off 90% of their cumulative DSG deficits at 31 March 2026. This is subject to each local authority submitting and securing the Department for Education's approval of a local SEND reform plan. For Knowsley this would equate to a grant of £39.409m. For deficits that arise in 2026/27 and 2027/28, there is expected to be additional financial support although the details of this have not yet been confirmed. From 2028/29, SEND spending will be covered by central government and Councils will not be expected to fund future deficits from their own resources.

STATEMENT OF RESPONSIBILITIES

THE AUTHORITY'S RESPONSIBILITIES

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Executive Director (Resources and Partnerships);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and,
- arrange the approval of the Statement of Accounts by the Governance and Audit Committee.

THE COUNCIL'S CHIEF FINANCE OFFICER'S RESPONSIBILITIES

The Council's Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA)/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice') and the Update to the Code and Specifications for Future Codes for Infrastructure Assets.

In preparing this Statement of Accounts, the Council's Chief Finance Officer has:

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

The Council's Chief Finance Officer has also:

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

THE COUNCIL'S CHIEF FINANCE OFFICER'S STATEMENT

I certify that the Council's 2025/26 Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2026 and its income and expenditure for the year ended 31 March 2026.



STEPHAN VAN ARENDSSEN

Executive Director (Resources and Partnerships)
30 June 2026

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.

2024/25			2025/26				
Expenditure £000	Income £000	Net Expenditure £000	Notes		Expenditure £000	Income £000	Net Expenditure £000
275,119	(196,171)	78,948		Children's Services	307,958	(210,291)	97,667
50,254	(31,503)	18,751		Communities and Neighbourhoods	51,473	(32,705)	18,768
17,040	(13,555)	3,485		Council Wide	12,755	(20,744)	(7,989)
180,998	(119,121)	61,877		Health and Social Care	197,083	(130,890)	66,193
33,152	(18,692)	14,460		Regeneration and Economic Development	37,528	(19,532)	17,996
86,666	(57,570)	29,096		Resources	80,029	(47,855)	32,174
643,229	(436,612)	206,617		Cost of Services	686,826	(462,017)	224,809
22,170	0	22,170	9	Other Operating Expenditure	10,244	0	10,244
62,578	(59,515)	3,063	10	Financing and Investment Income and Expenditure	62,379	(69,164)	(6,785)
0	(238,507)	(238,507)	11	Taxation and Non-Specific Grant Income	0	(254,272)	(254,272)
727,977	(734,634)	(6,657)		(Surplus) or Deficit on Provision of Services	759,449	(785,453)	(26,004)
		(12,636)	25	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(12,053)
		531	25	(Surplus) or deficit from investments in equity instruments designated at fair value through other comprehensive income and expenditure			101
		(119,337)	42	Remeasurement of the net defined benefit liability / (asset)			(78,513)
		117,694	42	Asset Ceiling Adjustment			92,813
		(13,748)		Other Comprehensive Income and Expenditure			2,348
		(20,405)		Total Comprehensive Income and Expenditure			(23,656)

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' and 'unusable reserves'. Usable reserves are those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use such as the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt. The Unusable reserves are those that the Council is not able to use to provide services. This category of reserves includes those that hold unrealised gains or losses, for example the Revaluation Reserve, where amounts would only become available to provide services if the assets are sold. The surplus or deficit on the provision of services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The net increase or decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Knowsley Metropolitan Borough Council – Statement of Accounts 2025/26

	Note	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves (Restated) £000	Total Reserves (Restated) £000
Balance at 1 April 2025		(9,975)	(94,767)	(104,742)	0	(8,535)	(113,277)	(341,094)	(454,371)
Opening Balance Adjustment		0	0	0	0	0	0	300	300
Revised Opening Balance		(9,975)	(94,767)	(104,742)	0	(8,535)	(113,277)	(340,794)	(454,071)
Movement in reserves during 2025/26									
(Surplus) or deficit on the provision of services		(26,004)	0	(26,004)	0	0	(26,004)	0	(26,004)
Other Comprehensive Income / Expenditure		0	0	0	0	0	0	2,348	2,348
Total Comprehensive Income and Expenditure		(26,004)	0	(26,004)	0	0	(26,004)	2,348	(23,656)
Adjustments between accounting basis and funding basis under regulations	7	22,984	0	22,984	(9,381)	1,467	15,070	(15,070)	0
Net Increase or Decrease before Transfers to Earmarked Reserves		(3,020)	0	(3,020)	(9,381)	1,467	(10,934)	(12,722)	(23,656)
Transfers to / from Earmarked Reserves	8	(3,801)	3,801	0	0	0	0	0	0
Increase or Decrease in 2025/26		(6,821)	3,801	(3,020)	(9,381)	1,467	(10,934)	(12,722)	(23,656)
Balance at 31 March 2026		(16,796)	(90,966)	(107,762)	(9,381)	(7,068)	(124,211)	(353,516)	(477,727)

	Note	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Un-applied Account £000	Total Usable Reserves £000	Unusable Reserves (Restated) £000	Total Reserves (Restated) £000
Balance at 1 April 2024		(8,975)	(94,327)	(103,302)	(28)	(9,461)	(112,791)	(317,775)	(430,566)
Opening balance adjustment for Donated Assets under IFRS16 transition		0	0	0	0	0	0	(3,400)	(3,400)
Revised Opening Balance		(8,975)	(94,327)	(103,302)	(28)	(9,461)	(112,791)	(321,175)	(433,966)
Movement in reserves during 2024/25									
(Surplus) or deficit on the provision of services		(6,657)	0	(6,657)	0	0	(6,657)	0	(6,657)
Other Comprehensive Income / Expenditure		0	0	0	0	0	0	(13,748)	(13,748)
Total Comprehensive Income and Expenditure		(6,657)	0	(6,657)	0	0	(6,657)	(13,748)	(20,405)
Adjustments between accounting basis and funding basis under regulations	7	5,217	0	5,217	28	926	6,171	(6,171)	0
Net Increase or Decrease before Transfers to Earmarked Reserves		(1,440)	0	(1,440)	28	926	(486)	(19,919)	(20,405)
Transfers to / from Earmarked Reserves	8	440	(440)	0	0	0	0	0	0
Increase or Decrease in 2024/25		(1,000)	(440)	(1,440)	28	926	(486)	(19,919)	(20,405)
Balance at 31 March 2025		(9,975)	(94,767)	(104,742)	0	(8,535)	(113,277)	(341,094)	(454,371)

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e., those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2025 £000	Notes		31 March 2026 £000
340,976	12	Property, Plant and Equipment	352,507
228,155	13	Infrastructure Assets	243,651
575	14	Heritage Assets	582
100,977	15	Investment Property	107,244
357	16	Intangible Assets	177
25,783	18	Long-Term Investments	24,064
954		Long-Term Debtors	1,738
697,777		Long Term Assets	729,963
77,622	19	Short-Term Debtors	74,040
28,707	20	Cash and Cash Equivalents	38,141
745	21	Assets Held for Sale	0
451		Inventories	341
107,525		Current Assets	112,522
(10,486)	18	Short-Term Borrowing	(18,468)
(7,800)	20	Cash Overdrawn on Bank Accounts	(16,835)
(73,878)	22	Short-Term Creditors	(76,672)
(2,718)	23	Provisions	(3,236)
(5,591)	35	Grants Receipts in Advance - Revenue	(10,389)
(11,969)	35	Grants Receipts in Advance - Capital	(10,184)
(112,442)		Current Liabilities	(135,784)
(8,465)	23	Provisions	(8,014)
(116,171)	18	Long-Term Borrowing	(114,786)
(3,308)	38	Other Long-Term Liabilities - Leases	(3,237)
(88,775)	39	Other Long-Term Liabilities - PFI	(81,835)
(21,770)	42	Net Pension Liability	(21,102)
(238,489)		Long Term Liabilities	(228,974)
454,371		Net Assets	477,727
(113,277)	24	Usable Reserves	(124,211)
(341,094)	25	Unusable Reserves	(353,516)
(454,371)		Total Reserves	(477,727)

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery (e.g. the purchase or sale of property, plant and equipment). Cash flows arising from financing activities are useful in predicting commitments on future cash flows by providers of capital (i.e. borrowing) to the Council.

2024/25 £000		2025/26 £000
(6,657)	Net (surplus) or deficit on the provision of services (Comprehensive Income & Expenditure Statement)	(26,004)
(3,325)	Adjustment to surplus or deficit on the provision of services for non-cash movements (Note 27)	(16,685)
33,876	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities (Note 27)	56,473
23,894	Net cash flows from operating activities	13,784
(22,129)	Net cash flows from investing activities (Note 28)	(16,052)
(6,810)	Net cash flows from financing activities (Note 29)	1,869
(5,045)	Net (increase) or decrease in cash and cash equivalents	(399)
15,862	Cash and cash equivalents at the beginning of the reporting period (Balance Sheet)	20,907
20,907	Cash and cash equivalents at the end of the reporting period (Balance Sheet)	21,306

Note 1 - Accounting Policies

1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2025/26 financial year and its overall financial position as at 31 March 2026. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require them to be prepared in accordance with proper accounting practices. These practices comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code), supported by International Financial Reporting Standards (IFRS).

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

2 Accounting Concepts

In accordance with the Code, the Council has adopted a number of principles to be followed in selecting accounting policies to be used and the corresponding use of disclosures needed to help users understand those adopted policies and how they have been implemented.

In doing so, the Council intends that the policies adopted are those most appropriate to its particular circumstances for the purposes of presenting a true and fair view of the financial position and transactions of the Council. Policies are reviewed regularly to ensure that they remain appropriate and are changed when a new policy becomes more appropriate to the Council's circumstances. A full disclosure of any such changes will always be provided.

The concepts that the Council has regard to in selecting and applying the most appropriate policies and estimation techniques are:

- The qualitative characteristics of financial information
 - relevance
 - reliability
 - comparability
 - understandability
 - materiality
- Pervasive accounting concepts
 - accruals
 - going concern
 - primacy of legislative requirements

Accounting policies can be defined as the principles, bases, conventions, rules and practices applied, that specify how the transactions and other events are to be reflected in the financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, losses and changes in reserves.

Materiality

Accounting policies need not be applied if the effect of applying them would be immaterial. Omissions or misstatements of items are considered material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances.

Although the Code prescribes the requirements for disclosures in the accounts, the Council need not provide a specific disclosure if the information is not material.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services supplied by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

For 2025/26 a de-minimis level of £10,000 will be used for supplies and services year-end accruals. Anything under this amount will be expensed in year.

Going Concern

The accounts are prepared on a going concern basis which assumes that the functions of the Council will continue in operational existence for the foreseeable future. In the case of a pending local government reorganisation, where assets and liabilities are due to be redistributed, the Council would still account on the basis of going concern as the provision of services would continue in another Council. It is management's judgement that it is appropriate to prepare the accounts on this basis.

Primacy of Legislative Requirements

Where specific legislative requirements conflict with accounting principles, legislative requirements are applied.

3 Balances

The Council's un-earmarked general balances will be assessed annually by the Executive Director (Resources and Partnerships) to ensure that they are maintained at an adequate level taking into account the strategic, operational and financial risks facing the authority.

4 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. The Council has classified deposits with Money Market Funds and call accounts as cash equivalents within the Balance Sheet.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

5 Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Where the basis for measurement of an amount is uncertain, the Council will use a suitable estimation technique determined by the Executive Director (Resources and Partnerships). Where a reasonable estimate has been made, but is subsequently identified as being insufficiently accurate, the Executive Director (Resources and Partnerships) will amend the Accounts accordingly.

6 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, impairment and revaluation losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. This amount is known as the Minimum Revenue Provision (MRP) and is calculated by the Council on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, impairment and revaluation losses and amortisations are therefore reversed and replaced by the MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

7 Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic (NDR) rates on behalf of the major preceptors and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under legislative framework for the Collection Fund, billing authorities, major preceptors and, where appropriate central government, share proportionally the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the year-end balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. Where debtor balances are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down against the relevant impairment allowance for doubtful debts. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

8 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those falling due wholly within 12 months after the end of the period in which the employees render the related service. These include items such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g., cars) for current employees, and are recognised as an expense in services in the year. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The Council is not required to raise council tax to cover this accrual and so it is therefore reversed by way of an adjusting transaction with the Accumulated Absences Account in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These benefits are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension

enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Authority are members of the following pension schemes:

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

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

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

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

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of Merseyside Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e., an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using appropriate discount rates (based on the indicative rate of return on high quality corporate bond).

The assets of the fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities at current bid price;
- unquoted securities at professional estimate;
- unitised securities at current bid price; and
- property at market value.

The change in the net pension's liability is analysed into five components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the Council Wide service line;

- Net interest on the net defined benefit liability (asset) – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments;
- Remeasurements – these comprise of the return on plan assets, excluding amounts included in the net interest on the net defined benefit liability (asset), and is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure. Remeasurements also include actuarial gains and losses which are the result of changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
- Contributions paid to the fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

9 Events After the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes on the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts. Further information can be seen in Note 5 to the accounts.

10 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The Council's borrowing presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

11 Financial Assets

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

- amortised cost;
- fair value through profit and loss; and
- fair value through other comprehensive income.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Financial Assets Measured at Fair Value through Profit and Loss

Financial assets that are measured at Fair Value through Profit and Loss are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets that are measured at fair value through other comprehensive income are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise and are taken to an unusable reserve, the Financial Instruments Revaluation Reserve.

Certain equity instruments which are measured at fair value through profit and loss may be classed as fair value through other comprehensive income instead if an irrevocable election is made to do so.

Expected Credit Loss Model

The Council recognises expected credit losses on all its financial assets held at amortised cost and fair value through other comprehensive income, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

12 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset received in the form of grant or contribution are required to be consumed as specified or returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as grants received in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

A grant or contribution that becomes repayable shall be accounted for as a revision to an accounting estimate. Repayment shall first be applied to any receipt in advance set up in respect of the grant or contribution. To the extent that the repayment exceeds any such receipt in advance, or where no receipt in advance exists, the repayment shall be recognised within the Comprehensive Income and Expenditure Statement as an expense.

13 Heritage Assets

Heritage assets are those with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. Heritage assets are a distinct class of asset which is reported separately from property, plant and equipment.

Heritage Assets are measured at depreciated historical cost. They are not revalued as part of the Council's rolling programme, however the carrying value of Heritage Assets would be reviewed if there is evidence of impairment. The Council's Heritage Assets includes artwork around the borough, and these are recognised at historic cost.

14 Infrastructure Assets

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

Recognition

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

Measurement

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

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

Depreciation

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

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

Part of the highways Network	Useful Life
Carriageways	30 years
Footways and cycle tracks	30 years
Structures	100 years
Street Lighting	50 years
Street Furniture	20 years
Traffic Management Systems	15 years

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

15 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g., software licenses) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

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

Intangible assets are measured initially at cost. Amounts are not revalued, as the fair value of the assets held by the Council cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

16 Interests in Companies and Other Entities

Councils with material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures are required to prepare group accounts. In such cases, the Council's own single-entity accounts will reflect the interests in companies and other entities as financial assets at cost, less any provision for losses.

Volair Ltd is a not-for-profit organisation, established on 1 April 2016, and wholly owned by the Council. Employing about 140 staff it delivers a wide range of leisure services. The Council will not prepare group accounts in its financial statements as the balances, transactions and cash flows of Volair Ltd are not considered to be material.

17 Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rental income received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

18 Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have the rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the authority as a joint operator recognises:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and,
- its expenses, including its share of any expenses incurred jointly.

Under Section 31 of the Health Act 1999, the Council is able to establish joint working arrangements with NHS bodies and to pool funds from the two organisations to create a single budget. Where pooled budgets are established, the Council's accounts reflect only the Council's share of the overall budget and exclude the share attributable to partner organisations.

19 Leases

The Council as Lessee

The Council classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use.

The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the authority is reasonably certain to exercise;
- lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received.

However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

External experts were used to calculate the lease liabilities upon transition to IFRS 16.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The authority considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases;
- leases where rent reviews do not necessarily reflect market conditions;
- leases with terms of more than five years that do not have any provision for rent reviews; and
- leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method.

The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate;
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee;
- the authority changes its assessment of whether it will exercise a purchase, extension or termination option; or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short lease exemption

As permitted by the Code, the authority excludes leases:

- for low-value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the authority is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges against council tax, as the cost of non-current assets 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.

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal), matched by a Debtor in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt.

