



# **Statement of Accounts 2017/18**

**23 July 2018**

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## **NARRATIVE REPORT**

### **1. WIRRAL**

Wirral is a unique place, a combination of beautiful, rural countryside alongside cutting edge technology and advanced manufacturing industries, it has a long and storied history of entrepreneurialism and culture. In a compact peninsula of 60 square miles, the borough has a wealth of parks and countryside and over 20 miles of coastline.

Home to 320,900, Wirral has a relatively high older population and a relatively low proportion of people in their twenties and thirties compared to England and Wales as a whole. The older population (aged 65 years and above) are expected to increase at a faster rate than any other age group over the next decade.

This report provides a short summary of the Council's overall financial and non financial achievements for the year, including the main influences on the accounts, and is set out to assist with the understanding of the accounting statements. Whilst plain language has been used wherever possible, technical language is required in some areas. To assist with understanding of the accounts a glossary of financial terms has been included at the end of the Statement of Accounts.

The Statement of Accounts sets out the financial performance of the Council for the 2017/18 financial year and shows the year-end financial position at 31 March 2018. The Narrative whilst emphasising 2017/18 also covers the ability of the Council to provide sustainable services to meet the needs of local residents and sets out how Wirral works with its local partners to improve the prosperity of the area.

### **2. WIRRAL PLAN: A 2020 VISION REVIEW OF THE YEAR**

In July 2015, Wirral Council unanimously agreed a new plan for the Council (The Wirral Plan), containing '20 Pledges for 2020'. This Plan was subsequently adopted by all partners, who committed for the first time to working together towards a shared set of outcomes and goals. The Wirral Plan is structured around three core themes: People, Environment and Business. The Wirral Plan can be found on our website: [www.wirral.gov.uk/wirralplan](http://www.wirral.gov.uk/wirralplan). This has been further developed by a suite of underpinning strategies which guide and drive the delivery of the Wirral Plan. These strategies are all developed and agreed at a partnership level, with their focus and goals shared by all appropriate agencies in the public, private and third sectors.

The emphasis of the Statement of Accounts which follows this narrative report is upon the financial performance of the Council. This needs to be considered in conjunction with the provision by the Council of a range of services which are in line with both the needs of the local area and our statutory obligations.

Performance this year has been positive, with major progress being made in many areas. Challenges remain, in such areas as children's services in particular, but it is clear that the 20 Pledges are making a positive impact on the lives of Wirral residents.

The Wirral Plan priorities and achievements in 2017/18 have been:

<b>PEOPLE</b>	<b>BUSINESS</b>	<b>ENVIRONMENT</b>
<p><i>Wirral is a place where the vulnerable are safe and protected, every child gets a good start in life and older residents are respected and valued.</i></p>	<p><i>Wirral is a place where employers want to invest and businesses thrive.</i></p>	<p><i>Wirral has an attractive and sustainable environment, where good health and an excellent quality of life is enjoyed by everyone who lives here.</i></p>
<p><b><u>Pledges</u></b></p> <ol style="list-style-type: none"> <li>1. Older people live well.</li> <li>2. Children are ready for school.</li> <li>3. Young people are ready for work and adulthood.</li> <li>4. Vulnerable children reach their full potential.</li> <li>5. Reduce child and family poverty.</li> <li>6. People with disabilities live independently.</li> <li>7. Zero tolerance to domestic violence.</li> </ol>	<p><b><u>Pledges</u></b></p> <ol style="list-style-type: none"> <li>8. Greater job opportunities in Wirral.</li> <li>9. Workforce skills match business need.</li> <li>10. Increase inward investment.</li> <li>11. Thriving small businesses.</li> <li>12. Vibrant tourism economy.</li> <li>13. Transport and technology infrastructure fit for the future.</li> <li>14. Assets and buildings are fit for purpose.</li> </ol>	<p><b><u>Pledges</u></b></p> <ol style="list-style-type: none"> <li>15. Leisure and cultural opportunities for all.</li> <li>16. Wirral residents live healthier lives.</li> <li>17. Community services are joined up and accessible.</li> <li>18. Good quality housing that meets the needs of residents.</li> <li>19. Wirral's neighbourhoods are safe.</li> <li>20. Attractive local environments for Wirral residents.</li> </ol>
<p><b><u>How we performed</u></b></p> <ul style="list-style-type: none"> <li>• 90% of schools rated 'good or outstanding' by Ofsted, well on track to achieving the ambition in the Wirral Plan of every child attending a good school.</li> <li>• 70% of children reaching a good level of development by age 5, the highest-ever level in Wirral and almost the highest in the region.</li> <li>• Wirral Metropolitan College's supported intern scheme continues to go from strength to strength. The college reported some challenges around people who are looked after or in supported living being able to sustain employment after the programme. To date, over 30 organisations have signed up to receive emails targeting protected groups to promote recruitment opportunities.</li> </ul>	<p><b><u>How we performed</u></b></p> <ul style="list-style-type: none"> <li>• We commissioned a £6.5m Ways to Work programme to support residents to access employment opportunities. The Wirral Ways to Work Programme has engaged almost 4,000 residents and supported almost 2,000 into employment or training since its start in April 2016.</li> <li>• Wirral is becoming more entrepreneurial, with the fastest growing Chamber in the UK supporting more than 1,304 new businesses to open their doors since 2015.</li> <li>• We have worked with City Region Partners to produce a City Region Skills Strategy and ensured our local businesses are supported to participate in the provision of workforce training, using our businesses networks to promote national and regional campaigns. This includes the City Region Skills for Growth Service which has registered 245 Wirral businesses, invested over £400k in workplace skills, and trained over 1,400 employees this year.</li> </ul>	<p><b><u>How we performed</u></b></p> <ul style="list-style-type: none"> <li>• A new programme of high-profile, cultural and visitor events has been developed, which includes the Tall Ships in May 2018, the Giants in October 2018 and a fireworks event in November. These events are expected to attract more than 1.5 million visitors to Wirral.</li> <li>• Wirral has created the unique Safer Wirral Hub, which sees council services with responsibility for community safety integrated with Merseyside Police under one leadership structure, providing a better, more targeted service for residents.</li> <li>• A successful application for Salix funding has enabled the Council to begin the process of replacing all 27,000 street lights in the borough with LED bulbs – more energy efficient, cheaper to run, more environmentally friendly.</li> </ul>

Over the three years since the Wirral Plan was agreed the Council has changed significantly and work continues to progress the priorities it contains through the implementation of the 20 pledges. The Wirral partnership is now embedded with integration projects such as the provision of integrated health and social care helping older residents live healthy and independent lives. Further integration is planned in future years for mental health and disability services and the commissioning of services with the Wirral NHS Clinical Commissioning Group.

The Council has also during 2017/18 worked to increase investment in the area through the launch of the Wirral Growth Company and selection of the urban regeneration company Muse as partner. Further work will occur in 2018/19 on the advancement of a number of sites that will, it is planned result in new commercial and residential developments. Following the Ofsted announced in September 2016 of an inadequate rating for Children's Services progress has taken place during the year on implementing the improvement plan. Improvements are taking place and will continue through the coming year with approaches such as early intervention being key to the future shape of Children's Services.

The Council is a member of the Liverpool City Region Combined Authority. The Authority's purpose is to bring about closer partnership working to lead large-scale City-regional strategies on transport, housing, economic development and skills.

### **Political Structure**

Wirral Council is made up of 66 locally elected councillors across 22 electoral wards. The political composition of the Council during 2017/18:

- Labour – 39 seats
- Conservative – 21 seats
- Liberal Democrats – 5 seats
- The Green Party – 1 seat

### **Council Structures and Operating Model**

The Council employs over 3,000 people in full time and part time posts. The Council's workforce generally reflects the population of the residents within Wirral. Led by The Chief Executive and Senior Leadership Team, the Council had the following operational structure during the year:

- Strategic Hub: Delivering Outcomes, with overall accountability for the leadership, direction and effective delivery of the Wirral plan and related delivery strategies.
- Corporate Resources and Reform: Supporting and leading organisational change through the Transformation Office, Finance and Human Resources/Organisational Development.
- Business Services: Enabling the effective and efficient functioning of the Council and the services it commissions through Law, Asset and Digital.
- Delivery: Delivering services, leading on designing, negotiating and implementing appropriate delivery options for a range of services.
- Health and Care: Directing the delivery of and commissioning of adult social care services. This function also has responsibility for development of integrated services with health and other partners.
- Children's Services: Delivers a wide range of specialist and targeted services for children in relation to social care, safeguarding, early help and prevention.

All Council functions work together to forward the themes and pledges set out in Wirral Plan. Further details of the Council's operating model can be found on the Council website:

<http://www.wirral.gov.uk/about-council/contact-us/departments-wirral-council>

### 3. REVIEW OF THE FINANCIAL YEAR

#### REVENUE EXPENDITURE AND INCOME

Revenue expenditure and income generally relates to those items that are used within the year on the provision of services to the people of Wirral. Before the start of the financial year, the Council prepares its annual Budget, which sets out the income and expenditure required during the year to provide services. In March 2017 the Council agreed a net budget of £266.3 million for 2017/18. The Budget was regularly reviewed and was revised upwards by £1.2 million during the year to fund an enhanced tree maintenance programme. The revised budget for 2017/18 was £267.5 million.

The net spend of the Council is met from a combination of Government Grants, the local taxpayer through Council Tax and other income. In 2017/18, the budget was supported by the Council Tax which for 2017/18 was increased by 4.99%, 2% of this being allocated to fund an increase in Adult Social Care, with the band D Council Tax charge increasing to £1,395.59.

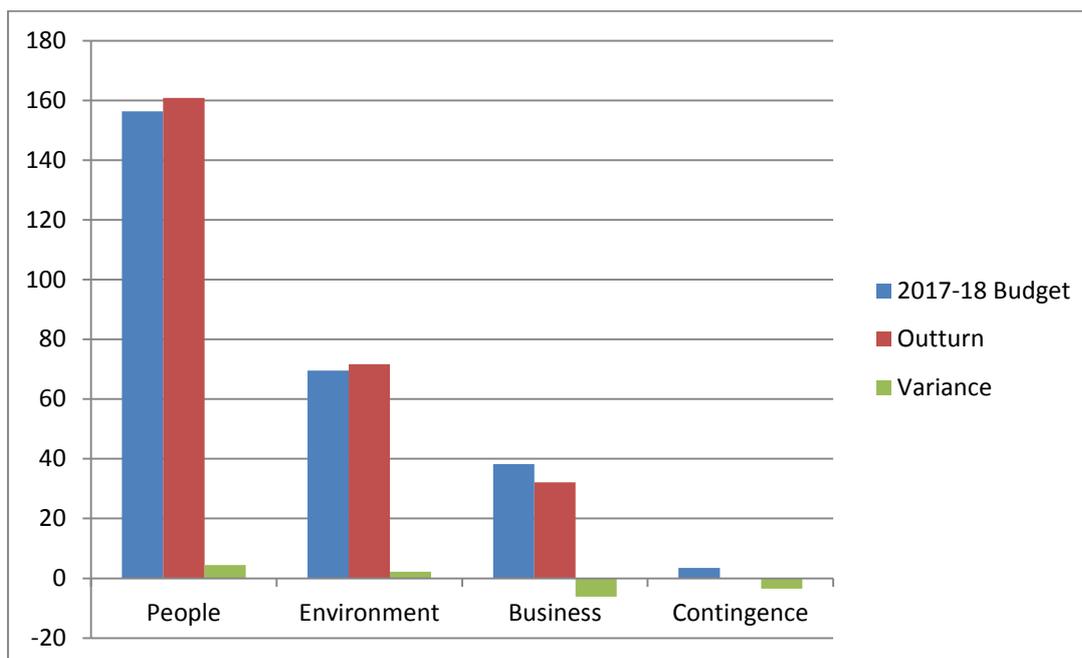
#### Comparison of the Budget with the Out-turn

Throughout the year spend against the approved Budget was monitored and reported on a monthly basis to maintain an approach of robust financial management to ensure the maintenance of services. 2017/18 has proved to be another difficult year, with a significant overspend for specific care related services being recorded and in turn the allocation of the Revenue Budget Contingency for 2017/18. At the end of 2017/18 the Revenue Out-turn showed an underspend of £2.9 million. During the year the following major issues impacted upon the out-turn:

#### OVERVIEW OF 2017/18 ON WIRRAL 2020 PLAN THEMES BASIS

Themes and reasons for variances from budget	Budget £million	Outturn £million	Variance £million
<b>People:</b> The main reasons behind the overspend are pressures within the Looked After Children placements, increased demand for services and agency expenditure on social workers. There are also a number of savings that were unachieved in 2017/18.	156.3	160.8	4.5
<b>Environment:</b> This is largely due to slippage in implementing savings options. This is across income targets in Sports and Recreation and also contract negotiations within Waste & Environment	69.5	71.7	2.2
<b>Business:</b> Underspend in this area is mainly due to a one off MRP adjustment in treasury management and the on-going use of internal funds to minimise the requirement for external borrowing which defers the need to borrow and delivers one-off savings.	38.2	32.1	(6.1)
<b>Revenue Budget Contingency</b>	3.5	0	(3.5)
<b>OVERALL UNDERSPEND</b>	267.5	264.6	(2.9)

## 2017/18 BUDGET COMPARISON TO OUTTURN WIRRAL 2020 PLAN THEMES BASIS (£million)



The financial proposals contained in the 2017/18 budget, delivered by the Council during the year, tracked through financial monitoring, have partly offset the impact of continued reduction in government funding. At the end of the year the general fund balances were at the target level for the year. The balances were supplemented in the year by the addition of earmarked reserves and collection fund surplus. Over £14 million of the year end general fund balances will be used to provide support to the 2018/19 budget.

The actual net cost of services links to the net expenditure chargeable against the general fund and is shown in the Expenditure and Funding Analysis (note 9). It provides a link between the funding basis that is reported for management decision making and the statutory accounting basis as reported in the Comprehensive Income and Expenditure Statement.

### CAPITAL EXPENDITURE AND INCOME

Capital expenditure is different from revenue expenditure on day-to-day running cost of services. It is investment in services and the area (such as buildings, roads and land) that will provide benefits over more than one year. The capital programme, due to take place over a number of years is over £70 million.

During the year the Capital Programme was subject to regular monitoring and review. This saw a number of schemes being re-profiled into 2018/19 and future years as a result of a review of the original project timescales, which needed to be replaced with revised ones as the projects progressed. In 2017/18 £46.8 million was spent on capital projects (2016/17 £25.2 million). The spending and how that spending was funded are shown in the tables:

<b>Spend by Wirral Plan Theme</b>	<b>Actual Spend £million</b>	<b>Share %</b>
Business	26.9	58
Environment	4.6	10
People	6.3	13
Transformation	9.0	19
<b>Total</b>	<b>46.8</b>	<b>100</b>
<b>Funding by Source</b>	<b>Actual Funding £ million</b>	<b>Share %</b>
Borrowing	18.4	39
Grants	17.8	39
Capital Receipts	10.4	22
Revenue/Reserves	0.2	0
<b>Total</b>	<b>46.8</b>	<b>100</b>

During the year there was expenditure on programmes for highways improvements (£3.6 million) and schools (£4.9 million). This was in addition to major investment on:

- The Dock Bridge replacement.
- The Strategic Asset Programme purchase of a key site in Birkenhead.
- Council buildings refurbishments to ensure better occupancy and enable building release for sale.
- Development of a data centre to modernise Digital capacity.
- Housing improvements such as aids, adaptations and disable facilities grants.
- Park Depots rationalisation to improve site use.
- Improvements to school buildings including the provision of new primary places.
- Transformation of Children's social care through the use of the flexible use of capital receipts.

#### **4. BALANCE SHEET**

The Balance Sheet at 31 March 2018 shows a net liability position of £34.2 million (2016/17 a net liability position of £48.7 million). The net worth of the Council, excluding the Pensions Liability is £423.1 million (2016/17 £486.7 million). The movement for 2017/18 is due to the combine effects of a decrease in the Councils liability to pay future pensions and an increase in the requirement to borrow. The negative net worth does not impact on the going concern basis upon which the accounts are prepared. This is because the liability for pensions will be deferred over a number of years. The Council has reviewed the Councils financial performance for 2017/18 and Budget for 2018/19 and considers that the Council may be viewed as a going concern.

The most significant item in the Balance Sheet is the requirement for the Council to recognise its estimated Pension Liability. This is valued using an actuarial valuation and can fluctuate dependent upon external factors. For 2017/18, the Pension Liability recognised amounted to £457.3 million (2016/17 £535.4 million). Details of the Pensions Liability can be found in note 44 and is referred to below in the section on Retirement Benefits.

## Summary of the Balance Sheet

	March 2018 £ million	March 2017 £ million
<b>Long Term Assets</b>		
Property and Other	644.4	664.1
Long Term Investments	1.3	1.1
Long Term Debtors	38.0	42.6
<b>Long Term Assets</b>	<b>683.7</b>	<b>707.8</b>
<b>Current Assets and Current Liabilities</b>		
Current Assets	126.3	110.8
Current Liabilities	(170.3)	(104.6)
<b>Net Current Liabilities</b>	<b>(44.0)</b>	<b>6.2</b>
<b>Long Term Liabilities</b>		
Borrowing	(171.5)	(179.1)
Other Long Term Liabilities	(499.8)	(580.7)
Provisions and Capital Grants	(2.6)	(2.9)
<b>Long Term Liabilities</b>	<b>(673.9)</b>	<b>(762.7)</b>
<b>Net Assets</b>	<b>(34.2)</b>	<b>(48.7)</b>

### Property and Other Assets

The revaluation of property, plant and equipment now takes place with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the end of the financial year. In total the Council had an asset portfolio valued at £644.4 million at 31 March 2018 (2016/17 £664.1 million). A breakdown of the value of the asset portfolio is provided in notes 14 to 17 to the accounts and note 21 to the accounts.

### Investments

Total investments at 31 March 2018 were £27.8 million (2016/17 £27.2 million). This is made up of long term investments of £1.3 million and short term of £26.5 million. Throughout 2017/18, as in previous years, the over-riding approach was one of security and liquidity with reduced investment returns being the acceptable consequence of this approach. Further details are contained in note 18.

### Debtors

Debtors are classified as long-term or short-term debtors and the balance at 31 March 2018 was £101.9 million (2016/17 £92.2 million). The long-term debt includes £31.3 million in respect of the former Merseyside County Council, which is managed by Wirral Council (2016/17 £35.7 million). A breakdown of the debtor balances can be found in notes 19 and 41 to the accounts.

### Creditors

Creditors at 31 March 2018 were £62.6 million (2016/17 £56.4 million). A breakdown can be found in note 22 to the accounts.

### Borrowing

In managing borrowing levels the aims are to reduce the overall exposure to interest rate movements, to lower long-term interest charges paid and smooth the maturity profile without compromising longer-term stability. In addition to funding the capital programme borrowing also takes place to manage and resource the Council's day to day cash requirements. These can arise from a number of sources from paying suppliers to the repayment of long term loans. The Council's Treasury Management

policy, address both short term cash flow requirements and longer term borrowing for capital purposes. The policy seeks to minimise borrowing costs by taking account of available interest rates and the maturity profile.

The major sources of funding for Council borrowing have traditionally been private sector institutions (banks and building societies) and the Public Works Loans Board (PWLB). As part of effective treasury management, opportunities presented by the market to generate interest savings are pursued and this pro-active management is undertaken in line with approved Government and statutory guidance contained within The Code of Practice for Treasury Management in Public Services.

At 31 March 2018 short-term borrowing totalled £95.3 million (2016/17 £39.5 million). The increase from 2016/17 reflects the greater demands for cash payments that the Council has faced. These have in part come from the capital programme as spend has increased but no new long term borrowing has been taken. The Council has delayed new long term borrowing to minimise interest payments. As a result of this temporary borrowing has been utilised. At 31 March 2018 long-term borrowing totalled £171.5 million (2016/17 £179.1 million). This debt was with financial institutions and the Public Works Loans Board with repayments being spread over a range of maturity dates. This also includes the debt of the former Merseyside County Council which Wirral manages on behalf of the other local authorities and agencies within the former Merseyside County Council area.

### **Retirement Benefits**

All Councils fully adopt the accounting policies contained within International Accounting Standard 19 "Employee Benefits". The principle behind IAS19 is that an organisation should account for retirement benefits when it is committed to pay them, even if the actual payment will be many years in the future.

The majority of non-teaching staff who work for the Council are members of the Merseyside Pension Fund. This Fund is administered by Wirral Council on behalf of the Merseyside Councils as well as over 170 other employing organisations. The figures included in the Statement of Accounts are based on the latest full valuation of the scheme as at 31 March 2013 and the IAS 19 actuarial report as at 31 March 2018, presented by Mercers, the independent firm of actuaries who value the Fund.

The actuaries have estimated the Council's underlying long-term commitment to pay retirement benefits to be £457.3 million at 31 March 2018(2017/18 £535.4 million), which is a decrease of £78.1 million. This change has primarily resulted from an improvement in financial assumptions related to a return on assets and a reduction in inflation factors and the discount rate. This is expanded upon in the Merseyside Pension Fund Accounts contained within this Statement and the Merseyside Pension Fund Annual Report.

The recognition of this Pension Liability in the Council accounts has a substantial effect on the net worth of the Council and it is important to note that this change reflects the actuarial valuations and is not an immediate demand upon the Council's resources. The statutory arrangements for funding the deficit will see the deficit made good by increased contributions over the remaining life of working employees as assessed by the scheme actuary. The contributions are reviewed every three years as part of the triennial revaluation of the Pension Fund and an investment strategy is then determined, which aims to recover the deficit over a stated period (presently 25 years). Funding from the Council is only required to cover discretionary benefits when the pensions are actually paid.

## Balances and Reserves

The Council uses a localised approach to determining an appropriate level of balances. This approach takes account of the strategic, operational and financial risks being faced by the Council with particular risks relating to legislative changes, inflation and the delivery of the budget savings.

The Council held Usable Reserves of £95.8 million at 31 March 2018 (2016/17 £101.3 million), consisting of Earmarked Reserves of £54.9 million (2016/17 £55.0 million), General Fund Balances of £24.9 million (2016/17 £25.7 million), Capital Receipts of £1.7 million (2016/17 £5.6 million) and unapplied Capital Grants of £14.4 million (2016/17 £14.9 million). A breakdown of the Usable Reserves can be found in the Movement in Reserves Statement with more details on the Earmarked Reserves found in note 10 to the accounts.

The Council also held a net credit balance in Unusable Reserves of £130 million at 31 March 2018 (2016/17 credit £150.0 million). These are kept to manage statutory accounting processes and do not provide any usable resources to the Council. Further information on the Unusable Reserves can be found in note 25 to the accounts.

## Net Assets

The Net Assets of the Council are held in the Usable or Unusable Reserve balances within the Balance Sheet. Usable Reserves can be applied, subject to any statutory limitations on their use, to fund revenue or capital spending. Unusable reserves are not available to fund services and include the Pensions Reserve, which reflects the changes to the net defined benefit liability and the Capital Adjustment Account, which includes both the value of assets written-off on disposal or sale and the value of school assets transferring to Academies.

The Usable Reserves are regularly reviewed to assess whether they are adequate for the purpose intended and whether the sums involved are still required. At 31 March 2018 the major usable reserves were in respect of the Business Rates Equalisation £10.3 million (2016/17 £6.3 million), School balances £10.2 million (2016/17 £10.5 million), which are ring-fenced for use by schools, the Insurance Fund £7.5 million (2016/17 £9.9 million), Waste Development Fund £3.3 million (2016/17 £4.6 million), Financial Resilience £3.3 million (new for 2017/18) and Housing Benefit £2.5 million (2016/17 £4.7 million).

## 5. CASH FLOW STATEMENT

The Statement shows the changes in cash and cash equivalents of the Council during the financial year.

## 6. COLLECTION FUND

This Fund is maintained separately from the Council's General Fund to specifically record income and expenditure associated with Council Tax and National Non Domestic Rates (Business Rates). During 2017/18 the Council was part of the Liverpool City Region 100% Business Rates Retention Pilot. Approved by the Ministry of Housing, Communities and Local Government (MHCLG) in early 2017 and agreed by all Merseyside Councils in addition to Halton Council. Under the arrangement the Council has retained the Governments share of business rates, with certain grant payments such as Revenue Support Grant ceasing but being compensated for via the higher

percentage of business rates retention. The aim of the pilot is to allow the retention of business rate growth and shadow the operation of the full retention scheme. Under the pilot rates income is collected and apportioned between Wirral Council (99%) and Merseyside Fire and Rescue Service (1%).

The Collection Fund had an in year deficit of £6.9 million for 2017/18 (£5.0 million surplus 2016/17). The accumulated year-end balance at 31 March 2018 was a deficit of £1.4 million (£5.5 million surplus 2016/17). More detail is contained in the Additional Statement - Collection Fund Income and Expenditure Account. A breakdown of the surplus is shown below:

	<b>2017/18</b> <b>£'000</b>	<b>2016/17</b> <b>£'000</b>
Council Tax (Surplus)	(1,725)	(4,104)
NNDR (Surplus)/Deficit	3,101	(1,453)
<b>Total</b>	<b>1,376</b>	<b>(5,557)</b>

## 7. MERSEYSIDE PENSION FUND

The Fund is administered by Wirral Council and reported and audited separately but forms part of the Council's Statement of Accounts. Further information can be found within the Additional Statements, and also in the Merseyside Pension Fund Report and Accounts 2017/18.

## 8. ABOUT THE STATEMENT OF ACCOUNTS

The Statement of Accounts brings together the financial performance for the Council for the year and its financial standing as at the 31 March 2018. They contain both revenue and capital transactions across all services. The Council is required to produce an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices, comprising of the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) supported by International Financial Reporting Standards (IFRS). There are no new accounting policies adopted in 2017/18. The Council reviews annually any interests in companies and other entities for any financial arrangements that may require the production of Group Accounts. In 2017/18 there were no material transactions that require this.

The following provides brief descriptions of the purpose of the various statements:

- **Narrative Report** provides an overview of the Council's financial and non-financial position for 2017/18.
- **Statement of Responsibilities for the Statement of Accounts** details the responsibilities of the Council and of the Director of Finance and Investment (S151).
- **Independent Auditor's Report**, is the Council external Auditor's report to Members of Wirral Council including the conclusion of arrangements for securing Value for Money. This will be added post audit Statement of Accounts.

The **Core Financial Statements** comprise four key statements:-

- **Comprehensive Income and Expenditure Statement**, which shows all income and expenditure for the Council;

- **Movement in Reserves Statement**, which shows the movement on the different reserves that the Council holds;
- **Balance Sheet**, which shows the financial standing of the Council at 31 March 2018, detailing all assets and liabilities;
- **Cash Flow Statement**, which shows the inflows and outflows of cash arising from transactions with other parties.

The **Notes to the Core Financial Statements**. This section provides further detail and explanation of the items contained within the four Core Financial Statements.

There are **Additional Financial Statements** for –

- The **Collection Fund** (and notes), which covers Council Tax and Non-Domestic Rates collected and the amounts paid to precepting authorities and to Government;
- The **Merseyside Pension Fund Accounts**, which covers the financial position of the Merseyside Pension Fund, which is administered by Wirral Council.

The **Annual Governance Statement**, which does not form part of the formal Statement of Accounts but has been included, as it:-

- Gives public assurance that the Council has proper arrangements in place to manage its affairs. The Statement summarises the Council's responsibilities and shows the effectiveness of the arrangements in place to manage its affairs;
- Shows the actions agreed by the Leader and Chief Executive to address those matters identified as requiring action to further enhance the governance arrangements.