20 Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

21 Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

Where a component of an asset is replaced or restored, the current net book value of the old component shall be removed to avoid double counting and the new component reflected in the net book value. In line with the Council's approach to componentisation, only assets where changes would significantly affect the carrying value in the Balance Sheet will be separated into components.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price; and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction – in this and predecessor Codes these assets have been consistently required to be measured at depreciated historical cost, but this practice has been subject to modification. The Code provides a historical summary of the modifications to historical costs and sets out how the depreciated historical cost basis of measurement has been established;
- council offices – current value determined as the amount that would be paid for the asset in its existing use (existing use value – EUV);
- school building – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value;
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective; and
- all other assets – current value determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Valuations are carried out by internal and external valuers and have an effective date of 31 March. Valuations of land and building are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

From 1 April 2025, the Code of Practice on Local Authority Accounting in the UK (the Code) requirements changed in respect of valuations of Property, Plant and Equipment (PPE). PPE categories of Other Land and Buildings, Vehicles, Plant, Furniture and Equipment, Surplus Assets and Right-of-use assets measured at current value, will be valued on a rolling five-year basis. In the intervening four years, annual indexation will be applied to these PPE assets. The Council currently revalues its assets on a three-year rolling programme and will therefore apply an index in the intervening two years as determined by the Council's qualified valuers.

Where the Council cannot obtain appropriate indices without undue cost or effort, the Council will revalue those assets using a quinquennial revaluation with a desktop valuation in year three.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a revaluation loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gain).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- Buildings and community assets – straight-line allocation over the useful life of the property as estimated by the valuer; and
- vehicles, plant and equipment – straight-line allocation over the useful life of the asset as advised by a suitably qualified officer.

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

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

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

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

22 Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant, and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

These assets are recognised on the Balance Sheet and are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator; and
- lifecycle replacement costs – recognised as additions to Property, Plant and Equipment on the Balance Sheet when the relevant works are carried out.

23 Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation. They are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties, and are classified as current or non-current liabilities on the Balance Sheet.

When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes likely that a payment will not be made or the estimated liability is reduced, the provision is reversed and credited back to the relevant service.

Where some, or all, of the payment required to settle a provision is expected to be recovered from another party (e.g., from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received.

24 Reserves

In addition to its general balances, the Council also sets aside resources specifically for future policy developments, to cover contingencies or for specific areas of future risk. This allows the Council to manage the impact of its spending in a planned and prudent way. These resources are kept under review by the Executive Director (Resources and Partnerships) as part of ongoing budget monitoring processes, and outcomes are reported to the Cabinet throughout the year, so that decisions can be made on any reallocations.

Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and they do not represent usable resources for the Council – these reserves are explained in the relevant notes to the accounts.

25 Revenue Expenditure Funded from Capital under Statute

Revenue expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

26 Schools

The Code confirms that the balance of control for local authority-maintained schools (those categories of school identified in the School Standards and Framework Act 1998) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore, schools' transactions, cash flows, and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

27 Value Added Tax

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

28 Fair Value Measurement of Non-Financial Assets

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy as follows:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date;
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; or,
- Level 3 inputs – unobservable inputs for the asset or liability.

Note 2 - Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2025/26 Code.

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

- Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Amendments to Heritage assets) issued in March 2024;
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) issued in May 2024;
- Annual improvements to IFRS accounting standards – Volume 11 issued in July 2024; and
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7) issued in December 2024.

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

Note 3 - Critical Judgements in Applying Accounting Policies

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

Accounting for Schools

The Council recognises the land and buildings used by schools in line with the requirements of the Code of Practice. Property used by schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises the schools' assets for 15 Community Schools on its Balance Sheet as it directly owns those assets. For the 26 Voluntary Aided schools, the legal ownership of the land and buildings rests with the Diocese and Archdiocese who grant a license for the schools to use them. Under this license agreement, the rights of use of the land and buildings have not transferred to the school and have therefore not been included in the Council's Balance Sheet.

Academies are not included on the Council's Balance Sheet as the Council does not control their use. When a school on the Council's Balance Sheet transfers to Academy status the Council has treated this transfer as a disposal for nil consideration on the Balance Sheet rather than an impairment.

Private Finance Initiative Assets

The Council has entered into a Private Finance Initiative (PFI) arrangement with Transform Schools for the provision of seven Centres for Learning and one Special Educational Needs School. The contract includes Hard Facilities Management for a period of 25 years from service commencement, with a contract expiry date of 31 August 2034.

The Council has also entered into a further PFI arrangement with Tay Valley Lighting to deliver street lighting and traffic sign services for a 25-year period.

Following the guidance given in the Code and the International Financial Reporting Interpretations Committee interpretation for service concession arrangements (IFRIC 12), the Council had previously concluded that the four Centres for Learning which are Community schools, the special educational needs school, and the street lighting and traffic signs should remain on the Balance Sheet. However, during 2013/14 three of the Centres for Learning transferred to Academy status and the Council has treated this transfer as a disposal for nil consideration on the Balance Sheet.

Valuation and Componentisation of Property, Plant and Equipment

Under the Code guidelines, each component of an item of Property, Plant and Equipment should be separately identified and depreciated where the cost is significant in relation to the total cost of the asset. Authorities are only required to follow these requirements where significant components of material items of Property, Plant and Equipment have been identified. The Council has determined that only assets or groups of assets with a value of above £100m will be considered for componentisation.

Note 4 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council Balance Sheet as at 31 March 2026 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance on them. If the useful life of assets is reduced, then depreciation will increase and the carrying amount of the asset on the Balance Sheet will fall. As at 31 March 2026, the value of depreciable non-current assets held on the Balance Sheet is £481.744m. A 10% reduction in the Net Book Value would equate to £48.174m. It is estimated that the annual depreciation charge for assets would increase by £1.681m for every year that useful lives were reduced.

- Investment Properties - The Council's valuers use valuation techniques to determine the fair value of investment property. In estimating the fair value, the highest and best use of the properties is deemed to be their current use. As at 31 March 2026, the value of Investment Properties is £107.244m. The Council's Investment Properties have been assessed as Level 3 Inputs (unobservable inputs for the asset) on the fair value hierarchy for valuation purposes.

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

- Pensions Liability – estimation of the net liability in relation to the Merseyside Pension Fund depends on a number of complex judgements determined by the Fund's appointed actuaries. Changes in these assumptions can have a significant impact on the net liability and are detailed in Note 42 on page 126. As at 31 March 2026, the total net pension liability, including Teachers Pensions is £21.102m, however a 0.1% increase in the assumed discount rate would reduce the net pension liability by £9.832m, and a 1-year increase in assumed life expectancy would increase the net liability by £17.567m. The Council's net pension liability included in the Balance Sheet and disclosed at Note 42, includes an estimate of the total value of the Council's share of the Merseyside Pension Fund investment assets.

Note 5 - Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Executive Director (Resources and Partnerships) on 30 June 2026.

There are no events after the balance sheet date included in the accounts.

Note 6 - Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and expenditure Statement.

2024/25				2025/26		
Net Expenditure Chargeable to the General Fund Balance	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
67,618	11,330	78,948	Children's Services	95,119	2,548	97,667
16,727	2,025	18,751	Communities and Neighbourhoods	16,030	2,738	18,768
3,033	452	3,485	Council Wide	(9,247)	1,258	(7,989)
56,012	5,865	61,877	Health and Social Care	62,458	3,735	66,193
2,090	12,370	14,460	Regeneration and Economic Development	3,166	14,830	17,996
36,837	(7,740)	29,096	Resources	39,669	(7,495)	32,174
182,317	24,302	206,618	Net Cost of Services	207,195	17,614	224,809
(183,757)	(29,519)	(213,276)	Other Income and Expenditure	(210,215)	(40,598)	(250,813)
(1,440)	(5,217)	(6,657)	(Surplus) or Deficit on Provision of Services	(3,020)	(22,984)	(26,004)
(103,302)			Opening Combined General Fund Balance	(104,742)		
(1,440)			Plus / less (Surplus) or Deficit on the General Fund Balance for the Year (Statutory basis)	(3,020)		
(104,742)			Closing Combined General Fund Balance	(107,762)		

Note 6a - Note to the Expenditure and Funding Analysis

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

2025/26	Net Capital Statutory Adjustments £000	Net Pensions Statutory Adjustments £000	Other Statutory Adjustments £000	Total Adjustments £000
Children's Services	6,207	(3,659)	0	2,548
Communities and Neighbourhoods	4,208	(1,470)	0	2,738
Council Wide	203	1,055	0	1,258
Health and Social Care	5,119	(1,384)	0	3,735
Regeneration and Economic Development	15,367	(537)	0	14,830
Resources	(5,660)	(1,835)	0	(7,495)
Net Cost of Services	25,444	(7,830)	0	17,614
Other Income and Expenditure	(59,473)	(7,138)	26,013	(40,598)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	(34,029)	(14,968)	26,013	(22,984)

2024/25	Net Capital Statutory Adjustments £000	Net Pensions Statutory Adjustments £000	Other Statutory Adjustments £000	Total Adjustments £000
Children's Services	12,057	(727)	0	11,330
Communities and Neighbourhoods	2,321	(296)	0	2,025
Council Wide	240	212	0	452
Health and Social Care	6,148	(283)	0	5,865
Regeneration and Economic Development	12,479	(109)	0	12,370
Resources	(7,365)	(375)	0	(7,740)
Net Cost of Services	25,880	(1,578)	0	24,302
Other Income and Expenditure	(39,139)	(63)	9,683	(29,519)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	(13,259)	(1,641)	9,683	(5,217)

Net Capital Statutory Adjustments

This column adds in depreciation and impairment and revaluation gains and losses in the service line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e., Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year, to those receivable without conditions or for which conditions were satisfied during the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Pension Statutory Adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

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

Other Statutory Adjustments

Other differences between amounts debited or credited to the Comprehensive Income and Expenditure Statement and amounts payable or receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing difference for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and business rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Note 6b - Segmental Analysis of Income and Expenditure

Income and Expenditure on a segmental basis is analysed below:

2025/26	Revenues from External Customers £000	Depreciation and Amortisation £000
Children's Services	(1,791)	3,989
Communities and Neighbourhoods	(11,203)	2,564
Council Wide	(992)	722
Health and Social Care	(22,348)	1,475
Regeneration and Economic Development Resources	(12,909)	7,488
	(7,066)	3,052
Total Managed by Segments	(56,309)	19,290

2024/25	Revenues from External Customers £000	Depreciation and Amortisation £000
Children's Services	(1,144)	4,009
Communities and Neighbourhoods	(11,234)	2,314
Council Wide	(453)	241
Health and Social Care	(19,948)	1,524
Regeneration and Economic Development Resources	(11,502)	9,491
	(7,576)	1,453
Total Managed by Segments	(51,857)	19,032

Note 6c - Expenditure and Income Analysed by Nature

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

2024/25 £000	Nature of Expenditure or Income	2025/26 £000
205,601	Employee benefits expenses	220,897
56,867	Interest payments	58,865
22,580	Precepts and levies	22,920
19,531	Depreciation, amortisation and impairment	20,725
9,850	Support service recharge expenditure	9,850
242	(Gains) / Losses on derecognition of Financial Instruments	(1,438)
413,306	Other service expenses	427,630
727,977	Gross Expenditure	759,449
(331,585)	Government grants and contributions	(359,860)
(212,540)	Income from local taxation	(211,439)
(9,850)	Support Service recharge income	(9,850)
(58,795)	Interest and investment income	(67,880)
1,303	(Gain) or loss on disposal of non-current assets	(13,126)
(691)	Movement in fair value of Financial Instruments	618
(122,476)	Fees, charges and other service income	(123,916)
(734,634)	Gross Income	(785,453)
(6,657)	(Surplus) or Deficit for Year	(26,004)

Note 7 - Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against:

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2025/26	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	14,968	0	0	(14,968)
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	42	0	0	(42)
Changes in fair value of pooled investments and amounts written out on disposal	(618)	0	0	618
Council tax and NDR (transfers to or from the Collection Fund)	(7,782)	0	0	7,782
Holiday pay (transferred to the Accumulated Absences reserve)	764	0	0	(764)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	7,178	0	0	(7,178)
Dedicated Schools Grant Deficit (transferred to the Dedicated Schools Grant Adjustment Account)	(17,655)	0	0	17,655
Total Adjustments to Revenue Resources	(3,103)	0	0	3,103
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	14,116	(14,116)	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	6,462	0	0	(6,462)
Transfer of capital grants and contributions to Capital Grants Unapplied	4,558	0	(4,558)	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	906	0	0	(906)
Total Adjustments between Revenue and Capital Resources	26,042	(14,116)	(4,558)	(7,368)
Use of the Capital Receipts Reserve to finance capital expenditure	0	4,735	0	(4,735)
Application of capital grants to finance capital expenditure	0	0	6,025	(6,025)
Total Adjustments to Capital Resources	0	4,735	6,025	(10,760)
Other Adjustments	45	0	0	(45)
Total Adjustments	22,984	(9,381)	1,467	(15,070)

2024/25	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension cost (transferred to (or from) the Pensions Reserve)	1,641	0	0	(1,641)
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	42	0	0	(42)
Changes in fair value of pooled investments and amounts written out on disposal	691	0	0	(691)
Council tax and NDR (transfers to or from the Collection Fund)	2,786	0	0	(2,786)
Holiday pay (transferred to the Accumulated Absences reserve)	1,454	0	0	(1,454)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(1,774)	0	0	1,774
Dedicated Schools Grant Deficit (transferred to the Dedicated Schools Grant Adjustment Account)	(13,202)	0	0	13,202
Total Adjustments to Revenue Resources	(8,362)	0	0	8,362
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	770	(770)	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	6,229	0	0	(6,229)
Transfer of capital grants and contributions to Capital Grants Unapplied	2,885	0	(2,885)	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,695	0	0	(3,695)
Total Adjustments between Revenue and Capital Resources	13,579	(770)	(2,885)	(9,924)
Use of the Capital Receipts Reserve to finance capital expenditure	0	798	0	(798)
Application of capital grants to finance capital expenditure	0	0	3,811	(3,811)
Total Adjustments to Capital Resources	0	798	3,811	(4,609)
Total Adjustments	5,217	28	926	(6,171)

Note 8 - Transfers to/from Earmarked Reserves

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

	Balance at 31 March 2024 £000	Transfers In 2024/25 £000	Transfers Out 2024/25 £000	Balance at 31 March 2025 £000	Transfers In 2025/26 £000	Transfers Out 2025/26 £000	Balance at 31 March 2026 £000
General Fund Reserves:							
Approved Budget Investments	(14,511)	(12,661)	9,405	(17,767)	(3,687)	7,438	(14,016)
Service Commitments	(31,484)	(13,066)	14,286	(30,264)	(9,739)	8,928	(31,075)
Budget Strategy Reserve	(9,959)	(2,817)	6,725	(6,051)	(2,984)	3,351	(5,684)
Workforce Remodelling	(1,600)	(519)	295	(1,824)	(190)	325	(1,689)
Centres for Learning	(30,163)	(3,060)	0	(33,223)	(1,492)	0	(34,715)
Street Lighting PFI	(1,544)	(145)	606	(1,083)	(626)	104	(1,605)
Insurance	0	0	0	0	(68)	0	(68)
School Balances	(5,067)	(5,650)	6,161	(4,556)	(5,684)	8,125	(2,115)
Total General Fund	(94,327)	(37,918)	37,478	(94,767)	(24,470)	28,271	(90,966)

Notes

- (a) The Approved Budget Investments, Service Commitments, Budget Strategy Reserve and the Workforce Remodelling Reserve are funding for the future financial commitments of the Council's services.
- (b) Centres For Learning Reserve - Sinking fund to finance the costs of the new Centres for Learning across the Borough.
- (c) Street Lighting PFI - Contributions to development work on the street lighting private finance initiative scheme.
- (d) School Balances - Balances held in delegated budgets to fund future schools expenditure.

Note 9 - Other Operating Expenditure

2024/25 £000		2025/26 £000
1,545	Precepts	1,568
21,035	Levies	21,352
(410)	(Gains)/losses on the Disposal of Non-Current Assets	(12,676)
22,170	Total Other Operating Expenditure	10,244

Note 10 – Financing and Investment Income and Expenditure

2024/25 £000		2025/26 £000
13,125	Interest payable and similar charges	13,086
(63)	Net interest on the net defined benefit liability (asset)	(7,138)
(2,755)	Interest receivable and similar income	(2,573)
(8,857)	Income and expenditure in relation to investment properties and changes in their fair value	(9,326)
(691)	Movement in fair value of financial instruments	618
242	(Gains) / Losses arising from derecognition of financial assets measured as fair value through profit and loss	(1,438)
2,073	Loss on disposal of interest in Academy Schools	0
(11)	Other investment income	(14)
3,063	Total Financing and Investment Income and Expenditure	(6,785)

Note 11 - Taxation and Non-Specific Grant Income

2024/25 £000		2025/26 £000
(73,468)	Council tax income	(78,693)
(139,072)	Non-domestic rates income	(132,746)
(1,040)	Non-ringfenced government grants	(9,854)
(24,927)	Capital grants and contributions	(32,979)
(238,507)	Total Taxation and Non-Specific Grant Income	(254,272)

Note 12 - Property, Plant and Equipment

Movements to 31 March 2026	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Right of Use Asset £000	Total Property, Plant and Equipment £000
Cost or Valuation at 1 April 2025	285,979	16,509	18,128	31,555	822	7,511	360,504
Opening Balance Adjustment	0	0	0	0	0	(67)	(67)
Revised Opening Balance	285,979	16,509	18,128	31,555	822	7,444	360,437
Recognition of Right of Use Assets	0	0	0	0	0	334	334
Additions	7,213	3,376	1,567	581	2,744	2,508	17,989
Revaluation increases/(decreases) recognised in the Revaluation Reserve	12,114	0	0	(430)	0	1	11,685
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,222)	0	0	(722)	0		(4,944)
Derecognition – disposals	(535)	(3,796)	0	0	0	(16)	(4,347)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0
Other movements in cost or valuation	(9,396)	0	(4,318)	168	0	(352)	(13,898)
at 31 March 2026	291,153	16,089	15,377	31,152	3,566	9,919	367,256

Movements to 31 March 2026	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Right of Use Asset £000	Total Property, Plant and Equipment £000
Accumulated Depreciation and Impairment at 1 April 2025	(6,124)	(9,599)	(2,903)	(259)	0	(643)	(19,528)
Opening Balance Adjustment	154	0	0	0	0	9	163
Revised Opening Balance	(5,970)	(9,599)	(2,903)	(259)	0	(634)	(19,365)
Depreciation charge	(7,706)	(3,163)	(201)	0	0	(771)	(11,841)
Impairment losses/(reversals) recognised in the Revaluation Reserve	(18)	0	0	(89)	0	0	(107)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(1,106)	0	0	(329)	0	0	(1,435)
Derecognition – disposals	290	3,796	0	0	0	16	4,102
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0
Other movements in depreciation and impairment	12,908	0	548	89	0	352	13,897
at 31 March 2026	(1,602)	(8,966)	(2,556)	(588)	0	(1,037)	(14,749)
Net Book Value							
at 31 March 2026	289,551	7,123	12,821	30,564	3,566	8,882	352,507
at 31 March 2025	279,855	6,910	15,225	31,296	822	6,868	340,976

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Right of Use Asset £000	Total Property, Plant and Equipment £000
at 31 March 2026							
Assets used by the Council	288,061	7,123	12,510	29,851	3,566	8,882	349,993
Assets let to third parties under operating leases	1,490	0	311	713	0	0	2,514

At 1 April 2025							
Assets used by the Council	279,855	6,910	15,182	30583	822	6,868	340,220
Assets let to third parties under operating leases	0	0	43	713	0	0	756

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

Movements to 31 March 2025	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Right of Use Asset £000	Total Property, Plant and Equipment £000
Cost or Valuation at 1 April 2024	289,285	15,437	16,376	28,273	337	7,490	357,198
Additions	7,428	4,528	1,752	913	485	21	15,127
Revaluation increases/(decreases) recognised in the Revaluation Reserve	7,342	0	0	5,415	0	0	12,757
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,840)	0	0	(173)	0	0	(8,013)
Derecognition – disposals	(3,083)	(3,456)	0	(3,073)	0	0	(9,612)
Assets reclassified (to)/from Held for Sale	0	0	0	199	0	0	199
Other movements in cost or valuation	(7,153)	0	0	1	0	0	(7,152)
at 31 March 2025	285,979	16,509	18,128	31,555	822	7,511	360,504

Movements to 31 March 2025	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Right of Use Asset £000	Total Property, Plant and Equipment £000
Accumulated Depreciation and Impairment at 1 April 2024	(7,139)	(8,871)	(2,618)	(2,566)	0	0	(21,194)
Depreciation charge	(6,522)	(4,184)	(285)	0	0	(643)	(11,634)
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(93)	0	0	(406)	0	0	(499)
Derecognition – disposals	1,010	3,456	0	2,713	0	0	7,179
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0
Other movements in depreciation and impairment	6,620	0	0	0	0	0	6,620
at 31 March 2025	(6,124)	(9,599)	(2,903)	(259)	0	(643)	(19,528)
Net Book Value							
at 31 March 2025	279,855	6,910	15,225	31,296	822	6,868	340,976
at 31 March 2024	282,146	6,566	13,758	25,707	337	7,490	336,004

Right of Use Assets

In line with International Financial Reporting Standard 16 the Council now recognises all leases for greater than 12 months as a Right of Use Asset (unless they are of a minor value). The opening balance has been adjusted for these and £7.490m of assets have been recognised on the Balance sheet.

Movements to 31 March 2026	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Donated Assets £000	Total £000
As at 1 April 2025	3,630	27	3,211	6,868
Opening Balance Adjustment	3,158	(5)	(3,211)	(58)
Revised Opening Balance	6,788	22	0	6,810
Additions	2,842	0	0	2,842
Revaluations	1	0	0	1
Depreciation charge	(749)	(22)	0	(771)
at 31 March 2026	8,882	0	0	8,882

Donated Assets are now shown within the Land and Building or Vehicles, Plant, Furniture and Equipment categories, rather than separately.

Property, Plant and Equipment Revaluations

	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Community Assets £000	Surplus Assets £000	Right of Use Assets £000	Total £000
Carried at historical cost	2,094	7,123	12,821	71	360	22,469
Valued at current / fair value as at:						
31/03/2026	72,585	0	0	30,493	2,860	105,938
31/03/2025	119,623	0	0	0	5,662	125,285
31/03/2024	95,249	0	0	0	0	95,249
Total Cost or Valuation	289,551	7,123	12,821	30,564	8,882	348,941

Indexation

From 1 April 2025, the Code of Practice on Local Authority Accounting in the UK (the Code) requirements changed in respect of valuations of Property, Plant and Equipment (PPE). PPE categories of Other Land and Buildings, Vehicles, Plant, Furniture and Equipment, Surplus Assets and Right-of-use assets measured at current value, will be valued on a rolling five-year basis. In the intervening four years, annual indexation will be applied to these assets. Alternatively, a desktop valuation in year three will be applied in rare cases where no index is available.

CIPFA/LASAAC has not mandated the use of any particular index, and the Code sets out that the choice of index is a matter of judgement that should be made in the context of providing a reasonable estimate of the movement in the value of an asset from the prior year. The Council has applied the best indices for each asset group as determined by qualified valuers.

Index	Average Change %	Valuation Change £000
Building Cost Information Service (BCIS)	3.16%	4,379
Savills and ONS Market	1.50%	640
CoStar Indices	2.16%	582
Other Indices	2.00%	54
Total Indexation Applied in 2025/26	2.21%	5,655

Note 13 – Infrastructure Assets

2024/25 £000		2025/26 £000
214,412	Net Book Value as at 1 April	228,155
3,096	Recognition of Assets under IFRS 16	0
16,816	Additions	21,675
(6,936)	Depreciation	(7,032)
767	Lease Remeasurement	853
228,155	Net Book Value as at 31 March	243,651

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

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

Note 14 - Heritage Assets

2024/25 £000	Public Art	2025/26 £000
580	Opening Balance	575
21	Additions	35
(26)	Depreciation	(28)
575	Closing Balance	582

The Knowsley Alphabet Public Art trail consists of 26 pieces of artwork which are totally unique to Knowsley. The pieces take inspiration from the borough's history, particularly from the famous artist Edward Lear who was based in Knowsley Hall in the 1830s.

The new artworks have been created especially for the Knowsley Leisure and Culture Park by artists, designers and craftspeople led by renowned artist Gordon Young. As part of the design process many local people, including school children, residents and even construction workers on site wrote their own rhymes which were incorporated with Lear’s poems.

During 2023/24 further artwork pieces were commissioned for public art installations in Huyton Village.

These pieces of Public Art are reported in the Balance Sheet at cost and will be depreciated following the year of acquisition over 20 years.

Note 15 - Investment Properties

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

31 March 2025 £000	Investment Property Income and Expenditure	31 March 2026 £000
(5,697)	Rental income from investment property	(6,916)
3,378	Direct operating expenses from investment property	3,514
(2,319)	Net (gain)/loss	(3,402)

31 March 2025 £000	Investment Properties Movement in Year	31 March 2026 £000
93,008	Opening Balance	100,977
1,011	Subsequent expenditure	793
0	Disposals	(450)
6,538	Net gains/(losses) from fair value adjustments	5,924
420	Transfers: to/from Property Plant and Equipment	0
100,977	Balance at the end of the year	107,244

There are no restrictions on the Council’s ability to realise the value inherent in its investment property or on the Council’s right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The above table summarises the movement in the fair value of investment properties over the year.

In estimating the fair value of the Council’s Investment Properties and Surplus assets, the highest and best use of the properties is deemed to be their current use. The Council’s Investment Properties have been assessed as Level 2 and 3 Inputs. Investment and Market approaches have been adopted having consideration to net income receivable, quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, general market data and local market knowledge gained in managing the Council’s Investment Property Portfolio. There have been no changes in the valuation techniques used for 2025/26 valuation programme.

Note 16 - Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to software intangible assets used by the Council are 5 years.

31 March 2025 £000	Software	31 March 2026 £000
	Balance at start of year:	
4,118	Gross carrying amounts	4,269
(3,476)	Accumulated amortisation	(3,912)
642	Net carrying amount at start of year	357
151	Additions	209
(436)	Amortisation for the period	(389)
357	Net carrying amount at end of year	177
	Comprising:	
4,269	Gross carrying amounts	4,478
(3,912)	Accumulated amortisation	(4,301)
357	Total	177

Note 17 - Capital Commitments

At 31 March 2026, the Council had committed to a number of capital projects in 2026/27 and future years. The major commitments are:

31 March 2025 £000	Scheme	Purpose	Expected Period	£000
0	Transport for City Region	Expenditure within the Highways Capital Programme to be completed by the Council's Highways Maintenance Contractor, funded by Grant allocation from the Liverpool City Region Transport for City Region (TCR) settlement	2027/28	6,000
12,826	Various Highways Schemes	Expenditure within the Highways Capital Programme to be completed by the Council's Highways Maintenance Contractor for the Liverpool City Region Sustainable Transport Scheme (CRSTS) and East of Halewood Highway improvement works.	2026/27	5,703
11,374	Huyton Active Travel Corridor and Tarbock Island	Expenditure within the Highways Capital Programme to be completed by the Council's Highways Maintenance Contractor, funded by Grant allocation from the Liverpool City Region, to enhance safety across the Borough and improve the existing cycle network, as well as improve junction capacity in an area which currently experiences congestion. This initiative aligns with Knowsley's forthcoming Local Cycling and Walking Infrastructure Plan.	2026/27 and 2027/28	5,428
0	Halewood Leisure Centre Improvements and Decarbonisation works	The Council received funding from the Ministry of Housing, Communities and Local Government (MHCLG) as part of the Levelling Up Fund for Halewood. Within this funding, an allocation was set aside to deliver building improvements at Halewood Leisure Centre	2026/27 & 2027/28	4,155
4,350	Highways Key route Network Schemes	Additional CRSTS grant funding allocation from the Liverpool City Region for Key Route Network Highways improvement works to be undertaken by the Council's Highways Maintenance Contractor.	2026/27	2,662

31 March 2025 £000	Scheme	Purpose	Expected Period	£000
0	Alt Bridge School – Phase 2	As part of the Council’s SEND Sufficiency Plan, the Council is required to utilize the High Needs Provision Capital Allocation to increase or enhance special needs placement across the borough. Due to placement sufficiency issues, this scheme has been awarded to relocate post-16 provision from Alt Bridge School to The Kirkby Centre to free up space at Alt Bridge	2026/27 & 2027/28	1,249
0	Huyton Village Centre Development	To deliver the Huyton Village Masterplan, the Council has allocated funding to commence with Phase 1 of the project. This involves working with the Development Partner to deliver the enabling works required to enable progression to final design and RIBA Stage 4 (the technical design and planning stage of the project).	2026/27	589
1,376	Strategic Acquisitions & Demolitions - Prescot	The demolition of Stephenson’s Printworks and partial demolition of Prescot Shopping Centre was identified by the public and stakeholders as one of the highest priorities in need of intervention and investment with Prescot Town Centre Master Plan.	2026/27	95
341	Access to Halsnead Garden Village Transport	This project is closely aligned with the Liverpool City Region Growth Strategy providing transport infrastructure improvements that are primarily required to enable the Halsnead Garden Village site to be capable of development, thereby securing comprehensive development and maximising the associated benefits for Knowsley and the Liverpool City Region.	2026/27	7

Note 18 - Financial Instruments

A financial instrument is any contract which gives rise to a financial asset of one entity and a financial liability of another. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

The Council's financial liabilities held during the year are measured at amortised cost and comprise:

- long-term loans from the Public Works Loan Board (PWLB) and commercial lenders;
- short-term loans from other local authorities;
- bank overdraft;
- lease payables detailed in Note 38 (IFRS 16 impact)
- finance leases;
- Private Finance Initiative (PFI) contracts; and
- Trade payables for goods and services received.

In 2024/25 the Council agreed a commitment to lend £5.000m to Sovereign Network Homes under a 3 year credit facility arrangement. The credit facility has not been used at 31 March 2026. The expected credit loss has been calculated for this and is not material.

The Council does not hold any derivative financial liabilities.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. To meet Code Requirements, financial assets are now classified into one of three categories:

Amortised Cost – these represent investments and investment type arrangements where repayments of interest and principal take place on set dates for specified amounts. The Council holds the following investments at amortised cost:

- cash in hand;
- bank accounts and deposit accounts;
- bonds issued by multilateral development banks and UK companies;
- certificates of deposits and covered bonds issued by banks and building societies;
- fixed term deposits with banks and building societies;
- loans made for service delivery; and
- trade receivables for goods and service delivered.

Fair Value through Other Comprehensive Income – these assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through the Financial instruments Revaluation Reserve.

The Council has classified its investments in equity instruments managed by fund managers under this heading.

Fair Value through Profit and Loss – these assets are measured and carried at fair value. The Council classifies its investments in Money Market Funds and Pooled Investment funds under this heading.

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

Non-Current Financial Assets

	Investments		Debtors		Total	
	31 March 2025 £000	31 March 2026 £000	31 March 2025 £000	31 March 2026 £000	31 March 2025 £000	31 March 2026 £000
Fair value through profit and loss	24,151	22,533	0	0	24,151	22,533
Amortised cost	238	238	849	1,637	1,087	1,875
Fair value through other comprehensive income - designated equity instruments	1,394	1,293	0	0	1,394	1,293
Total financial assets	25,783	24,064	849	1,637	26,632	25,701

Current Financial Assets

	Debtors		Cash		Total	
	31 March 2025 £000	31 March 2026 £000	31 March 2025 £000	31 March 2026 £000	31 March 2025 £000	31 March 2026 £000
Fair value through profit and loss	0	0	20,399	27,015	20,399	27,015
Amortised cost	43,755	42,431	508	(5,724)	44,263	36,707
Fair value through other comprehensive income – designated equity instruments	0	0	0	15	0	15
Total financial assets	43,755	42,431	20,907	21,306	64,662	63,737

The total debtor figures on the balance sheet have been reduced by £31.710m in the above table to remove balances that do not meet the definition of a financial asset and relate to non-exchange transactions or payments in advance. The adjusted debtor's figure in this table therefore agrees to Note 43 – Nature and Extent of Financial Risks, total credit risk exposure at 31 March 2026.

Non-Current Financial Liabilities

	Borrowings		Other long-term liabilities		Total	
	31 March 2025 £000	31 March 2026 £000	31 March 2025 £000	31 March 2026 £000	31 March 2025 £000	31 March 2026 £000
Amortised cost	(116,171)	(114,786)	(92,084)	(85,072)	(208,255)	(199,858)
Total financial Liabilities	(116,171)	(114,786)	(92,084)	(85,072)	(208,255)	(199,858)

Current Financial Liabilities

	Borrowings		Creditors		Total	
	31 March 2025 £000	31 March 2026 £000	31 March 2025 £000	31 March 2026 £000	31 March 2025 £000	31 March 2026 £000
Amortised cost	(10,486)	(18,468)	(42,606)	(34,595)	(53,092)	(53,063)
Total financial Liabilities	(10,486)	(18,468)	(42,606)	(34,595)	(53,092)	(53,063)

The creditor figure on the balance sheet for 31 March 2026 has been reduced by £42.077m in the above table to remove balances that do not meet the definition of a financial liability and relate to non-exchange transactions or receipts in advance.