## 9 FUTURE DEVELOPMENTS

The Statement of Accounts provides information about the Council's expenditure and income for the year and the overall financial position at the end of the financial year. It is a key element in reporting how finances have been administered. The Council managed its performance and finances during 2017/18 with the progression of the Wirral Plan, the delivery of a number of savings and the budget.

The Council agreed its Budget for 2018/19 in March 2018. This has seen an increase in Council Tax levels from 1 April 2018 and includes a package of financial proposals including the use of over £26 million one off funding to support the budget for services. To address the use of this one year only funding and future financial pressures, the Medium Term Financial Strategy (MTFS) is being reset for the period up to 2023. The aim of this is to establish a sustainable and robust financial position for the period 2019/20 to 2022/23. This reset is looking at changing needs such as demands for services and rising costs, new ways to working, the latest financial projections and external funding announcements to ensure that the forecasts remain robust and sustainable over the longer term.

There remains a funding gap between planned spend and funding for future years. The Council continues to face financial constraints and pressures. The medium term financial planning period to 2023 will see continued grant funding reductions and increasing financial pressures. Aligned to this the Council will in 2020 assume full responsibility for the raising and collection of income generated locally and used to fund the services accessed by Wirral residents.

During 2018 a new MFTS will be developed alongside the Wirral Plan using a number of approaches. The solutions, balancing the budget, will come from the Council's Income strategy and enhanced approaches generating additional income from new and existing sources. Investing to establish long term and diverse sources of income will be combined with an examination of how and where the Council currently spends. The solutions will also come from examination of costs as well as a review of how services operate to reduce inefficiencies and duplication.

Alongside the development of longer term, strategic financial planning Financial Business Partnering will be developed to provide support to services and assist with Transformation. The development in the Finance and Investment Division of this approach will support services and embedded strong and robust financial management in all parts of the Council. It will also involve staff being involved in the development and implementation of future financial proposals as well as concentrating on the delivery of in year financial performance.

The new MTFs will align to themes and pledges the Councils budgets, however it has to be recognised that risk is an inherent part of all the Councils operations. Risks come from both the external environment in which Wirral operates and internally from the changes that are necessary to implement the Wirral plan and the MTFs. The management of risks is part of the overall governance framework that ensures that risk is managed in a consistent and clear way. The Council has in place a Corporate Risk Register that holds in one location all the major risks that must be addressed so that the Council can successfully implement the themes and pledges. A key risk that the register details is Financial Resilience. It provides details of the existing and additional controls in place to mitigate this risk. The register is subject to review on a regular basis by the Senior Leadership Team to ensure that there is awareness of risks as well as the identification of mitigating actions following assessment.

There is within the Council an understanding of the on-going challenges that Wirral faces. The Statement of Accounts for 2017/18 have been published in line with the earlier statutory deadline of 31 May 2018. This benefits the Council by allowing an earlier concentration on financial performance in the current year and the development of the MTFs for future years. Our plan is to work to ensure that progress continues in 2018/19 and future years, in a continually challenging financial world for local government. As a Council, through the Wirral Plan and the MTFs further actions are planned to meet the demands and requirements of local residents and our partners.

Shaer Halewood  
Director of Finance & Investment (S151)  
23 July 2018

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

### **The Council's Responsibilities**

The Council is required to:-

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. The responsible officer is designated as the Chief Financial Officer, or equivalent. In this Council, that officer is the Director of Finance and Investment (S151);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

### **The Director of Finance and Investment(S151) Responsibilities**

The Chief Financial Officer (in Wirral Council this is the Director of Finance and Investment (S151)) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practice as set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts the Chief Financial 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 Chief Financial 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.

### **Certification of the Accounts**

I certify that the Statement of Accounts presents a true and fair view of the financial position of Wirral Council at 31 March 2018 and its income and expenditure for the year then ended.

Shaer Halewood  
Director of Finance & Investment (S151)  
23 July 2018

### **Approval of the Accounts**

The Statement of Accounts are to be considered by the Audit and Risk Management Committee on 23 July 2018.

Councillor Adrian Jones  
Chair of the Audit & Risk  
Management Committee

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WIRRAL COUNCIL**

### **Opinion**

We have audited the financial statements of Wirral Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, Cash Flow Statement, the Collection Fund Income and Expenditure Account and the related notes to the financial statements, including significant accounting policies contained therein. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### **Basis for opinion**

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

### **Who we are reporting to**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance & Investment (s151) use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Director of Finance & Investment (s151) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The Director of Finance & Investment (s151) is responsible for the other information. The other information comprises the information included in the Statement of Accounts 2017/18, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance

Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

### **Responsibilities of the Authority, the Director of Finance & Investment (s151) and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 17, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance & Investment (s151). The Director of Finance & Investment (s151) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Director of Finance & Investment (s151) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance & Investment (s151) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit and Risk Management Committee is Those Charged with Governance.

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

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

or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Qualified conclusion**

On the basis of our work, having regard to the guidance issued by the Comptroller & Auditor General in November 2017, except for the effects of the matter described in the basis for qualified conclusion section of our report, we are satisfied that, in all significant respects, Wirral Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

### **Basis for qualified conclusion**

Our review of the Authority's arrangements identified the following matter:

- In September 2016, Ofsted published a report on the findings of its inspection of services for children in need of help and protection, children looked after and care leavers in Wirral. The report concluded that children's services in Wirral were inadequate. Specifically, the report concluded that arrangements for children who need help and protection and leadership, management and governance of children's services were inadequate. Ofsted have continued to undertake regular monitoring visits to the Council since the initial inspection in September 2016. The latest monitoring visit in May 2018 concluded that "The local authority is making progress in improving services for its children and young people who need to be looked after". However, further action is needed by the Council to secure the required level of service

This matter is evidence of weaknesses in proper arrangements for understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.

### **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have:

- completed our consideration of an objection brought to our attention by a local authority elector under Section 27 of the Local Audit and Accountability Act 2014.
- completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement<sup>1</sup> for the Authority for the year ended 31 March 2018.

We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

*Robin Baker*

Robin Baker  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Royal Liver Building, Liverpool, L3 1PS  
31 July 2018

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WIRRAL COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS**

### **Opinion**

We have audited the pension fund (entitled "Merseyside Pension Fund Accounts") financial statements of Wirral Council (the 'Authority') for the year ended 31 March 2018 set out within the Authority's Statement of Accounts 2017/18 which comprise the Fund Account, the Net Assets Statement and Notes to the Accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the pension fund of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Who we are reporting to**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance and Investment (S151)'s use of the going concern basis of accounting in the preparation of the pension fund financial statements is not appropriate; or
- the Director of Finance and Investment (S151) has not disclosed in the pension fund financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the pension fund financial statements are authorised for issue.

### **Other information**

The Director of Finance and Investment (S151) is responsible for the other information. The other information comprises the information included in the Authority's Statement of Accounts 2017/18 other than the pension fund financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund financial statements or our knowledge of the pension fund of the Authority obtained in the course of our work or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)**

In our opinion, based on the work undertaken in the course of the audit of the pension fund financial statements the other information published together with the pension fund financial statements in the Authority's Statement of Accounts 2017/18, for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

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

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

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

### **Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Investment (S151). The Director of Finance and Investment (S151) is responsible for the preparation of the Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Director of Finance and Investment (S151) determines is necessary to enable the preparation of pension fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund financial statements, the Director of Finance and Investment (S151) is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the pension fund lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the pension fund.–The Audit and Risk Management Committee is Those Charged with Governance.

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

Our objectives are to obtain reasonable assurance about whether the pension fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these pension fund financial statements.

A further description of our responsibilities for the audit of the pension fund financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### ***Grant Patterson***

GRANT PATTERSON

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

Royal Liver Building, Liverpool, L3 1PS

31 July 2018

## **ANNUAL GOVERNANCE STATEMENT 2017-18**

### **1. Scope of Responsibility**

Wirral Borough Council has continued with its ambition to continually improve upon the manner in which it strives to discharge its governance responsibilities.

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

The Council also retains a best value duty under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness

By discharging this responsibility (including as accountable body for the Merseyside Pension Fund), the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.

The Council has approved and adopted the Code of Corporate Governance, which is consistent with the principles of the CIPFSA / SOLACE Framework for Delivering Good Governance in Local Government 2016. A copy of the Code is available on our website: [www.wirral.gov.uk](http://www.wirral.gov.uk).

This statement explains how the Council has complied with the Code and also meets the requirements of Regulation 6 (1) (b) of the Accounts and Audit (England & Wales) Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement.

### **2. What is Corporate Governance?**

Corporate Governance generally refers to the processes by which organisations are directed, controlled, led and held to account.

The Council's governance framework aims to ensure that in conducting business it:

- Operates in a lawful, open, inclusive and honest manner
- Ensures that public money is safeguarded, properly accounted for and used economically, efficiently and effectively
- Has effective arrangements for the management of risk
- Secures continuous improvements in the manner in which it operates.

### **3. The purpose of the Governance Framework**

The governance framework comprises the culture, values, systems and processes by which the Council is directed and controlled. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.

Adhering to this framework enables the Council to monitor the success of its strategic objectives and to consider whether these objectives have led to the delivery of appropriate / cost effective services.

Both risk management and internal control measurements are a significant part of the Council's corporate governance framework and are designed to manage risk to a reasonable level.

These safeguarding processes cannot eliminate all risk of failure to achieve the goals set by the Council's policies, aims and strategic objectives and can therefore only provide reasonable, rather than absolute assurances of their effectiveness.

The system of risk management and internal control is based upon an ongoing process, designed to identify and prioritise the risk to the achievement of the Councils' policies, aims and strategic objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

This statement builds upon those of previous years. Many of the key governance mechanisms remain in place and are referred to in previous statements, as well as in the Council's Code of Corporate Governance. Both are available on the Council's website: [www.wirral.gov.uk](http://www.wirral.gov.uk). This statement therefore describes the key changes and developments within the Council's governance framework during 2017-18 and up to the date of the approval of the annual financial report.

The progress that has been made in dealing with significant governance issues last year is included and those governance issues that have been identified from the governance review are highlighted.

#### **4. The Governance Framework**

The CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' identifies seven core principles of governance best practice. Wirral Council's governance framework is aligned to these core principles. The key elements of the systems and processes which comprise the Council's governance arrangements (as detailed in the Code of Corporate Governance) and where assurance against these is required are shown below.

##### ***Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law***

This is achieved by:

- Applying a set of standards (the Nolan principles) of conduct and behaviours expected from Members with constitutional oversight.
- Ensuring all Officers receive performance appraisals linked to the organisational priorities, values and the required Code of Conduct. For 2017/18 98% of officers (excluding those in Children's Services) had received an appraisal. Additionally, officers must undertake mandatory training, which includes training for equality and diversity.
- Equality Impact Assessment is embedded in all decision making.
- Applying clear conflict of interest policy approaches for employees and Members and maintaining a Register of Interests.
- Ensuring compliance with the Contract Procedure Rules (CPR's) and a range of corporate policies, including gifts and hospitality and anti-fraud and corruption.

***Principle B: Ensuring openness and comprehensive stakeholder engagement***

This is achieved by:

- Developing constructive relationships with stakeholders.
- Ensuring consultation responses inform future developments.
- Ensuring residents engage in budget proposals to influence decision making.
- Taking an active and planned approach to dialogue with the public.
- Commitment to the delivery of the Wirral Plan pledges and its underpinning strategies via the Partnership Framework
- Utilising the Wirral View publication and associated website to communicate and share information with stakeholders.
- Using social media to reach a wider community demographic.
- Publishing an annual report which communicates the authority's activities and achievements, its financial position and performance
- The publishing of Council Committee minutes

***Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits***

This is achieved by:

- Clearly communicating the outcome focused vision of the Wirral Plan.
- Continued working with all partners and stakeholders to provide outcome focused delivery.
- Making best use of resources and providing services that are good value for money including development of commercial opportunities.
- Seeking the views of residents to inform the development of planning and improvement.
- Ensuring the inclusion of the regional dimension to maximise outcome delivery.
- Effective medium term financial planning within a transparent financial framework, thus ensuring that the Council retains its commitment to stability, utilising available resources, whilst monitoring income and expenditure levels.

***Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes***

This is achieved by:

- Utilising insight to develop evidence based decision making.
- Robust reporting, monitoring and review to support delivery of impact and benefits.
- Optimise partnership approaches including integration to derive best value.
- Effective use of transformational expertise and capacity.
- Service planning, supported by appropriate corporate performance and risk management arrangements.

***Principle E: Developing the entity's capacity including the capability of its leadership and the individuals within it***

This is achieved by:

- Clearly setting out the roles and responsibilities of Members and Officers.
- Setting out executive and non-executive functions and roles and responsibilities of the scrutiny function.

- Embedding the Councils restructured Operating Model approach.
- Providing appropriate training and personal developmental opportunities linked to the Council's corporate performance appraisal process.
- Delivering the Wirral Leadership Programme – a shared partnership approach to developing leadership skills and behaviours.
- Delivering the Transformation programme.
- Ensuring clarity on what is expected from partners.
- Effective and regular strategic and operational communication.
- The Council is currently designing the Member's Development Plan. The Members Development Steering Group has been convened to oversee this process.

***Principle F: Managing risk and performance through robust internal control and strong public financial management***

This is achieved by:

- Ensuring the risk management approach is effective and embedded in practice
- Delivering the Business Planning and Performance Management Framework
- Having rigorous and transparent decision making processes in place
- Maintaining an effective scrutiny process
- Acting within the law
- Effective medium term financial planning

***Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability***

This is achieved by:

- Providing good quality information, advice and support to Members and partners.
- Ensuring published information is accurate and reliable, including key reports to the public, such as the Wirral Plan, Statement of Accounts and Annual Governance Statement.
- Delivering an effective audit function.
- Adhering to the Transparency Code requirements.
- Publicising a robust complaints process and responding effectively to complaints.
- Adhering to all access to information statutory requirements

The Council carries out regular review of the elements that make up the governance framework to ensure it remains effective. In 2017-18 key changes that impact on the framework include:

- The ongoing work of the Council's Improvement Board to oversee improvement in response to the Ofsted inspection report published in September 2016 that provided an overall judgement of inadequate for Children's Services.
- A review of the Council's governance structure, designed to create a focus upon delivery of the Council and Wirral partnership priorities and to modernise operations.
- The recruitment of the new Corporate Director for Children, reporting directly to the Chief Executive, to ensure a robust response to all inspection findings.
- A review of the Risk Management Strategy

- A review of the Code of Corporate Governance has been completed. This ensures our commitment to the principles of good governance.
- The recruitment of the new Director of Governance and Assurance / Monitoring Officer
- The temporary recruitment of a General Data Protection Regulation (GDPR) project manager, to ensure the Council's compliance with the GDPR.
- The people Committee has been replaced by two new Committees:
  - i. The Adult and Care and Health Overview and Scrutiny Committee  
This Committee will support an enhanced profile for health scrutiny, including integrated services and the work of partner organisations.
  - ii. The Children and Families Overview and Scrutiny Committee.  
This Committee will support the Council's response to the improvement journey.

## 5. Review of Effectiveness

Wirral Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

This review is informed by the work of Internal Audit and the Chief Internal Auditor's Annual Report, findings and reports issued by the external auditors and other review agencies and inspectorates. It also reflects feedback and comments provided by Chief Officers and managers within the Authority who have responsibility for the development and maintenance of the governance environment.

### Governance monitoring framework

#### Internal Audit

Internal Audit is a key component of the Council's overall governance framework. Wirral Internal Audit Service has been able to demonstrate its compliance with the Public Sector Internal Audit Standards during 2017/18 providing relevant assurance that it is discharging its responsibilities in accordance with current best professional practice.

One of the key assurance statements the Council receives is the annual report and opinion of the Chief Internal Auditor. The opinion provided for the 12 month period ending in March 2018 is:

'On the basis of our programme of work for the year, Internal Audit can provide a good level of assurance overall, that there is a generally sound system of internal control, designed to meet the Council's objectives, and controls are generally being applied consistently. However some weaknesses in the design and inconsistent application of controls put the achievement of some objectives at risk'.

The key area of weakness is included as a significant governance issue in Section 7.

#### External Audit

Grant Thornton UK LLP is the Council's independently appointed External Auditor with a broad remit covering the Council's finance and governance matters. The annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the National Audit Office and includes nationally prescribed and locally determined work. The

Auditors work considers the Council's key risks when reaching its conclusions under the Code.

External audit of the Council's statutory financial statements for 2017-18 is currently being undertaken and will be reviewed by the Council's Audit and Risk Management Committee 23 July 2018.

### **Responsible Financial Officer**

This role is a member of the Senior Leadership Team which permits direct access to the CEO and other team members and has responsibility for delivering and overseeing the financial management arrangements of the Council. The role conforms to the good practice requirements within the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015).

The Responsible Financial Officer has been involved in reviewing the Code of Corporate Governance and prepared this Statement. She is satisfied with the arrangements that are in place for managing finances and is satisfied that no matters of significance have been omitted from this statement.

### **Corporate Management Assurance**

The Council's Corporate Governance Group is chaired by the Corporate Director for Delivery Services. The group includes strategic leads including Governance, Performance, Risk, Internal Audit and Strategy to ensure it has an appropriate profile within the organisation and significant governance issues are monitored and responded to in a timely manner. This group has managed the development of the Annual Governance Statement and oversees the monitoring arrangements of the action plan, holding officers at all levels accountable for delivery of actions.

A quarterly report on significant governance issues is presented to the Council's Audit Risk Management Committee

The Council's Strategic Leadership Team will approve the Annual Governance Statement to provide a level of corporate engagement and ownership.

### **Council**

Council sets the authority's overall policies and budget each year and holds the Cabinet to account. Council has an agreed policy framework that is embedded within its constitution.

### **Cabinet**

The Leader of the Council leads on ensuring the effective governance of the Council on behalf of the Executive. However, all Cabinet Members along with Elected Members and officers play a vital role in ensuring good governance arrangements are in place across the Council.

### **Audit and Risk Management Committee**

The Audit and Risk Management Committee has an important role in maintaining the Council's system of internal control. It provides an independent assurance and scrutiny of the Council's financial and non-financial performance, including an assessment of the adequacy of the Council's risk management arrangements.

Audit and Risk Management Committee receive and review internal and external audit reports and the Chair of the Committee produces an annual report. The Committee also complete an annual self-assessment based on CIPFA guidance.

### **Standards and Constitutional Oversight Committee**

The Standards and Constitutional Oversight Committee is responsible for keeping the Council's constitutional arrangements under review and recommends constitutional amendments to Council which support the Council to better achieve its aims and objectives. The Committee also oversees and agrees minor changes to the Council's constitutional arrangements as recommended by the Monitoring Officer.

The Standards and Constitutional Oversight Committee plays an important part in ensuring the council's governance arrangements are fit for purpose.

### **Overview and Scrutiny Committees**

Overview and Scrutiny (O&S) supports good governance by holding the Council's Executive and key partners to account.

This function is discharged through four Overview and Scrutiny Committees which reflect the Wirral Plan themes of Business, People and Environment. Due to the large scope of the People theme, this has been split across two committees: the Adult Care and Health Committee and the Children and Families Committee. This provides the extra capacity needed for oversight of children's safeguarding and the Ofsted Improvement Plan.

Each committee develops a work programme for the year, prioritising topics for examination in support of improved outcomes for Wirral residents.

The committee work programmes ensure that statutory responsibilities for scrutinising local health provision, the Community Safety Partnership and flood and coastal erosion risk are effectively delivered.

Each committee meets at least five times a year, interspersed with workshops and task and finish groups to deliver the work programme.

### **Merseyside Pension Fund**

Wirral Council is also the administering authority for the Merseyside Pension Fund which publishes its own statement of accounts on an annual basis and includes a "Governance Compliance Statement". The statement outlines compliance to industry specific governance principles.

## **Governance effectiveness impact areas**

### **Children's Services Ofsted Inspection 2016**

In 2016 Ofsted completed an inspection of services for children in need of help and protection, children looked after, care leavers and the effectiveness of the Wirral Safeguarding Children's Board (WSCB) and reported its findings in September 2016. The inspection provided an overall judgement that children's services are inadequate and made nineteen recommendations for action. They also concluded that WSCB was inadequate and made seven recommendations for action. An Improvement Notice was issued by the Secretary of State for Education (30th September 2016).

In response to the findings, an improvement plan has been established which is being overseen by the Improvement Board. The Board meets every month to consider its progress against the Ofsted recommendations and monitor the impact of the delivery of the improvement plan.

Following their original inspection in 2016, Ofsted have and will continue to conduct quarterly monitoring visits, following which they have provided correspondence communicating their findings. This guidance is complemented by continuing input received from the Department for Education.

The Ofsted progress reports to date are summarised in section 6 of this statement

Additional oversight for the improvement plan is provided through the Council's Children and Families Overview and Scrutiny Committee.

This remains a significant governance issue for 2017-18.

### **Information Commissioner's Office Voluntary Audit 2016**

In January 2016 the Council agreed to a voluntary audit by the Information Commissioner's Office (ICO) of their processing of personal data, focussing on the areas of subject access requests and records management (manual and electronic). The overall conclusion of the review was that "there is a limited level of assurance that processes and procedures are in place and delivering data protection compliance". The Council meets its legal obligations in relation to information governance however the audit considers areas for improvement beyond the minimum legal obligations.

The Council chose to subject itself to the audit as part of its drive for continuous improvement.

The Council Information Governance Delivery Group (IGDG), which is an officer group led by the Senior Information Risk Owner (SIRO), has oversight of the information governance / security issues and additionally reports into the Corporate Governance Group.

The final recommendations from the ICO audit were to ask the Council to consider and accept 88 recommendations; these were split evenly between Subject Access and Records Management and are highlighted below:

### **RECORDS MANAGEMENT**

As at the 15<sup>th</sup> May 2018, there were 3 out of 44 outstanding recommendations for Records Management, these recommendations are currently at Green status and will be completed as part of the Council's commitment for GDPR compliance. The 3 recommendations are detailed below:-

**b4.** WMBC should ensure that they have comprehensively identified Information Asset Owners (IAOs) and Information Asset Administrators (IAAs) in all Service areas and appropriately briefed those individuals so that they are each fully aware of and understand, their roles and responsibilities.

**b13.** WMBC should ensure that they make appropriate training provision for IAOs and IAAs and that these individuals undertake the relevant training on a regular basis.

**b69.** WMBC should ensure that all Services properly identify and document their localised information risks, and provide assurance to the SIRO in respect of the mitigation of those risks.

In relation to b4, IAOs and IAAs have been identified and the outdated list has been refreshed and brought up to date. The Council is providing training, to be rolled out 2018/19, to ensure responsibilities and roles are understood.

In relation to b13, once the appropriate training has been provided, refresher training for the Officers will be given on a regular basis and no later than at 2 year intervals.

In relation to b69, a template will be made available for officers to complete and will be reported upon to the SIRO at the IGDG meetings.

### **SUBJECT ACCESS**

As at the 15<sup>th</sup> May 2018, there were 3 out of 44 outstanding recommendations for Subject Access. These recommendations are currently at Green status and will be completed as part of the Council's commitment for GDPR compliance. The 3 recommendations are detailed below:-

**a19.** WMBC should amend the Children Services subject access guidance and / or policies, to ensure that these fully and accurately outline the procedures to be followed in practice and the statutory 40 calendar day period (in particular, 'stopping the clock.').

**a21.** WMBC should review and update subject access guidance on their public website to assist data subjects in exercising their rights. WMBC should ensure that their website clearly explains and / or provides: the right to subject access, procedures in regard to verification of identity of the data subject (for example, a list of acceptable proofs of identity) and authorisation of third party representatives, the fee charging policy (for example, confirmation that WMBC waive the fee), email and postal addresses for each of the Information Management Team, Children's Services and Department of Adult Care, and copies of the forms that these teams utilise to obtain further information from the requester.

**a62.** WMBC should review all subject access policies to ensure that they include the relevant complaints processes in respect of subject access, the role of the ICO in regard to the same and the ICO's expectation that requesters exhaust complaints processes with WMBC prior to escalating complaints to the ICO.

In relation to a19 and a62, Children's Services procedures are available at:

[http://wirralchildcare.proceduresonline.com/p\\_access\\_to\\_recs.html?zoom\\_highlight=subject+access](http://wirralchildcare.proceduresonline.com/p_access_to_recs.html?zoom_highlight=subject+access)

This document is being updated in line with the GDPR and changes required at a19 and a62 will be incorporated in July 2018. The Council's corporate Data Protection policy has been refreshed in line with GDPR and changes required at a62 will be included.

In relation to a21, as part of the compliance work for GDPR the website will be updated in July 2018 to incorporate the requirements of a21.

As part of this review of effectiveness, progress against the issues identified in 2016-17 have been assessed and an update of the progress included in Section 6. Where sufficient progress has not been made, the issues and outstanding actions have been carried forward and included in the 2017-18 significant governance issues list for continued action. No new key areas have been included this year.

The significant governance issues, associated review and action plan are outlined below.

## 6. Progress of the Governance Issues from 2016-17

The table below describes the significant governance issues identified during 2016-17 and the progress that has been made against the implementation of actions to address these issues during 2017-18. Where evaluation determines that the progress is not sufficient for removal as a significant governance issue this is noted, and the issue will be carried forward into the 2017-18 statement.

Key Area for Improvement	Update on Position and Implication for the 2017-18 Annual Governance Statement
<p><b>Improvement Notice issued by the Secretary of State for Education (30th September 2016)</b></p>	<p>Ofsted's "<i>Inspection of services for children in need of help and protection, children looked after and care leavers and Review of the effectiveness of the Local Safeguarding Children Board</i>", in July 2016 found significant weaknesses in each area reviewed.</p> <p>The Council and partners are delivering an Improvement Plan to address the identified findings.</p> <p>The Wirral Improvement Board meets each month to consider progress against Ofsted recommendations and monitor the impact of delivery of the Improvement Plan.</p> <p>Ofsted Monitoring Visits have taken place at three month intervals with formal reports published by Ofsted. Their findings can be summarised as:</p> <p>5-6 April 2017 Ofsted indicated that some progress was being made in improving services however overall improvement was slow.</p> <p>30-31 August 2017 the report found some progress was being made in the new care leavers service, the work of the Independent Reviewing Officers and audit practice with further improvement required.</p> <p>11-12 December 2017 the inspectors found signs of progress in improving services for children looked after but with a great deal of work to be done.</p> <p>14-15 March 2018 the monitoring visit found that progress had been made in improving the arrangements for access to services for those children who need support and protection including the new integrated front door as a single point of entry for all contacts to children's services.</p> <p><b>Carry forward</b></p>
<p><b>ICT Business Continuity Planning</b></p>	<p>Business Continuity plans are now in place for all identified critical services and are stored electronically on the secure Cabinet Office hosted website. All plans have been subject to a walkthrough exercise with the Business Continuity &amp; Environment Officer supported by a representative from Digital.</p> <p><b>Complete</b></p>
<p><b>ICT Resilience</b></p>	<p>The corporate risk of having two data centres in the same building has been</p>

Key Area for Improvement	Update on Position and Implication for the 2017-18 Annual Governance Statement
<b>Planning</b>	addressed with all production services now running from Georges Dock in Liverpool. The review of disaster recovery capabilities in Treasury Building was completed by end of April 2018, marking the closure of the project. <b>Complete</b>
<b>Compliance Absence Management</b>	- A revised and updated action plan was presented to SLT on 12 September 2017 and to Audit & Risk Management Committee on 21 November 2017. A report of the Chief Executive was presented to the Employment and Appointments Committee on 6 March 2018, providing a summary of how absence is being managed and monitored, including a summary of new initiatives in place or under development to support staff and managers across the organisation and improve management accountability.  The attendance plan agreed by SLT is being implemented. A new suite of management information reports have been developed to support management of absence. These have improved management oversight. Specific areas have been identified for targeted action by service managers supported by HR, who have re-allocated some dedicated resources to this issue. A system of regular case conferences are in place to ensure that the issue is being managed in accordance with policy. Training for line managers is currently being rolled out, starting with managers in identified 'hotspot' areas.  It is considered that compliance with sickness absence procedures is no longer a significant governance issue given the range of management arrangements and training introduced over the past 18 months. It is recognised that it will take some time for significant improvement to be evidenced within the overall figures; the latest verified performance indicators at 31 March 2018 showed an adjusted forecast for the financial year at 11.13 days against a target of 10.75 days. Sickness absence levels are in line with comparator organisations and recent initiatives have already seen some success in resolving some of the longest term cases. There is also evidence that cases are being progressed through the stages of the absence procedure quicker. <b>Complete</b>
<b>Compliance Essential Training</b>	- By 31 March 2018, completion rates for the essential training (e-learning) modules, Responsibility for Information 2017 and Equality and Diversity in the Workplace, were 86.7% and 84.6% respectively. Going forward, strategic training and development issues will be addressed through the People Strategy and Organisational Development Plan. <b>Complete</b>
<b>Compliance Contract Procedure Rules (CPRs)</b>	- A full review of the CPR's has been undertaken as required every two years. Recommendations for amendments were presented for Member approval at the March 2018 ARMC, to be operational from the 1 July 2018 alongside the new senior management structure. The recommendations further enhance and support compliance. The Use of Procurement Rules Approval Documents (PRAD) is reported on a six monthly basis to ARMC. The new Corporate Procurement Structure has been finalised and came into operation, subject to the consultation and recruitment process, from April 2018. <b>Complete</b>

## 7. Significant Governance Issues and Action Plan for 2018-19

Based on the Council's established risk management approach, the following issue has been assessed as being "significant" in relation to the Council achieving its vision. In 2018-19 appropriate actions to address these matters and further enhance governance arrangements will be taken. These actions will address the need for improvements

identified in the review of effectiveness and their implementation and operation will be robustly monitored.

Key Improvement Area and Actions for Implementation	Responsibility and Implementation Date
<p><b>Improvement Notice issued by the Secretary of State for Education (30th September 2016)</b></p> <p><i>Ofsted's "Inspection of services for children in need of help and protection, children looked after and care leavers and Review of the effectiveness of the Local Safeguarding Children Board", in July 2016 found significant weaknesses in each area reviewed.</i></p> <p>In response to the Ofsted findings the Improvement Plan is being delivered with oversight by the independently chaired Improvement Board.</p> <p>The board convenes monthly to consider progress against the Ofsted recommendations and monitor the impact of the delivery of the improvement plan.</p> <p>Ofsted monitoring visits occur at three monthly intervals providing independent oversight of progress.</p> <p>Additional oversight for the improvement plan is provided by the Council's Children and Families Overview and Scrutiny Committee.</p>	<p>Director of Children's Services</p> <p>March 2019</p>

## 8. Certification

On the basis of the programme of work undertaken, the Chief Internal Auditor has concluded that he can provide a good level of assurance overall that there is a generally sound system of internal control, designed to meet the Council's objectives, and controls are generally being applied consistently.

To the best of our knowledge, the governance arrangements, as outlined above have been effectively operating during the year with the exception of those areas identified as requiring improvement. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our annual review.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Eric Robinson, Chief Executive

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Phil Davies, Leader of the Council

# Core Financial Statements

**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.

Wirral Plan Theme and Portfolio	2017/18			2016/17 Restated		
	Exp- enditure	Income	Net	Exp- enditure	Income	Net
	£'000	£'000	£'000	£'000	£'000	£'000
<b>People</b>						
Adult Care and Health	160,967	87,944	73,023	157,440	81,859	75,581
Children & Families	61,641	4,233	57,408	60,146	3,574	56,572
Children & Families - Schools	230,144	210,023	20,121	228,508	210,764	17,744
<b>People Total</b>	<b>452,752</b>	<b>302,200</b>	<b>150,552</b>	<b>446,094</b>	<b>296,197</b>	<b>149,897</b>
<b>Environment</b>						
Environment	48,516	23,933	24,583	53,176	19,894	33,282
Housing & Community Safety	154,882	127,899	26,983	159,084	136,504	22,580
Localism & Engagement	1,731	112	1,619	1,717	105	1,612
<b>Environment Total</b>	<b>205,129</b>	<b>151,944</b>	<b>53,185</b>	<b>213,977</b>	<b>156,503</b>	<b>57,474</b>
<b>Business</b>						
Finance & Income Generation	32,788	5,642	27,146	41,588	6,323	35,265
Highways & Transport	22,259	7,643	14,616	17,402	4,572	12,830
Leadership	4,601	2,058	2,543	2,602	1,102	1,500
Transformation	3,946	398	3,548	1,999	-	1,999
<b>Business Total</b>	<b>63,594</b>	<b>15,741</b>	<b>47,853</b>	<b>63,591</b>	<b>11,997</b>	<b>51,594</b>
<b>Cost Service</b>	<b>721,475</b>	<b>469,885</b>	<b>251,590</b>	<b>723,662</b>	<b>464,697</b>	<b>258,965</b>
Other Operating Expenditure (Note 11)	64,840	-	64,840	42,846	-	42,846
Financing and investment income and expenditure (Note 12)	25,394	2,586	22,808	29,389	2,756	26,633
Taxation and Non-Specific Grant Income and Expenditure (Note 13)	-	283,349	(283,349)	-	283,339	(283,339)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>811,709</b>	<b>755,820</b>	<b>55,889</b>	<b>795,897</b>	<b>750,792</b>	<b>45,105</b>
Surplus or deficit on revaluation of Property, Plant and Equipment			(9,319)			9,181
Surplus or deficit on revaluation of available for sale financial assets			35			2
Remeasurement of the net defined benefit liability/(asset)			(61,113)			65,528
<b>Other Comprehensive Income and Expenditure</b>			<b>(70,397)</b>			<b>74,711</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(14,508)</b>			<b>119,816</b>

The figures for 2016/17 have been restated and re-presented to be in line with the portfolio format adopted by the Council for monitoring financial performance during 2017/18.

**MOVEMENT IN RESERVES STATEMENT**

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. 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/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to, or from, earmarked Reserves undertaken by the Council.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Un-applied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2017</b>	25,723	55,064	5,558	14,919	101,264	(149,978)	(48,714)
<b>Total Comprehensive Income and Expenditure</b>	(55,889)	-	-	-	(55,889)	70,397	14,508
Adjustments between accounting basis and funding basis under regulations (Note 8)	54,820	-	(3,886)	(531)	50,403	(50,403)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	(1,069)	-	(3,886)	(531)	(5,486)	19,994	14,508
Transfers to/from Earmarked Reserves (Note 10)	202	(202)	-	-	-	-	-
<b>Increase/Decrease in 2017/18</b>	(867)	(202)	(3,886)	(531)	(5,486)	19,994	14,508
<b>Balance at 31 March 2018</b>	24,856	54,862	1,672	14,388	95,778	(129,985)	(34,207)

	General Fund Balance	Ear-marked General Fund Reserves	Capital Receipts Reserve	Capital Grants Un-applied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2016</b>	<b>22,242</b>	<b>73,915</b>	<b>8,047</b>	<b>10,261</b>	<b>114,465</b>	<b>(43,363)</b>	<b>71,102</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(45,105)</b>	-	-	-	<b>(45,105)</b>	<b>(74,711)</b>	<b>(119,816)</b>
Adjustments between accounting basis and funding basis under regulations (Note 8)	29,735	-	(2,489)	4,658	31,904	(31,904)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(15,370)</b>	-	<b>(2,489)</b>	<b>4,658</b>	<b>(13,201)</b>	<b>(106,615)</b>	<b>(119,816)</b>
Transfers to/from Earmarked Reserves (Note 10)	18,851	(18,851)	-	-	-	-	-
<b>Increase/Decrease in 2016/17</b>	<b>3,481</b>	<b>(18,851)</b>	<b>(2,489)</b>	<b>4,658</b>	<b>(13,201)</b>	<b>(106,615)</b>	<b>(119,816)</b>
<b>Balance at 31 March 2017</b>	<b>25,723</b>	<b>55,064</b>	<b>5,558</b>	<b>14,919</b>	<b>101,264</b>	<b>(149,978)</b>	<b>(48,714)</b>

**BALANCE SHEET**

This shows the value of the assets and liabilities recognised by the Council at the Balance Sheet date. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories - usable 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. Unusable reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Notes	31 March 2018	31 March 2017
		£'000	£'000
Property, Plant & Equipment	14	607,652	637,595
Heritage Assets	15	14,308	12,575
Investment Property	16	21,546	12,604
Intangible Assets	17	932	1,315
Long Term Investments	18	1,250	1,100
Long Term Debtors	41	38,028	42,613
<b>Long Term Assets</b>		<b>683,716</b>	<b>707,802</b>
Short Term Investments	18	26,465	26,104
Assets Held for Sale	21	11,051	11,078
Inventories		112	104
Short Term Debtors	19	63,913	49,588
Cash and Cash Equivalents	20	24,737	23,951
<b>Current Assets</b>		<b>126,278</b>	<b>110,825</b>
Short Term Borrowing	18	95,297	39,497
Short Term Creditors	22	62,616	56,436
Short Term Deferred Credit		5	667
Provisions	23	12,381	7,969
<b>Current Liabilities</b>		<b>170,299</b>	<b>104,569</b>
Provisions	23	2,275	2,196
Long Term Borrowing	18	171,503	179,084
Other Long Term Liabilities	42	499,750	580,769
Capital Grants Receipts in Advance	36	373	723
<b>Long Term Liabilities</b>		<b>673,901</b>	<b>762,772</b>
<b>Net Assets</b>		<b>(34,206)</b>	<b>(48,714)</b>
Usable Reserves	24	95,779	101,264
Unusable Reserves	25	(129,985)	(149,978)
<b>Total Reserves</b>		<b>(34,206)</b>	<b>(48,714)</b>

The audited accounts were issued on 23 July 2018.

Shaer Halewood  
 Director of Finance & Investment (S151)  
 23 July 2018

**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 by raising income 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. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Net (surplus) / deficit on the provision of services	55,889	45,105
Adjust net (surplus)/ deficit on the provision of services for non cash movements (Note 26)	(57,830)	(49,211)
Adjust for items in the net (surplus)/ deficit on the provision of services that are investing or financing activities (Note 26)	20,035	17,918
Net Cash Flow From Operating Activities	18,094	13,812
Net Cash Flows From Investing Activities (Note 27)	4,481	(10,381)
Net Cash Flows From Financing Activities (Note 28)	(23,361)	(9,925)
Net (increase) or decrease in cash and cash equivalents	(786)	(6,494)
Cash and cash equivalents at the beginning of the reporting period	(23,951)	(17,457)
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>(24,737)</b>	<b>(23,951)</b>

# **Notes to the Core Financial Statements**

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

#### General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Council is required to produce an Annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices under section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 act.

The accounting convention adopted is principally historical cost modified for the valuation of certain categories of property, plant and equipment and financial instruments. The accounts are also prepared on a going concern basis. The Code of Practice specifies the principles and practices of accounting required to prepare a Statement of Accounts which provides a true and fair view of the financial position and transactions of the Council and is based on approved international accounting standards, except where these might conflict with specific statutory accounting requirements.

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 disclosures needed to help users to understand those selected policies and how they have been implemented. In doing so, the Council tries to ensure that the policies selected are the most suitable to its particular circumstances for the purpose of providing a true and fair view of the financial position and transactions of the Council. Policies are reviewed regularly to ensure their appropriateness and are changed as necessary to maintain this position. In such cases a full disclosure will be provided. As permitted under the Code, the concept of materiality has been used when determining appropriate disclosures to be made in the financial statements. Information is not material if omitting or misstating it would not influence the decisions of an informed user of the statements.

The concepts that the Council has regard to in selecting and applying these policies are:-

<p>Qualitative characteristics of financial information</p> <ul style="list-style-type: none"> <li>• Understandability.</li> <li>• Relevance.</li> <li>• Reliability.</li> <li>• Comparability.</li> </ul>	<p>Revenue accounting concepts</p> <ul style="list-style-type: none"> <li>• Accruals.</li> <li>• Going concern.</li> <li>• Primacy of legislative requirements.</li> </ul>
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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, gains, losses and changes in reserves.

## **Changes to Accounting Policies**

There are no new accounting policies adopted in 2017/18. Minor changes including updated names have been reflected in the policies that follow.

## **Accruals of Income and Expenditure (Debtors and Creditors) and Revenue Recognition**

Income and expenditure is recognised in the financial year in which goods and services are received or provided. The amounts included are based on actual invoices received or raised after the year end and where actual amounts are not known estimates are included based on an assessment of the value of goods and services received or rendered. Any estimates are calculated using the best available information.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. If debts are not likely to be settled, the balance of the debtor is written down and a charge made to revenue for income that might not be collected.

Income from Council Tax and National Non-Domestic Rates is recognised within the Comprehensive Income and Expenditure Statement as the amount due to the Council for the financial year, including its share of the Collection Fund balances for these items at the end of the financial year. This value is subsequently amended through the Movement in Reserves Statement and the Collection Fund Adjustment Account to reflect the amount to be credited to the General Fund for the Council's Council Tax Requirement and income from National Non-Domestic Rates.

Interest receivable on investments and payable on borrowings is accounted for as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows set out by contract.

## **Capital Receipts**

Sales of assets give rise to capital receipts if the receipt exceeds £10,000. These are recorded on an accruals basis and, if required, are divided into a reserved part (based on applicable statutory requirements) and a usable part (the balance).

Usable receipts are initially credited to Other Operating Expenditure within the Comprehensive Income and Expenditure Statement and then transferred to finance capital expenditure by a debit through the Movement in Reserves Statement and a credit to the Capital Receipts Unapplied Reserve. Reserved receipts are credited to the Capital Adjustment Account to reduce the Council's Capital Financing Requirement. Receipts under £10,000 in value remain as credits within the General Fund.

The Secretary of State has determined that, under provisions included in the Local Government Act 2003, the Council is required to pay over to the Department for Communities and Local Government (DCLG) a proportion of receipts derived from the disposal of housing land.

## **Carbon Reduction Commitment Scheme**

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in the fourth year of its second phase, which ends on 31 March 2019. The Council will purchase allowances retrospectively, and surrender them on the basis of emissions i.e. on the amount of carbon dioxide produced as energy is used. The liability will be discharged by surrendering allowances.

The liability is measured as the best estimate of the expenditure required to meet this obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and is included in the cost of service costs shown in the Comprehensive Income and Expenditure Statement being apportioned to services on the basis of energy consumption.

### **Cash and Cash Equivalents**

Cash includes all balances, including overdrafts and all deposit accounts, held by the Council with financial institutions as part of its cash management procedures, which are accessible without notice.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. They are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

### **Contingent Assets and Liabilities**

These are not recognised in the Balance Sheet but are disclosed by way of notes to the accounts if there is a possible obligation / receipt which may require a transfer, payment or receipt of economic benefits. This will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. The note discloses the nature of the asset or liability and either its probable financial effect or an estimate of its financial effect, if this cannot be measured reliably.

### **Debt Redemption through the Minimum Revenue Provision (MRP)**

Debt is redeemed as and when it falls due. Under regulations issued by the Ministry of Housing, Communities and Local Government (MHCLG) the Council has approved an MRP Statement. Detailed rules place a single duty to charge an amount of MRP which the Council considers 'prudent'.

The Council approved the following MRP policy for the 2017/18 financial year:

- (a) For capital expenditure incurred before 1st April 2008, and for supported capital expenditure incurred on or after that date, MRP will be determined in accordance with the former regulations that applied on 31st March 2008.
- (b) For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets using an annuity method, starting in the year after the asset becomes operational (Option 3 in England and Wales).
- (c) For assets acquired by finance leases or the Private Finance Initiative and for the transferred debt from Merseyside County Council, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

Ex-Merseyside County Council debt is managed in a separate fund. Interest is charged to constituent authorities at the average rate for the fund. Principal repayments are made on the basis of equal instalments over 36 years commencing 1 April 1988.

## **Employee Benefits**

### **Benefits payable during employment**

Short-term employee benefits (other than termination benefits) are those that are due to be settled within 12 months of the year end. They include benefits such as salaries and paid annual leave and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of outstanding annual leave that staff have earned but not taken before the year end. The accrual is charged to the service lines within the Comprehensive Income and Expenditure Statements but then reversed out through the Movement in Reserves Statement so that annual leave benefits are charged to revenue in the financial year in which the annual leave absence occurs.

### **Termination benefits**

Termination benefits are dealt with separately from other employee benefits because the event which gives rise to an obligation is the termination rather than employee service. Termination benefits are payable as a result of either:

- the Council's decision to terminate an employee's employment before the normal retirement date, or
- an employee's decision to accept voluntary redundancy in exchange for those benefits. Termination benefits are often lump-sum payments.

The liability for termination benefits is charged on an accruals basis to service lines in the Comprehensive Income and Expenditure Statement when either the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring that involves the payment of termination benefits, whichever is the earlier.

### **Post-employment benefits**

Employees of the Council are members of three separate pension schemes which provide members with defined benefits (retirement lump sums and pensions) related to pay and service. The schemes are as follows: -

- The Teachers' Pension Scheme, administered by Capita on behalf of the Department for Education. The arrangements for this scheme mean that liabilities for these benefits cannot be identified by the Council. The scheme is therefore accounted for as if it were a defined contributions scheme and therefore no liability for future payments of benefits is recognised in the Balance Sheet, and the Children's Services and Education line within the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pensions Scheme in the year. The pension cost charged to the accounts is the contribution rate set on the basis of a notional fund.
- The NHS Pension Scheme, which is an unfunded defined benefit scheme that covers NHS employers, general practices and other bodies allowed under the direction of the Secretary of State for England and Wales. This scheme covers staff transferred to the employment of the Council following the transfer of public health services to the Council on 1 April 2013. It is not possible for the Council to identify its share of the underlying scheme liabilities. The scheme is therefore accounted for as if it were a defined contributions scheme, and therefore no liability for future payments of benefits is recognised in the Balance Sheet.

- The Local Government Pension Scheme, administered by the Merseyside Pension Fund for all other employees. From 1 October 1987 the Council has administered this Fund on behalf of all scheduled and admitted bodies. This operates as a defined benefit scheme and the liabilities of the Merseyside Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit method - i.e. an assessment of the future payments that will be made in relation to future 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 costs.

Further information on the specific accounting policies may be found in the section dealing with the Merseyside Pension Fund.

Post-employment benefits are accounted for in accordance with IAS19. The principle behind this is that an organisation should account for retirement benefits when it is committed to give them, even if the actual payment will be many years in the future. This reflects the Council's commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the Pension Fund.

The assets of the Merseyside Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:-

- Quoted securities - bid market value;
- Unquoted securities - professional estimate;
- Unitised securities - average of the bid and offer rates;
- Property - market value.

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

- (i) 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.
- (ii) Past service gains - the increase in liabilities arising from current year decisions where the effect relates to years of service earned in earlier years, which is debited to Non Distributed Costs within the Comprehensive Income and Expenditure Statement.
- (iii) Net interest on the net defined benefit liability – i.e. the net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income line of 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 taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments.
- (iv) Administration costs, which are charged to the Other Operating Expenditure line within the Comprehensive Income and Expenditure Statement.
- (v) Gains/losses on curtailments - the results of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees, debited or credited to Non Distributed Costs within the Comprehensive Income and Expenditure Statement.
- (vi) Contributions paid to Merseyside Pension Fund - cash paid as employer's contributions to the Pension Fund.

- (vii) Re-measurement comprising items charged as Other Comprehensive Income and Expenditure:
- the return on plan assets charged to the Pensions Reserve, excluding amounts in net interest on the net defined benefit liability.
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.

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 retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance 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.

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirement. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are either accrued in the year of the decision to make the award or reimbursed to the Pension Fund over a five-year period.

#### **Events after the Balance Sheet date**

Material events are those after the Balance Sheet date, favourable or unfavourable, which occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Adjusting events provide evidence of conditions that existed at the end of the reporting period and the Statement of Accounts is adjusted to reflect such events.

Non-adjusting events are indicative of conditions that arose after the reporting period and the Statement of Accounts is not adjusted. However, where a category of events would have a material effect on the Statement of Accounts then disclosure is made in the notes of the nature of the events and either their estimated financial effect or a statement that such an estimate cannot be made reliably. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

#### **Fair Value**

A number of non-financial assets such as Investment Properties and financial instruments are valued at Fair Value.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability. A fair value assessment assumes that the transaction to sell the asset or transfer the liability occurs 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 uses appropriate valuation techniques for each circumstance. This takes account of three levels of categories from inputs to valuations for fair value assets:

Level 1 – Quoted prices.

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

Level 3 – Unobservable inputs for the assets or liability.

## **Financial Instruments**

### **Recognition and Measurement**

A financial instrument is any contract that gives rise to a financial asset of an entity and a financial liability or equity instrument in another. The term “financial instrument” covers both financial assets and liabilities and includes, amongst others, trade receivables and payables, borrowings, financial guarantees, bank deposits and loans receivable.

- **Initial Recognition**

Financial instruments are recognised on the Balance Sheet when, and only when, the Council become a party to the contractual provisions of the instrument, i.e. when the purchasers become committed to the purchase or, in the case of the loan, the cash changes hands. Sales and disposals of financial assets are recognised in the same way.

Trade receivables and payables are, in contrast, only recognised when the goods and services have actually been delivered or received.

- **Initial Measurement**

Financial assets and liabilities are measured initially at fair value less transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

## **Financial Assets**

Financial Assets are classified into two types:-

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available for sale – assets that have a quoted market price and/or do not have fixed or determinable payments.

### **Loans and Receivables**

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. Assets are initially measured at fair value and carried at their amortised cost. Annual credits are made to the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement for interest receivable, based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most loans the Council has made, this means that the amount shown in the Balance Sheet is the outstanding principal receivable, and the interest credited to Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement is the amount receivable for the year. Where assets are identified as being impaired because of a likelihood arising from a past event that payment due under the contract will not be made, the asset is written down and a charge is made to Financing

and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement.

### **Available for Sale Assets**

Available for sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. Assets are initially measured at fair value and carried at their amortised cost. Where the asset has fixed or determinable payments, annual credits to Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Financial assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:-

- Instruments with quoted market prices – the market price;
- Other instruments with fixed or determinable payments – discounted cash flow analysis;
- Equity Share with no quoted market price – appraisal of the valuation.

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the surplus or deficit on revaluation of Available for Sale financial assets. The exception is where an impairment loss has been incurred. These are debited to Financing and Investment Income and Expenditure within Comprehensive Income and Expenditure Statement along with any net gains/losses for the asset accumulated in the Available for Sale Reserve. Where fair value cannot be measured reliably the instrument is carried at cost (less any impairment).

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. Liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Surplus or Deficit on the Provision of Services within 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.

### **Instruments entered into before 1 April 2006**

The Council has entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts if either a provision or a contingent liability note is required.

### **Disclosure of the nature and risk arising from Financial Instruments**

The Council activities expose it to a variety of financial risks such as:

- Credit risk – the risk that other parties might fail to pay amounts due;
- Liquidity risk – insufficient funds available to meet commitments;
- Market risk – financial loss as a result of changes in interest rates.

In order to minimise these risks, the Council complies with the CIPFA Prudential Code, the CIPFA Treasury Management in Public Services Code of Practice and Investment Guidance issued to meet the requirements of the Local Government Act 2003.

### **Government Grants and Other Contributions**

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. This also applies to grants received in respect of revenue expenditure funded from capital under statute (REFCUS).

Specific revenue grants and contributions are credited to the relevant service to match the expenditure to which they relate. In the event that the revenue grant is not utilised to match expenditure, the unused grant is transferred into earmarked reserves for future use. In the event that conditions attached to a revenue grant are not met then the balance of the revenue grant that will require repayment to the funding body is transferred to creditors.

General revenue grants are provided to finance the general activities of the Council. Grants are credited to the Comprehensive Income and Expenditure Statement in the year receivable within Taxation and Non-specific Grant Income.

Grants related to the funding of capital expenditure are credited to the Comprehensive Income and Expenditure Statement, also within Taxation and Non-specific Grant Income, when the conditions regarding their use are met. This income is reversed out in the Movement in Reserves Statement to either the Capital Adjustment Account, if the grant has been used to finance capital expenditure in the year or to the Capital Grants Unapplied Account until it is applied. Capital grants with conditions attached are also held as receipts in advance in the Capital Grants Unapplied Account until such time as the conditions are met and the grant applied to finance capital expenditure. Where a capital grant has been received but the conditions regarding its use are not met, it is transferred to Capital Grants Received in Advance until such time as the grant conditions are met. At this point, it is then recognised as a capital grant within the Comprehensive Income and Expenditure Statement as Taxation and Non-specific Grant Income.

### **Group Accounts**

Group Accounts are covered by IFRS Standard 10 – Consolidated Financial Statements, IFRS Standard 11 – Joint Arrangements, IFRS 12 - Disclosure of Interests in Other Entities, IAS 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures. An assessment of the criteria for the completion of Group Accounts has been undertaken and the conclusion reached that there was no requirement to produce such accounts. The Council has a number of interests in other entities that fall within the group boundary of the Council on the grounds of control and significant influence in line with the Code. However as interests in total are not material when reviewing both quantitative and qualitative information group accounts have not been produced. In order to ensure compliance with the Code further details are covered in note 37 Related Parties. Only the Council's share of Joint Operations has been included in the Statement of Accounts.

## **Heritage Assets**

Heritage assets are assets which have historic, artistic, scientific, geophysical or environmental qualities. This group of assets are held and maintained principally because of their contribution to knowledge and culture.

These assets are recognised in the Balance Sheet when their value exceeds the approved de-minimis value for capital expenditure. Their value at the time of recognition is, wherever possible, at either valuation or cost. If this has not been possible, particularly in respect of the art collection assets and civic regalia, where the distinctive and rare nature of these assets can make valuations complicated (and in some cases unobtainable), the assets are not included as a value on the Balance Sheet but are detailed in notes to the Statement of Accounts.

There is no depreciation charged on heritage assets. The Council considers that because the various categories of heritage assets have indeterminate lives and / or high residual values it is not considered appropriate to charge depreciation.

## **Intangible Assets**

Expenditure on assets that do not have physical substance but are identified and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year.

A purchased intangible asset is capitalised at cost. Internally developed intangible assets are only capitalised if there is a readily ascertainable market. They are reviewed for impairment at the end of the first full financial year following operation. The balance is amortised to the relevant service revenue line in the Comprehensive Income and Expenditure Statement over the economic life of the investment to reflect the pattern of consumption of benefits. Any impairment loss recognised is similarly treated in the Comprehensive Income and Expenditure Statement. Any gain or loss on the disposal of an intangible asset is shown within the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

When expenditure on intangible assets qualifies under statutory definition as capital expenditure, amortisation, impairment losses and gains / losses on disposal are not permitted to have an impact on the General Fund balance. 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 for receipts over £10,000.

## **Investment Properties**

The Council classifies investment properties as property which is held exclusively for revenue generation or for the capital gain that the asset is expected to generate. These assets are not used directly to deliver Council services. Any property that is used to facilitate the delivery of services as well as earn rentals or, for capital appreciation, does not meet the definition of an investment property, is accounted for as property, plant and equipment.

An investment property is measured initially at cost. After initial recognition, investment property is measured at fair value. A gain or loss arising from a change in the fair value of investment property is recognised in Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement for the period in which it arises. The fair value of investment property reflects the market conditions at the Balance Sheet date and, as held at fair value, is not depreciated.