Income, Expense, Gains and Losses

	31 March 2025		31 March 2026	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Net (gains)/losses on:				
investments in equity instruments designated at fair value through other comprehensive income	0	531	0	101
financial assets measured at fair value through profit or loss	(449)	0	(820)	0
Total net (gains)/losses	(449)	531	(820)	101
Interest revenue:				
financial assets measured at amortised cost	(203)	0	(75)	0
financial assets measured at fair value through other comprehensive income	(61)	0	(61)	0
financial assets measured at fair value through profit or loss	(2,491)	0	(2,437)	0
Total interest revenue	(2,755)	0	(2,573)	
Interest expense	13,125	0	13,086	
Fee income:				
financial assets or financial liabilities that are not at fair value through profit or loss	(11)	0	(14)	0
Total fee income	(11)	0	(14)	0

In 2024/25, the Interest Revenue on financial assets measured at fair value though profit and loss was included within financial assets measured at fair value through other comprehensive income.

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

	31 March 2025 £000	31 March 2026 £000
Fundamentum REIT	1,394	1,293
Total	1,394	1,293

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

Note 18a - Fair Value of Assets and Liabilities

The fair value of a financial instrument is the price that would be received when selling an asset, or the price that would be paid when transferring a liability, to another market participant in an arms-length transaction.

Financial instruments, except those classified at amortised cost are carried in the Balance Sheet at fair value. For most assets, including money market funds and pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated by discounting expected future profits at a suitable market rate for similar equity investments.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2026, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- Discount rates for “Lender’s Option Borrower’s Option” (LOBO) loans have been reduced to reflect the value of the embedded options. The size of the reduction has been calculated using proprietary software.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March 2026.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March 2026.
- The fair values of finance lease and PFI scheme liabilities are no longer required due to IFRS 16.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including cash, money market funds, call accounts, short term borrowing, trade payables and receivables is assumed to be a reasonable approximation to the carrying amount.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

1. Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g., bond prices;
2. Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, other than quoted prices in active markets e.g., interest rates or yields for similar instruments, or quoted prices in inactive markets;
3. Level 3 – fair value is determined using unobservable inputs, e.g., non-market data such as cash flow forecasts or estimated creditworthiness.

The fair values calculated are as follows:

	Fair Value Level	31 March 2025		31 March 2026	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities held at amortised cost					
LOBO fixed Loans	2	(6,077)	(6,641)	0	0
PWLB fixed loans	2	(111,597)	(92,296)	(125,911)	(105,365)
Market long term loans	2	(7,729)	(5,877)	(7,343)	(5,472)
Liabilities for which fair value is not disclosed					
Short Term Loans	Note i	(1,007)	(1,007)	0	0
Creditors (excludes PFI and finance leases)	Note i	(65,672)	(65,672)	(68,558)	(68,558)
Total Financial Liabilities		(192,082)	(171,493)	(201,812)	(179,395)
Financial Assets held at Amortised Cost					
Cash and Cash Equivalents	2 (Note i)	508	508	(5,724)	(5,724)
Long term deposits	2	238	238	238	238
Assets for which fair value is not disclosed					
Trade Receivables	(Note i)	78,576	78,576	75,778	75,778
Financial Assets held at Fair Value through Profit and Loss					
Cash Equivalents	1	20,399	20,399	27,015	27,015
Long term deposits	1	24,151	24,151	22,533	22,533
Financial Assets held at Fair Value through Other Comprehensive Income					
Long term deposits	1	1,394	1,394	1,293	1,293
Cash Equivalents	1	0	0	15	15
Total Financial Assets		125,266	125,266	121,148	121,148

Note i) Fair Value calculations do not apply to short term instruments as the Council deems their carrying amount to be a reasonable approximation of their fair value. The Council deems all trade receivable and payable carrying amounts to be a reasonable approximation of their fair value.

Financial liabilities

Lender Offer Borrower Option (LOBO)

The Council's LOBO was called and repaid in full during 2025/26.

Public Works Loan Board (PWLB)

The fair value is lower than the carrying amount because the Council's Public Works Loan Board portfolio includes a number of fixed rate loans where interest payable is lower than the rates available for similar loans at the balance sheet date. The Public Works Loan Board's alternative calculations, based on the aggregate net present value of future cash flows, discounted using the appropriate premature repayment rate, show the fair value of loans outstanding as at 31 March 2026 is £113.109m. This represents a variance of £7.744m when compared to the valuations above, prepared using rates available for new loans.

Market Long Term Loans

The fair value is lower than the carrying amount because the Council's Market Long Term loans have an interest rate payable that is lower than the rates available for a similar loan at the balance sheet date.

Financial Assets

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

Financial assets held at amortised costs

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

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

Financial assets held at fair value through other comprehensive income

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

Financial assets held at fair value through profit and loss

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

Note 19 - Debtors

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

31 March 2025		31 March 2026
£000		£000
21,315	Trade Receivables	23,623
4,749	Prepayments	4,259
25,176	Collection Fund	27,346
	Other Receivable Amounts:	
10,346	- Grants Due	10,918
4,976	- VAT Due from HMRC	4,965
11,060	- Other	2,929
77,622	Total	74,040

Each line is presented net of an allowance for expected credit losses. As at 31 March 2026 the total expected credit loss was £28.727m (£27.040m at 31 March 2025).

Note 20 - Cash and Cash Equivalents

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

31 March 2025		31 March 2026
£000		£000
8,307	Cash balances	11,111
(7,800)	Cash overdrawn at bank	(16,835)
20,400	Short Term Deposits	27,030
20,907	Total Cash and Cash Equivalents	21,306

Note 21 - Assets Held for Sale

31 March 2025 £000	Current Assets Held for Sale	31 March 2026 £000
1,364	Balance outstanding at start of year	745
745	Assets newly classified as held for sale:	0
	- Property Plant and Equipment	
(944)	Assets declassified as held for sale:	0
	- Property Plant and Equipment	
(420)	- Investment Properties	0
0	Assets sold	(745)
745	Balance Outstanding year end	0

Note 22 - Creditors

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

31 March 2025 £000		31 March 2026 £000
(35,067)	Trade payables	(30,013)
(14,394)	Income in Advance	(24,611)
(6,186)	Collection Fund	(6,477)
	Other payables	
(4,281)	- Employee Absences Accrual	(3,517)
(6,625)	- Other Employee Related	(7,468)
(3,880)	- Grants	(3,812)
(3,445)	- Other	(774)
(73,878)	Total Creditors	(76,672)

Note 23 – Provisions

A number of provisions have been set aside at 31 March 2026 to cover the following liabilities:

Current Provisions

2025/26	Street Lighting PFI £000	Collection Fund - Business Rates Appeals £000	Special Guardianship Order Historic Payments £000	Other £000	Total £000
Opening Balance	(225)	(2,080)	(296)	(117)	(2,718)
Increase in provision during year	0	(1,131)	0	0	(1,131)
Utilised during year	372	666	0	1	1,039
Other Movements	(426)	0	0	0	(426)
Closing Balance	(279)	(2,545)	(296)	(116)	(3,236)

2024/25	Street Lighting PFI £000	Collection Fund - Business Rates Appeals £000	Special Guardianship Order Historic Payments £000	Other £000	Total £000
Opening Balance	0	(1,973)	(296)	(159)	(2,428)
Increase in provision during year	0	(1,587)	0	(21)	(1,608)
Utilised during year	0	1,480	0	45	1,525
Other Movements	(225)	0	0	18	(207)
Closing Balance	(225)	(2,080)	(296)	(117)	(2,718)

Long Term Provisions

2025/26	Insurance £000	Street Lighting PFI £000	Total £000
Opening Balance	(6,139)	(2,326)	(8,465)
Increase in provision during year	(188)	(705)	(893)
Utilised during year	918	0	918
Other Movements	0	426	426
Closing Balance	(5,409)	(2,605)	(8,014)

2024/25	Insurance £000	Street Lighting PFI £000	Total £000
Opening Balance	(6,744)	(2,410)	(9,154)
Increase in provision during year	(1,486)	(366)	(1,852)
Utilised during year	2,091	225	2,316
Other Movements	0	225	225
Closing Balance	(6,139)	(2,326)	(8,465)

Detail of Provisions

Business Rates Appeals (Collection Fund): Under the Business Rates Retention System the cost of all potential backdated appeals expected to be incurred in the current and future years falls in full on the Collection Fund. Knowsley's 99% share of this cost is estimated at £2.545m and is provided for within the Collection Fund and therefore reflected in the consolidated Balance Sheet.

Insurance: Estimated settlement cost of claims received at the Balance Sheet date. The Insurance Provision covers claims above the excess/retention levels for risks associated with property and liability. The timing of the liability is dependent on the individual claims process.

Street Lighting PFI: When the Council implemented the Street Lighting PFI Contract it established a new policy to charge commuted sums up front to developers to pay for the ongoing liability of any street lighting and signs that would be accrued into the Contract upon the adoption of the development to local authority control (Lighting Authority). The charges made are based on the known liabilities for the remainder of the Contract for the assets as set out in the Contract terms, including future estimated consumption of energy. As these payments are received in advance by the Council for future known liabilities within the Street Lighting PFI Contract, the Council provides for this future liability within its accounts. This is drawn down on an annual basis to cover the costs incurred by the Council for that period for assets accrued into the Contract.

Special Guardianship Order Historic Payments

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

Note 24 - Usable Reserves

31 March 2025 £000		31 March 2026 £000
(9,975)	General Fund Balance	(16,796)
(94,767)	Earmarked General Fund Reserves	(90,966)
0	Capital Receipts Reserve	(9,381)
(8,535)	Capital Grants Unapplied	(7,068)
(113,277)	Total	(124,211)

Capital Receipts Reserve

Income from the disposal of fixed assets is credited to the Capital Receipts Reserve and used for current capital spending or is set aside for future capital spending.

31 March 2025 £000		31 March 2026 £000
(28)	Balance 1 April	0
(770)	Capital Receipts in year	(14,116)
798	Capital Receipts used for financing	4,735
0	Balance 31 March	(9,381)

Capital Grants Unapplied

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

31 March 2025 £000		31 March 2026 £000
(9,461)	Balance 1 April	(8,535)
(2,885)	Capital grants recognised in year	(4,558)
3,811	Capital grants and contributions applied	6,025
(8,535)	Balance 31 March	(7,068)

Note 25 - Unusable Reserves

31 March 2025 £000		31 March 2026 £000
(137,303)	Revaluation Reserve	(148,607)
(249,687)	Capital Adjustment Account	(275,487)
606	Financial Instruments Revaluation Reserve	707
1,700	Financial Instruments Adjustment Account	1,658
849	Pooled Investment Fund Adjustment Account	1,467
21,770	Pension Reserve	21,102
(454)	Deferred Capital Receipts Reserve	(454)
(8,989)	Collection Fund Adjustment Account	(1,207)
4,281	Accumulated Absences Account	3,517
26,133	Dedicated Schools Grant Adjustment Account	43,788
(341,094)	Total	(353,516)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

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

31 March 2025 £000		31 March 2026 £000
(126,636)	Balance 1 April	(137,303)
0	Opening Balance Adjustment for Revaluation of Assets	(3,035)
(126,636)	Revised Opening Balance	(140,338)
120	Recognition of revalued lease liabilities under IFRS 16	0
(17,487)	Upward revaluation of assets	(14,891)
4,731	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	2,838
(12,636)	Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services	(12,053)
1,969	Difference between fair value depreciation and historical cost depreciation	3,784
1,969	Amount written off to the Capital Adjustment Account	3,784
(137,303)	Balance 31 March	(148,607)

Capital Adjustment Account

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

The account contains accumulated gains and losses on Investment Properties. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

31 March 2025 £000		31 March 2026 £000
(231,559)	Balance 1 April	(249,687)
(3,400)	Opening Balance Adjustment for Donated Assets	3,335
(234,959)	Revised Opening Balance	(246,352)
19,095	Charges for depreciation and impairment of non-current assets	20,336
8,388	Revaluation losses on non-current assets	4,944
436	Amortisation of intangible assets	389
8,194	Revenue expenditure funded from capital under statute	6,650
2,433	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	1,440
38,546	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	33,759
(1,969)	Adjusting Amounts written out of the Revaluation Reserve	(3,784)
36,577	Net written out amount of the cost of non-current assets consumed in the year	29,975
(798)	Use of Capital Receipts Reserve to finance new capital expenditure	(4,735)
(34,045)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(41,038)
(6,229)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(6,462)
(3,695)	Capital expenditure charged against the General Fund	(906)
(44,767)	Capital financing applied in year	(53,141)
(6,538)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(5,924)
0	Other Movements	(45)
(249,687)	Balance 31 March	(275,487)

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gain are revalued downwards, impaired or when an investment is disposed of and gains realised.

31 March 2025 £000		31 March 2026 £000
75	Balance 1 April	606
0	Upward revaluation of investments	0
531	Downward revaluation of investments	101
531	Total Changes in revaluation and impairment during the year	101
606	Balance 31 March	707

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the account to manage premiums paid on the early redemption of loans and the loss of interest when granting soft loans to third parties. Premiums and interest are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed, or the remaining term of the soft loan.

31 March 2025 £000		31 March 2026 £000
1,742	Balance 1 April	1,700
(42)	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	(42)
(42)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(42)
1,700	Balance 31 March	1,658

Pooled Investment Fund Adjustment Account

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

31 March 2025 £000		31 March 2026 £000
1,540	Balance 1 April	849
(691)	Changes in fair value of Pooled Investments	618
849	Balance 31 March	1,467

Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes the employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

31 March 2025 £000		31 March 2026 £000
25,054	Balance 1 April	21,770
(119,337)	Remeasurements of the net defined benefit (liability)/asset	(78,513)
18,866	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	6,872
(20,507)	Employer's pensions contributions and direct payments to pensioners payable in the year	(21,840)
117,694	Asset Ceiling Adjustment	92,813
21,770	Balance 31 March	21,102

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

31 March 2025 £000		31 March 2026 £000
(454)	Balance 1 April	(454)
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
(454)	Balance 31 March	(454)

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 taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

31 March 2025 £000		31 March 2026 £000
(6,203)	Balance 1 April	(8,989)
(2,786)	Amount by which council tax and non-domestic rates 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	7,782
(8,989)	Balance 31 March	(1,207)

Accumulated Absences Account

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

31 March 2025 £000		31 March 2026 £000
5,735	Balance 1 April	4,281
(5,735)	Settlement or cancellation of accrual made at the end of the preceding year	(4,281)
4,281	Amounts accrued at the end of the current year	3,517
(1,454)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	(764)
4,281	Balance 31 March	3,517

Dedicated Schools Budget Adjustment Account

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

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

These Regulations have been extended to the financial year ending 31 March 2028.

31 March 2025 £000		31 March 2026 £000
12,931	Balance 1 April	26,133
13,202	Overspend / (underspend) against Budget	17,655
26,133	Balance 31 March	43,788

As part of the Local Government Finance Settlement in February 2026 the Government announced that it will provide a recovery grant for councils to pay off 90% of their cumulative DSG deficits at 31 March 2026. This is subject to each local authority submitting and securing the Department for Education's approval of a local SEND reform plan. For Knowsley this would equate to a grant of £39.409m. For deficits that arise in 2026/27 and 2027/28, there is expected to be additional financial support although the details of this have not yet been confirmed.