Rentals received in relation to investment properties are recognised in Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement and result in an increase to the General Fund balance. Gains and losses on the revaluation and disposal of investment properties are not permitted by statute to affect the General Fund balance. Any such gains and losses are therefore reversed out through the Movement in Reserves Statement to the Capital Adjustment Account and (for sale proceeds over £10,000) to the Capital Receipts Reserve.

### **Joint Operations**

Joint operations are activities undertaken by the Council in conjunction with other parties that involve the use of the assets or resources rather than the establishment of a separate entity. The Council recognises on its Balance Sheet its share of the assets and liabilities generated by the operation, and the Cost of Services within the Comprehensive Income and Expenditure Statement includes its share of the expenditure incurred and of income earned from the activity. The Council has entered into a pooled budget (Better Care Fund) arrangement under Section 75 of the National Health Service Act 2006. Under this arrangement the Council accounts for its share of assets, liabilities, income and expenditure arising from the transactions and operations of the pooled budget in accordance with the pooled budget agreement.

### **Leasing**

Leases are classified as either finance leases or operating leases based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of any legal agreement.

### **The Council as Lessor**

#### **Finance Lease**

The Council, as lessor, recognises assets held under finance lease as receivable at an amount equal to the net investment in the lease. The lease payment receivable is treated as repayment of principal and finance income. The finance income is calculated so as to produce a constant periodic rate of return on the net investment.

#### **Arrangements containing a lease**

An arrangement comprising a transaction that does not take the legal form of a lease but conveys a right to use an asset (e.g. an item of property, plant and equipment) in return for a payment or a series of payments, may be accounted for as though the arrangement is, or contains, a lease.

Determining whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether:-

- a) Fulfilment of the arrangement is dependent on the use of a specific asset or assets; or
- b) The arrangement conveys a right to use the asset.

#### **Non-Current Assets Held for Sale**

The Council classifies assets as non-current assets held for sale if the carrying amount is to be recovered through a sale rather than through continued use. The criteria for such a classification also includes the asset being available for immediate sale in its present condition, the sale must be highly probable, there must be a management plan to sell the asset and it is being actively marketed. The sale also has to be expected to

be completed within one year from the date of classification, although there are exceptions.

Assets classified as held for sale are valued at the lower of carrying value immediately prior to classification and fair value less costs to sell where known. If assets no longer meet the criteria to be classified as held for sale, they are reclassified back to non-current assets, usually as Property, Plant and Equipment. The value of an asset treated in this way is the lower of:

- Its carrying amount before it was classified as held for sale: adjusted for depreciation, amortisation or revaluations that would have been recognised had it not been classified as held for sale, or
- Its recoverable amount at the date of the decision not to sell was reached.

### **Overheads and Support Service Costs**

The cost of overheads and support services are charged to each theme and portfolio in accordance with the Councils arrangements for accountability and financial performance.

### **Prior Year Adjustments**

Prior period adjustments may arise as a result of changes in accounting policies. These 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 Council's financial position or financial performance. Material adjustments from the changes in accounting policies or the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period in the Statement of Accounts and supporting notes.

### **Private Finance Initiatives (PFI) and Similar Contracts**

For a PFI or similar contract the Council will recognise the asset and liability on the Balance Sheet and account for it as if it was a finance lease if:-

- this involves an operator constructing, acquiring or enhancing and then operating and managing an asset in order to provide or enable the Council to provide services to the public; and
- the Council controls or regulates the services provided through use of the asset and has a significant residual interest in the asset.

The remaining service element of the contract payment will be charged to revenue as incurred.

### **Property, Plant and Equipment**

#### **Recognition**

Expenditure over £10,000, the Council's de-minimis level for the recognition of capital spending on the acquisition, creation or enhancement of property, plant and equipment, is capitalised on an accruals basis in the accounts 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 can be measured reliably.

Capital includes expenditure on such things as the acquisition of land and buildings, the acquisition of vehicles, plant and equipment and the construction and enhancement of roads, buildings and other structures.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefit or service potential, i.e. repairs and maintenance, is charged as an expense to revenue when it is incurred.

The Council does not capitalise borrowing costs against capital projects, which are incurred when borrowing takes place to finance capital spending on assets under construction. Such costs are charged as an expense to revenue within the Comprehensive Income and Expenditure Statement under Financing and Investment Income and Expenditure.

The Council maintains a detailed asset register of all assets that it owns and recognises under finance leases and PFI contracts. The basis of valuation and depreciation for each category of asset is included in a note to the Statement of Accounts.

### **Measurement**

Property, plant and equipment are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Under the Code of Practice on Local Authority Accounting valuations now need to be made with sufficient regularity to ensure that the carrying amount of assets does not differ materially from their fair value. Items within a class of property, plant and equipment are to be revalued simultaneously to avoid selective revaluations and ensure that the reporting amounts in the financial statements are not a mixture of costs and values at different dates. Classes of assets may be revalued on a rolling basis provided that the revaluation of the class of assets is completed within a short period and that their values are kept up to date. Valuations shall be carried out at intervals of no more than five years.

Property, plant and equipment are classified according to the Code of Practice on Local Authority Accounting and are included in the Balance Sheet using the following measurement techniques:-

- Infrastructure assets and community assets are included in the Balance Sheet at historic cost net of depreciation, where appropriate;
- Land and buildings, vehicles, plant and equipment are included at fair value;
- Property, plant and equipment under construction are held at cost;
- Surplus assets are included at fair value.

Increases in valuations are credited to the Revaluation Reserve except where they arise from the reversal of an impairment or revaluation loss previously charged to the surplus or deficit on the provision of services.

Revaluation gains are 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. This amount is transferred each year from the Revaluation Reserve to the Capital Adjustment Account. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date when it came into existence. Gains arising before that date have been consolidated in the Capital Adjustment Account.

Assets are recognised into components for depreciation purposes when the component has a significant cost compared to the total cost of the item (greater than 10% of the asset value) and a different useful life to the remainder of the asset. Only assets with a value of over £2 million are componentised. Where enhancement expenditure replaces

an existing component, it becomes necessary to de-recognise the carrying value of the component replaced or restored, and replace it with the value of the new component in the carrying amount, even where parts of an asset were not previously recognised as separate components.

### **Impairment**

The value of each category of assets is reviewed at the end of each financial year to assess whether there is any evidence of an impairment loss. This would arise, for example, from a significant decline in the asset's market value, evidence of obsolescence or physical damage, a change in the regulatory environment within which the Council operates or a commitment to undertake a significant re-organisation. Impairment can also be recognised where capital spending does not result in a corresponding increase in the carrying value of an asset.

Impairment losses are accounted for by either:

- Charging the Revaluation Reserve with the value of any impairment, up to the level of historical revaluations held within the Reserve for that particular asset; or
- Charging service revenue accounts within the Comprehensive Income and Expenditure Statement for all impairments that are not covered by historical revaluations within the Revaluation Reserve.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service lines 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.

To avoid impairment becoming a charge against Council Tax the value of all such impairments is reversed out within the Movement in Reserves Statement and charged to the Capital Adjustment Account.

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets with a determinable finite life, by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. 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 – straight line allocation over the remaining life of the property (or its components), as estimated by an authorised valuer; and
- Vehicles, plant, furniture and equipment and Infrastructure – straight line allocation over the estimated useful life of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.
- Infrastructure – straight line allocation over estimated useful life of the asset.

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**

When an asset is disposed of, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to Other Operating Expenditure within the Comprehensive Income and Expenditure Statement 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 in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Assets are not revalued immediately prior to disposal unless legislation requires or allows the Council to do so.

Amounts in excess of £10,000 are classified as capital receipts. Such receipts from disposals are accounted for on an accruals basis and credited to the Capital Receipts Reserve. A proportion of receipts relating to housing disposals are paid over to Central Government as a 'housing pooled capital receipt'. This is charged to Net Operating Cost within the Comprehensive Income and Expenditure Statement and the same amount is appropriated from the Usable Capital Receipts Reserve and credited to Movement in Reserves Statement.

### **Charges to Revenue for Property, Plant and Equipment**

All general fund service revenue accounts, including support services are charged with the following amounts to record the real cost of all assets used in the provision of services:-

- Depreciation attributable to the assets used by the relevant service;
- Impairment/revaluation losses attributable to the clear consumption of economic benefits on non-current assets used by the service, but only when there is no associated balance on an existing Revaluation Reserve;
- Amortisation of intangible assets attributable to the service.

The financing of capital expenditure from revenue is disclosed separately as an appropriation in the Movement in Reserves Statement.

### **Provisions**

The Council sets aside provisions for specific future expenses that are likely or certain to be incurred but the amount and timing of which cannot yet be determined accurately. They are only made where there is a present obligation based on a past event, it is probable that a transfer of economic benefit will occur and a reliable estimate can be made of the obligation.

Provisions are charged to an appropriate service line in the Comprehensive Income and Expenditure Statement in the year the Council becomes aware of the obligation. When payments for expenditure are incurred to which the provision relates they are charged directly to the provision. They are reviewed at the Balance Sheet date and adjusted as necessary to reflect the current best estimate.

The principal provisions relate to local taxation, bad debts and insurance.

The bad debts provision is deducted from debtors in the Balance Sheet, rather than being shown in provisions. As part of compliance with IFRS 7, "Financial Instruments:

Disclosure”, amounts shown as due from debtors are individually or collectively (for debts that are not significant) reviewed for impairment annually and the level of the bad debt provision is adjusted accordingly. Debts due to the Council that become uncollectable are charged to the provision when the debt is approved for write-off. Debts which are found to have been raised in error, rather than being uncollectable, are charged back directly to services that raised the initial debt.

The insurance provision relates to outstanding liability claims. The figure is the sum indicated by actuaries, updated by an internal assessment, as being required to fund claims for years up to and including 2017/18.

### **Repurchase of Borrowing**

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement in the period during which the repurchase or early settlement is made.

Where repurchase has taken place as part of a restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, the premiums or discounts can respectively be deducted from or added to the amortised cost of the new or modified loan. 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. If the repurchase has been determined as being substantially different, the premiums or discounts are immediately fully written-off to the Comprehensive Income and Expenditure Statement.

For premiums and discounts that have been charged to the Comprehensive Income and Expenditure Statement, Government regulations allow for the impact on the General Fund balances to be spread over future years with an offset through a transfer to the Financial Instrument Adjustment Account shown within the Movement in Reserves Statement.

Balances held in the Financial Instrument Adjustment Account will be written-off to revenue in accordance with the Government regulations.

### **Reserves**

Amounts set aside for purposes falling outside the definition of provisions are considered as reserves. Reserves are categorised as either “Usable” or “Unusable” and include earmarked reserves set aside for specific policy purposes and balances that represent resources set aside for purposes such as general contingencies and cash flow management. Reserves are created by appropriating amounts through the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the cost of services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back to the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Usable reserves are those the Council may use to fund either revenue or capital expenditure. Unusable reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

An estimation technique applies to the Insurance Fund Liability Reserve which is similar to that referred to in the section on provisions.

### Revenue Expenditure Funded from Capital Under Statute (REFCUS)

This is expenditure that may be capitalised but does not result in the creation of an asset and has been charged to the Cost of Services within the Comprehensive Income and Expenditure Statement. These items are normally written-off as expenditure in the year of payment. If financed from existing capital resources or borrowing, a transfer to the Capital Adjustment Account from the Movement in Reserves Statement reverses out the amounts charged to the Comprehensive Income and Expenditure Statement so that there is no impact on the level of Council Tax.

### Schools

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 states the way that schools are recognised within the Council's accounts. Where the balance of control for local authority maintained schools lies with the Council – i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended, then the assets, liabilities, reserves and cash flows of those schools are recognised in the Council's financial statements, rather than within Group Accounts. Non-current assets are recognised in the Balance Sheet where the Council directly owns the assets or where the school own the assets or have had rights to use the assets transferred to them.

The numbers and types of schools recognised within the financial statements on this basis are as follows;

Type of School	Nursery	Primary	Secondary	Special	Total
Community	3	55	2	11	71
Voluntary Aided	-	25	-	-	25
Voluntary Controlled	-	4	-	-	4
Foundation	-	-	3	-	3
<b>Total</b>	<b>3</b>	<b>84</b>	<b>5</b>	<b>11</b>	<b>103</b>

### Value Added Tax (VAT)

Income and expenditure excludes any amounts related to VAT, as VAT collected is payable to HM Revenue and Customs and VAT paid is recoverable from them. VAT is included in the Comprehensive Income and Expenditure Statement only if it is irrecoverable.

## 2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

For 2017/18 there are amendments to the following Accounting Standards which will become effective from 1 April 2018:

- IFRS 9 Financial Instruments

IFRS 9 provides a single approach to the classification and measurement of financial instruments. A key impact will be that whilst many of the council's loans and investments will continue to be held at amortised cost, gains and losses arising from changes in the fair value of some categories of investment will have to be recognised in the Councils revenue budget. This means that from 2018/19 changes in the value of certain investments will have a consequent impact on the

general fund. Previously any changes in the fair value of these investments were only recognised in the general fund when the asset was sold.

The Council does not expect the reclassification changes to have a material impact upon the financial statements because the majority of its assets will retain the same measurement basis. To this end, on 1st April 2018 the Council irrevocably elected to present changes in the fair value of the following equity investments in other comprehensive income as permitted by the IFRS:

- Columbia Threadneedle Strategic Bond Fund

The Council does not expect the impairment changes to have a material impact upon the financial statements because the impairment charge will be immaterial for its treasury management assets (e.g. bank deposits and bonds).

- IFRS 15 Revenue from Contracts with Customers  
IFRS 15 changes the basis for deciding whether revenue is recognised at a point in time or over a period of time and introduces five steps for revenue recognition. This covers all contracts with customers except leases, financial instruments and insurance contracts, and excludes Council Tax and Business Rate Income. The Council does not have any material revenue streams that would fall within the scope of this new standard.
- IAS 7 Statement of Cash Flows (Disclosure Initiative)  
IAS 7 could require further analysis of Cash Flows from Financing Activities (Note 28). No additional disclosures are anticipated to be required as the amendment is not considered to have a material impact on the financial statements.
- IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses)  
IAS 12 relates to deferred tax assets related to debt instruments measured at fair value and applies to group accounts. The Council currently does not have any assets that would fall within the scope of this standard.

### 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The following are critical judgements that have been made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the Statement of Accounts:

- There is a high degree of uncertainty about future levels of funding for local government and the impact on the economy of implementation of Brexit. However, the Council has determined that these uncertainties are not yet sufficient to provide an indication that assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has made judgements about the likelihood of pending liabilities and whether a provision is required or a contingent liability noted. A provision will be made where a future event is uncertain but there is a legal or constructive obligation.

- In order to deliver Education Services to Wirral residents, the Council provides funding through the Dedicated School Grant to schools. The Council has made a judgement, based on information provided by the Roman Catholic Church and the Church of England that it does not exercise a balance of control over the majority of Voluntary Aided, Voluntary Controlled or Foundation Schools of these schools, which therefore fall outside the revised accounting requirements of IFRS10 (Consolidated Financial Statements) and IFRS12 (Disclosure of Interests in Other Entities). The Council does however include within its balance sheet the value of the land and buildings for 2 Foundation Schools where control through ownership remains. School assets are recognised as a disposal from the Council's balance sheet on the date on which a school converts to academy status, not on the date of any related announcement, nor is any impairment recognised by the Council prior to conversion.
- Investment properties have been assessed using the identifiable criteria under the international accounting standards and are being held for rental income or for capital appreciation. Properties have been assessed using this criteria, which is subject to interpretation to determine if there is an operational reason for holding the property such as regeneration.
- The Council is responsible for making superannuation payments to cover the costs of post-employment benefits that Members of the pension fund are entitled to receive. For the 3 year period 2017/18 – 2019/20 the Council has agreed with the Merseyside Pension Fund that the pension deficit contribution payable to the Local Government Pension Scheme (LGPS) can be paid as a single up-front payment. In 2017/18 the Council paid £35.068 million. Agreed as part of the Triennial review of the fund this arrangement has made a budget saving. In line with the Council's accounting policies and relevant regulations the amount relating to 2017/18 (£12.174million) has been accounted for in year, the amounts relating to 2018/19 (£11.683million) and 2019/20 (£11.211 million) have been offset against the pension liability in the balance sheet. The pension reserve will be brought into line with the pension liability in 2019/20 as the up-front payment arrangements are accounted for. For further details see note 44 Defined Benefit Pension Schemes.

#### 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's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Pensions Liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used,	The effects on the net pensions liability of changes in individual assumptions can be measured. For

Item	Uncertainties	Effect if actual results differ from assumptions
	the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £131.5 million. During 2017/18, the Council's actuaries advised that the net pensions liability had decreased by £60.6 million as a result of updating of the assumptions.
<b>Property, Plant and Equipment</b>	Land and buildings are revalued using as a guide a 5-year rolling programme, ensuring that the current value of the assets is reflected in the Balance Sheet. Guidance states that assets should be revalued with sufficient regularity to ensure that their carrying value does not differ materially from fair value at the year-end. The uncertainty surrounds the potential difference between current value and fair value as assets with a high value may not have been revalued with sufficient regularity.	If the carrying value of the land and buildings is under-stated by 1% then the carrying value within the Balance Sheet would change by +/- £4.6 million and would be matched by a corresponding change to either the Revaluation Reserve, and/or the Comprehensive Income and Expenditure Statement as a charge for, or reversal of impairment.

This list does not include assets and liabilities that have recently observed market price.

## 5. MATERIAL ITEMS OF INCOME AND EXPENSE

There were no material items of income and expenditure in 2017/18.

## 6. EXCEPTIONAL ITEMS

There were no exceptional items in 2017/18.

## 7. EVENTS AFTER THE BALANCE SHEET DATE

Relevant events after the balance sheet date have been considered up to 23 July 2018. This is the date the accounts were authorised for issue by the Director of Finance and Investment.

## 8. 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.

2017/18	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves
	£'000	£'000	£'000	£'000
<b>Adjustments to the Revenue Resources</b>				
Pension cost (transferred to (or from) the Pensions Reserve)	5,932	-	-	(5,932)
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(49)	-	-	49
Council tax and NDR (transfers to or from the Collection Fund)	5,784	-	-	(5,784)
Holiday pay (transferred to the Accumulated Absences reserve)	(1,576)	-	-	1,576
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)	67,632	204	-	(67,836)
<b>Total Adjustments to Revenue Resources</b>	<b>77,723</b>	<b>204</b>	<b>-</b>	<b>(77,927)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(6,331)	6,331	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	2	(2)	-	-
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(7,307)	-	-	7,307
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(189)	-	-	189
<b>Total Adjustments to Revenue Resources</b>	<b>(13,825)</b>	<b>6,329</b>	<b>-</b>	<b>7,496</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure	-	(10,419)	-	10,419
Application of capital grants to finance capital expenditure	(9,078)	-	(531)	9,609
<b>Total Adjustments to Capital Resources</b>	<b>(9,078)</b>	<b>(10,419)</b>	<b>(531)</b>	<b>20,028</b>
<b>Total Adjustments</b>	<b>54,820</b>	<b>(3,886)</b>	<b>(531)</b>	<b>(50,403)</b>

2016/17	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves
	£'000	£'000	£'000	£'000
<b>Adjustments to the Revenue Resources</b>				
Pension cost (transferred to (or from) the Pensions Reserve)	8,285	-	-	(8,285)
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(46)	-	-	46
Council tax and NDR (transfers to or from the Collection Fund)	(2,098)	-	-	2,098
Holiday pay (transferred to the Accumulated Absences reserve)	(1,160)	-	-	1,160
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)	43,752	-	-	(43,752)
<b>Total Adjustments to Revenue Resources</b>	<b>48,733</b>	<b>-</b>	<b>-</b>	<b>(48,733)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(3,465)	3,465	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	3	(3)	-	-
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(5,792)	-	-	5,792
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(310)	-	-	310
<b>Total Adjustments to Revenue Resources</b>	<b>(9,564)</b>	<b>3,462</b>	<b>-</b>	<b>6,102</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure	-	(5,951)	-	5,951
Application of capital grants to finance capital expenditure	(9,434)	-	4,658	4,776
<b>Total Adjustments to Capital Resources</b>	<b>(9,434)</b>	<b>(5,951)</b>	<b>4,658</b>	<b>10,727</b>
<b>Total Adjustments</b>	<b>29,735</b>	<b>(2,489)</b>	<b>4,658</b>	<b>(31,904)</b>

## 9. EXPENDITURE AND FUNDING ANALYSIS

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

Wirral Plan Theme and Portfolio	2017/18			2016/17 Restated		
	Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES	Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£'000	£'000	£'000	£'000	£'000	£'000
<b>People</b>						
Adult Care and Health	72,372	651	73,023	74,975	606	75,581
Children & Families	57,863	(455)	57,408	57,318	(746)	56,572
Children & Families - Schools	5,189	14,932	20,121	6,058	11,686	17,744
<b>People Total</b>	<b>135,424</b>	<b>15,128</b>	<b>150,552</b>	<b>138,351</b>	<b>11,546</b>	<b>149,897</b>
<b>Environment</b>						
Environment	24,581	2	24,583	31,614	1,667	33,281
Housing & Community Safety	23,542	3,441	26,983	21,348	1,232	22,580
Localism & Engagement	1,641	(22)	1,619	1,636	(24)	1,612
<b>Environment Total</b>	<b>49,764</b>	<b>3,421</b>	<b>53,185</b>	<b>54,598</b>	<b>2,875</b>	<b>57,473</b>
<b>Business</b>						
Finance & Income Generation	24,165	2,981	27,146	24,345	10,920	35,265
Highways & Transport	6,568	8,047	14,615	6,572	6,259	12,831
Leadership	2,443	100	2,543	1,520	(20)	1,500
Transformation	2,186	1,363	3,549	2,005	(6)	1,999
<b>Business Total</b>	<b>35,362</b>	<b>12,491</b>	<b>47,853</b>	<b>34,442</b>	<b>17,153</b>	<b>51,595</b>
<b>Cost Service</b>	<b>220,550</b>	<b>31,040</b>	<b>251,590</b>	<b>227,391</b>	<b>31,574</b>	<b>258,965</b>
Other Operating Expenditure	37,541	27,299	64,840	39,983	2,863	42,846
Financing and investment income and expenditure	18,422	4,386	22,808	16,887	9,746	26,633
Taxation and non-specific grant income and expenditure	(275,445)	(7,904)	(283,349)	(268,891)	(14,448)	(283,339)
<b>Deficit of Services</b>	<b>1,068</b>	<b>54,821</b>	<b>55,889</b>	<b>15,370</b>	<b>29,735</b>	<b>45,105</b>
<b>Opening General Fund &amp; Earmarked Reserves</b>	<b>80,787</b>			<b>96,157</b>		
Less Deficit of Services	(1,068)			(15,370)		
<b>Closing General Fund &amp; Earmarked Reserves</b>	<b>79,719</b>			<b>80,787</b>		

## Council Portfolios: Organisation of Wirral Council

Wirral Councils Cabinet in 2017-18 has responsibility for individual Portfolios, which operate within three themes. The services in each Portfolio are :

Theme	Portfolio	Description
People	Adult Care and Health Children & Families Children & Families - Schools	Adult Social Care and Public Health, Childrens Care, Schools and Education
Environment	Environment Housing and Community Safety Localism and Engagement	Environmental Health, Planning, Leisure, Parks and Culture, Customer Contact, Community Safety and Housing Standards, Includes constituency committees, Communications and marketing
Business	Finance and Income Generation Highways and Transport Leadership Transformation	Digital(IT), HR, Finance, Assets, Legal and the Head of Paid Services, Eric Robinson , Highway Management and Transport , Growth, Business Intelligence & Strategy , Project support and Transformation Programme management

The following table details adjustments to the General Fund to add expenditure or income not chargeable to taxation or rents. It also removes items which are only chargeable under Statute.

Wirral Plan Theme and Portfolio	2017/18			2016/17 Restated		
	Adjustments for Capital Purposes	Net change for the Pensions Adjustment	Total Adjustments	Adjustments for Capital Purposes	Net change for the Pensions Adjustment	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000
<b>People</b>						
Adult Care & Health	818	(167)	651	1,052	(446)	606
Children & Families	54	(509)	(455)	(31)	(715)	(746)
Children & Families - Schools	16,104	(1,172)	14,932	13,036	(1,350)	11,686
<b>People Total</b>	<b>16,976</b>	<b>(1,848)</b>	<b>15,128</b>	<b>14,057</b>	<b>(2,511)</b>	<b>11,546</b>
<b>Environment</b>						
Environment	334	(332)	2	2,065	(398)	1,667
Housing & Community Safety	3,716	(275)	3,441	1,555	(323)	1,232
Localism & Engagement		(22)	(22)		(24)	(24)
<b>Environment Total</b>	<b>4,050</b>	<b>(629)</b>	<b>3,421</b>	<b>3,620</b>	<b>(745)</b>	<b>2,875</b>
<b>Business</b>						
Finance & Income Generation	6,173	(3,192)	2,981	14,178	(3,258)	10,920
Highways and Transport	8,112	(65)	8,047	6,354	(95)	6,259
Leadership	132	(32)	100		(20)	(20)
Transformation	1,374	(11)	1,363		(6)	(6)
<b>Business Total</b>	<b>15,791</b>	<b>(3,300)</b>	<b>12,491</b>	<b>20,532</b>	<b>(3,379)</b>	<b>17,153</b>
<b>Cost Service (i)</b>	<b>36,817</b>	<b>(5,777)</b>	<b>31,040</b>	<b>38,209</b>	<b>(6,635)</b>	<b>31,574</b>
Other Operating Expenditure (ii)	26,777	522	27,299	2,319	544	2,863
Financing and investment income and expenditure (iii)	(7,642)	12,028	4,386	(6,192)	15,938	9,746
Taxation and non-specific grant income and expenditure (iv)	(7,904)	-	(7,904)	(14,448)	-	(14,448)
<b>General Fund Balance (surplus)/deficit</b>	<b>48,048</b>	<b>6,773</b>	<b>54,821</b>	<b>19,888</b>	<b>9,847</b>	<b>29,735</b>

### Adjustments for Capital Funding and Expenditure Purposes:

Adjustments to General Fund Balances to meet the requirements of generally accepted accounting practices, this column adds in depreciation and impairment and revaluation gains and losses in the services line and for:

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

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

- i) For services this represents the removal of the employer pension contributions made by the authority as permitted by statute and the replacement with current service costs and past service costs
- ii) For Other Operating Expenditure this is the cost of the Pensions Administration as part of the IAS 19 adjustment
- iii) For Financing and investment income and expenditure - the net interest on the defined benefit liability is charged to the CIES.

## 10. TRANSFERS TO/FROM EARMARKED GENERAL FUND RESERVES

The Council keeps a number of reserves in the Balance Sheet that have been set up to earmark funding for future spending plans. These are held for costs which are likely to be incurred but their timing is not certain and they cannot be met from annual budgets. A review of reserves is carried out as part of the budget setting process and has resulted in the transfer of a number of unused funding to the General Fund Balance. The following table discloses each earmarked reserve where the balance is in excess of £0.25 million on either 31 March 2017 or 31 March 2018. Overall movement in the reserves is £0.2 million (made up of £12.5 million additions to reserve and £12.7 million contributions from reserve).