Note 26 - Cash Flow from Operating Activities

The cash flows for operating activities included the following items:

31 March 2025		31 March 2026
£000		£000
(2,806)	Interest received	(3,218)
13,056	Interest paid	12,711
(125)	Dividends received	(85)
10,125	Total	9,408

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

31 March 2025		31 March 2026
£000		£000
(18,596)	Depreciation	(18,901)
(8,887)	Impairment and downward valuations	(6,379)
(436)	Amortisation	(389)
1,626	(Increase)/decrease in creditors	(8,158)
2,852	Increase/(decrease) in debtors	(3,267)
78	Increase/(decrease) in inventories	(110)
1,641	Movement in pension liability	14,968
(2,433)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(1,440)
20,830	Other non-cash movements charged to the surplus or deficit on provision of services	6,991
(3,325)	Total	(16,685)

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

31 March 2025 £000		31 March 2026 £000
(13)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	2,786
770	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	14,116
33,119	Capital grants credited to surplus or deficit on the provision of services	39,571
33,876	Total	56,473

Note 27 - Cash Flow from Investing Activities

The cash flows for investment activities included the following items:

31 March 2025 £000		31 March 2026 £000
25,191	Purchase of property, plant and equipment, investment property and intangible assets	39,636
30,325	Purchase of short-term and long-term investments	29,210
(770)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(14,116)
(34,312)	Proceeds from short-term and long-term investments	(32,996)
(42,563)	Capital grants received for investing activities	(37,786)
(22,129)	Net cash flows from investing activities	(16,052)

Note 28 - Cash Flow from Financing Activities

31 March 2025 £000		31 March 2026 £000
(11,000)	Cash receipts of short-term and long-term borrowing	(15,000)
8,848	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	8,168
631	Repayments of short-term and long-term borrowing	8,778
(5,289)	Other (receipts) / payments for financing activities	(77)
(6,810)	Net cash flows from financing activities	1,869

Note 29 - Reconciliation of Liabilities Arising from Financing Activities

2025/26	1 April 2025 £000	Financing cash flows £000	Non-cash changes £000	31 March 2026 £000
Long-term borrowings	(116,171)	(15,000)	16,385	(114,786)
Short-term borrowings	(10,486)	8,531	(16,513)	(18,468)
Lease liabilities	(3,707)	446	(412)	(3,673)
On balance sheet PFI liabilities	(96,582)	7,722	(653)	(89,513)
Total liabilities from financing activities	(226,946)	1,699	(1,193)	(226,440)

2024/25	1 April 2024 £000	Financing cash flows £000	Non-cash changes £000	31 March 2025 £000
Long-term borrowings	(107,948)	(10,000)	1,777	(116,171)
Short-term borrowings	(8,271)	(369)	(1,846)	(10,486)
Lease liabilities	0	403	(4,110)	(3,707)
On balance sheet PFI liabilities	(101,202)	8,445	(3,825)	(96,582)
Total liabilities from financing activities	(217,421)	(1,521)	(8,004)	(226,946)

Note 30 - Pooled Budgets

Section 75 of the NHS Act 2006 (formerly Section 31 of the Health Act 1999) allows the establishment of joint working arrangements between NHS bodies and local authorities. This enables the bodies to “pool” funds to work together to address specific local health issues. Where pooled budgets are established, the main financial statements in these accounts reflect only the Council’s share of the overall budget and exclude the share(s) attributable to partner organisations. The details of the entire pooled budget including all partners’ shares are disclosed in the notes below.

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

During 2025/26, the Council was involved with one pooled budget hosted by the Council’s Adult Social Care Service and in partnership with the Knowsley Clinical Commissioning Group / Integrated Care Board. This pooled budget covers the three areas below:

- Community Support Services - Provision of supported accommodation and community-based support.
- Mental Health - Provision of support in the community for people with a mental illness.
- Adults with Learning Disabilities - Provision of supported accommodation for adults with learning disabilities.

2024/25		2025/26
£000		£000
(53,139)	Knowsley MBC Funding	(55,480)
(27,901)	Knowsley ICB Funding	(30,394)
(81,040)	Total Funding	(85,874)
53,499	Knowsley MBC Expenditure	58,613
28,014	Knowsley ICB Expenditure	32,110
81,513	Total Expenditure	90,723
473	Net (Surplus) / Deficit on the Pooled Budget	4,849
360	Knowsley MBC Share of the Net (Surplus) / Deficit	2,808

Note 31 - Members’ Allowances

31 March 2025		31 March 2026
£000		£000
790	Allowances and Expenses	853
790	Total Members’ Allowances and Expenses	853

Expenses included in the above are nil in 2024/25 and nil in 2025/26.

Note 32 – Senior Officers’ Remuneration

The Council discloses officer remuneration in line with the requirements of the Code of Practice on Local Authority Accounting (the Code). Remuneration is defined for this disclosure as all amounts paid to or receivable by a person, including sums by way of expenses allowance (so far as those sums are chargeable to UK income tax). It also includes the estimated money value of any other benefits received by an employee otherwise than in cash, and payments made in respect of retirement and / or redundancy.

Post	Year	Salary, Fees and Allowances £	Pension Contribution £	Severance Payment £	Total £	Notes
Chief Executive - James Duncan	2025/26	184,581	34,431	0	219,012	1
	2024/25	29,896	5,561	0	35,457	
Chief Executive - M Harden	2025/26	0	0	0	0	1
	2024/25	202,921	29,438	0	232,359	
Assistant Chief Executive	2025/26	114,096	21,227	0	135,323	2
	2024/25	88,130	17,969	0	106,099	
Executive Director (Resources and Partnerships)	2025/26	127,494	18,373	0	145,867	3
	2024/25	131,412	22,900	0	154,312	
Executive Director (Communities and Neighbourhoods)	2025/26	127,962	22,957	0	150,919	4
	2024/25	133,557	24,203	0	157,760	
Executive Director (Health and Social Care)	2025/26	127,845	24,052	0	151,897	5
	2024/25	133,557	24,842	0	158,399	
Executive Director (Children's Services)	2025/26	172,809	1,886	0	174,695	6
	2024/25	140,144	22,068	37,682	199,894	
Executive Director (Place)	2025/26	137,325	25,637	0	162,962	7
	2024/25	133,461	24,842	0	158,303	
Director (Adult Social Care and Commissioning)	2025/26	107,850	20,060	0	127,910	8
	2024/25	103,484	19,143	0	122,627	

Note 32 – Senior Officers’ Remuneration (continued)

Post	Year	Salary, Fees and Allowances £	Pension Contribution £	Severance Payment £	Total £	Notes
Director (Family Help and Children's Social Care)	2025/26	104,117	19,366	0	123,483	9
	2024/25	108,011	18,041	22,953	149,005	
Director (Corporate Support)	2025/26	122,018	22,730	0	144,748	10
	2024/25	117,859	21,934	0	139,793	
Director (Neighbourhoods)	2025/26	107,510	20,008	0	127,518	
	2024/25	101,780	18,942	0	120,722	
Director (Development and Infrastructure)	2025/26	122,181	22,749	0	144,930	
	2024/25	115,826	21,954	0	137,780	
Director (Public Health)	2025/26	110,262	15,856	0	126,118	11
	2024/25	103,610	16,235	0	119,845	
Assistant Executive Director (Education and Inclusion)	2025/26	0	0	0	0	12
	2024/25	24,237	5,706	0	29,943	
Total	2025/26	1,666,050	269,332	0	1,935,382	
	2024/25	1,667,885	293,778	60,635	2,022,298	

In accordance with the requirements of the Code, the Council discloses individual remuneration of all senior employees whose annualised salary is £50,000 or more, and who have responsibility for the management of the Authority to the extent that they have the power to direct and control the major activities for which they are responsible. The Code requires the figures to show the full remuneration of each senior employee, employer's pension contributions and compensation for loss of office. Where the annualised salary is £150,000 or more, the Code also requires the employee to be named. The figures also reflect nationally agreed pay awards, incremental progression, and remuneration for undertaking additional responsibilities.

The Council's annual Pay Policy Statement for 2025/26 (approved by the Council on 5 March 2025) sets out the roles of the Council's senior officers. This includes all of the Council's statutory chief officers in accordance with the Local Government and Housing Act 1989 and the Localism Act 2011.

The Council undertook a review of its Senior Leadership structure on 6 March 2026 to ensure that it was fit for purpose and aligned with the Council Plan. As a result of this review, the Executive Director (Communities and Neighbourhoods) post was deleted and the responsibilities of the post were assigned to other officers as detailed below. For simplification, the posts of all Assistant Executive Directors were also redesignated as Directors.

Notes:-

1. The Chief Executive of the Council also fulfils the statutory role of Head of Paid Service as set out in the Local Government and Housing Act 1989. James Duncan was appointed to the role of Chief Executive on 1 February 2025 to replace the previous post-holder (Mike Harden) who retired on 31 January 2025. The salary figures for the previous post-holder include payments for owed leave at his retirement date.
2. The post of Assistant Executive Director (Governance and Assets) was redesignated as Assistant Chief Executive on 6 March 2026. This post also fulfils the statutory responsibility of Monitoring Officer as set out in the Local Government and Housing Act 1989.
3. The Executive Director (Resources) was redesignated as Executive Director (Resources and Partnerships) on 6 March 2026. This post also fulfils the statutory role of Chief Finance Officer as set out in the Local Government Act 1972. The Assistant Executive Director (Governance and Assets) fulfilled the role of Executive Director (Resources) on an interim basis from 1 February 2025 until the new postholder commenced employment on 28 April 2025.
4. The post of Executive Director (Communities and Neighbourhoods) was deleted when the post holder left the Council on 6 March 2026.
5. The Executive Director (Health and Social Care) also fulfils the statutory responsibility of Director of Adult Social Services as set out in the Local Authority Social Services Act 1970.
6. The Executive Director (Children's Services) also fulfils the statutory role of Director of Children's Services as set out in the Children's Act 2004. A new post-holder was appointed to the role on 2 March 2026 to replace the previous interim post-holder, Hilary Brooks, whose total salary was £162,671.
7. The post of Executive Director (Regeneration and Economic Development) was redesignated as Executive Director (Place) on 6 March 2026.

8. The Director (Adult Social Care and Commissioning) post was filled on an interim basis until the postholder returned from maternity leave during 2024/25.
9. The Director (Family Help and Children's Social Care) post was filled by a new postholder on 10 April 2024 to replace the previous post-holder who left the Council's employment on 9 April 2024.
10. The Director (Corporate Support) post also fulfils the statutory responsibility of Scrutiny Officer as set out in the Local Government Act 2000.
11. The Director (Public Health) also fulfils the statutory responsibility of Director of Public Health as set out in the Health and Social Care Act 2012.
12. The Assistant Executive Director (Education and Inclusion) left the Council's employment on 31 July 2024. The post was then deleted.

Officer Remuneration

This note shows the number of officers whose remuneration was £50,000 or more (including senior officers), grouped in £5,000 bands. Remuneration is defined for this disclosure as all amounts paid to or receivable by a person before the deduction of employee's pension contributions, and including sums by way of expenses allowance so far as those sums are chargeable to UK income tax. It also includes the estimated money value of any other benefits received by an employee otherwise than in cash, and payments made in respect of retirement and / or redundancy but excludes employer's pension contributions.

	Number of Employees	
	2024/25	2025/26
£50,001 to £55,000	228	314
£55,001 to £60,000	74	103
£60,001 to £65,000	43	52
£65,001 to £70,000	41	47
£70,001 to £75,000	32	29
£75,001 to £80,000	20	23
£80,001 to £85,000	7	17
£85,001 to £90,000	18	8
£90,001 to £95,000	15	18
£95,001 to £100,000	2	11
£100,001 to £105,000	2	2
£105,001 to £110,000	2	2
£110,001 to £115,000	0	3
£115,001 to £120,000	3	2
£120,001 to £125,000	0	1
£125,001 to £130,000	1	2
£130,001 to £135,000	2	0
£135,001 to £140,000	0	1
£140,001 to £145,000	1	0
£160,001 to £165,000	1	1
£180,000 to £185,000	0	1
£200,001 to £205,000	1	0
Total	493	637

Exit Packages

The Council agreed exit packages for a number of employees. These packages include the costs of compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26
£0-£20,000	0	0	7	42	7	42	£47,802	£173,981
£20,001 - £40,000	0	0	4	0	4	0	£118,285	0
£40,001 - £60,000	0	0	0	1	0	1	£0	£42,061
Total	0	0	11	43	11	43	£166,087	£216,042

Note 33 - External Audit Costs

From 1 April 2023, Grant Thornton LLP were appointed as the external auditors of the Council. In 2025/26, Knowsley MBC incurred the following fees relating to external audit:

2024/25 £000		2025/26 £000
372	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	364
38	Fees payable in respect of other services provided by external auditors during the year	38
410	Total	402

The amount disclosed is the planned audit fee for the financial year of audit, the majority of this is recognised in expenditure in the following financial year to reflect when the work is completed. The 2025/26 figure includes additional work of £0.019m that was carried out during the audit of the 2024/25 accounts. The 2025/26 fee payable in respect of other services includes the audit of the 2025/26 Teachers Pension and Housing Benefit Claims. The Housing Benefit claim will be audited by KPMG and will total approximately £0.025m.

Note 34 - Dedicated Schools Grant

The Council’s expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). The Dedicated Schools Grant is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2013. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of the Dedicated Schools Grant receivable for 2025/26 are shown in the following table.

DSG Receivable for 2025/26	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for year before Academies recoupment			(210,267)
Academy figure recouped for year			73,638
Total DSG after academy recoupment			(136,629)
Agreed initial budgeted distribution in year	(31,740)	(104,889)	(136,629)
In year adjustments	0	526	526
Final budget distribution for year	(31,740)	(104,363)	(136,103)
Less: Actual central expenditure	49,585	0	49,585
Less: Actual ISB deployed to schools	0	104,173	104,173
In year carry forward to 2026/27	17,845	(190)	17,655
Plus / Less: DSG unusable reserve at the end of 2024/25			26,133
Addition to DSG Unusable Reserve at end of 2025/26			17,655
Net DSG position at the end of 2025/26			43,788

DSG Receivable for 2024/25	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for year before Academies recoupment			(187,084)
Academy figure recouped for year			66,264
Total DSG after academy recoupment			(120,820)
Agreed initial budgeted distribution in year	(29,869)	(90,951)	(120,820)
In year adjustments	0	(362)	(362)
Final budget distribution for year	(29,869)	(91,313)	(121,182)
Less: Actual central expenditure	43,241	0	43,241
Less: Actual ISB deployed to schools	0	91,143	91,143
In year carry forward to 2025/26	13,372	(170)	13,202
Plus / Less: DSG unusable reserve at the end of 2023/24			12,931
Addition to DSG Unusable Reserve at end of 2024/25			13,202
Net DSG position at the end of 2024/25			26,133

Note 35 - Grant Income

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

2024/25		2025/26
£000		£000
	Non-Ringfenced Grant:	
0	- Recovery Grant	(6,765)
0	- Employer National Insurance Contribution Grant	(1,669)
(605)	- New Homes Bonus	(1,420)
(435)	- Services Grant	0
(1,902)	Department for Transport	(9,492)
(8,458)	City Region Sustainable Travel Scheme	(8,838)
(962)	Education Funding Agency	(3,223)
(4,812)	Private Developers	(2,590)
(2,654)	Liverpool City Region Combined Authority	(2,181)
(663)	Levelling Up Grant	(1,950)
(623)	Pothole Funding	(1,011)
0	Pride In Place	(750)
0	Better Youth Spaces	(632)
(2,333)	Youth Investment Fund	(525)
(1,206)	Food Waste Collection	(298)
(39)	Shakespeare North Playhouse	(1)
(1,275)	Other	(1,488)
(25,967)	Total	(42,833)

Levelling Up Grant and Pothole Funding were shown within 'Other' in 2024/25.

Grant Income Credited to Services

2024/25 £000		2025/26 £000
(121,182)	Dedicated Schools Grant	(136,103)
(45,342)	Housing Benefit Rebates Grant	(35,816)
(25,003)	Social Care Grant	(29,645)
(23,157)	Private Finance Initiative Subsidy	(23,157)
(18,959)	Better Care Fund	(21,199)
(19,321)	Public Health Grant	(20,505)
(7,634)	Pupil Premium	(7,541)
(1,822)	Core School Budget Grant	(4,639)
(4,275)	Market Sustainability Improvement Fund	(4,275)
(3,701)	Household Support Fund	(3,719)
(3,408)	Disabled Facilities Grant	(3,648)
0	Prevention Grant	(2,199)
(1,927)	Education Funding Agency	(2,009)
(1,719)	Substance Misuse Treatment and Recovery	(1,719)
(1,500)	Stronger Families	(1,545)
(1,611)	Universal Infant School Meals	(1,506)
(1,353)	Unaccompanied Asylum-Seeking Children	(1,246)
(667)	Homelessness	(1,208)
(989)	Family Hubs	(1,063)
(1,761)	UK Shared Prosperity Fund	(909)
(902)	Holiday Activity Fund	(889)
(1,140)	Adoption Support Fund	(876)
0	Extended Producer Responsibility Grant	(648)
(657)	Benefit Verification Framework / Fraud Incentive / Tax Credits	(647)
(712)	PE and Sports	(636)
(103)	Liverpool City Region Combined Authority	(620)
(799)	Basic Need	(522)
(464)	Youth Justice Board	(471)
(478)	Wraparound Childcare Programme	(470)
(391)	Housing Benefits Discretionary Housing Payments	(391)
(444)	Homes for Ukraine and Ukraine Education Grants	(310)
0	Local Youth Transformation Pilot	(307)
(219)	Stop Smoking Services and Support Grant	(297)
0	Food Waste Transitional Resource Grant	(266)
(513)	ESFA Schools Support	(91)
(110)	Ministry of Justice Turnaround Programme	(77)
(1,720)	Teachers' Pension Grant	(23)

Grant Income Credited to Services (Continued)

2024/25 £000		2025/26 £000
(660)	Education Priority Area Funding	0
(2,835)	Adult Social Care Discharge Fund	0
(1,715)	Adult Social Care Discharge Fund	0
(1,344)	Teachers Pay Reform Grant	0
(145)	ADDER Grant	0
(237)	COVID-19 Government Grants	0
(4,699)	Other	(5,835)
(305,618)	Total	(317,027)

The LA Wraparound Childcare Programme and Local Stop Smoking Services Support grant were held within Other in 2024/25.

Grants Receipts in Advance (Revenue Grants) - Current Liabilities

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the giver. The balances at year-end are as follows:

31 March 2025 £000		31 March 2026 £000
0	Capacity Building	(1,967)
(247)	Waste Management Food Grant	(1,404)
(1,304)	Refugee Resettlement Programme Grants	(1,175)
(527)	CSSI Grants	(837)
0	Pride in Place	(730)
(209)	Dedicated Schools Grant	(507)
0	Housing Subsidy Claim	(490)
(378)	Children with a Social Worker Implementation Grant	(430)
(492)	FACE	(378)
(344)	Preventing Homelessness	(372)
0	Children and Families First Grant	(331)
(148)	Liverpool City Region	(279)
(192)	Pupil Premium	(182)
(369)	Supported Accommodation Reforms	(176)
(384)	Ministry of Justice Remand Grant	(172)
0	Families First Partnership Programme	(128)
(312)	Early Help Grant	(122)
(685)	Other	(709)
(5,591)	Total	(10,389)

The Liverpool City Region Grant was held within Other in 2024/25

Grants Receipts in Advance (Capital Grants) - Current Liabilities

31 March 2025 £000		31 March 2026 £000
(2,530)	Levelling Up Fund	(6,580)
0	Active Travel Fund	(844)
(945)	Standards Fund	(787)
(681)	Housing Capital Grants	(762)
(90)	Urban Tree Fund	(441)
0	Energy Solar Partnership	(262)
(7,163)	Liverpool City Region Combined Authority	(198)
(59)	Transport Capital Grant	(69)
(254)	Youth Investment Fund	0
(247)	Other	(241)
(11,969)	Total	(10,184)

The Urban Tree Fund Grant was held within Other in 2024/25.

Note 36 - Related Parties

The Council is required to disclose material transactions with related parties. Related parties are individuals or organisations that have the potential to control or influence the Council or be controlled or influenced by the Council. The following identifies the Council's related party transactions during 2025/26:

Central Government

The Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates and provides funding in the form of grants.

Subsidiary and Associated Companies

On 1 April 2016, the Council created a new organisation (Volair Ltd) to deliver leisure services across the borough. Volair is a wholly owned subsidiary of the Council and a not-for-profit company. The assets, liabilities and cash flows of Volair are not considered material and as such group accounts have not been produced. From April 2016, the income and expenditure relating to leisure services are also not included in the Council's single entity accounts.

During 2025/26 the Council incurred £1.350m of expenditure and received £6.095m of income from Volair (£1.828m of expenditure and £6.521m of income in 2024/25).

The board included one officer; there was also one council Member who expressed an interest. At 31 March 2026 outstanding debtors totalled £0.129m (£0.172m outstanding debtors at 31 March 2025) and creditors totalled £0.638m (£0.511m at 31 March 2025).

Other Public Bodies

- **Knowsley Integrated Care Board**

The Council established a partnership agreement with Knowsley Primary Care Trust during 2004/05 using powers originally under Section 31 of the Health Act 1999 (see Note 30 to the Accounts), and then under Section 75 of the NHS Act 2006. These partnership arrangements remained in place until the abolition of the Primary Care Trust on 31st March 2013. A revised Section 75 Agreement was put in place between the Council and Knowsley Clinical Commissioning Group with effect from 1 April 2013 and was subject to annual revision and update to reflect changes such as the inclusion of the Better Care Fund and Improved Better Care Fund.

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

- **Pension Fund**

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

- **Livv Housing Trust**

The Council incurred £0.679m of expenditure and received £1.492m of income (£1.611m of expenditure and £1.313m of income in 2024/25).

There was one member who expressed an interest in Livv Housing Trust. At 31 March 2026 there were no outstanding debtors (no debtors at 31 March 2025) and no outstanding creditors (£0.082m creditors at 31 March 2025).

Transactions relating to Other Bodies also included:

- **Merseytravel**

The Council incurred £0.039m of expenditure and received £0.234m of income (£0.241m of expenditure and received £0.100m of income in 2024/25).

There were no expressions of interest in Merseytravel. At 31 March 2026 there were no outstanding debtors (no debtors at 31 March 2025) and no outstanding creditors (no creditors at 31 March 2025).

- **Police and Crime Commissioner for Merseyside**

The Council incurred £0.155m of expenditure and received £0.370m of income (£0.098m of expenditure and received £0.130m of income in 2024/25).

There was one member who expressed an interest in the Police and Crime Commissioner for Merseyside. At 31 March 2026 outstanding debtors totalled £0.032m (£0.031m at 31 March 2025) and no outstanding creditors (£0.014m at 31 March 2025).

- **Merseyside Fire Authority**

The Council incurred £0.022m of expenditure and received £0.011m of income (£0.012m of expenditure and £0.002m of income in 2024/25).

The Board included two Council Members out of the three who expressed an interest. At 31 March 2026 there were no outstanding debtors (no debtors at 31 March 2025) and no creditors (no creditors at 31 March 2025).

- **Liverpool City Region Combined Authority**

The Council incurred £0.337m expenditure as well as the Levy and £0.101m of income (apart from the Levy, there were £0.004m of expenditure and £0.018m of income in 2024/25).

The Board includes two Council Members out of the 18 Members who have expressed an interest. At 31 March 2026 outstanding debtors totalled £0.532m (£0.450m at 31 March 2025) and creditors totalled £0.505m (£1.951m creditors at 31 March 2025).

- **Merseyside Recycling and Waste Authority**

The Council incurred no other expenditure apart from the Levy and received £0.414m of income (apart from the Levy, there were no other expenditure transactions and £0.459m income in 2024/25).

The board included one Council Member who expressed an interest. At 31 March 2026 there were no outstanding debtors (no debtors at 31 March 2025) and no creditors (no creditors at 31 March 2025).

- **Wirral MBC**

The Council incurred £0.382m of expenditure and received £0.067m of income in 2025/26 (£0.257m of expenditure and received £0.070m of income 2024/25).

There were no expressions of interest in Wirral MBC. At 31 March 2026 outstanding debtors totalled £0.048m (£0.051m debtors at 31 March 2025) and no creditors (no creditors at 31 March 2025).

- **Shakespeare North Trust**

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

The Council incurred £1.889m of expenditure (£0.917m of expenditure in 2024/25) and received £0.255m of Income (£0.044m of income in 2024/25) relating to Shakespeare North Trust during 2025/26.

There were no expressions of interest in Shakespeare North Trust. At 31 March 2026 outstanding debtors totalled £1.205m (£0.350m debtors at 31 March 2025) and no creditors (no creditors at 31 March 2025).

Members' and Officers' Interests

Members of the Council have direct control over the Council's financial and operational policies. During 2025/26, works and services totalling £21.104m of expenditure and £0.144m of income were commissioned from organisations in which eight Members had an interest. This included £20.982m of expenditure and £0.132m of income to Tarmac that related to highways work and materials. Contracts were entered into in full compliance with the Council's Constitution. Payments and grants totalling £4.674m of expenditure and £1.788m of income were paid and received, to and from housing associations, hospital trusts, and voluntary organisations, in which there were 96 expressions of interest from Members. In all cases, the relevant Members and Officers have declared their interest and taken no part in any prejudicial discussion or decision relating to the transactions.

Note 37 - Capital Expenditure and Capital Financing

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

31 March 2025 £000		31 March 2026 £000
280,310	Opening Capital Financing Requirement	284,795
7,954	Opening Balance Adjustment on transition to IFRS 16	74
288,264	Revised Opening Capital Financing Requirement	284,869
	Capital Investment:	
15,127	Property Plant and Equipment	18,124
16,816	Infrastructure Assets	22,528
1,011	Investment Property	793
151	Intangible Assets	209
21	Heritage Assets	35
8,193	Revenue Expenditure Funded from Capital Under Statute	6,650
41,319	Total Capital Spending	48,339
	Sources of Finance:	
(798)	Capital receipts	(4,735)
(34,045)	Government Grants and other contributions	(41,038)
(21)	Finance Lease Arrangements	0
	Sums set aside from revenue:	
(3,695)	- Direct revenue contributions	(906)
(6,229)	- Minimum revenue provision	(6,462)
(44,788)	Total Sources of Finance	(53,141)
284,795	Closing Capital Financing Requirement	280,067

Explanation of movements in year

31 March 2025 £000		31 March 2026 £000
(3,469)	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(4,802)
0	Assets acquired under Finance Lease	(988)
(3,469)	Increase/(decrease) in Capital Financing Requirement	(5,790)

Note 38 - Leases

Right of Use Assets

In 2024/25, the authority applied IFRS 16 Leases as required by the Code of Practice for Local Authority Accounting in the United Kingdom. The main impact of the new requirements was that for arrangements previously accounted for as operating leases (ie without recognising the leased property as an asset and future rents as a liability) a right-of-use asset and a lease liability were brought into the Balance Sheet at 1 April 2024. Leases for items of low value and leases that expire on or before 31 March 2025 were exempt from the new arrangements.

IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right-of-use assets and lease liabilities have been calculated as if IFRS 16 had always applied but recognised in 2024/25 and not by adjusting prior year figures.

However, some practical expedients were applied as required or permitted by the Code:

- lease liabilities are measured at the present value of the remaining lease payments at 1 April 2024, discounted by the authority's incremental borrowing rate at that date;
- a single discount rate has been applied to portfolios of leases with reasonably similar characteristics;
- the weighted average of the incremental borrowing rates used to discount liabilities was 4.75%;
- right-of-use assets are measured at the amount of the lease liability, adjusted for any prepaid or accrued lease payments that were in the balance sheet on 31 March 2024 – any initial direct costs have been excluded.

The Council has decided to apply recognition exemptions to short-term leases and has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a term of 12 months or less and leases of low value assets (£10,000). The Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2024/25 £000		2025/26 £000
(4,090)	Value at 1 April	(3,707)
0	Opening Balance Adjustment	(122)
(20)	Additions during the year	(290)
403	Principal repaid in year	446
(3,707)	Value at 31 March	(3,673)
	Categorised as:	
(3,686)	Other Land and Buildings	(3,673)
(21)	Vehicles, plant and equipment	0
(3,707)	Value at 31 March	(3,673)

2024/25 £000		2025/26 £000
	Lease Liabilities Maturity Profile	
(568)	Within one year	(601)
(529)	Between one and two years	(574)
(1,432)	Between two and five years	(1,978)
(2,394)	Over five years	(1,569)
(4,923)	Total Liabilities	(4,722)

The amount charged to the Comprehensive Income and Expenditure Statement amounted to £0.183m in 2025/26 (£0.181m in 2024/25) and related to interest expense on the lease liabilities.

Council as Lessor

The Council leases out property under operating and finance leases. The lease receivables are due to be collected over the following time bands (measured at the undiscounted amounts of expected cash receipts).

	Finance Lease		Operating Lease	
	31 March 2025 £000	31 March 2026 £000	31 March 2025 £000	31 March 2026 £000
Within one year	2	2	240	240
One to two years	2	2	215	240
Between 2 and 5 years	7	7	625	711
Over 5 years	2,144	2,306	19,187	21,115
	2,156	2,318	20,268	22,306

Note 39 - Service Concession Arrangements

The Council currently has two Private Finance Initiative schemes in operation, the first relating to the provision of Centres for Learning, and the second for the provision of street lighting services.

Movement in PFI Assets

2025/26	Centres for Learning £000	Street Lighting £000	Total £000
Cost or Valuation			
at 1 April 2025	67,384	33,069	100,453
Additions	17	0	17
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,403	0	2,403
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0
Other Movements in cost or valuation	(2,017)	852	(1,165)
at 31 March 2026	67,787	33,921	101,708
Accumulated Depreciation and Impairment			
at 1 April 2025	(500)	(7,118)	(7,618)
Depreciation charge	(1,318)	(680)	(1,998)
Other Movements in depreciation and impairment	1,818	0	1,818
at 31 March 2026	0	(7,798)	(7,798)
Net Book Value			
at 31 March 2026	67,787	26,123	93,910
at 1 April 2025	66,884	25,951	92,835

2024/25	Centres for Learning £000	Street Lighting £000	Total £000
Cost or Valuation			
at 1 April 2024	63,305	29,209	92,514
IFRS 16 adjustment on transition	0	3,096	3,096
Additions	9	0	9
Revaluation increases/(decreases) recognised in the Revaluation Reserve	6,131	0	6,131
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	92	0	92
Other Movements in cost or valuation	(2,153)	764	(1,389)
at 31 March 2025	67,384	33,069	100,453
Accumulated Depreciation and Impairment			
at 1 April 2024	(1,332)	(6,534)	(7,866)
Depreciation charge	(1,166)	(584)	(1,750)
Other Movements in depreciation and impairment	1,998	0	1,998
at 31 March 2025	(500)	(7,118)	(7,618)
Net Book Value			
at 31 March 2025	66,884	25,951	92,835
at 1 April 2024	61,973	22,675	84,648

a) Centres for Learning / Primary Learning Centre

On 13 December 2007, the Council entered into a Private Finance Initiative (PFI) arrangement with Transform Schools for the provision of seven Centres for Learning. The contract includes Hard Facilities Management for a period of 25 years from service commencement, with a contract expiry date of 31 August 2034.

On 19 May 2011, the PFI arrangement with Transform Schools was amended to incorporate the new Special Educational Needs School at Bluebell Park in respect of the building works and ongoing services. The Hard Facilities Management Services will be provided by the PFI Contractor from the opening of the school on 1 September 2012 until the expiry of the contract on 31 August 2034.

Four of the total seven Centres for Learning were Council owned and these Centres were included in the Council's Balance Sheet. However, during 2013/14 three of these Centres for Learning transferred to Academy status and the Council treated this transfer as a disposal for nil consideration on the Balance Sheet. The Centres for Learning that are Voluntary Aided have not been included on the Council's Balance Sheet on the basis that Liverpool Archdiocese has legal ownership of the land and of the residual interest at the end of the agreement. Bluebell Park Primary Learning Centre is Council owned and therefore the fixed asset figures are included in the Balance Sheet.

b) Street Lighting

During 2011/12, the Council entered into a Private Finance Initiative scheme with Tay Valley Lighting to deliver street lighting and traffic sign services for a 25-year period. The scheme includes the replacement of over 70% of the stock with a new white light solution enabling the Council where appropriate, to dim and trim the lighting across the borough in order to reduce the CO2 emissions and the levels of electricity consumed.

Value of liabilities under PFI arrangements

As well as assets being held on the Balance Sheet the Council also has to include the outstanding liability to Transform Schools for the Centres for Learning and Tay Valley Lighting for Street Lighting. This liability is split between long and short-term liabilities on the Balance Sheet and comprises the following figures.

Movement in PFI Liabilities

2025/26	Centres for Learning £000	Street Lighting £000	Total £000
Balance outstanding at start of year	(70,361)	(26,221)	(96,582)
Payments during the year	5,860	1,862	7,722
Lease Remeasurement in year	200	(853)	(653)
Balance outstanding at year-end	(64,301)	(25,212)	(89,513)

2024/25	Centres for Learning £000	Street Lighting £000	Total £000
Balance outstanding at start of year	(77,155)	(24,047)	(101,202)
IFRS 16 Adjustment on Transition	(121)	(3,096)	(3,217)
Payments during the year	6,759	1,686	8,445
Lease Remeasurement in year	156	(764)	(608)
Balance outstanding at year-end	(70,361)	(26,221)	(96,582)

Payments due under PFI schemes 2025/26

Reimbursement of Capital Expenditure	Centres for Learning £000	Street Lighting £000	Total £000
Payable within one year	6,530	1,148	7,678
Payable within two to five years	29,795	5,763	35,558
Payable within six to ten years	27,976	16,399	44,375
Payable within eleven to fifteen years	0	1,902	1,902
Total	64,301	25,212	89,513

Interest Payments	Centres for Learning £000	Street Lighting £000	Total £000
Payable within one year	5,326	1,815	7,141
Payable within two to five years	14,855	6,276	21,131
Payable within six to ten years	4,620	4,111	8,731
Payable within eleven to fifteen years	0	35	35
Total	24,801	12,237	37,038

Payment for Services	Centres for Learning £000	Street Lighting £000	Total £000
Payable within one year	8,938	3,388	12,326
Payable within two to five years	40,836	14,994	55,830
Payable within six to ten years	43,590	16,600	60,190
Payable within eleven to fifteen years	0	1,427	1,427
Total	93,364	36,409	129,773

Payments due under PFI schemes 2024/25

Reimbursement of Capital Expenditure	Centres for Learning £000	Street Lighting £000	Total £000
Payable within one year	6,002	1,805	7,807
Payable within two to five years	29,219	6,778	35,997
Payable within six to ten years	35,140	12,924	48,064
Payable within eleven to fifteen years	0	4,714	4,714
Total	70,361	26,221	96,582

Interest Payments	Centres for Learning £000	Street Lighting £000	Total £000
Payable within one year	5,834	1,886	7,720
Payable within two to five years	17,474	6,266	23,740
Payable within six to ten years	7,368	4,506	11,874
Payable within eleven to fifteen years	0	250	250
Total	30,676	12,908	43,584

Payment for Services	Centres for Learning £000	Street Lighting £000	Total £000
Payable within one year	8,653	2,445	11,098
Payable within two to five years	37,497	12,279	49,776
Payable within six to ten years	54,966	16,046	71,012
Payable within eleven to fifteen years	0	4,322	4,322
Total	101,116	35,092	136,208

Note 40 - Termination Benefits

The Council terminated the contracts of 5 employees during 2025/26, incurring liabilities of £0.053m (9 employees costing £0.155m in 2025/26). See Note 32c for the number of exit packages and total cost per band.