Earmarked General Fund Reserves	Balance at 31 March 2016	Movement 2016/17	Balance at 31 March 2017	Movement 2017/18	Balance at 31 March 2018
	£'000	£'000	£'000	£'000	£'000
Business Rates Equalisation	10,304	(4,012)	6,292	4,036	10,328
Schools Balances	11,738	(1,238)	10,500	(274)	10,226
Insurance Fund	10,867	(998)	9,869	(2,318)	7,551
Waste Development Fund	6,018	(1,444)	4,574	(1,246)	3,328
Financial Resilience	-	-	-	3,314	3,314
Housing Benefit	5,204	(487)	4,717	(2,240)	2,477
Public Health Outcomes	247	1,480	1,727	(146)	1,581
Dedicated Schools Grant	1,272	(199)	1,073	420	1,493
Parks Tree Maintenance	-	-	-	1,128	1,128
Better Care Fund	-	-	-	988	988
School Harmonisation	656	-	656	-	656
Stay, Work, Learn Wise	676	(21)	655	(16)	639
Selective Licensing	537	-	537	-	537
Flood Prevention	555	(5)	550	(14)	536
Support & Assistance to Public in Need	770	-	770	(268)	502
Public Health 15-16 Allocations	348	(348)	-	488	488
Community Assets Transfer	836	(183)	653	(191)	462
Intensive Family Intervention Project	549	(174)	375	58	433
Schools Capital Programme	603	(44)	559	(126)	433
Wirral Ways to Work	-	740	740	(348)	392
Enterprise Zone Investment	9	168	177	203	380
Community Safety Initiatives	231	52	283	79	362
Backdated Long Term Care	-	-	-	350	350
Wirral Ways to Work/Reachour Project Underspend	-	-	-	347	347
Section 106 - Bloor Homes	-	389	389	(50)	339
Major Infrastructure Project Development	652	(205)	447	(137)	310
General Data Protection Regulation	-	-	-	276	276
Europa Centre - Rent Free Top Ups	-	-	-	267	267
Champs Innovation Fund	380	133	513	(257)	256
Human Resources Reserve	410	77	487	(232)	255
One Stop Shop/Libraries IT Networks	1,483	(251)	1,232	(1,000)	232
Discretionary Housing Payments	297	127	424	(211)	213
Wirral HIA	295	(145)	150	-	150
IT Development	681	(8)	673	(545)	128
Early Years 2 Year Old Funding	461	(331)	130	(36)	94
Future School Redundancy	367	(367)	-	36	36
Home Improvements	309	(85)	224	(224)	-
Transformation Fund	10,973	(8,095)	2,878	(2,878)	-
Property Development Framework	700	(700)	-	-	-
Parks & Countryside	311	(311)	-	-	-
Other Reserves	5,176	(2,366)	2,810	565	3,375
	<b>73,915</b>	<b>(18,851)</b>	<b>55,064</b>	<b>(202)</b>	<b>54,862</b>

## The purposes for the individual earmarked reserves

### Business Rates Equalisation

This reserve is held to meet fluctuations in the income received from business rates. The full impact of the Liverpool City Region Pilot is still emerging and the effects of the operation of the national 75% Business Rate Retention is unclear. To smooth any variation in income the reserve aims to mitigate against changes in the amount of business rates received.

### Schools Balances

These are earmarked for use purely by the schools. The balance consists of: -

	2017/18	2016/17
	£'000	£'000
Schools underspending	11,364	11,351
Schools overspending	(1,137)	(851)
<b>Net Schools balances</b>	<b>10,227</b>	<b>10,500</b>

	Number of schools with in hand balances	Number of schools with overdrawn balances
Nursery	2	1
Primary	73	11
Secondary	1	4
Special	9	2

### Insurance Fund

This is primarily required to cover possible liability insurance claims. The overall estimate of the amount required to cover these is based on an actuarial investigation which seeks to estimate the ultimate claims arising in respect of each risk period, adjusted to allow for any subsequent deterioration in the Council's claims experience. The basis for calculation of the provision is claims not yet reported but anticipated.

### Waste Development Fund

This reserve has been set up from a contribution from Merseyside Waste and Recycling Authority to support the delivery of the Joint Recycling and Waste Management Strategy.

### Financial Resilience

The Council's Medium Term Financial Strategy shows that there are further future financial pressures. It is prudent to retain a reserve that is specifically designed so that future spending reductions can be implemented in a planned and efficient fashion. This reserve will serve this purpose and is to facilitate budget strategy management.

### Housing Benefit

The reserve is held to meet an ongoing issue relating to the previous Housing Benefit Supporting People arrangements and the potential claw-back of subsidy. Sums have also been set aside for the further development of integrating supporting IT systems.

### Public Health Outcomes

This reserve was set up to meet future commitments in relation to Public Health in accordance with the terms of the Public Health Grant provided by the Department of Health.

### Dedicated Schools Grant

Department for Education regulations require that any unspent Dedicated Schools Grant (DSG) balances are either redistributed to schools or carried forward to future years. The Schools Forum have agreed that any balances arising following the final DSG announcement in June (or at the year-end) are carried forward until the end of the funding period. After this time, balances are to be redistributed.

### Parks Tree Maintenance

As part of Council in July 2017 and Cabinet in October 2017 it was agreed that £1.255M of 'one-off' funding be allocated from General Fund balances for an extended borough

wide programme of tree maintenance works. The balance of this reserve represents the amount that remained unspent at the end of 2017/18.

### **Better Care Fund**

A number of schemes have been committed from the 2017/18 Better Care Fund, which have experienced delays in implementation. The underspend caused by this has been put into a reserve and will be used to fund these schemes in 2018/19.

### **Schools Harmonisation**

To fund the potential costs associated with implementing Phase 2 of the Local Pay Review which relates to those employees within schools.

### **Stay, Work, Learn Wise**

This reserve has been provided to fund the possible future repayment of the Stay, Work, Learn Wise grant awarded to the Council.

### **Selective Licensing**

This reserve was set up to fund the costs of the implementation of the Selective Licensing scheme.

### **Flood Prevention**

This funding was provided to cater for the LA's new responsibilities and burdens under the Flood and Water Management Act. This reserve is also earmarked as the partnership contribution to the West Kirby Flood Alleviation Scheme.

### **Support and Assistance to the Public in Need**

The reserve provides Local Welfare Assistance to Wirral residents in cases of disaster or emergency, where financial support is needed to meet one-off costs as opposed to funding ongoing expenses.

### **Public Health 2015/16 Allocations**

The reserve included 2015/16 funding from the national ring fenced Public Health grant that was to meet targeted future public health needs as per the department's 5 year financial plan.

### **Community Asset Transfer**

The Community Fund grant has been allocated by Magenta Living and this is the balance of the grant to implement the Community Asset Transfer programme

### **Intensive Family Intervention Project**

Funding was allocated from the Department for Communities and Local Government for the Intensive Families Intervention Programme which is a 3 year programme.

### **Schools Capital Schemes**

This is for the delivery and completion of capital schemes within schools.

### **Wirral Ways to Work**

This reserve was set up to hold match funding for the ESF funded Wirral Ways to Work project. Wirral Ways to Work is a multi-strand project to support adults and young people into employment that is anticipated to operate until June 2020.

**Enterprise Zone Investment**

Authorities are able to retain growth in business rates income in designated areas outside the Business Rates Retention scheme, which includes Wirral's area of the 'Mersey Waters' Enterprise Zone. The growth element retained by Wirral is to be used for future investment in the Enterprise Zone to improve the area, attract further businesses and investment, and increase income.

**Community Safety Initiatives**

This reserve was set up to hold funds relating to Community Safety Partnership (CSP). Any underspends relating to CSP at the end of the year are transferred to this reserve to be utilised in future years as this grant relates to the Partnership and is not the authority's money.

**Backdated Long Term Care**

Funding to resource the payment schedule for residential & nursing care.

**Wirral Ways to Work – Reach out Project**

This reserve was set up to hold match funding for the ESF funded Wirral Ways to Work project. Wirral Ways to Work is a multi-strand project to support adults and young people into employment that is anticipated to operate until June 2020.

**Section 106 Bloor Homes**

Monies set aside for Section 106 planning agreement relating to land at Bridle Road Eastham.

**Major Infrastructure Project Development**

This reserve was set up to fund the research and development of major development projects in line with Corporate and Regeneration priorities.

**General Data Protection Regulation**

In 2017/18 £300,000 was allocated from General Fund balances in order to cover additional costs associated with new General Data Protection Regulation which will come into force in May 2018. The unspent balance at the end of 2017/18 was transferred to reserve to be utilised in 2018/19.

**Europa Centre – Rent Free Top Ups**

In 2017/18 the Council acquired Europa Centre and it was agreed that the total amount payable by the authority would be reduced for charges relating to Dilapidations and Rent Free Tops. These amounts are held in this reserve.

**Champs Innovation Fund**

This is collective funding from the 9 Local Authorities for the Champs-Public Health team whom Wirral host. The objective is to pool funding for collective Public Health investments.

**Human Resources (HR) Reserve**

This reserve will be utilised to fund HR System development fixed term posts related to HR in 2018/19

**One Stop Shop / Libraries IT Network**

This reserve was set up to develop the Information Technology systems within the One Stop Shops and libraries as part of the provision of a more integrated service. During

2017/18 £1 million of this reserve was released to General Fund Balances, as there were no future commitments against it.

### **Discretionary Housing Payments**

The reserve is held to supplement the Governments annual allocation of Discretionary Housing Payment Grant. Discretionary Housing Payment is a payment made at the discretion of the Council to help towards housing costs.

### **Home Adaptations**

This reserve will facilitate a programme of minor adaptations to improve standards of living.

### **IT Development**

This reserve was set up to fund the expansion and development of IT services in the implementation of the programme agreed as part of the IT Strategy.

### **Early Years – 2 Year Olds Funding**

Early Years reserve created to fund the expansion of the free Early Education for two year olds.

### **Future School Redundancy Costs**

Reserve to help support any redundancy costs incurred within Schools.

### **Home Improvements**

This reserve is used for payments made back to the Council against charges for Housing Renovation loans.

### **Transformation Fund**

This reserve has been fully utilised in 2017/18 to fund transformation projects. Over the past 4 years this reserve has been used to fund expenditure including employee related payments and investment in services to enable transformation.

### **Property Development Framework**

This reserve was set up to meet potential budget pressures arising from the use of a head lease delivery model. This was released to General Fund balances in 2016/17.

### **Parks and Countryside – Planned Preventative Maintenance**

This reserve funded a programme of work that enabled maintenance issues to be addressed. This reserve has been fully utilised in 2016/17.

### **Other Reserves**

This line adds together smaller individual reserves, each with a value of less than £0.25 million.

**11. OTHER OPERATING EXPENDITURE**

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Levies	37,541	39,983
Payments to the Government Housing Capital Receipts Pool	2	3
Losses on the disposal of non current assets	26,775	2,316
Other	522	544
<b>Total</b>	<b>64,840</b>	<b>42,846</b>

For 2017/18 the increase in loss on the disposal of non-current assets is due to the change in ownership status of a number of schools. On 1 June 2017 four schools became part of the Oak Trees Multi Academy Trust. In addition the ownership of Ridgway High school transferred to the school governors. The value of these schools, removed from the Council balance sheet in the year, is shown as part of the loss on disposal figure above.

**12. FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable and similar charges	12,625	12,501
Pensions – net interest cost	12,028	15,938
Interest receivable and similar income	(686)	(748)
Income and expenditure in relation to investment properties and changes in their fair value	(1,197)	(1,190)
Gains and losses on trading accounts	38	132
<b>Total</b>	<b>22,808</b>	<b>26,633</b>

**13. TAXATION AND NON SPECIFIC GRANT INCOME**

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Council tax income	129,342	122,484
Non domestic rates income (including Top-Up Grant)	117,684	76,886
Non ring-fenced government grants	22,635	69,521
Capital grants and contributions	13,688	14,448
<b>Total</b>	<b>283,349</b>	<b>283,339</b>

The difference in income received in 2017/18 for Non-Domestic rates income and government grants is due to the Council's participation in the Liverpool City Region 100% Business Rates Retention Pilot. This involved the Council retaining 99% of the business rates collected (1% continuing to be paid to the Merseyside Fire and Rescue Service) in the area rather than 49% in 2016/17. Under the arrangement, to main the Councils funding level, the government payment of Revenue Support Grant (RSG) and other specific grants ceased.

Further details on grants are contained in note 36.

**14. PROPERTY, PLANT AND EQUIPMENT****Movements on Balances****Movements in 2017/18:**

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2017	475,009	31,461	167,273	27,037	10,309	8,173	719,262
Additions	8,175	3,761	6,606	108	124	402	19,176
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(432)	-	-	-	285	-	(147)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,234)	-	-	-	(644)	(190)	(7,068)
Derecognition - disposals	(28,003)	-	-	-	(92)	(5,813)	(33,908)
Reclassifications/transfers	(1,001)	-	-	-	1,001	-	-
<b>At 31 March 2018</b>	<b>447,514</b>	<b>35,222</b>	<b>173,879</b>	<b>27,145</b>	<b>10,983</b>	<b>2,572</b>	<b>697,315</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2017	(13,877)	(19,884)	(47,730)	-	(177)	-	(81,668)
Depreciation charge	(12,588)	(2,433)	(5,163)	-	(1)	-	(20,185)
Depreciation written out to the Revaluation Reserve	7,697	-	-	-	36	-	7,733
impairment losses /(reversals) recognised in the Revaluation Reserve	3,287	-	-	-	-	-	3,287
Derecognition disposals	1,168	-	-	-	3	-	1,171
Other movements in depreciation and impairment	(28)	-	-	-	28	-	-
<b>At 31 March 2018</b>	<b>(14,341)</b>	<b>(22,317)</b>	<b>(52,893)</b>	<b>-</b>	<b>(111)</b>	<b>-</b>	<b>(89,662)</b>
<b>Net Book Value</b>							
At 31 March 2017	461,132	11,577	119,543	27,037	10,132	8,173	637,594
At 31 March 2018	433,173	12,905	120,986	27,145	10,872	2,572	607,653

In 2017/18 the increase in loss on the disposal of non-current assets is due to the change in ownership status of a number of schools. On 1 June 2017 four schools became part of the Oak Trees Multi Academy Trust. In addition the ownership of Ridgway High school transferred to the school governors.

### Comparative Movements in 2016/17:

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2016	498,037	28,704	161,882	26,861	10,280	7,230	732,994
Additions	7,853	2,757	5,391	176	483	943	17,603
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(15,981)	-	-	-	2,692	-	(13,289)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(13,152)	-	-	-	(3,132)	-	(16,284)
Derecognition - disposals	(631)	-	-	-	(242)	-	(873)
Reclassifications/transfers	(1,117)	-	-	-	805	-	(312)
Assets reclassified (to)/from Held for Sale	0	0	0	0	(577)	0	(577)
<b>At 31 March 2017</b>	<b>475,009</b>	<b>31,461</b>	<b>167,273</b>	<b>27,037</b>	<b>10,309</b>	<b>8,173</b>	<b>719,262</b>
Accumulated Depreciation and Impairment							-
At 1 April 2016	8,996	17,863	42,810	-	118	-	69,787
Depreciation charge	11,965	2,021	4,920	-	125	-	19,031
Depreciation written out to the Revaluation Reserve	(4,229)	-	-	-	(61)	-	(4,290)
Depreciation written out on revaluation taken to the surplus/deficit on the Provision of Services	(2,787)	-	-	-	-	-	(2,787)
Derecognition disposals	(68)	-	-	-	(5)	-	(73)
<b>At 31 March 2017</b>	<b>13,877</b>	<b>19,884</b>	<b>47,730</b>	<b>-</b>	<b>177</b>	<b>-</b>	<b>81,668</b>
<b>Net Book Value</b>							
<b>At 31 March 2016</b>	<b>489,041</b>	<b>10,841</b>	<b>119,072</b>	<b>26,861</b>	<b>10,162</b>	<b>7,230</b>	<b>663,207</b>
<b>At 31 March 2017</b>	<b>461,132</b>	<b>11,577</b>	<b>119,543</b>	<b>27,037</b>	<b>10,132</b>	<b>8,173</b>	<b>637,594</b>

## Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Land and Buildings – 1-60 years

Vehicles, Plant, Furniture and Equipment - 3-40 years

Infrastructure – 10-120 years

Surplus Assets – up to 30 years

Land and Buildings asset lives range from 1 to 60 years which reflect the service lives of the assets as assessed by the Council's valuers.

## Revaluations

The Code of Practice on Local Authority Accounting requires the Council to revalue its assets sufficiently regularly to ensure that their carrying value does not differ materially from fair value at the year end.

In 2017/18, the Council based its revaluations on a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Current guidance is that all high value assets should be revalued more regularly to ensure that the Balance Sheet accurately reflects their up to date values. To achieve this, a number of significant high value assets groups e.g. Leisure Centres and schools have been revalued irrespective of when the last valuation was undertaken.

## Carrying Value measured against fair value

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

	<b>Land and Buildings</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Carried at historical cost	1,858	75	1,933
Valued at fair value as at:			
31 March 2018	413,416	10,908	424,324
31 March 2017	15,017	-	15,017
31 March 2016	6,927	-	6,927
31 March 2015	7,850	-	7,850
31 March 2014	2,446	-	2,446
<b>Total Cost or Valuation</b>	<b>447,514</b>	<b>10,983</b>	<b>458,497</b>

## 15. HERITAGE ASSETS

Reconciliation of the carrying value of Heritage Assets held by the Council

Cost or Valuation	Decorative Art & Other Collections	Buildings	Civic Regalia	Transport	Fine Art	Total Assets
	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2017	3,130	757	441	507	7,740	12,575
Revaluations	-	-	-	(17)	1,750	1,733
Balance as at 31 March 2018	3,130	757	441	490	9,490	14,308

Cost or Valuation	Decorative Art & Other Collections	Buildings	Civic Regalia	Transport	Fine Art	Total Assets
	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2016	3,130	937	408	507	7,775	12,757
Revaluations	-	(180)	33	-	(35)	(182)
Balance as at 31 March 2017	3,130	757	441	507	7,740	12,575

### Fine Art, Decorative Art and Other Collections

These collections are housed at the Williamson Art Gallery and the more important collections consist of:

#### Fine Art

British Watercolours – by a series of bequests and purchases, notably between 1920 and 1935, the Gallery has a significant collection of 18th and 19th century watercolour paintings and drawings by British artists;

The Liverpool School – Merseyside produced a large number of significant artists in the period 1810 to 1910 and the Liverpool School is well represented in the Williamson collections;

Philip Wilson Steer – born in Birkenhead in 1860 he became especially important in the artistic heritage of the Wirral. The Williamson now holds a collection of his work that is of national importance;

Local paintings – the Museum is virtually the only institution on Merseyside actively researching local historic and contemporary painters. Works by leading local artists are housed at the Museum;

There are over 5,000 items in the Fine Art collection, the most important of which are by Albert Joseph Moore (£200,000) and one attributed to Jan Breughel (£200,000).

Valuations are based on insurance estimates for which there was a 22% increase in 2017/18. This relates to the 5 most valuable works of art.

### **Decorative art and other collections**

There are a number of collections of this type held by the Council. The most important ones are:

- The Knowles Boney collection of some 300 pieces is very comprehensive and was presented to the Museum some 55 years ago and represents examples of work from several factories that were producing porcelain of various types and quality in Liverpool between 1750 and 1800;
- The collection of Della Robbia pottery forms an unrivalled addition to the history of Merseyside ceramics. Produced in Birkenhead between 1894 and 1906, items purchased in the 1920's from the founder Harold Rathbone form the basis of this comprehensive collection.

Apart from these two important collections there is also a good collection of 18th and 19th century British ceramics.

When Lee Tapestry Works of Birkenhead closed in 1970 the Museum acquired a collection of drawings, photographs and fabric samples illustrating the work of Arthur H. Lee and Sons.

There are also collections of glass, metalwork, jewellery, furniture, maritime models, ethnography, artefacts, geology and others. In total there are over 4,700 items in these various collections.

### **Acquisition policy**

The Museum recognises its responsibility in acquiring additions to its collections, to ensure that care of collections, documentation arrangements and the use of collections meet the requirements of the Accreditation Standard. It will take into account limitations on collections imposed by such factors as staffing, storage and care of collection arrangements.

The Council has determined criteria governing future acquisitions including the subject of themes, periods of time and/or geographical areas and any collections which are not subject to further acquisition. The expansion of collections is achieved by donation, bequest and purchase using the Museum's own small purchase fund and grant aid from the Friends of the Williamson Art Gallery and Wirral Museums, The Art Fund and the Museums Association Purchase Funds administered by the Victoria and Albert Museum and Science Museum.

Examples of how this policy translates would include the plan to develop the collection of British watercolours in perceived areas of weakness e.g. Pre-Raphaelite artists and to seek additions to the Liverpool School. In the case of the various collections of porcelain, the Liverpool collection would be expanded only for exceptional items whereas there are no plans to add to the Oriental collection.

### **Disposal procedure**

The Museum does not undertake disposal motivated principally by financial reasons. The decision to dispose of material from the collections will be taken after full consideration of the reasons for disposal. This includes curatorial and financial reasons as well as the public benefit, the implication for the Museum's collections and collections held by museums and other organisations collecting the same material. External expert

advice will be obtained and the views of stakeholders such as donors, researchers, local and source communities served by the Museum will also be sought.

A decision to dispose of a specimen or object, whether by gift, exchange, sale or destruction will only be taken acting on the advice of professional curatorial staff, if any, and not of the curator of the collection acting alone.

There have been no disposals in 2017/18.

### **Conservation and storage**

The Council maintains its access to professional conservation advice through its liaison with the National Museums Liverpool and freelance conservators. There is a programme in place encompassing environmental monitoring and control in display as well as storage areas. Improvements to the heating and humidifier equipment will be undertaken as necessary based on curatorial staff and conservation advice.

Staff ensure that a programme of lighting monitoring and control consistent with the preservation and maintenance of collections is maintained. The programme will continue to replace perishable and dangerous materials used in the preservation and storage of the collections. Alternative materials will be consistent with good conservation practice. A record of all conservation work undertaken will be maintained.

### **Exhibition and public services**

The temporary and permanent exhibition policy includes specific periodic displays of all items in the collection where conditions and time to research permit. Exhibitions in non-gallery venues are also encouraged provided suitable conditions are available. Adequate interpretative facilities are ensured for permanent and temporary displays.

Subject to adequate notice and staff supervision any member of the public will be given controlled access to any stored item and related information.

Loan applications are sympathetically considered and the advice of conservation and curatorial staff will determine the feasibility of such applications.

The latest comprehensive valuation was undertaken during the 2017/18 financial year. The present Collection Management Plan suggests valuations to be reconsidered every ten years. This period is retained for the general overview, but consideration may be given to individual items in the interim, especially with regard to adjustments of attribution or identification. Valuations are based on the knowledge of the Curator of Museums.

Acquisitions are initially recognised at cost (where that cost is greater than £5,000) and donations are recognised at valuation.

### **Transport**

The Council has a long term commitment towards the development of a heritage trail embracing a transport museum with particular emphasis on Wirral's heritage. The collection of some 30 assets (excluding those on loan) is housed within the Wirral Transport Museum and primarily consists of a number of buses, the oldest being a Guy Arab double decker built in 1943 and a collection of motor cycles, the oldest a 1938 Norton H.

Valuations are based on insurance quotes obtained during 2017/18.

### **Civic Regalia**

The collection of civic regalia includes 28 items connected with civic functions undertaken as part of the mayoral role and civic events. It consists of mayoral badges, chains, borough maces etc. with the oldest item dated 1877. It also includes 18 items of memorabilia commemorating events and associations that are of local interest. These items are reported in the Balance Sheet at insurance valuation. The most recent valuation was undertaken in April 2012 by Mr. J. Phillips of St. George Valuations and is based on the likely cost of replacing the item valued with as near a comparable item as is available for purchase second hand. The valuation only reflects the inherent characteristics of the items and does not reflect the surrounding circumstances of the items e.g. their provenance. Revaluations are to be undertaken at a minimum of every ten years.

### **Buildings**

There are two buildings included in the valuation of heritage assets. These are Leasowe Lighthouse, which is the oldest brick built lighthouse in the country and Bidston Hill Windmill, which was operational until 1875. Leasowe Lighthouse is supported by the Friends of Leasowe Lighthouse, which has an active series of events. Similarly there is public access to Bidston Hill Windmill, supported by the Friends of Bidston Hill.

Valuations have been undertaken by the Council's own valuers and are based on their fair value. Valuations were undertaken between January 2008 and March 2018.

### **Heritage Assets not reported in the Balance Sheet**

#### **Sites of Special Scientific Interest (SSIs) or Biological Importance (SBIs)**

There are 12 SSIs which can be seen as the basic building block of site based nature/geological nature conservation legislation whereas SBIs (27 owned by the Council) are local non statutory sites. A number of these sites are already included in historic cost information within the Council's classification of Community Assets. However, because of their specific nature they only form part of an overall community asset and as such it is considered that any attempt to separately identify specific costs associated with the SSI or SBI would produce unreliable information. The decision has been taken therefore not to separately identify such assets within the Balance Sheet under the category of heritage assets.

#### **War memorials and other monuments**

There are 146 such assets that the Council owns ranging from those commemorating historic events to historic personages. No reliable cost or valuation information is available regarding these assets. Because of their diverse and very individual nature and the lack of comparable market values, the Council considers that the cost of obtaining external valuations outweighs the benefit to the reader of the accounts in obtaining such information. Consequently, these assets are not included in the Balance Sheet.

#### **Archaeological sites**

In the case of the 2 sites that are considered to be of an archaeological interest the Council does not consider that reliable cost or valuation information can be obtained because of the diverse nature of the assets and the lack of comparable market values. Consequently, any such assets are not included in the Balance Sheet.

## 16. INVESTMENT PROPERTIES

Investment properties are held by the Council for the purposes of income generation or capital gain.

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.

In 2017/18 the Council has made the first of a number of acquisitions that forms part of the Strategic Acquisition Programme that supports the key economic goals of the Council.

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

	2017/18	2016/17
	£'000	£'000
Balance at 1 April	12,605	12,092
Additions:	8,950	21
Disposals	(282)	(198)
Net gains / (losses) from fair value adjustments	273	378
Transfers:		
To / (from) Property, Plant and Equipment	-	312
<b>Balance at 31 March</b>	<b>21,546</b>	<b>12,605</b>

### Fair Value Hierarchy for Investment Properties

Details of the Authority's Investment Properties and information about the Fair Value Hierarchy at 31<sup>st</sup> March 2018 are as follows:

2017/18 Recurring Fair Value measurements using:	Quoted Prices in Active Markets for identical assets  (Level 1) £'000	Other significant observable inputs  (Level 2) £'000	Significant unobservable inputs  (Level 3) £'000	Fair Value as at 31 <sup>st</sup> March 2018  £'000
Development Sites	0	2,810	0	2,810
General Income Buildings	0	9,563	0	9,563
General Income Sites	0	5,034	0	5,034
Industrial Land & Buildings	0	4,139	0	4,139
<b>Total</b>	<b>0</b>	<b>21,546</b>	<b>0</b>	<b>21,546</b>

## **Transfers between levels of the Fair Value Hierarchy**

There were no transfers between levels 1 and 2 throughout the year.

## **Valuation Techniques used to determine Level 2 Fair Values for Investment Properties**

### **Development sites**

Development site valuations are based on the potential for the sites such as residential or commercial developments and in all cases are based upon the value by area, typically per acre, for similar sites in similar locations.

### **General Income Buildings**

This sub category includes a wide range of properties including Halls, cafes and recreational buildings which generate rental income. In each case the valuation is based on the current income stream and where possible the potential to achieve a market rent by determining the potential price for space of similar buildings, typically a price per square foot.

### **General Income Sites**

This is the broadest sub category and includes land which generates income and comprises properties such as ground leases and advertising hoardings. In all cases a lease or licence determines the income stream and also determines the potential for review of rental levels. Where rental levels can be reviewed the rent will be based on market levels by comparison to similar properties on an area basis.