Note 41 - Pension Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers Pensions Scheme, administered by the Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the cost by making contributions based on a percentage of the members' pensionable salaries. The scheme is a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of the Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The total contributions made to the Teachers Pensions Scheme by the Council in the year to 31 March 2026 was £1.176m (£1.152m in 2024/25).

The total contributions expected to be made to the Teachers Pensions Scheme by the Council in the year to 31 March 2027 is £1.197m.

NHS Pension Scheme

From 1 April 2013, Public Health responsibilities transferred from primary care trusts to local authorities. NHS staff have also transferred to the Council who have maintained their membership in the NHS Pension Scheme. The Scheme provides specified benefits and the Council contributes towards the cost by making contributions based on a percentage of the members' pensionable salaries. The scheme is an unfunded defined benefit scheme but the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of the Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2025/26 the Council paid £0.102m to the NHS Pension Scheme (£0.084m in 2024/25).

Note 42 - Defined Benefit Pension Scheme

Local Government Pension Scheme

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The Council participates in the Local Government Pension Scheme, which is administered by the Merseyside Pension Fund – this is a defined benefit scheme where the Council and employees pay contributions to the fund, calculated at a level intended to balance the pension's liabilities with investment assets.

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

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

The transactions that are included in the 2025/26 Comprehensive Income and Expenditure Statement in respect of the Council's pension scheme are set out in the following table, based upon information provided to the Council by the Pension Fund's independent actuary. The cost of retirement benefits is shown in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge to be met in the year is based on the amounts set by the Pension Fund, so the real cost of accrued retirement benefits is reversed out of the accounts as indicated in the Movement in Reserves Statement.

The overall net liability for retirement benefits has decreased marginally over the twelve-month period to 31 March 2026. This relatively small reduction is due a variety of factors, including an increase in the discount rate used by the Fund's actuaries to estimate the current value of future pension liabilities. The discount rate is linked to interest rates, so that as interest rates rise the actuary assumes a higher rate of return on the Fund's assets – which means that the current value of the Fund's liabilities reduces.

The total contributions made to the Merseyside Pension Fund by the Council in the year to 31 March 2026 was £20.664m (£19.355m in 2024/25).

The total contributions expected to be made to the Merseyside Pension Fund by the Council in the year to 31 March 2027 is £12.655m.

Mercer Human Resource Consulting, an independent firm of actuaries, have conducted a full valuation of the assets and liabilities of the scheme as at 31 March 2025 which determines the contribution rates that will be payable from April 2026. The Funding level of the pension fund is in a more favourable position at this point in time and contributions to be paid as

determined by the actuary will be approximately £8m lower than in 2025/26 - it is important to note that this does not impact in any way on pension provision of pension fund members.

This is a significant saving to the Council, but it is important to note that contributions may increase at the next valuation. Due to the scale of the reduction, robust governance and monitoring arrangements will be put in place and if it is considered that the Council will need to increase contributions from 2029, then provision will be made in future medium term financial plans.

General Fund Transactions

Comprehensive Income and Expenditure Statement

2024/25				2025/26		
LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000		LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000
18,380	0	18,380	Service cost comprising:	13,181	0	13,181
0	0	0	Current service cost	5	0	5
549	0	549	Past service cost	824	0	824
			Administration expenses			
			Financing and Investment Income and Expenditure:			
(475)	412	(63)	Net interest expense	(7,550)	412	(7,138)
18,454	412	18,866	Total charged to Surplus and Deficit on Provision of Services	6,460	412	6,872

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

2024/25				2025/26		
LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000		LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000
			Remeasurement of the net defined benefit liability comprising:			
10,649	0	10,649	Return on plan assets (excluding the amount included in the net interest expense)	(76,469)	0	(76,469)
(1,032)	0	(1,032)	Actuarial gains and losses - experience	15,137	603	15,740
(2,789)	(49)	(2,838)	Actuarial gains and losses arising on changes in demographic assumptions	(6,973)	(83)	(7,056)
(125,735)	(381)	(126,116)	Actuarial gains and losses arising on changes in financial assumptions	(10,688)	(40)	(10,728)
(118,907)	(430)	(119,337)	Total charged to Other Comprehensive Income and Expenditure Statement	(78,993)	480	(78,513)
(100,453)	(18)	(100,471)	Total charged to the Comprehensive Income and Expenditure Statement	(72,533)	892	(71,641)

Movement in Reserves Statement

2024/25				2025/26		
LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000		LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000
(18,454)	(412)	(18,866)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(6,460)	(412)	(6,872)
			Actual amount charged against the general fund balance for pensions in the year:			
19,355	1,152	20,507	Employers' contributions payable to scheme	20,664	1,176	21,840
901	740	1,641	Total amount shown in the Movement in Reserves Statement	14,204	764	14,968

Pensions Assets and Liabilities Recognised in the Balance Sheet

2024/25				2025/26		
LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000		LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000
(785,023)	(7,819)	(792,842)	Present value of the defined obligation – funded	(807,906)	(7,535)	(815,441)
(13,951)	0	(13,951)	Present value of the defined obligation – unfunded	(13,567)	0	(13,567)
918,789	0	918,789	Fair value of plan assets	1,034,485	0	1,034,485
(133,766)	0	(133,766)	Asset Ceiling Adjustment	(226,579)	0	(226,579)
(13,951)	(7,819)	(21,770)	Net (liability) / asset arising from the defined benefit obligation	(13,567)	(7,535)	(21,102)

Asset Ceiling

Following the pensions valuation by the Councils actuary, the Council determined that the fair value of its pension plan assets outweighed the present value of the plan obligations at 31 March 2026. IAS 19 Employee Benefits requires that, where a pension plan asset exists, it is measured at the lower of:

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

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

Movement in the Value of Scheme Assets

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

2024/25 £000		2025/26 £000
901,782	Opening fair value of scheme assets	918,789
43,805	Interest income	52,917
	Remeasurement gain / (loss):	
(10,649)	- The return on plan assets, excluding the amount included in the net interest expense	76,469
19,355	Contributions from employer	20,664
7,075	Contributions from employees into the scheme	7,667
(42,030)	Benefits / transfers paid	(41,197)
(549)	Administration expenses	(824)
918,789	Closing value of scheme assets	1,034,485

LGPS - Pension Scheme - Assets comprised of:

31 March 2025				31 March 2026		
Quoted £000	Unquoted £000	Total £000		Quoted £000	Unquoted £000	Total £000
			Equities			
117,910	2,519	120,429	UK	115,242	2,690	117,932
234,207	147,135	381,342	Global	254,380	165,931	420,311
352,117	149,654	501,771	Subtotal Equities	369,622	168,621	538,243
			Bonds			
9,743	0	9,743	UK Government	21,724	0	21,724
5,451	0	5,451	UK Corporate	12,103	0	12,103
23,520	0	23,520	UK Index Linked	52,759	0	52,759
5,279	0	5,279	Overseas Corporate	12,207	0	12,207
0	4,434	4,434	Derivative Contracts	(310)	0	(310)
4,233	0	4,233	Overseas Government	15,000	0	15,000
43	0	43	Collateralized Bonds	0	0	0
48,269	4,434	52,703	Subtotal Bonds	113,483	0	113,483
			Property			
9,356	0	9,356	Property Loans	15,828	0	15,828
0	40,009	40,009	UK Direct Property	0	37,345	37,345
907	23,280	24,187	UK Property Managed	414	23,483	23,897
0	25,597	25,597	Global Property Managed	0	21,414	21,414
10,263	88,886	99,149	Subtotal Property	16,242	82,242	98,484
			Alternatives			
0	48,676	48,676	UK Private Equity	0	48,828	48,828
605	38,598	39,203	Global Private Equity	931	31,552	32,483
0	101	101	Other Alternatives UK	0	103	103
0	24,388	24,388	Other Alternatives Global	0	23,172	23,172
0	28,822	28,822	Global Infrastructure	0	31,345	31,345
0	51,699	51,699	UK Infrastructure	0	49,655	49,655
0	12,900	12,900	UK Opportunities	0	14,069	14,069
1,411	36,683	38,094	Global Opportunities	724	31,448	32,172
0	3,830	3,830	Global Multi Asset	0	0	0
4,837	0	4,837	Global Goodhart	0	4,759	4,759
6,853	245,697	252,550	Subtotal Alternatives	1,655	234,931	236,586
12,616	0	12,616	Cash and cash equivalents	47,689	0	47,689
430,118	488,671	918,789	Total Assets	548,691	485,794	1,034,485

Movements in the Fair Value of Scheme Liabilities

2024/25				2025/26		
LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000		LGPS £000	Teachers Additional Unfunded Pensions £000	Total £000
(901,775)	(8,989)	(910,764)	Opening balance at 1 April	(798,974)	(7,819)	(806,793)
(18,380)	0	(18,380)	Current service cost	(13,181)	0	(13,181)
(43,330)	(412)	(43,742)	Interest cost	(45,367)	(412)	(45,779)
(7,075)	0	(7,075)	Contributions from scheme participants	(7,667)	0	(7,667)
			Remeasurement gains and losses:			
1,032	0	1,032	- Actuarial gains / (losses) - experience	(15,137)	(603)	(15,740)
2,789	49	2,838	- Actuarial gains / (losses) from changes in demographic assumptions	6,973	83	7,056
125,735	381	126,116	- Actuarial gains / (losses) from changes in financial assumptions	10,688	40	10,728
0	0	0	Past service cost	(5)	0	(5)
42,030	1,152	43,182	Benefits / transfers paid	41,197	1,176	42,373
(798,974)	(7,819)	(806,793)	Balance as at 31 March	(821,473)	(7,535)	(829,008)

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Teachers' Pension Scheme Unfunded Liabilities have been estimated by Mercer Human Resource Consulting, an independent firm of actuaries, estimates being based on the latest full actuarial valuation of the scheme as at 31 March 2022.

The significant assumptions used by the actuary have been:

2024/25	Local Government Pension Scheme	2025/26
	Mortality assumptions	
	Longevity at retirement for current pensioners	
20.8	Men	20.6
23.5	Women	23.3
	Longevity at retirement for future pensioners	
22.1	Men	21.8
25.2	Women	24.8
	Other assumptions	
2.6%	Rate of inflation	2.9%
4.1%	Rate of increase in salaries	4.4%
2.7%	Rate of increase in pensions	3.0%
5.8%	Rate for discounting scheme liabilities	6.2%

2024/25	Teachers Additional Unfunded Pensions	2025/26
	Mortality assumptions	
	Longevity at retirement for current pensioners aged 65	
20.8	Men	20.6
23.5	Women	23.3
	Longevity at retirement for current pensioners aged 75	
12.5	Men	12.3
14.5	Women	14.4
	Other assumptions	
2.7%	Rate of inflation	2.9%
2.8%	Rate of increase in pensions	3.0%
5.7%	Rate for discounting scheme liabilities	6.0%

Impact of assumptions on the obligation:

Increase by 0.1% (Gain) or Loss Assumption	LGPS £000	Teachers Additional Unfunded Pensions £000
Longevity	17,192	375
Rate of inflation	10,255	39
Rate of increase in salaries	1,391	0
Rate for discounting scheme liabilities	(9,794)	(38)

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 17 years. Funding levels are monitored on an annual basis.

The total contributions expected to be made to the Merseyside Pension Fund by the Council in the year to 31 March 2027 is £12.655m.

The weighted average duration of the defined benefit obligation for Local Government Pension Scheme members is 13 years in 2025/26 (17 years in 2024/25). The weighted average duration for former teachers receiving additional unfunded pensions is 6 years in 2025/26 (6 years in 2024/25).

Note 43 – Nature and Extent of Risks Arising from Financial Instruments

The Council complies with CIPFA’s Code of Practice on Treasury Management and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in December 2021).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Department for Levelling Up Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council’s Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- Credit risk – the possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing loss to the Council;
- Liquidity risk – the possibility that the Council might not have cash available to make contracted payments on time; and
- Market risk – the possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit risk

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

31 March 2025 £000	Exposure Category	31 March 2026 £000
20,182	Treasury investment	26,738
48,546	Trade and other receivables	44,068
235	Service Investments: loans	235
68,963	Total Credit Risk exposure	71,041

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council’s customers. The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other Local Authorities, Police and Crime Commissioners and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

The Council’s policy is to ensure that high investment rates are not secured at the expense of unacceptable credit risk, by capping its exposure to financial institutions and placing limits on investments with counterparties (other than the UK Government). As many separate institutions increasingly fall under a single group umbrella, where one banking licence is held

by a parent company, the Council also sets group limits in order to minimise its counterparty risk to a single banking group.

The Council is alerted to changes in credit ratings through the use of its advisor's creditworthiness service. If a downgrade results in the counterparty or investment scheme no longer meeting the Council's minimum criteria for that class of investment, its further use as a new investment is immediately restricted to a lesser category or, if necessary, withdrawn completely until such a time as the counterparty's financial standing improves again.

The Council's maximum exposure to credit risk in relation to its investments of £51.094m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2026 that this was likely to happen.

The following table summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity. This table also includes credit risk exposure of £0.235m for non-Treasury Management service investments:

31 March 2025			31 March 2026	
Long Term £000	Short Term and Cash Equivalents £000	Credit Rating	Long Term £000	Short Term and Cash Equivalents £000
0	20,178	AAA	0	26,735
0	0	A+	0	0
0	1	A-	0	0
3	0	UK Government AA-	3	0
235	0	UK Credit Union	235	0
0	0	Unrated Local Authority	0	0
238	20,179	Total Credit Risk Exposure of Investments	238	26,735
25,544	221	Credit Risk not applicable *	23,826	295
25,782	20,400	Total Treasury Investments	24,064	27,030

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

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

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

There were no instances of counterparties failing to meet contractual obligations in relation to investments maturing during the financial year; and the Council does not expect any future losses from non-performance by any of its counterparties in relation to investments outstanding at the balance sheet date. The expected credit loss calculation for investments is based on historical default data published by credit rating agencies, multiplied by 110% to adjust for current and forecast economic conditions. This was calculated as very close to 0 and therefore not a material figure requiring disclosure.

Estimated maximum exposure to default 31 March 2025 £000		Balance Sheet 31 March 2026 £000	Total credit risk exposure 31 March 2026 £000	Expected credit loss 31 March 2026 £000	Estimated Maximum Exposure to default 31 March 2026 £000
0	Total Investments	51,094	26,973	0	0
0	Employee Related Debtors	775	775	0	0
36,593	Trade and Other Debtors	43,293	42,711	(6,067)	36,644
36,593	Total	95,162	70,459	(6,067)	36,644

Only receivables meeting the definition of a financial asset are included in this table. The adjusted credit risk exposure therefore differs to the balance sheet figures by excluding debtor related services covered by statute and those that are not contractually based where the credit risk is deemed minimal.

Employee related debtors e.g., car loans and salary sacrifice schemes are recovered through automatic salary deductions, thereby eliminating any risk of default. If an employee leaves the Council and has debt outstanding, the credit risk is transferred to other entities and individuals.

On 31 March 2026 £10.512m of the total sundry debtor balance outstanding is past its due date for payment. The past due amount can be analysed by age as follows:

31 March 2025		31 March 2026
£000		£000
525	Less than one month	1,576
1,280	one to six months	1,963
672	Six months to one year	839
5,571	More than one year	6,134
8,048	Total	10,512

The Council has a clearly documented credit policy setting out the Council-wide responsibilities to minimise the risk to the Council of income that cannot be collected or is difficult to collect. Debt is managed centrally with system-based recovery routines and overdue letter cycles. All available recovery methods are utilised including telephone collection, external collection agents, bankruptcy and charging orders where appropriate.

A comprehensive analysis of all outstanding debt is undertaken, and collection performance monitored and reported to senior management on a monthly basis throughout the year.