### **Industrial Land and Buildings**

This sub category comprises the Council's industrial portfolio of managed workspace. Let on short term tenancies with regular rent review patterns, the properties are let at market rent based upon directly comparable properties based on the area, typically a price per square foot.

### **Highest and best use of investment properties**

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

## **17. 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. The intangible assets relate to purchased licences.

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 major item of software relates to the Oracle financial system and has been assigned a 10 year life.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation charged to revenue in 2017/18 was £0.383 million (2016/17 £0.395 million).

The movement on Intangible Asset balances during the year is as follows:

<b>Intangible Assets</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	1,315	1,710
Amortisation for the year	(383)	(395)
<b>Balance at 31 March</b>	<b>932</b>	<b>1,315</b>

## 18. FINANCIAL INSTRUMENTS

### Financial Instruments Balances

The financial assets and liabilities disclosed in the Balance Sheet are analysed across the following categories:

	<b>Long Term</b>	<b>Long Term</b>	<b>Short Term</b>	<b>Short Term</b>
	<b>31 March 2018</b>	<b>31 March 2017</b>	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Financial Assets</b>				
Loans and Receivables	1,250	1,100	20,482	24,088
Available for Sale	-	-	5,983	2,017
<b>Total Financial Assets</b>	<b>1,250</b>	<b>1,100</b>	<b>26,465</b>	<b>26,105</b>
<b>Financial Liabilities</b>				
Borrowings	171,502	179,084	95,296	39,497
PFI Liability	42,418	45,361	2,947	2,624
<b>Total Financial Liabilities</b>	<b>213,920</b>	<b>224,445</b>	<b>98,243</b>	<b>42,121</b>

The table below reflects the composition of borrowing recorded on the Balance Sheet:

	<b>Long Term</b>	<b>Long Term</b>	<b>Short Term</b>	<b>Short Term</b>
	<b>31 March 2018</b>	<b>31 March 2017</b>	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Borrowings</b>				
Nominal Amount	174,059	181,762	93,003	37,203
Accrued Interest	-	-	2,293	2,294
EIR Adjustments	(2,557)	(2,678)	-	-
<b>Total Amortised Cost</b>	<b>171,502</b>	<b>179,084</b>	<b>95,296</b>	<b>39,497</b>

The table below reflects the composition of investments recorded on the Balance Sheet:

	<b>Long Term</b>	<b>Long Term</b>	<b>Short Term</b>	<b>Short Term</b>
	<b>31 March 2018</b>	<b>31 March 2017</b>	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Loans and Receivables</b>				
Nominal Amount	1,250	1,100	20,400	24,000
Accrued Interest	-	-	82	88
Impairment/ Revaluation	-	-	-	-
<b>Total Amortised Cost</b>	<b>1,250</b>	<b>1,100</b>	<b>20,482</b>	<b>24,088</b>
<b>Available for Sale</b>				
Nominal Amount	-	-	6,000	2,000
Accrued Interest	-	-	-	1
Impairment/ Revaluation	-	-	(17)	16
<b>Total Fair Value</b>	<b>-</b>	<b>-</b>	<b>5,983</b>	<b>2,017</b>
<b>TOTAL INVESTMENTS</b>	<b>1,250</b>	<b>1,100</b>	<b>26,465</b>	<b>26,105</b>

### Gains and Losses on Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following items:

2017/18	Financial Liabilities	Financial Assets		Total
	Liabilities Measured at amortised cost	Loans and Receivables	Available for sale assets	
	£'000	£'000	£'000	£'000
Interest expense	(12,907)	-	-	(12,907)
Impairment losses	-	-	-	-
<b>Interest payable and similar charges</b>	<b>(12,907)</b>	-	-	<b>(12,907)</b>
Interest Income	-	192	102	294
<b>Total Interest and Investment Income</b>	<b>-</b>	<b>192</b>	<b>102</b>	<b>294</b>
<b>Net gain/ (loss) for the year</b>	<b>(12,907)</b>	<b>192</b>	<b>102</b>	<b>(12,613)</b>

This compares with the gains and losses recognised in 2016/17:

2016/17	Financial Liabilities	Financial Assets		Total
	Liabilities Measured at amortised cost	Loans and Receivables	Available for sale assets	
	£'000	£'000	£'000	£'000
Interest expense	(12,470)	-	-	(12,470)
Impairment losses	-	-	-	-
<b>Interest payable and similar charges</b>	<b>(12,470)</b>	-	-	<b>(12,470)</b>
Interest Income	-	235	123	358
<b>Total Interest and Investment Income</b>	<b>-</b>	<b>235</b>	<b>123</b>	<b>358</b>
<b>Net gain/ (loss) for the year</b>	<b>(12,470)</b>	<b>235</b>	<b>123</b>	<b>(12,112)</b>

### Fair Value of Assets Carried at Amortised Cost

For each class of financial assets and financial liability, the Council is required to disclose the fair value of that class of assets and liabilities in such a way that a comparison with the carrying amount is possible. For most assets, including money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of remaining contractual cash flows at 31<sup>st</sup> March 2018.

The Council's borrowings are carried in the Balance Sheet at amortised cost. Investments consist of loan and receivables and available for sale financial assets. Loans and receivables are carried on the Balance Sheet at amortised cost. The calculation of the net present values for these instruments has been carried out 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.
- The value of 'Lender's Option Borrower's Option' (LOBO) loans have been increased by the value of the embedded options. Lender's options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- 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<sup>st</sup> March.
- The fair value of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at appropriate AA rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

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

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

	Fair Value Level	Carrying Amount as at 31 March 2018	Fair Value as at 31 March 2018	Carrying Amount as at 31 March 2017	Fair Value as at 31 March 2017
		£'000	£'000	£'000	£'000
<b>Financial Liabilities held at amortised cost:</b>					
PWLB Loans	2	22,560	26,413	31,006	36,249
LOBO Loans	2	112,113	209,377	115,094	226,371
Other Loans	2	45,140	87,661	44,363	89,971
Lease Payables & PFI	2	45,365	49,194	47,985	53,366
<b>Total</b>		<b>225,178</b>	<b>372,645</b>	<b>238,448</b>	<b>405,957</b>
Others for which fair value is not disclosed *		<b>125,363</b>		<b>51,083</b>	
<b>Total Liabilities</b>		<b>350,541</b>		<b>289,531</b>	
<b>Financial Assets held at fair value:</b>					
Money Market Funds	1	22,650	22,650	25,030	25,030
Externally Managed Funds	1	5,983	5,983	2,017	2,017
<b>Total</b>		<b>28,633</b>	<b>28,633</b>	<b>27,047</b>	<b>27,047</b>
Others for which fair value is not disclosed *		39,190		30,940	
<b>Total Financial Assets</b>		<b>67,823</b>		<b>57,987</b>	
<b>Financial Assets:</b>					
Loans and Receivables		21,732	21,732	25,188	25,188
Trade Receivables		17,458	17,458	5,752	5,752
<b>Total Financial Assets</b>		<b>39,190</b>	<b>39,190</b>	<b>30,940</b>	<b>30,940</b>

\* The fair value of short term financial instruments including trade payables and receivables are assumed to approximate the carrying amount.

The fair value of financial instruments held at amortised cost is higher than their balance sheet carrying amount because:

- the authority's portfolio of loans include transactions where the interest rate payable is higher than the current rates available for similar loans as at the balance sheet date.
- the interest rate on similar investments is now lower than that obtained when the investment was originally made.

**19. DEBTORS**

	31 March 2018	31 March 2017
	£'000	£'000
Central government bodies	11,834	2,106
Other local authorities	10,595	6,076
NHS bodies	6,646	11,475
Collection Fund	7,410	12,634
Other entities and individuals	27,428	17,297
<b>Total</b>	<b>63,913</b>	<b>49,588</b>

**20. CASH AND CASH EQUIVALENTS**

Cash comprises cash on hand and demand deposits. Balances classified as 'Cash Equivalents' fit the definitions of being short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The net balance of Cash and Cash Equivalents is made up of the following elements at the Balance Sheet date:

	31 March 2018	31 March 2017
	£'000	£'000
Cash held by Authority	2,087	(1,079)
Call accounts (same day access funds)	22,650	25,030
<b>Total Cash and Cash Equivalents</b>	<b>24,737</b>	<b>23,951</b>

**21. ASSETS HELD FOR SALE**

	31 March 2018	31 March 2017
	£'000	£'000
<b>Balance outstanding at start of year</b>	<b>11,078</b>	<b>20,277</b>
Assets newly classified as held for sale	21	672
Net revaluations	(23)	(5,071)
Disposals	(25)	(4,800)
<b>Balance outstanding at year-end</b>	<b>11,051</b>	<b>11,078</b>

**22. CREDITORS**

	31 March 2018	31 March 2017
	£'000	£'000
Central government bodies	6,909	13,660
Other local authorities	1,189	1,248
NHS bodies	6,621	3,530
Public corporations and trading funds	-	7
Other entities and individuals	47,896	37,991
<b>Total</b>	<b>62,615</b>	<b>56,436</b>

## 23. PROVISIONS

The following are the main provisions made by the Council:-

### Bad Debts

This provision has been deducted from the debtors figure in the Balance Sheet and therefore does not appear in the provisions total.

	Balance at 1 April 2017	Utilised in 2017/18	Additions in 2017/18	Balance at 31 March 2018
	£'000	£'000	£'000	£'000
Council Tax	12,171	(14,445)	12,526	10,252
NNDR	1,584	(993)	2,491	3,082
Housing Benefit	9,571	-	356	9,927
Sundry Debtors	9,330	(2,078)	885	8,137
Summons Costs	669	(2,227)	2,394	836
<b>Total</b>	<b>33,325</b>	<b>(19,743)</b>	<b>18,652</b>	<b>32,234</b>

### Others

The provisions figure shown in the Balance Sheet comprises:-

	Balance at 1 April 2017	Utilised in 2017/18	Additions in 2017/18	Balance at 31 March 2018
	£'000	£'000	£'000	£'000
<b>Short Term</b>				
Severance Pay	24	(24)	173	173
Insurance Fund	1,000	-	-	1,000
NNDR Appeals	6,126	(1,999)	6,377	10,504
Carbon Reduction Commitment	450	(450)	346	346
Land Charges	248	-	-	248
Other	121	(12)	1	110
	<b>7,969</b>	<b>(2,485)</b>	<b>6,897</b>	<b>12,381</b>
<b>Long Term</b>				
Insurance Fund	2,196	-	78	2,274
	<b>2,196</b>	<b>-</b>	<b>78</b>	<b>2,274</b>

### Severance Pay

The Council has identified funding that will be required for staff reductions in financial year 2017/18 that will cost £0.173 million and has therefore made provision for this liability.

### Insurance Fund

This is primarily required to cover possible liability insurance claims. The overall estimate of the amount required to cover these is based on an actuarial investigation, which seeks to estimate the ultimate claims arising in respect of each risk period. The basis for calculating the provision is claims actually reported as outstanding. The timing of future payments depends almost entirely upon when claims are settled, but are likely to run over a number of years.

**NNDR Appeals**

Following the introduction of the Business Rates Retention Scheme from 1 April 2013, billing authorities are required to make an estimate of the impact of successful appeals covering not only 2017/18 but also any backdated amount relating to earlier years. This will include decisions made in future years regarding appeals which may affect the 2017/18 and earlier financial years' business rates charges. The provision calculation is based upon data supplied by the Valuation Office at 31 March 2018 regarding outstanding and settled appeals.

**Carbon Reduction Commitment**

To fund carbon reduction payments to the Government which are paid in arrears but which need to be reflected in the correct financial year. Payments relating to 2016/17 have been met from this provision in 2017/18.

**Land Charges**

For claims for searches carried out in previous years and is to cover any Council liability for claims for income incorrectly charged in respect of searches.

**Other Provisions**

All other provisions are individually insignificant in being below £0.25 million.

**24. USABLE RESERVES**

Usable Reserve	Balance at 1 April 2017	Movement in Year	Balance at 31 March 2018	Purpose of Reserve
	£'000	£'000	£'000	
General Fund Balance	25,723	(867)	24,856	Resources available to meet future revenue and capital costs.
Earmarked General Fund Reserves	55,065	(202)	54,863	See note 10 for further details. This includes schools balances.
Capital Receipts Reserve	5,558	(3,886)	1,672	Contains the proceeds of fixed asset sales that are available to meet future capital investment.
Capital Grants Unapplied	14,919	(531)	14,388	Government Grants and contributions received in year for projects.
<b>Total</b>	<b>101,265</b>	<b>(5,486)</b>	<b>95,779</b>	

The balances on the General Fund and Earmarked General Fund Reserves are available for funding both capital and revenue expenditure. The amounts relating to balances held by schools are accounted for as Earmarked Reserves and are not included in the General Fund Balance. The Capital Receipts Reserve and Capital Grants Unapplied are held for capital purposes only.

**25. UNUSABLE RESERVES**

<b>Unusable Reserves</b>	<b>Balance at 1 April 2017</b>	<b>Movement in Year</b>	<b>Balance at 31 March 2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Revaluation Reserve	228,563	(7,651)	220,912
Capital Adjustment Account	158,492	(23,327)	135,165
Pensions Reserve	(535,408)	55,182	(480,226)
Other	(1,625)	(4,211)	(5,836)
<b>Total Unusable Reserves</b>	<b>(149,978)</b>	<b>19,993</b>	<b>(129,985)</b>

**Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its 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.

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	228,563	241,645
Upward revaluation of assets	15,784	36,215
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(6,465)	(45,396)
<b>Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services</b>	9,319	(9,181)
Difference between fair value depreciation and historical cost depreciation	(3,888)	(3,464)
Accumulated gains on assets sold or scrapped	(13,082)	(437)
<b>Total written off the the Capital Adjustment account</b>	<b>(16,970)</b>	<b>(3,901)</b>
<b>Balance at 31 March</b>	<b>220,912</b>	<b>228,563</b>

**Revaluation Reserve Adjustments**

When an asset is revalued downwards (impaired) and there has been a previous upward revaluation which has created a revaluation reserve, the impairment is charged to the revaluation reserve until it is depleted; thereafter it is charged to service revenue accounts.

When an asset that has been revalued is depreciated, the associated revaluation reserve is written off at the same rate. In this situation the revaluation reserve is debited and the capital adjustment account is credited. If an asset is deemed to have a residual value, depreciation stops when the residual value has been reached. Writing off of the revaluation reserve stops at the same time.

### **Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different accounting arrangements for the consumption of non-current assets and for their financing under statutory provisions. The Account is charged with costs of acquisition, construction or enhancement of assets. Depreciation, impairment losses and amortisations of assets are charged to the Comprehensive Income and Expenditure Statement with postings from the Revaluation Reserve to convert fair values to an historical cost basis.

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

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.

	2017/18	2016/17
	£'000	£'000
<b>Balance at 1 April</b>	<b>158,492</b>	<b>181,508</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation, revaluation losses and impairment of non-current assets	(24,372)	(37,994)
Historic cost adjustment on Revaluation losses on Property, Plant and Equipment	3,888	3,464
Revenue expenditure funded from capital under statute	(15,099)	(5,391)
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	(33,044)	(5,758)
	<b>(68,627)</b>	<b>(45,679)</b>
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	10,419	5,951
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	14,235	9,795
Statutory provision for the financing of capital investment charged against the General Fund	7,307	5,792
Capital expenditure charged against the General Fund and other balances	189	310
	<b>32,150</b>	<b>21,848</b>
Balance in Revaluation Reserve written off on disposal of assets	13,081	437
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	273	378
Public Sector Housing Loans	(204)	-
	<b>13,150</b>	<b>815</b>
<b>Balance at 31 March</b>	<b>135,165</b>	<b>158,492</b>

### Pensions Reserve

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

	2017/18	2016/17
	£'000	£'000
<b>Balance at 1 April</b>	<b>(535,408)</b>	<b>(461,595)</b>
Re-measurement of pensions assets and liabilities	61,113	(65,528)
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	(39,417)	(42,606)
Employer's pensions contributions and direct payments to pensioners payable in the year	33,486	34,321
<b>Balance at 31 March</b>	<b>(480,226)</b>	<b>(535,408)</b>

## Other Reserves

### Financial Instrument Adjustment Account

The Financial Instrument 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 benefitting from gains per statutory provisions. The balance in the Financial Instrument Adjustment Account at the end of the year represents the amount that should have been charged to the Comprehensive Income and Expenditure Statement in accordance with proper accounting practices under the Code of Practice, but which Statutory Provisions allow or require to be deferred over future years. At 31 March 2018 the account had a balance of £3.423 million (2016/17 £3.456 million)

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and National Non-domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. At 31 March 2018, the account had a balance of £1.588 million Debit (2016/17 £4.196 million Credit).

### Accumulated Absences Account

The Accumulating Compensated Absences Adjustment 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. The account had a credit balance of £3.465 million at 31 March 2018 (2016/17 balance £5.041 million credit).

### Available for Sale Financial Instrument Reserve

The Available for Sale Financial Instrument Reserve contains gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. At 31 March 2018, the reserve had a debit balance of £0.019 million (2016/17 credit £0.012 million).

### Deferred Capital Receipts

Deferred capital receipts relate to the principal element of loans provided by the Council, which are repaid over a number of years. The capital receipt is only recognised as and when the principal sum is repaid. At 31 March 2018 the reserve had a balance of £2.660 million (2016/17 £2.664 million).

**26. CASH FLOW STATEMENT - OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

	2017/18	2016/17
	£'000	£'000
<b><i>The net (surplus)/deficit on the provision of services includes:</i></b>		
Interest received	(686)	(542)
Interest paid	12,625	12,770
<b><i>Adjust net (surplus)/ deficit on the provision of services for non cash movements:</i></b>		
Depreciation	(20,185)	(19,031)
Impairment	(3,531)	(18,190)
Amortisations of intangible assets	(383)	(395)
(Increase) / decrease in long & short term creditors	(6,180)	4,335
Increase / (decrease) in long & short term debtors	14,325	690
Increase / (decrease) in stock / WIP	8	(43)
Movement in Pensions Liability	(5,932)	(8,285)
Non cash items relating to the disposal of fixed assets	(33,044)	(5,798)
Other non-cash items charged to the net surplus or deficit on the provision of services	(2,908)	(2,494)
	(57,830)	(49,211)
<b><i>Adjust for items in the net (surplus)/ deficit on the provision of services that are investing or financing activities</i></b>		
Proceeds from the sale of property, plant and equip., investment property and intangible assets	6,331	3,465
Grants applied to the financing of capital expenditure	13,704	14,453
	20,035	17,918

**27. CASH FLOW STATEMENT - INVESTING ACTIVITIES**

	2017/18	2016/17
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets.	28,126	18,347
Purchase of short-term and long-term investments	511	500
Other payments for investing activities	103	183
Proceeds from sale of property, plant and equipment, investment property and intangible assets	(6,331)	(3,465)
Proceeds from short-term and long-term investments	361	(7,210)
Other receipts from investing activities	(18,289)	(18,736)
<b>Net cash flows from investing activities</b>	<b>4,481</b>	<b>(10,381)</b>

**28. CASH FLOW STATEMENT - FINANCING ACTIVITIES**

	2017/18	2016/17
	£'000	£'000
Cash Receipts from short and long-term borrowing	(57,371)	(19,000)
Cash payments for the reduction of outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	2,620	2,418
Repayment of short- and long-term borrowing	2,711	8,470
Other payments for financing activities	28,679	(1,813)
<b>Net cash flows from financing activities</b>	<b>(23,361)</b>	<b>(9,925)</b>

**29. EXPENDITURE AND INCOME ANALYSED BY NATURE**

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

	2017/18	2016/17
	£'000	£'000
Employees	254,489	261,496
Other Service Expenses	410,902	420,285
Depreciation, Amortisement & Impairment	57,347	43,375
Interest Payments	24,653	28,439
Precepts & Levies	37,541	39,983
Payments to Housing Capital Receipts Pool	2	3
Gain on Disposal of Assets	26,775	2,316
<b>Total Expenditure</b>	<b>811,709</b>	<b>795,897</b>
Fees, charges and other service income	(119,612)	(112,834)
Interest and investment income	(1,845)	(1,806)
Income from council tax and non domestic rates	(247,026)	(199,370)
Government grants and contributions	(387,337)	(436,782)
<b>Total Income</b>	<b>(755,820)</b>	<b>(750,792)</b>
<b>(Surplus) / Deficit on the provision of services</b>	<b>55,889</b>	<b>45,105</b>

**30. TRADING ACCOUNT**

The Council has currently one trading unit for Building Cleaning where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. Details are as follows:

	2017/18	2016/17
	£'000	£'000
Turnover	(575)	(621)
Expenditure	613	753
	<b>38</b>	<b>132</b>

### 31. POOLED BUDGETS

Wirral Council operates 1 pooled fund (Better Care Fund) in partnership with Wirral Clinical Commissioning Group under section 75 of the Health Act 2006. This fund is hosted by Wirral Council and commenced on the 1<sup>st</sup> April 2015.

The Better Care Fund creates a local single pooled budget to incentivise the NHS and local government to work more closely together around people, placing their well-being as the focus of health and care services.

*Locally, the primary aims of the fund are:*

- *Supporting independence in the community by placed-based activity*
- *Reducing non-elective admissions and reducing residential admissions by providing the right care and support within the community*
- *Facilitating earlier hospital discharge*

<b>Revenue</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
<b>Funding provided to the pooled budget</b>		
Wirral Council	18,913	2,000
Wirral Clinical Commissioning Group	25,369	27,172
	<b>44,282</b>	<b>29,172</b>
<b>Expenditure met from the pooled budget</b>		
Wirral Council	36,650	20,162
Wirral Clinical Commissioning Group	6,781	9,010
	<b>43,431</b>	<b>29,172</b>
<b>Net surplus arising on the pooled budget during the year</b>	<b>851</b>	<b>-</b>
<b>Cost of the Council's share of the deficit on the pooled budget for the year</b>	<b>426</b>	<b>-</b>

<b>Capital (Disabled facilities grant)</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
<b>Funding provided to the pooled budget</b>		
Wirral Council	3,592	3,325
Wirral Clinical Commissioning Group	-	-
	<b>3,592</b>	<b>3,325</b>
<b>Expenditure met from the pooled budget</b>		
Wirral Council	1,662	2,322
Wirral Clinical Commissioning Group	-	-
	<b>1,662</b>	<b>2,322</b>
<b>Net surplus arising on the pooled budget during the year</b>	<b>(1,930)</b>	<b>(1,003)</b>
<b>Cost of the Council's share of the surplus on the pooled budget for the year</b>	<b>(1,930)</b>	<b>(1,003)</b>

**32. MEMBERS' ALLOWANCES**

During the year Members allowances, including Employer's costs totalled £790 (2016/17 £752) and are as follows. The increase in Members Allowances between 2016/17 and 2017/18 is due to the Authority no longer being able to claim reimbursements from Merseytravel for Special Responsibility Allowances.

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Mayor/Deputy allowance	12	11
Allowances	773	733
Expenses	5	8
<b>Total</b>	<b>790</b>	<b>752</b>

**33. OFFICERS' REMUNERATION**

The remuneration paid to the Council's senior employees is as follows:

	Employment Period	Notes	Salary £	Allowances £	Compensation for Loss of Office	Pension Contribution £	Total inc Pension Contribution £
<b>Financial Year 2017/18</b>							
Chief Executive (Eric Robinson)	01/04/17-31/03/18		175,905	150	-	23,907	199,962
Director for Strategy and Partnerships	01/04/17-31/07/17	a)	41,517	-	-	120,509	162,026
Director for Strategy and Partnerships	01/08/17-31/03/18		69,071	-	-	9,877	78,948
Managing Director for Delivery	01/04/17-31/03/18		118,753	34	93,413	357,223	569,423
Director of Transformation	01/04/17-31/03/18		121,370	-	-	16,501	137,871
Director for Health and Wellbeing	01/04/17-31/07/17	b)	30,951	-	-	4,426	35,377
Director for Health and Wellbeing	01/08/17-31/03/18		72,751	-	-	6,373	79,125
Assistant Director of Finance (S151)	01/04/17-31/12/17	c)	99,947	-	-	8,579	108,526
Director of Finance and Investment	11/12/17-31/03/18		30,558	-	-	4,156	34,714
Director for Care and Health	01/04/17-31/03/18		113,532	1,073	-	15,416	130,021
Director for Children	01/04/17-22/05/17	d)	59,045	-	-	2,231	61,276
Director for Children	23/05/17-03/12/17	e)	54,330	24	-	7,389	61,743
Director for Children	04/12/17-31/03/18		43,927	-	-	5,974	49,901
Director for Business Services (Assistant Chief Executive)	01/04/17-31/03/18		113,406	38	-	15,416	128,861
Assistant Director Law (Monitoring Officer)	01/04/17-03/09/17	f) & g)	39,675	36	-	-	39,711
<b>Total</b>			<b>1,184,737</b>	<b>1,355</b>	<b>93,413</b>	<b>597,978</b>	<b>1,877,482</b>

- a) - Left organisation 31/07/17
- b) - Left post 31/07/17
- c) - Left organisation 31/12/17
- d) - Left organisation 22/05/17

- e) - Left post 03/12/17
- f) - Left organisation 03/09/17
- g) Director of Law & Governance Post covered by interim from 04/09/17-31/03/18

	Employment Period	Notes	Salary	Allowances	Pension Contributions	Total inc Pension Contributions
			£	£	£	£
<b>Financial Year 2016/17</b>						
Chief Executive (Eric Robinson)	01/04/16-31/03/17		169,073	189	22,994	192,256
Executive Director for Strategy	01/04/16-31/03/17		121,143	26	16,475	137,644
Managing Director for Delivery	01/04/16-31/03/17		121,143	105	16,475	137,723
Transformation Director	01/02/17-31/03/17		19,992	5	2,719	22,716
Director for Health and Wellbeing	01/04/16-31/03/17		91,935	-	13,147	105,082
Assistant Director: Finance (S151)	01/04/16-31/03/17		81,567	-	11,093	92,660
Director for Health and Care	01/04/16-31/03/17		112,233	704	15,264	128,201
Director for Children	01/04/16-31/03/17		112,233	-	15,264	127,497
Director for Business Services (Assistant Chief Executive)	01/04/16-31/03/17		107,089	-	14,564	121,653
Assistant Director: Law & Governance (Monitoring Officer)	01/04/16-31/03/17		82,167	-	-	82,167
<b>Total</b>			<b>1,018,575</b>	<b>1,029</b>	<b>127,995</b>	<b>1,147,599</b>

The following table shows remuneration over £50,000 to employees in bands of £5,000, including senior officers shown in the previous tables. Remuneration does, however, include severance and pension strain costs where the Council has made decisions to release staff from the employment of the Council through redundancy and early retirement. The numbers of employees by band are therefore inflated by these one-off costs and do not represent ongoing staff numbers being paid salaries within the remuneration bands shown.

The costs of providing additional retirement benefits are calculated by the Pension Fund and recharged to the Council, who reimburse the Fund over 5 years.