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. In addition to maintaining liquid balances that can be drawn upon as required, the Council has ready access to borrowings from the Public Works Loans Board, other local authorities and commercial lenders. Therefore, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, there is a risk that the Council will be bound to replenish a significant proportion of its longer-term debt portfolio at a time of unfavourable interest rates. The strategy is therefore to keep the upper limit of fixed rate borrowing to mature in each period as shown in the following table:

Liquidity Risk

2025/26	Upper Limit of Fixed rate Borrowing to mature in each period	Public Works Loan Board Maturity at 31 March £000	Lender Offer Borrower Option Maturity at 31 March £000	Long Term Loans at 31 March £000	Other Loans Maturity at 31 March £000	Total Maturity at 31 March £000	Actual % Maturity of Fixed rate Borrowing at 31 March
Under 12 months	50%	17,980	0	104	384	18,468	14%
1-2 years	50%	7,912	0	0	384	8,296	6%
2-5 years	50%	3,574	0	0	171	3,745	3%
5-10 years	80%	5,736	0	0	0	5,736	5%
10 years and above	100%	90,710	0	6,300	0	97,010	72%
		125,912	0	6,404	939	133,255	

2024/25	Upper Limit of Fixed rate Borrowing to mature in each period	Public Works Loan Board Maturity at 31 March £000	Lender Offer Borrower Option Maturity at 31 March £000	Long Term Loans at 31 March £000	Other Loans Maturity at 31 March £000	Total Maturity at 31 March £000	Actual % Maturity of Fixed rate Borrowing at 31 March
Under 12 months	50%	2,666	6,077	106	1,391	10,240	8%
1-2 years	50%	10,000	0	0	384	10,384	8%
2-5 years	50%	2,486	0	0	555	3,041	2%
5-10 years	80%	5,736	0	0	0	5,736	5%
10 years and above	100%	90,709	0	6,300	0	97,009	77%
		111,597	6,077	6,406	2,330	126,410	

The Council held £6.077m of “Lender’s offer, borrower’s option” (LOBO) loans at 31 March 2025 where the lender had the option to propose an increase in the rate payable once the loan fell out of the fixed rate period and became “callable” on a semi-annual basis. The £6.077m LOBO was called during 2025/26 and repaid in full.

Through a combination of careful planning of new loans taken out and making early repayments where it is economic to do so, the Council ensures that prudential targets are achieved. All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise;
- borrowings at fixed rates – the fair value of the liabilities will fall;
- investments at variable rates – the interest income will rise;
- Investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost are not carried on the Balance Sheet at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. Changes in interest payable and receivable on variable rate borrowings and investments would be posted to the Surplus or Deficit on the Provision of Services. However, the Council did not hold any variable rate borrowing as at 31 March 2026. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The Council has a number of strategies for managing interest rate risk. The treasury management strategy is to aim to keep a maximum of 50% of borrowings in variable rate loans. At 31 March 2026, the Council had no exposure to variable rate borrowing. The treasury management team receives professional advice and has a strategy for assessing interest rate exposure that feeds into the setting of the annual budget, and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

If all interest rates had been 1% higher on 31 March 2026 with all other variables held constant, the financial effect would be a decrease in fair value of fixed rate borrowings liabilities of £10.191m (no impact on Comprehensive Income and Expenditure).

The impact of a 1% fall in interest rates would be an increase in fair value of fixed rate borrowings liabilities of £12.559m (no impact on Comprehensive Income and Expenditure).

Currency Exchange Risk

On the balance sheet date, the Council held no financial assets denominated in foreign currencies. The Council is not exposed to any significant risk of adverse movements in the currency exchange rate.

Price risk

The market prices of the Council’s fixed units in pooled funds are governed by prevailing interest rates and the market risk associated with instruments is managed alongside interest rate risk.

The Council’s investment in a pooled property fund is subject to the risk of falling commercial property prices. The risk is limited by the Council’s maximum exposure to property investments of £7m.

The Council’s investment in pooled equity funds is subject to the risk of falling share prices. The risk is limited by the Councils maximum exposure to equity investments of £17m.

The Council’s investment in a real estate investment trust (REIT) is subject to the risk of falling residential property prices. This risk is limited by the Council’s maximum exposure to REITs of £2m. A 5% fall in residential property prices at 31 March 2026 would result in a £0.100m charge to Other Comprehensive Income and Expenditure which would be reflected in the Financial Instruments Revaluation Reserve.

Note 44 - Trust Funds

2024/25	Fund	2025/26
Capital Value of Fund £000		Capital Value of Fund £000
830	King George V Playing Fields	830
41	Mayor’s Charity	34
33	Other	34
904		898

The Council administers the King George V Playing Fields Trust Fund as sole trustee. This trust fund is a permanent Endowment from the sale of land left to KMBC from benefactors.

The Council also administers the Mayor’s Charity. This fund was established in 1975 to raise funds for charitable purposes in the borough as the trustees see fit.

Note 45 – Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority 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 with sufficient reliability.

The Council has identified a possible obligation in respect of equal pay claims arising from historic Task and Finish arrangements. Under such arrangements, employees are paid on completion of tasks rather than hours worked, which can at times result in a higher effective hourly rate compared to other employees on the same grade, creating potential equal pay comparators. Whilst no claims had been received at 31 March 2026 a number of claims have subsequently been received.

At the balance sheet date, there remains significant uncertainty regarding the likelihood of a transfer of economic benefits and any potential obligation. Accordingly, no provision has been recognised in the Statement of Accounts as the recognition criteria under International Accounting Standard 37 have not been met. This matter is therefore disclosed as a contingent liability as it represents a possible obligation whose existence and financial impact will be confirmed by future events.

Note 46 – Contingent Assets

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

As part of the Local Government Finance Settlement in February 2026 the Government announced that it will provide a recovery grant for councils to pay off 90% of their cumulative Dedicated Schools Grant deficits at 31 March 2026. This is subject to each local authority submitting and securing the Department for Education's approval of a local SEND reform plan. For Knowsley this would equate to a grant of £39.409m. For deficits that arise in 2026/27 and 2027/28, there is expected to be additional financial support although the details of this have not yet been confirmed. From 2028/29, SEND spending will be covered by central government and Councils will not be expected to fund future deficits from their own resources.

Collection Fund

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to precepting authorities and the Government of council tax and business rates. The Council's share of the relevant Collection Fund balances are included in the Council's Balance Sheet.

31 March 2025			Collection Fund	31 March 2026		
Business Rates £000	Council Tax £000	Total £000		Business Rates £000	Council Tax £000	Total £000
0	(91,177)	(91,177)	INCOME:			
(60,655)	0	(60,655)	Council Tax Receivable	0	(97,052)	(97,052)
(1,185)	0	(1,185)	Business Rates Receivable	(59,978)	0	(59,978)
			Transitional Protection Receivable	(256)	0	(256)
(61,840)	(91,177)	(153,017)	Total amounts to be credited	(60,234)	(97,052)	(157,286)
			EXPENDITURE:			
			Apportionment of Previous Year's Estimated Surplus/(Deficit):			
2,672	(57)	2,615	Knowsley MBC	8,983	0	8,983
27	(3)	24	Merseyside Fire and Rescue Authority	91	0	91
0	(8)	(8)	Police and Crime Commissioner for Merseyside	0	0	0
0	(1)	(1)	Liverpool City Region Metro Mayor	0	0	0
			Precepts, demands and shares:			
54,260	73,252	127,512	Knowsley MBC	57,152	78,169	135,321
548	3,555	4,103	Merseyside Fire and Rescue Authority	577	3,815	4,392
0	10,323	10,323	Police and Crime Commissioner for Merseyside	0	11,058	11,058
0	740	740	Liverpool City Region Metro Mayor	0	951	951
			Charges to Collection Fund:			
0	3,117	3,117	Increase/(decrease) in allowance for impairment	543	2,426	2,969
1,603	0	1,603	Increase/(decrease) in allowance for appeals	1,142	0	1,142
134	0	134	Charge to General Fund for allowable collection costs for non-domestic rates	136	0	136
59,244	90,918	150,162	Total amounts to be debited	68,624	96,419	165,043
(2,596)	(259)	(2,855)	(Surplus)/Deficit arising during the year	8,390	(633)	7,757
(6,480)	259	(6,221)	(Surplus)/Deficit b/f at 1 April	(9,076)	0	(9,076)
(9,076)	0	(9,076)	(Surplus)/Deficit c/f at 31 March	(686)	(633)	(1,319)

Notes to the Collection Fund

Note 1 - Council Tax

Most dwellings within the Borough are subject to council tax and each dwelling is allocated to one of eight bands according to its open market capital value at 1 April 1991. Each band is then converted to a “Band D equivalent” to establish the tax base, with individual charges being calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the tax base.

The tax base for 2025/26 was 39,638 (38,957 in 2024/25). The tax base was approved at the Council meeting on 22 January 2025 and was calculated as follows:

2025/26				
Band	Valuation band limits £	Calculated no of dwellings No	Ratio to band D	Equated No of dwellings No
A	Up to and including - 40,000	38,097	6/9	25,398
B	40,001 - 52,000	15,267	7/9	11,874
C	52,001 - 68,000	10,604	8/9	9,426
D	68,001 - 88,000	4,972	9/9	4,972
E	88,001 - 120,000	2,066	11/9	2,525
F	120,001 - 160,000	331	13/9	478
G	160,001 - 320,000	130	15/9	217
H	More than - 320,001	17	18/9	34
		71,484		54,924
			Adjustment	(15,286)
		Council Tax Base		39,638

2024/25				
Band	Valuation band limits £	Calculated no of dwellings No	Ratio to band D	Equated No of dwellings No
A	Up to and including - 40,000	37,943	6/9	25,295
B	40,001 - 52,000	15,070	7/9	11,721
C	52,001 - 68,000	10,374	8/9	9,221
D	68,001 - 88,000	4,890	9/9	4,890
E	88,001 - 120,000	1,951	11/9	2,385
F	120,001 - 160,000	326	13/9	471
G	160,001 - 320,000	130	15/9	217
H	More than - 320,001	18	18/9	36
		70,702		54,236
			Adjustment	(15,279)
		Council Tax Base		38,957

Collection Fund surpluses (or deficits) declared by the billing authority in relation to council tax are apportioned (or proportionately charged) to the relevant precepting bodies in the subsequent financial year. For Knowsley, the council tax precepting bodies are the Police and Crime Commissioner for Merseyside (PCCM), the Merseyside Fire and Rescue Authority (MFRA) and the Liverpool City Region Metro Mayor.

The Council has a statutory requirement to prepare an estimate each January of the surplus or deficit on council tax expected to arise at the end of the financial year. In January 2025 it was estimated that there would be a balance on council tax (£0.069m deficit in January 2024) and therefore there would be nothing to distribute to, or recover from, the relevant preceptors in 2025/26.

Note 2 - Business Rates

The Council collects business rates for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. For 2025/26 the total rateable value at the year end is £130.6m (£130.8m in 2024/25). The national multipliers for 2025/26 were 49.9p for qualifying small businesses, with the standard multiplier being 55.5p for all other businesses (49.9p and 54.6p respectively in 2024/25).

Under the Business Rates Retention Pilot Scheme, introduced across the Liverpool City Region in 2017/18, Knowsley retains 99% of its collectable business rates with the remaining 1% being paid to the Merseyside Fire and Rescue Authority (MFRA).

The business rates shares payable for 2025/26 were estimated before the start of the financial year as £57.151m to Knowsley and £0.577m to MFRA. These sums have been paid in 2025/26 and charged to the Collection Fund in year. The actual net income from business ratepayers for 2025/26 was £58.413m (£60.103m in 2024/25), which again presents an in-year surplus.

In addition to the local management of business rates, authorities are expected to finance successful appeals made by ratepayers in respect of rateable values as defined by the VOA, and hence business rates outstanding, at 31 March 2026. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion to the precepting shares. The total successful prior year appeals awarded and charged to the provision during 2025/26 was £0.673m, with a further increase to the provision of £1.142m charged to the Collection Fund in year, leaving a total of £2.570m at 31 March 2026 to cover future payments for those appeals still pending. Knowsley's 99% share of the provision (£2.545m) is included in its balance sheet.

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

To be inserted following the conclusion of the audit.

Glossary

AAA FITCH RATING

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA FITCH RATING

Very high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A FITCH RATING

High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed.

AMORTISATION

A charge to the comprehensive income and expenditure statement which spreads the cost of an intangible asset over a number of years in line with the Council's accounting policies.

ASSET

An item having value to the authority in monetary terms. Assets are categorised as either current or non-current:

- A current asset will be consumed or cease to have material value within the next financial year (e.g., cash and stock);
- A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g., a community centre, or intangible, e.g., computer software licences.

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

BORROWING

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

CAPITAL ADJUSTMENT ACCOUNT

The Account accumulates (on the debit side) the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The balance on the account thus represents timing differences between the amount of the historical cost of non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME

The capital schemes the Authority intends to carry out over a specific period of time.

CAPITAL RECEIPT

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

CIPFA is the leading professional accountancy body for public services.

CIPFA LASAAC LOCAL AUTHORITY CODE BOARD

This board is responsible for preparing, maintaining, developing and issuing the Code of Practice on Local Authority Accounting for the United Kingdom (the Code). The board is a partnership between CIPFA (England, Northern Ireland and Wales) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC).

COLLECTION FUND

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

COMMUNITY ASSETS

Assets that the Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants, and other income.

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.

CONTINGENT LIABILITY

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CREDITOR

Amount owed by the Authority for work done, goods received, or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

Amount owed to the Authority for works done, goods received, or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEDICATED SCHOOLS GRANT (DSG)

The DSG is a ringfenced grant payable to Local Authorities for the funding of both academies and maintained schools. It can only be used to finance expenditure that is included in the school's budget, as defined in the School Finance and Early Years (England) Regulations 2024. The schools budget includes elements for a range of educational services provided on an Authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each academy and Council maintained school.

DEFERRED CAPITAL RECEIPTS

These represent capital income still to be received after disposals have taken place and wholly consists of principal outstanding from the sale of Council assets.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEFINED CONTRIBUTION PENSION SCHEME

A Defined Contribution Scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions 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 and prior periods.

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DEPRECIATED REPLACEMENT COST (DRC)

A method of valuation that provides a proxy for the market value of specialist assets.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EARMARKED RESERVES

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

EQUITY

The Authority's value of total assets less total liabilities.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

GENERAL FUND

This is the main revenue fund of the Authority and includes the net cost of all services financed by local taxpayers and Government grants.

GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

HERITAGE ASSET

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central government.

IMPAIRMENT

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

INFRASTRUCTURE ASSETS

Fixed assets belonging to the Authority that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

INVESTMENT PROPERTIES

Property, which can be land or a building or part of a building or both, that is held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

LESSOR AND LESSEE

The lessor is the legal owner of the asset or property, and he gives the lessee the right to use or occupy the asset or property for a specific period. Although the lessor retains ownership of the asset, they have reduced rights to the asset during the course of the agreement.

LIABILITY

A liability is where the Authority owes payment to an individual or another organisation:

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g., creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e., their historical costs or current value less the cumulative amounts provided for depreciation.

NET DEBT

The Authority's borrowings less cash and liquid resources.

NON-DOMESTIC RATES (NDR)

The Non-Domestic Rates are a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Authority on behalf of itself, central government and major preceptors. In Scotland it is collected by the Authority on behalf of central government and then redistributed back to support the cost of services.

NON-OPERATIONAL ASSETS

Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE

A lease where the ownership of the fixed asset remains with the lessor.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

OUTTURN

Actual expenditure and income compared to the budget.

PAST SERVICE COST (PENSIONS)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of, the introduction of, or improvement to, retirement benefits.

PENSION ASSET CEILING ADJUSTMENT

The pension asset ceiling adjustment is made to ensure sure that the Council's balance sheet properly reflects how the value of any defined benefit deficit or surplus is affected by the pensions scheme's rules and funding requirements.

PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

POOLED BUDGET

A pooled fund, arising from a Section 75 Agreement between the Council and the ICB, comprising financial contributions from both partners hosted by one of the partners in its bank account.

PRECEPT

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council Tax on their behalf.

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROPERTY, PLANT AND EQUIPMENT (PPE)

PPE are tangible assets (i.e. assets that have physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one year.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

RATEABLE VALUE

The annual assumed rental of a hereditament, which is used for NNDR purposes.

RELATED PARTIES

There is a detailed definition of related parties in FRS 8. For the Council's purposes, related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

REVALUATION RESERVE

The Reserve records the accumulated gains on the non-current assets held by the Authority arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

Expenditure which ordinarily would be revenue but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction.

STOCKS

Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

Funds administered by the Authority for such purposes as prizes, charities, specific projects and on behalf of minors.

USEFUL ECONOMIC LIFE (UEL)

The period over which the Authority will derive benefits from the use of a fixed asset.