Remuneration band	2017/18 Number of employees	2016/17 Number of employees
£50,001 - £55,000	65	71
£55,001 - £60,000	48	44
£60,001 - £65,000	46	36
£65,001 - £70,000	20	21
£70,001 - £75,000	14	14
£75,001 - £80,000	7	5
£80,001 - £85,000	7	8
£85,001 - £90,000	4	2
£90,001 - £95,000	1	2
£95,001 - £100,000	2	-
£100,001 - £105,000	1	1
£105,001 - £110,000	1	1
£110,001 - £115,000	2	2
£120,001 - £125,000	1	2
£165,000 - £169,999	-	1
£175,001 - £180,000	1	-
£215,000 to £219,999	1	-
	<b>221</b>	<b>210</b>

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

(a) Exit Package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band		(e) Total cost of exit packages in each band	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
£ 0 - £ 20,000	1	13	62	200	63	213	385	1,455
£ 20,001 - £ 40,000	-	1	21	17	21	18	568	460
£ 40,001 - £ 60,000	-	-	-	1	-	1	-	56
£ 60,001 - £ 80,000	-	-	1	-	1	-	71	-
£ 80,001 - £ 100,000	-	-	1	-	1	-	93	-
	<b>1</b>	<b>14</b>	<b>85</b>	<b>218</b>	<b>86</b>	<b>232</b>	<b>1,117</b>	<b>1,971</b>

**34. EXTERNAL AUDIT COSTS**

In 2017/18 the following fees were paid relating to external audit and inspection:

	2017/18	2016/17
	£'000	£'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	160	160
Fees payable to Grant Thornton for the certification of grant claims and returns	24	24
Fees payable to Grant Thornton in respect of other services provided by the appointed auditor	8	8
<b>Total</b>	<b>192</b>	<b>192</b>

**35. DEDICATED SCHOOLS GRANT**

The Authority's expenditure on schools is funded primarily by grant monies provided by the Education & Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2017.

The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2017/18 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£'000	£'000	£'000
Final DSG for 2017/18 before Academies recoupment			245,917
Academy figure recouped for 2017/18			(79,825)
Total DSG after academy recoupment for 2017/18			166,092
Plus: Brought forward from 2016/17			1,903
Less: Carry forward to 2018/19 (agreed in advance)			(794)
Agreed initial budgeted distribution in 2017/18	26,098	141,103	167,201
In year adjustments	-	187	187
Final budget distribution for 2017/18	26,098	141,290	167,388
Less: Actual central expenditure	(25,227)		(25,227)
Less: Actual ISB deployed to schools		(141,290)	(141,290)
Plus: Local Authority contribution for 2017/18	621	-	621
To carry forward to 2018/19 agreed in advance	-	-	794
<b>Total carried forward to 2018/19</b>	<b>1,492</b>	<b>-</b>	<b>2,286</b>

Comparative figures for 2016/17 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£'000	£'000	£'000
Final DSG for 2016/17 before Academies recoupment			238,479
Academy figure recouped for 2016/17			(69,407)
Total DSG after academy recoupment for 2016/17			169,072
Plus: Brought forward from 2015/16			2,517
Less: Carry forward to 2017/18 (agreed in advance)			(831)
Agreed initial budgeted distribution in 2016/17	26,799	143,959	170,758
In year adjustments		(152)	(152)
Final budget distribution for 2016/17	26,799	143,807	170,606
Less: Actual central expenditure	(26,213)		(26,213)
Less: Actual ISB deployed to schools		(143,807)	(143,807)
Plus: Local Authority contribution for 2016/17	486	-	486
To carry forward to 2017/18 agreed in advance			831
<b>Total carried forward to 2017/18</b>	<b>1,072</b>	<b>-</b>	<b>1,903</b>

**36. GRANT INCOME**

The Council credited the following grants and contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18:

<b>Credited to Taxation and Non Specific Grant Income:</b>	<b>2017/18</b>		<b>2016/17</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Revenue Grants :</b>				
Revenue Support Grant	-		50,712	
Schools Private Finance Initiative	5,471		5,471	
Education Services Grant	918		3,413	
Grant to Compensate for Changes to Business Rates	8,764		2,822	
New Homes Bonus Grant	2,444		3,348	
Adult Social Care Support Grant	1,808			
Independent Living Fund Grant	1,622		1,678	
Troubled Families Grant	-		1,042	
Local Council Tax Support Admin Grant	569		594	
Local Reform and Community Voices	250		246	
SEND Implementation	217		195	
Other Revenue Grants	572		-	
<b>Total Revenue Grants</b>		<b>22,635</b>		<b>69,521</b>
<b>Capital Grants :</b>				
Local Transport Grant	4,645		6,856	
DFT Challenge Fund	752		-	
School Condition	2,535		2,795	
Sustainable Transport Enhance Prog	735		439	
Disabled Facilities Grants	3,898		2,047	
Basic Needs Grant	620		1,625	
Formula Capital	281		276	
Other Capital Grants (less than £250k)	238		415	
<b>Total Capital Grants</b>		<b>13,704</b>		<b>14,453</b>
<b>Total Credited to Taxation and Non Specific Grant Income</b>		<b>36,339</b>		<b>83,974</b>

The difference in income received in 2017/18 for Non-Domestic rates income and government grants is due to the Council's participation in the Liverpool City Region 100% Business Rates Retention Pilot. This involved the Council retaining 99% of the business rates collected (1% continuing to be paid to the Merseyside Fire and Rescue Service) in the area rather than 49% in 2016/17. Under the arrangement, to main the Councils funding level, the government payment of Revenue Support Grant (RSG) and other specific grants ceased.

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
<b>Credited to Services:</b>		
Dedicated Schools Grant	166,256	169,065
Housing Benefits	119,287	125,410
Public Health Grant	29,898	30,601
Pupil Premium	13,179	13,879
Improved Better Care Fund Grant	8,307	-
16-19 Further Education YPLA	3,446	4,394
Housing Benefits Admin. Grant	1,399	1,564
Universal Infant Free School Meals (UIFSM)	3,440	3,470
Discretionary Housing Payments	872	857
PE & Sports Grant	1,302	850
Adult Safeguarded Learning	839	968
Youth Justice Board	552	577
Wirral Ways to Work	2,221	835
Rates Relief	-	338
<b>Total Credited to Services</b>	<b>350,998</b>	<b>352,808</b>

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. These will require the monies to be returned to the giver, if not spent in accordance with the conditions. The balances at the year-end totalled £0.373 million. Revenue grants with conditions totalling less than £1 million are included in short term creditors.

	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Grants Receipts in Advance</b>		
Cluster of Empty Homes	303	653
Mulberry Properties	67	67
Other	3	3
<b>Total Grant Receipts in Advance</b>	<b>373</b>	<b>723</b>

### 37. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

#### Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the analysis in Note 35.

**Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2017/18 is shown in Note 32. During 2017/18, works and services to the value of £17.2 million were commissioned from companies in which Members had an interest, including payments to Wirral Evolutions (£5.67 million in 2017/18, £4.8 million in 2016/17), Edsentials (£4.6 million in 2017/18, £5.4 million in 2016/17), Merseyside pension fund (£4.7 million in 2017/18) and to various other organisations (£2.2 million in 2017/18). In all instances, the payments were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the payments. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Town Hall during office hours.

**Officers**

During 2017/18, the Assistant Chief Executive declared interests as a director of two companies significantly influenced by the council - Edsential CIC and the Wirral Growth Company. The Head of Delivery, Families and Wellbeing, declared an interest as acting managing director of Wirral Evolutions, a company significantly influenced by the council. Neither officer took part in any discussion or decision relating to the awarding of contracts or making payments to the companies that they have declared an interest in.

**Entities Controlled or Significantly Influenced by the Authority**

The Council has significant influence over Wirral Evolutions Limited through its ownership of 100% of the shares in the company. The Council purchased adult social care services to the value of £5.67 million from the company in 2016/17 (£4.8 million in 2016/17) and has provided payroll services for Wirral Evolutions. Wirral Evolutions has a net pension deficit of £3.5m as at 31<sup>st</sup> March 2018 (£4.1m as at 31<sup>st</sup> March 2017)

The Council has significant influence over Edsential Community Interest Company through its ownership of 50% of the shares in the company and having a senior officer on the Board. The Council purchased Catering and Educational services to the value of £4.6 million from the company in 2017/18 (£5.4 million in 2016/17) and provided payroll services to Edsential CIC. The Council also guarantees the Merseyside Pension Fund element of Edsentials' pension liability, which equates to £2.5m (£2.7m in 2016/17).

The Council acts as guarantor for a number of staff who work in various external bodies that have been admitted to the Merseyside Pension Fund. On cessation of the body's participation in the fund, any shortfalls are initially claimed from the admitted body. If they cannot be recovered from that source, the pension fund would look at the guarantee arrangements and draw down from bonds that are in place and, if still insufficient, from the guarantor. The Council acts as guarantor for a number of bodies. The estimated unrecorded liability is not material at 31 March 2018 and has not been reflected in the 2017/18 Accounts.

**Other Public Bodies**

The Council has member representation on committees of the following organisations to which the Council pays a levy or precept.

	Number of Represent- atives	Precept/L evy 2017/18 £'000	Precept/L evy 2016/17 £'000
Merseyside Police and Crime Commissioner	2	15,155	14,730
Merseyside Fire and Rescue Service	4	6,788	6,595
Merseyside Recycling and Waste Authority	2	15,373	15,402
Merseyside Port Health Authority/ North Western IFCA	6	68	66
Liverpool City Region Combined Authority	4	21,898	24,315

The Authority has a pooled budget arrangement with Wirral Community NHS Trust for the provision of integrated community equipment services. Further details are contained in note 30.

The Council acts as the administering authority to Merseyside Pension Fund and charged the Fund £3.3 million (2016/17 £3.4 million) for administration and investment management costs.

### 38. CAPITAL EXPENDITURE AND CAPITAL FINANCING

Summary of Capital Expenditure and Financing	2017/18 £'000	2016/17 £'000
<b>Opening Capital Financing Requirement</b>	<b>332,377</b>	<b>335,401</b>
<b>Capital Investment</b>		
Property, Plant & Equipment	19,176	17,603
Investment Properties	8,950	21
Revenue Expenditure Funded from Capital under Statute	9,601	7,348
Flexible use of Capital Receipts	9,026	-
Long Term Debtors	103	278
	<b>46,856</b>	<b>25,250</b>
<b>Sources of Finance</b>		
Capital Receipts	(10,419)	(5,951)
Government Grants transferred from Capital Grants Unapplied	(9,608)	(4,776)
Government Grants and Other Contributions received and applied in year	(8,155)	(6,976)
<b>Sums Set Aside from Revenue</b>		
Minimum Revenue Provision	(11,776)	(10,261)
Revenue Contributions	(189)	(310)
	<b>(40,147)</b>	<b>(28,274)</b>
<b>Closing Capital Financing Requirement</b>	<b>339,086</b>	<b>332,377</b>
<b>Explanation of the Movement in Year</b>		
Increase/(Reduction) in the underlying need to borrow	<b>6,709</b>	<b>(3,024)</b>

### 39. LEASES

#### Council as Lessor

The Council has leased out the following properties on finance leases with the remaining terms shown:

Property	Lessor	Remaining Term
Birkenhead Market	Birkenhead Market Ltd	110 years
Wirral Country Park Caravan Site (Touring)	The Caravan Club Ltd	11 years
Wirral Country Park Caravan Site (Static)	The Caravan Club Ltd	31 years
New Brighton Marine Point	Neptune Developments	244 years

The Council has gross investments in the leases, made up of the minimum lease payments expected to be received over the remaining terms and the residual value anticipated for the properties when the leases come to an end. The minimum lease payments comprise settlement of the long-term debtors for the interest in the properties acquired by the lessees and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2018	31 March 2017
	£'000	£'000
Finance lease debtor (net present value of minimum lease payments):		
• current	4	4
• non-current	2,656	2,660
Unearned finance income	25,256	25,539
<b>Gross investment in the lease</b>	<b>27,916</b>	<b>28,203</b>

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Investment in the Lease 31 March 2018 £000	Lease Payments 31 March 2018 £000	Investment in the Lease 31 March 2017 £000	Lease Payments 31 March 2017 £000
	£'000	£'000	£'000	£'000
Not later than one year	287	129	287	139
Later than one year and not later than five years	1,146	430	1,146	464
Later than five years	26,484	1,216	26,770	1,316
	<b>27,917</b>	<b>1,775</b>	<b>28,203</b>	<b>1,919</b>

### 40. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

The Wirral Schools' PFI Scheme Project Agreement was originally signed in March 2001 and involved the rebuilding and/or refurbishment of one primary and eight

secondary schools in Wirral. A Deed of Amendment was entered into on 9 September 2004 to extend the contract until July 2031.

The first phase of the Project (Construction Works) was completed on the final schools in August 2006 and the Council now receive support services in accordance with a detailed set of Output Specifications. These include building and services maintenance, grounds maintenance, catering, cleaning, caretaking, security, utilities and telecommunications.

The specifications for Support Services are not prescriptive and it is up to our PFI Partner, Wirral Schools' Services Ltd (WSSL) to devise a programme of service delivery which achieves the Council's Output Specifications. The success of this is measured by way of a payment mechanism and deductions system.

It is only in pre-agreed circumstances that WSSL is excused from performance. These situations are known as Relief Events and they include the declaration of any emergency by the Council, failure by any utility company, loss or damage to a road servicing a school or any strike affecting the relevant industry.

Other than under these clearly defined circumstances, risk on the above services is transferred to WSSL. There are examples of "Shared Risk" such as that on Utility Consumption, "Limited Risk" such as that on the maintenance of loose furniture, fittings and equipment and "No Risk" to WSSL whereby the costs of damage caused by an Act of Vandalism under specific conditions, rest with the Council.

The price for the provision of the services (i.e. the provision of the School accommodation and the Support Services) is essentially a fixed price for the duration of the term.

There are several provisos to this e.g. annual indexation in accordance with the Retail Prices Index and Value for Money Testing. The latter is carried out at five year intervals and basically involves a comparison between the current price paid for a particular service (such as cleaning or catering) with equivalent prevailing market costs. If the market average is higher or lower than the current cost by a certain amount, then any excess outside of that range leads to a price adjustment.

The Project Agreement will come to an end on its agreed expiry date of 31 July 2031. Thirty months prior to the Expiry Date, a Handback Survey will be carried out. This will detail each asset and component of each school and will report on the residual life of those assets. On the Expiry Date, the facilities will be handed back to the Council, at nil consideration, in a condition which complies with specific standards / life expectancies for individual components within each school.

The Council only has the right to terminate the contract if it compensates the contractor. Guidelines are clearly set out for rules governing Compensation on Termination, as classified under events of Project Co. Default or Council Default.

The contract was originally treated as an operating lease but with the introduction of IFRIC 12 'Service Concession Arrangements', it has now been accounted for as a finance lease. The value of assets held under the Schools PFI scheme is shown below:

Valuation information for PFI assets recognised in the Balance Sheet:

<b>Leasowe Primary</b>	
	<b>£'000</b>
<b>Movement in 2017/18</b>	
<b>Valuation</b>	
Valuation at 1 April 2017	2,749
Expenditure	10
Revaluations	59
Accumulated Depreciation at 1 April 2017	(27)
Depreciation 2017/18	4
Accumulated Depreciation at 31 March 2018	(23)
<b>Net Book Value</b>	
at 31 March 2018	2,795
at 31 March 2017	2,722
<b>Comparative Movement in 2016/17</b>	
Valuation at 1 April 2016	2,727
Revaluations	22
Accumulated Depreciation at 1 April 2016	(9)
Depreciation 2016/17	(18)
Accumulated Depreciation at 31 March 2017	(27)

### Payments

Estimated future payments remaining to be made under PFI contracts are as follows:

	<b>Services</b>	<b>Lease Liability</b>	<b>Interest</b>	<b>Life cycle costs</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Payable in 2018/19	4,450	2,947	3,994	772	12,163
Payable within 2 - 5 years	19,280	11,208	16,077	5,779	52,344
Payable within 6 - 10 years	27,854	17,639	23,629	5,590	74,712
Payable within 11 - 15 years	21,426	13,571	17,221	1,709	53,927
<b>Total</b>	<b>73,010</b>	<b>45,365</b>	<b>60,921</b>	<b>13,850</b>	<b>193,146</b>

The unitary payment in 2017/18 is £11.73 million (2016/17 £11.47 million), allocated as follows

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Service costs	4,279	4,174
Interest and similar charges	3,731	3,624
Lease liability	2,624	2,420
Life cycle costs	1,094	1,252
	<b>11,728</b>	<b>11,470</b>

The value of the outstanding lease liability which reflects both the short and long term is:

	2017/18	2016/17
	£'000	£'000
Balance outstanding at 1 April	47,985	50,403
Lease payments during the year	(2,624)	(2,420)
Other movements	4	2
<b>Balance at 31 March</b>	<b>45,365</b>	<b>47,985</b>

In calculating the future unitary payments to the end of the contract from 2016-17 onward the most up to date information available has been used. This gives a more accurate estimate of the total outstanding liability. However, substituting this information effectively reduced the calculation of the liability at 31 March 2018 by £3,738. The annual unitary payment is increased by the Retail Price Index less 10%. RPI is based on the most up to date information as opposed to the estimates in the operator's financial model.

#### 41. LONG TERM DEBTORS

	Repay- ment of former MCC Debt	Regen- eration Property Loans	Repay- ment of Council Mortgages	Leases	Total
	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2016</b>	<b>40,217</b>	<b>3,822</b>	<b>12</b>	<b>2,664</b>	<b>46,715</b>
Advances	-	183			183
Repaid/reclassified	(4,471)	194	(4)	(4)	(4,285)
<b>Balance 31 March 2017</b>	<b>35,746</b>	<b>4,199</b>	<b>8</b>	<b>2,660</b>	<b>42,613</b>
<b>Balance at 1 April 2017</b>	<b>35,746</b>	<b>4,199</b>	<b>8</b>	<b>2,660</b>	<b>42,613</b>
Repaid/reclassified	(4,468)	(110)	(3)	(4)	(4,585)
<b>Balance 31 March 2018</b>	<b>31,278</b>	<b>4,089</b>	<b>5</b>	<b>2,656</b>	<b>38,028</b>

#### 42. OTHER LONG TERM LIABILITIES

	PFI Long term liability	Other lease liability	Pensions liability	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2016</b>	<b>47,983</b>	-	<b>461,595</b>	<b>509,577</b>
Repayments	(2,622)	1	-	(2,621)
Pension Deficit funding	-	-	73,813	73,813
<b>Balance at 31 March 2017</b>	<b>45,361</b>	-	<b>535,408</b>	<b>580,769</b>
<b>Balance at 1 April 2017</b>	<b>45,361</b>	-	<b>535,408</b>	<b>580,769</b>
Repayments	(2,943)	-	-	(2,943)
Pension Deficit funding	-	-	(78,076)	(78,076)
<b>Balance at 31 March 2018</b>	<b>42,418</b>	-	<b>457,332</b>	<b>499,750</b>

The 2017/18 decrease in Other Long Term Liabilities is mainly due to a decrease in the Pension Liability, and the requirement to fund this deficit in future years. The decreased liability is the Actuary's revised assessment of the value of the assets and liabilities of the Merseyside pension scheme. More details are shown in note 44.

#### **43. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES**

##### **Teachers**

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

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

The Scheme has 3,700 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2018, the Authority's own contributions are negligible.

In 2017/18, the council paid £9.826m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.26% of pensionable pay. The figures for 2016/17 were £10.582m and 16.48%. There were no contributions remaining payable at the year-end. The contributions due to be paid in the next financial year are estimated to be £9.75m.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 44. The Authority is not liable to the Scheme for any other entities' obligations under the plan.

##### **Public Health**

When Public Health staff transferred from Wirral primary care trust (PCT) in April 2013 on the abolition of the PCTs nationally they retained access to the NHS Pension Scheme. The Scheme provides specified benefits upon retirement towards which the Council makes contributions based on a percentage of members' salaries. The Scheme is administered by the NHS Business Services Authority on behalf of the Department of Health in England and Wales.

The Scheme is a multi-employer defined benefit scheme. The Scheme is unfunded and the Department of Health uses a notional fund as the basis for setting employer contribution rates. Valuations of the fund are undertaken every four years.

The Scheme has over 1.3m active members employed in a wide variety of organisations. A small number of staff (41) transferred from the Wirral PCT and

consequently the Council is unable to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the NHS Pension Scheme during the year ending 31 March 2018, the Authority's own contributions are negligible.

In 2017/18 the Authority paid £0.164m to the NHS Pension Scheme in respect of the retirement benefits of public health staff. The figure for 2016/17 was £0.159m. There were no contributions remaining payable at the year-end. Contributions due to be paid in the next financial year are estimated to be £0.171m.

The Authority is not liable to the Scheme for any other entities' obligations under the plan.

#### **44. DEFINED BENEFIT PENSION SCHEMES**

##### **Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits within the Local Government Pension Scheme. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- i) The Local Government Pension Scheme, administered locally by Wirral Borough Council - this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.
- ii) Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However there are no investment assets built up to meet these liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

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 (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme.

##### **Discretionary Post-retirement Benefits**

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

### Transactions Relating to Post-employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement on Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefits Arrangements		Unfunded Teachers Scheme	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
Comprehensive Income and Expenditure Statement						
<i>Cost of Services:</i>						
• current service costs	35,449	24,911	-	-	-	-
• past service costs	(9,038)	-	-	-	-	-
• settlements and curtailments	456	1,154	-	-	59	59
<i>Other Operating Expenditure:</i>						
• Administration costs	522	544				
<i>Financing and Investment Income and Expenditure:</i>						
• Net interest cost	10,259	13,490	1,038	1,389	731	1,059
<b>Total Post Employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>37,648</b>	<b>40,099</b>	<b>1,038</b>	<b>1,389</b>	<b>790</b>	<b>1,118</b>

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	Local Government		Discretionary		Unfunded	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>						
• remeasurement of the net defined benefit liability						
- return on plan assets	(69)	(182,974)	-	-	-	(1,847)
- actuarial gains and losses arising from changes to demographic assumptions	-	(18,988)	-	(752)	-	(1,579)
- actuarial gains and losses arising from changes to financial assumptions	(59,637)	310,012	(924)	6,511	(483)	3,119
- actuarial gains and losses experienced 2013-2016 revaluation period	-	(46,414)	-	(1,560)	-	-
- settlements and curtailments					-	59
• Total remeasurement of the net defined benefit liability	(59,706)	61,636	(924)	4,199	(483)	(248)
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	97,354	(21,537)	1,962	2,810	1,214	870
<i>Movement in Reserves Statement</i>						
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(37,648)	(40,099)	(1,038)	(1,389)	(731)	(1,118)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>						
· employers' contributions payable to scheme	51,072	28,890	-	-	2,668	2,744
· retirement benefits payable to pensioners	-	-	2,640	2,687		

**Pensions Assets and Liabilities recognised in the Balance Sheet**

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

	2017/18	2016/17
	£'000	£'000
<b>Present value of liabilities:</b>		
Local Government Pension Scheme	1,510,562	1,556,386
Discretionary Benefits	40,292	42,818
Teachers pension scheme	28,161	30,581
	<b>1,579,015</b>	<b>1,629,785</b>
<b>Fair value of assets:</b>		
Local Government Pension Scheme	1,121,683	1,094,377
<b>Net Liability arising from defined benefit obligation</b>		
Local Government Pension Scheme	(388,879)	(462,009)
Discretionary Benefits	(40,292)	(42,818)
Teachers pension scheme	(28,161)	(30,581)
<b>Total</b>	<b>(457,332)</b>	<b>(535,408)</b>

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits		Unfunded Teachers Scheme	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
Opening balance at 1 April	1,094,377	883,182	-	-	-	-
Interest on plan assets	27,602	31,741	-	-	-	-
Remeasurements (Assets)	(15,999)	182,974	-	-	-	-
Employer contributions	51,072	28,890	2,640	2,687	2,668	2,744
Contributions by scheme participants	6,572	6,852				
Benefits paid	(41,419)	(38,718)	(2,640)	(2,687)	(2,668)	(2,744)
Administration costs	(522)	(544)	-	-	-	-
Settlements	-	-	-	-	-	-
<b>Closing balance at 31 March</b>	<b>1,121,683</b>	<b>1,094,377</b>	-	-	-	-

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits		Unfunded Teachers Scheme	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
Opening balance at 1 April	1,556,386	1,272,346	42,818	39,917	30,581	32,514
Current service cost	35,449	24,911	-	-	-	-
Interest cost on liabilities	37,861	45,231	1,038	1,389	731	1,059
Contributions by scheme participants	6,572	6,852	-	-	-	-
Remeasurements (Liabilities)	(59,637)	244,610	(924)	4,199	(483)	(248)
Benefits paid (gain)	(41,419)	(38,718)	(2,640)	(2,687)	(2,668)	(2,744)
Settlements	142	-	-	-	-	-
Curtailments	314	1,154	-	-	-	-
Settlements	(25,106)	-	-	-	-	-
<b>Closing balance at 31 March</b>	<b>1,510,562</b>	<b>1,556,386</b>	<b>40,292</b>	<b>42,818</b>	<b>28,161</b>	<b>30,581</b>

**Local Government Pension Scheme Assets comprised:**

	Fair Value of Scheme Assets	
	2017/18 £'000	2016/17 £'000
Equities		
UK quoted	236,337	227,795
Global quoted	355,013	359,120
	<b>591,350</b>	<b>586,915</b>
Bonds		
UK Government	40,268	43,775
UK Corporate	48,569	27,359
UK Index-Linked	90,968	97,400
	<b>179,805</b>	<b>168,534</b>
Property		
UK Direct Property	65,170	51,436
UK Quoted Managed Property	2,131	3,283
UK Unquoted Managed Property	16,937	13,133
Global Managed Properties	15,704	17,510
	<b>99,942</b>	<b>85,362</b>

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	<b>Fair Value of Scheme Assets</b>	
	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Private Equity		
UK quoted	112	109
UK unquoted	36,903	37,209
Global unquoted	35,109	38,303
	<b>72,124</b>	<b>75,621</b>
Hedge Funds		
UK unquoted	5,721	7,989
Global unquoted	29,388	26,703
	<b>35,109</b>	<b>34,692</b>
Infrastructure		
UK quoted	1,234	1,094
UK unquoted	26,472	21,559
Global quoted	-	328
Global unquoted	22,097	21,778
	<b>49,803</b>	<b>44,759</b>
Opportunities		
UK quoted	15,031	17,401
UK unquoted	28,491	27,031
Global quoted	6,394	3,830
Global unquoted	13,685	13,023
	<b>63,601</b>	<b>61,285</b>
Cash Instruments	<b>29,949</b>	<b>37,209</b>
Total	<b>1,121,683</b>	<b>1,094,377</b>

**Asset Breakdown**

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	<b>2017/18</b>	<b>2016/17</b>
	<b>%</b>	<b>%</b>
Equities	52.7	53.6
Government Bonds	3.6	4.0
Other Bonds	12.4	11.4
Property	8.9	7.8
Alternatives	19.7	19.8
Cash Instruments	2.7	3.4
	<b>100.0</b>	<b>100.0</b>

Discretionary benefits arrangements have no assets to cover its liabilities.

### Basis for Estimating Assets and Liabilities

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme liabilities have been assessed by Mercers, an independent firm of actuaries, estimates for the Merseyside Pension Fund being based on the latest full valuation of the scheme as at 1 April 2016.

The significant assumptions used by the actuary are set out below:

	Local Government Pension Scheme	
	2017/18	2016/17
Long-term expected rate of return on assets in the scheme:		
• Equity investments	6.5%	6.5%
• Government Bonds	2.2%	2.2%
• Other Bonds	2.9%	2.9%
• Property	5.9%	5.9%
• Cash/Liquidity	0.5%	0.5%
• Other	Variable	Variable
Mortality Assumptions:		
Longevity at 65 for current pensioners in years		
• Men	22.0	21.9
• Women	24.8	24.7
Longevity at 65 for future pensioners in years		
• Men	25.0	24.9
• Women	27.8	27.7
Rate of CPI inflation	2.1%	2.3%
Rate of increase in salaries	3.6%	3.8%
Rate of increase in pensions	2.2%	2.3%
Rate for discounting scheme liabilities	2.6%	2.5%
Rate for discounting scheme liabilities (Teachers unfunded)	2.6%	2.5%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The longevity assumptions, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated.

The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

### Sensitivity Analysis

	Impact on the Defined Benefit		Teachers Additional Unfunded Pensions	
	Increase in assumption	decrease in assumption	Increase in assumption	decrease in assumption
	£'000	£'000	£'000	£'000
Longevity (increase or decrease in one year)	(31,247)	31,247	(1,165)	1,165
Rate of Inflation (increase or decrease by 0.1%)	(26,762)	26,762	(241)	241
Rate of increase in salaries (increase or decrease by 0.1%)	(4,191)	4,191	-	-
Rate for discounting liabilities (increase or decrease by 0.1%)	26,308	(26,308)	239	(239)

### Asset and Liability Matching Strategy

The Pensions Committee of the Merseyside Pension Fund has agreed to an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The fund has matched assets to the pensions' obligations by investing in long-term fixed interest securities and index linked gilt edged investment with maturities that match the benefits payments as they fall due. This is balanced with a need to maintain the liquidity of the fund to ensure that it is able to make current payments. As is required by the pensions and (where relevant) investment regulations the suitability of various types of investment have been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range. A large proportion of the assets relate to equities (53% of scheme assets) and bonds (16%).

These percentages are materially the same as the comparative year. The scheme also invests in properties as a part of the diversification of the scheme's investments.

There is a limited use of derivatives to manage bond risk for the shorter-term instruments. The ALM strategy is monitored annually or more frequently if necessary.

### Impact on the Authority's cashflows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy with the scheme's actuary to achieve a

funding level of 100% over the next 22 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

As part of the funding strategy agreed with Merseyside Pension Fund, the Council pays an annual sum in respect of recovery of the historic pension deficit. In April 2017 the Council agreed to pay upfront the total amount due for the three year period 2017/18-2019/20. This secured a significant discount on paying the money in instalments over the three years. The total amount paid was £35.068m of which £12.174m is chargeable to the General Fund in 2017/18, £11.683m chargeable in 2018/19 and £11.211 chargeable in 2019/20, in accordance with statutory provisions. The £35.068m prepayment at 31 March 2018 is shown above as a reduction in the net pension liability.

The Council anticipates to pay £17.9m expected contributions to the scheme in 2018/19. Expected contributions to the Discretionary Benefits scheme in 2018/19 are £2.7m. The weighted average duration of the defined benefit obligation for scheme members is 17 years for 2017/18 (17 years 2016/17).

### **Qualitative Disclosures required under IAS19**

Under the revised IAS19, the Council is required to disclose additional information in relation to the Merseyside Pension Fund. This information has been provided by Mercers, the firm of actuaries responsible for valuing the Fund.

### **Retirement benefit obligations**

At 31 March 2018 the Council's principal pension arrangement for its employees was the Merseyside Pension Fund, which is part of the Local Government Pension Scheme (LGPS). The LGPS is a funded defined benefit pension arrangement for local authorities and related employers, and is governed by statute (principally now the Local Government Pension Scheme Regulations 2013).

The Merseyside Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees. Each employer's contributions to the Fund are calculated in accordance with the LGPS Regulations, which require an actuarial valuation to be carried out every three years. The latest actuarial valuation of the Fund was carried out at 31 March 2016, and at that date showed a funding level of 85% (assets of £6.85bn against accrued liabilities of £8.81bn). The weighted average duration of the liabilities of the Fund as a whole is 19 years, measured on the IAS19 actuarial assumptions. The duration of the liabilities for the individual employers which participate in the scheme can be significantly different from this, reflecting the profile of its employees and former employees.

In addition, the authority also participates in some other defined benefit pension arrangements, also governed under statute, but these other schemes are unfunded. These other arrangements relate to:

- Teachers. The authority's costs in relation to this arrangement are set by central government as a percentage of contributing members' pay. The related funding risks are borne by central government. The authority is, however, responsible for paying some additional pensions to retired teachers which were awarded at the point of retirement.
- Health workers. The authority's costs in relation to this scheme are set by central government as a percentage of contributing members' pay. The related funding risks are borne by central government.

### **Governance and Risk Management**

The liability associated with the authority's pension arrangements is material to the council, as is the cash funding required.

### **Nature of Fund**

The Fund targets a pension paid throughout life. The amount of pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a "final salary" scheme) for service up to 31 March 2014 and on revalued average salary (a "career average" scheme) for service from 1 April 2014 onwards.

### **Governance**

Wirral Metropolitan Borough Council is the Administering Authority of the Fund. The overall responsibility for the management of the Fund rests with the Pensions Committee. The committee comprises Councillors and representatives from other employers.

The Pensions Committee reviews the Fund's investments, administration, strategies and policies at regular intervals, with the help of its various professional advisers, to ensure that they remain appropriate. The more detailed consideration of investment strategy and asset allocation of the Fund's portfolios is considered by an Investment Monitoring Working Party, which includes representatives from the Pensions Committee and external advisors.

### **Funding the liabilities**

Regulations governing the Fund require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the Fund's solvency, and the detailed provisions are set out in the Fund's Funding Strategy Statement. The most recent valuation was carried out as at 31 March 2016, which showed a shortfall of assets against liabilities of £1.231bn as at that date, equivalent to a funding level of 85%. The fund's employers are paying additional contributions over a period of up to 22 years in order to meet the shortfall.

The weighted average duration of the authority's defined benefit obligation is 19 years, measured on the actuarial assumptions used for IAS19 purposes.

### **Risks and Investment strategy**

The Fund's objective is to achieve a funding level position of 100% whilst minimising the level and volatility of employer contributions. Investment strategy is decided with clear reference to this objective.

The Fund is cognisant of the risk that the shorter term returns may vary significantly from one period to another and between the benchmark and actual returns.

Diversification of assets is seen as key to managing this risk and the risk/return characteristics of each asset and their relative correlations are reflected in the make-up of the strategic benchmark.

A mix of short term assets such as bonds and cash is maintained to cover short term liabilities while equities, private equity and direct property are held to benefit from the potential rewards arising from volatility and illiquidity risks. The Fund recognises that risk is inherent in investment activity and seeks to manage these risks.

### **Market Price / Interest rate / Currency risk**

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is aware that its key risk is market risk i.e. the unpredictability of market performance in the future. The Fund manages investment risks through having a broad diversification of types of investment and investment managers and has comprehensive monitoring procedures for investment managers.

### **Credit risk**

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur financial loss. The Fund does not hold any fixed interest securities directly and the managers of the pooled fixed income vehicles are responsible for managing credit risk. The short term cash deposits and other investment balances are diversified with investment grade financial institutions. The Fund has a treasury management policy that is compliant with current best practice.

### **Liquidity risk**

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's key priority is to pay pensions in the long term and in the short term and the asset allocation is the key strategy in ensuring this. To ensure liquidity for payment of pensions the Fund has a cash allocation, and further amounts which could be realised in under 7 days' notice. The Fund has no borrowing or borrowing facilities. The management of the Fund also prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows.

### **Other risks**

Actions taken by the government, or changes to European legislation, could result in stronger local funding standards, which could materially affect the authority's cash flow.

There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation and/or the liabilities for actuarial valuation purposes. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material. The sensitivity analysis above indicates the change in the defined benefit obligation for changes in the key assumptions.

### **Amendments, curtailments and settlements**

The provisions of the Fund were amended with effect from 1 April 2014. As explained above for service up to 31 March 2014 benefits were based on salaries when members leave the scheme, whereas for service after that date benefits are based on career average salary. Further details of the changes are available from the authority.

Curtailments shown in the accounting figures relate to the cost of providing retirement benefits for members who retire early, to the extent that provision has not already been made for the relevant defined benefit obligations.

Settlements shown in the accounting figures relate to the admission of new employers into the Fund, and who take on part of the authority's assets and liabilities as a result of employing members who have accrued benefits with the authority.

## **Schemes for Teachers and Health Workers**

### **Nature of Funds**

The Funds target a pension paid throughout life. The amount of pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a "final salary" scheme) for service up to 31 March 2015 and on revalued average salary (a "career average" scheme) for service from 1 April 2015 onwards.

### **Governance**

These arrangements are managed centrally by government departments/agencies, and there is no material involvement for the authority.

### **Funding the liabilities**

Contributions to the arrangements are set by the government, having taken advice from the government actuary. Again, the authority has no material involvement in this process. The exception to this is the additional pensions to retired teachers which were awarded at the point of retirement, and for which the authority is responsible. The weighted average duration of these particular liabilities is 8 years, measured on the actuarial assumptions used for IAS19 purposes.

### **Investment Risks**

There are no investment risks in relation to these arrangements, given their unfunded nature. The greatest single risk is that the government could change the funding standards relating to them, which could increase the authority's contributions to them.

### **Other risks**

There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material. The sensitivity analysis above indicates the change in the defined benefit obligation for changes in the key assumptions.

The methods used to carry out the sensitivity analyses presented above for the material assumptions are the same as those the authority has used previously. The calculations alter the relevant assumption by the amount specified, whilst assuming that all other variables remain the same. This approach is not necessarily realistic, since some assumptions are related: for example, if the scenario is to show the effect if inflation is higher than expected, it might be reasonable to expect that nominal yields on corporate bonds will increase also. However, it enables the reader to isolate one effect from another.

## 45. TRUST FUNDS

The Council acts as a trustee for a number of trust funds. These do not represent assets of the Council and have not been included in the Balance Sheet.

The E.F. Callister trust promotes youth development. The Stitt and Russell trusts exist to promote educational achievement.

	<b>Income</b>	<b>Expenditure</b>	<b>Assets</b>	<b>Liabilities</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
EF Callister	-	-	373	-
Stitt Scholarship	-	-	38	-
Criminal Injuries	-	-	6	-
Other	-	-	80	-
	-	-	497	-

## 46. CONTINGENT ASSETS AND LIABILITIES

### National Non-Domestic Rates Appeals

The Council has made a provision for National Non-Domestic Rates appeals based upon its best estimate of the actual liability in known appeals at 31 March 2018. However, as appeals can be backdated for several years it is possible that additional costs could be incurred by the Council if any subsequent appeals are successful.

## 47. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council has adopted CIPFA's Code of Practice on Treasury Management and complies with The Prudential Code of Capital Finance for Local Authorities.

As part 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 Communities and Local Government Investment Guidance for Local Authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

- Credit Risk: The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party;
- Liquidity Risk: The possibility that a party will be unable to raise funds to meet the commitments associated with Financial Instruments;
- Market Risk: The possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices etc.

**Credit Risk**

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 BBB+, and other local authorities without credit ratings. 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 organisations for investment.

A limit is placed on the amount of money that can be invested with a single counterparty. The Council also sets a total group investment limit for institutions that are part of the same banking group. No more than £30 million in total can be invested for a period longer than one year.

The Council's maximum exposure to credit risk in relation to its investments 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 applies to all of the Council's deposits, whereby they may become irrecoverable but there was no evidence at the 31 March 2018 that this was likely to crystallise.

The table below summarises the nominal value of the Council's investment portfolio as at 31 March 2018 by the counterparty's country of origin and its credit rating. The table confirms that all investments were made in line with the Council's approved credit rating criteria at the time of placing the investment:

Financial Institution / Instrument and Country	Credit Rating *	Maturity of Investment					Balance Invested as at 31 March 2018
	Long Term Rating	Cash Equivalent	0-3 Months	3-6 Months	6-12 Months	Over 12 Months	
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Loans &amp; Receivables</b>							
<b>Banks</b>							
UK	A	-	6,000	-	-	-	6,000
Non-UK	AA-	-	2,000	-	4,000	-	6,000
<b>Building Societies</b>							
UK	Unrated	-	2,000	1,000	-	-	3,000
<b>Corporate</b>	Unrated		400			1,250	1,650
<b>Other Local Authorities</b>	n/a	-	5,000		-	-	5,000
<b>Total Loans &amp; Receivables</b>		-	<b>15,400</b>	<b>1,000</b>	<b>4,000</b>	<b>1,250</b>	<b>21,650</b>
<b>Available for sale financial assets</b>							
Money Market Fund	AAA	22,650	-	-	-	-	22,650
Other Externally Managed Funds	AAA	-	6,000	-	-	-	6,000
<b>Total Available for sale financial assets</b>		<b>22,650</b>	<b>6,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,650</b>
<b>Total Financial Instruments</b>		<b>22,650</b>	<b>21,400</b>	<b>1,000</b>	<b>4,000</b>	<b>1,250</b>	<b>50,300</b>

\*Credit rating is lowest common denominator equivalent derived from the rating allocated by the Agencies Fitch, Standard & Pools and Moody's

### Trade Receivables

Trade receivables are also subject to non-payment, a bad debt provision is calculated for these based on the historic experience of levels of default. By including these provisions within the accounts the credit risk is recognised in the accounts.

Trade Receivables	2017/18	2016/17
	£'000	£'000
Gross Receivables	25,595	15,082
Bad Debt Provision	(8,137)	(9,330)
<b>Net Trade Receivables</b>	<b>17,458</b>	<b>5,752</b>

### Liquidity Risk

The Council has access to borrowing facilities from the Public Works Loan Board. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council also has to manage the risk that it will be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates by aiming to have an even spread of maturities in each year.

The maturity analysis of the nominal value of the Council's debt at 31 March 2018 was as follows:

<b>Maturity of Borrowing (Years)</b>	<b>31 March 2018</b>	
	<b>£'000</b>	<b>%</b>
<b>Short Term Borrowing</b>		
Less than 1 year	95,296	35.72
<b>Total Short Term Borrowing</b>	<b>95,296</b>	<b>35.72</b>
<b>Long Term Borrowing:-</b>		
Over 1 year under 2 years	2,682	1.00
Over 2 years under 3 years	3,456	1.29
Over 3 years under 4 years	13,080	4.90
Over 4 years under 5 years	4,755	1.78
Over 5 years under 10 years	18,454	6.92
Over 10 years under 20 years	2,463	0.92
Over 20 years under 40 years	91,141	34.17
Over 40 years under 60 years	35,471	13.30
<b>Total Long Term Borrowing</b>	<b>171,502</b>	<b>64.28</b>
<b>Total Borrowing</b>	<b>266,798</b>	<b>100.00</b>

## Market Risk

### (a) Interest Rate Risk:

The Council is exposed to risks arising from movements in interest rates. To give the Authority maximum flexibility during the year's unsettled market conditions the Treasury Management Strategy did not place limits on the amount of debt that can be exposed to fixed or variable interest rates. At 31 March 2018 100% of the debt portfolio was held in fixed rate instruments.

Investments are also subject to movements in interest rates. As investments are made at fixed rates, but for shorter periods of time, there is greater exposure to interest rate movements. This risk has to be balanced against actions taken to mitigate credit risk.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect on investment income would have been an increase of approximately £0.42million. There would be no effect on interest payable on pre-existing borrowings as these borrowings held are at fixed rates of interest. The cost of taking out short-term cash flow loans would have increased by £0.46million, had rates been 1% higher.

The appropriate impact of a 1% fall in interest rates would be the same as above but with the movements being reversed.

### Price risk:

The Council only invests in AAA rated money market funds with a Constant Net Asset Value (CNAV) and, therefore, is only subject to very minimal price risk (i.e. the risk that the Council will suffer loss as a result of adverse movements in the price of financial instruments).

### Foreign exchange risk

The Council has no financial assets or liabilities denominated in a foreign currency. It, therefore, has no exposure to loss arising as a result of adverse movements in exchange rates.

# **Additional Financial Statements**

**COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT**

	2017/18		2016/17	
	£'000	£'000	£'000	£'000
<b>Council Tax</b>				
<b>Income</b>				
Council Tax due for the Year		153,761		146,344
		153,761		146,344
<b>Expenditure</b>				
Precepts (Note 2):				
- Wirral Council	127,430		120,274	
- Police & Crime Commissioner for Merseyside	15,155		14,731	
- Merseyside Fire & Rescue Service	6,788	149,373	6,595	141,600
Provision for Bad and Doubtful Debts (Note 4)		2,148		2,140
Apportionment of previous year surplus / (deficit) (Note 5):				
- Wirral Council	3,924		3,011	
- Police & Crime Commissioner for Merseyside	480		376	
- Merseyside Fire & Rescue Service	215	4,619	168	3,555
		156,140		147,295
<b>Council Tax - Net Expenditure / (Income) in the year</b>		<b>2,379</b>		<b>951</b>
<b>NNDR (Business Rates)</b>				
<b>Income</b>				
NNDR due for the year (Note 3)		66,689		80,535
		66,689		80,535
<b>Expenditure</b>				
Cost of Collection		334		338
Transitional Arrangements		1,907		13
Payment to Central Government (Note 3)				35,537
Payments to Major Precepting Authorities (Note 3):				
- Wirral Council	67,892		34,826	
- Merseyside Fire & Rescue Service	686	68,578	711	35,537
Provision for Bad and Doubtful Debts (Note 4)		842		1,693
Provision for Appeals (Note 4)		(1,892)		6,576
Apportionment of previous year surplus / (deficit) (Note 5):				
- Central Government	737		(2,634)	
- Wirral Council	722		(2,581)	
- Merseyside Fire & Rescue Service	15	1,474	(53)	(5,268)
Other transfers to General Fund in accordance with non-domestic rates regulations:				
- Enterprise Zone Growth		-		195
		71,243		74,621
<b>NNDR - Net Expenditure / (income) in the year</b>		<b>4,554</b>		<b>(5,914)</b>
<b>Total Net Expenditure / (Income) in the Collection Fund for the year</b>		<b>6,933</b>		<b>(4,963)</b>

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
<u>Council Tax</u>		
Opening balance at 1 April	(4,104)	(5,055)
Movement in Year	2,379	951
Closing balance at 31 March	(1,725)	(4,104)
<u>NNDR (Business Rates)</u>		
Opening balance at 1 April	(1,453)	4,461
Movement in Year	4,554	(5,914)
Closing balance at 31 March	3,101	(1,453)
<b>Overall Collection Fund balance 31 March</b>	<b>1,376</b>	<b>(5,557)</b>

In accordance with proper accounting practice, the Collection Fund balance has been allocated in 2017/18 to individual preceptors, which includes Wirral Council (see Note 6).

## NOTES TO THE COLLECTION FUND

### 1. GENERAL

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local government bodies and Central Government of Council Tax and National Non-Domestic Rates (NNDR).

Collection Fund surpluses and deficits declared by the billing authority relating to Council Tax are apportioned to the relevant precepting bodies in the following financial year. The precepting bodies for Council Tax for Wirral are the Police & Crime Commissioner for Merseyside, and Merseyside Fire & Rescue Service.

A national 50% Business Rates Retention Scheme was introduced by the Government on 1 April 2013. The Council along with fellow Liverpool City Region authorities agreed from 1<sup>st</sup> April 2017 to participate in a 100% Business Rates Retention Scheme Pilot. The result of this pilot scheme being that business rates income is collected and apportioned only between Wirral Council (99%) and Merseyside Fire and Rescue Service (1%), with no apportionment to Central Government.

Government believes the 100% scheme will give councils more incentive to grow the economy in their Boroughs. The pilot is to be without detriment to the resources that would have been available to individual Liverpool City Region authorities under the previous local government finance regime, over the four year Settlement period. However financial risk is increased due to the volatile nature of the NNDR tax base and non-collection. Under the no detriment clause there is the possibility that authorities in a 'surplus' position versus the previous 50% scheme methodology would have to release some of the surplus if another authority in the pilot scheme was in a detriment position.

As with Council Tax, Collection Fund surpluses and deficits declared by the billing authority in relation to NNDR are apportioned to the relevant precepting bodies in the subsequent financial year.

The National Code of Practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure Account is included in the Council's accounts. The Collection Fund Balance Sheet meanwhile is incorporated into the Council's Consolidated Balance Sheet.

### 2. INCOME FROM COUNCIL TAX

The Council set a Council Tax in 2017/18 for each band of dwelling as shown below:

Band	£ . p						
A	1,090.61	B	1,272.37	C	1,454.14	D	1,635.90
E	1,999.43	F	2,362.96	G	2,726.51	H	3,271.80

The Council Tax was set by estimating the number of properties in each band after allowing for discounts and a 3.25% provision for non-collection. The tax in each band is set in relation to Band D, the maximum being Band H which is twice Band D, and the minimum being Band A which is 2/3 of Band D.

The 3.25% provision for non-collection remains unchanged from 2016/17. The properties making up the estimated tax base are shown below. A number of adjustments are made to reflect the estimated reductions, reliefs and exemptions that apply to properties in each band. This gives the number of effective properties in each band, which is converted to the Band D equivalent using the ratios given:

<b>Band</b>	<b>No. of Properties</b>	<b>Less Discounts</b>	<b>Effective Properties</b>	<b>Band Ratio</b>	<b>Band D Equivalent</b>
A	60,062	25,687.4	34,374.6	6/9	22,916.4
B	32,275	7,543.0	24,732.0	7/9	19,236.0
C	27,124	4,209.6	22,914.4	8/9	20,368.4
D	13,290	1,492.4	11,797.6	1	11,797.6
E	8,121	707.1	7,413.9	11/9	9,061.4
F	4,254	321.1	3,932.9	13/9	5,680.9
G	3,099	207.9	2,891.1	15/9	4,818.5
H	262	33.1	228.9	18/9	457.8
	148,487	40,201.6	108,285.5		94,337.0
Add Band A Disabled Relief Band D Equivalent					39.7
<b>Total</b>					<b>94,376.7</b>
Estimated Collection Rate					96.75%
<b>Adjusted Council Tax Base</b>					<b>91,309.5</b>

The Adjusted Council Tax Base is used to calculate the amount of Council Tax to be raised by a Band D equivalent to raise the value of the precepts to be paid by the Collection Fund. The calculation is as follows:

	<b>2017/18 £'000</b>	<b>2016/17 £'000</b>
<b>Precepts</b>		
- Wirral Council	127,430	120,274
- Police & Crime Commissioner for Merseyside	15,155	14,731
- Merseyside Fire & Rescue Service	6,788	6,595
<b>Total Precepts</b>	<b>149,373</b>	<b>141,600</b>
<b>Council Tax Base</b>	<b>91,309.50</b>	<b>90,481.90</b>
<b>Band D Equivalent (Precepts divided by Council Tax Base)</b>	<b>1,635.90</b>	<b>1,564.95</b>

### 3. INCOME FROM NATIONAL NON DOMESTIC RATES (BUSINESS RATES)

The Council collects NNDR for its area. This is based on local estimated rateable values (provided by the Valuation Office Agency) multiplied by a standardised business rate set nationally by Central Government.

As stated in note 1, the 100% Business Rates Retention Pilot Scheme commenced on 1 April 2017 and as a result 1% is paid to Merseyside Fire & Rescue Service, with the remaining 99% being retained by Wirral Council. This replaced the previous 50% scheme where Wirral Council received 49%, Merseyside Fire and Rescue Service 1% and Central Government 50%.

The estimated rateable value is split between general and small businesses. For 2017/18, the initial bills raised were based on a total rateable value of £190,142,512 (2016/17 £181,290,821). Of this figure £128,642,981 related to general business rates, which are charged at 47.9p in the £ (2016/17 49.7p). The total value of small business rates was £61,499,531, charged at 46.6p in the £ (2016/17 48.4p). This gave an opening charge for 2017/18 of £90.789 million (2016/17 £89.685 million).

During the year a national revaluation of NNDR took place (effective from 1 April 2017). There were also a number of changes to reliefs introduced by central government. The effects registered within 2017/18 with an overall reduction in the amount of NNDR income illustrated below. NNDR income due for the year in the Collection Fund statement as follows:

<b>NNDR Income Due</b>	<b>2017/18 £'000</b>	<b>2016/17 £'000</b>
Opening charge	90,789	89,685
Adjustments	(7,813)	3,794
Small Business Rate Relief	(9,260)	(6,841)
Mandatory Relief	(5,657)	(5,386)
Discretionary Relief	(1,370)	(717)
<b>NNDR Income Due:</b>	<b>66,689</b>	<b>80,535</b>

The total rateable value of all hereditaments within the Council area as at 31 March 2018 was £190,141,397 (2016/17 £185,697,584).

The locally retained business rates are paid into the Council's General Fund. As a result of participating in the 100% Business Rates Retention scheme, the calculated shares of receipts for 2017/18 are as follows, with no payment due to Central Government:

	<b>2017/18 £'000</b>	<b>2016/17 £'000</b>
Wirral Council	64,843	35,143
Central Government	-	35,860
Merseyside Fire & Rescue Service	655	717
	<b>65,498</b>	<b>71,720</b>

The Collection Fund paid the following precepts during the year:

	<b>2017/18 £'000</b>	<b>2016/17 £'000</b>
Wirral Council	67,892	34,826
Central Government	-	35,537
Merseyside Fire & Rescue Service	686	711
<b>Settlement of previous years estimated surplus/(deficit):</b>		
Wirral Council	722	(2,581)
Central Government	737	(2,634)
Merseyside Fire & Rescue Service	15	(53)
	<b>70,052</b>	<b>65,806</b>

#### 4. PROVISION FOR APPEALS AND BAD AND DOUBTFUL DEBTS

##### Appeals

A significant amount of appeals against the rateable value set by the Valuation Office Agency are outstanding nationally. Successful appeals will reduce income receivable and can be backdated over a number of years.

Following the introduction of the Business Rates Retention Scheme billing authorities are required to make an estimate of the impact of successful appeals covering not only 2017/18, but also the backdated amounts relating to earlier years. 2013/14 was the first year the Collection Fund provided a provision against such appeals. The provision for appeals is being closely monitored to ensure it is sufficient, whilst not excessive. £12.504m was in the provision at the end of 2016/17, which has been reduced by £1.893m to £10.611m in 2017/18 to reflect current potential business rates reductions and appeals settled within the year. The provision is split between the Collection Fund preceptors based on their precept shares.

<b>NNDR Appeals Provision</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	12,504	5,928
Settled appeals	(1,247)	(195)
Movement in Provision	(646)	6,771
<b>Balance at 31 March</b>	<b>10,611</b>	<b>12,504</b>

##### Bad and doubtful debts

##### Council Tax

A provision for Council Tax bad debts is made each year for uncollectable amounts. The Council assumed a general collection rate of 96.75% for 2017/18. The bad debts provision is assessed annually and amounts set aside adjusted on an age profile of outstanding debt and other factors.

In 2017/18 an additional £2.148 million has been placed in the provision. This reflects increased billing arising from previously agreed decisions regarding the charging for empty properties, and potential future liabilities for non-payment as a result of the introduction of the localised Council Tax Support Scheme, and changes to discounts and exemptions.

The cost of bad and doubtful debts is split between the Collection Fund preceptors based upon their precept shares.

<b>Council Tax Bad Debt Provision</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	14,267	13,800
Write-offs	(4,397)	(1,673)
Movement in Provision	2,148	2,140
<b>Balance at 31 March</b>	<b>12,018</b>	<b>14,267</b>

##### NNDR

The Collection Fund also provides for bad debts on NNDR arrears which is assessed annually and amounts set aside adjusted on an age profile of outstanding debt. In 2017/18 an additional £0.842 million has been placed in the provision to reflect potential

future liabilities for non-payment. The cost of bad and doubtful debts is split between the Collection Fund preceptors based upon their precept shares.

<b>National Non-Domestic Rates Bad Debt</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	3,233	3,314
Write-offs	(961)	(1,774)
Movement in Provision	842	1,693
Balance at 31 March	<b>3,114</b>	<b>3,233</b>

## **5. CONTRIBUTION FROM/TO THE COLLECTION FUND**

### **Council Tax**

A year-end surplus or deficit on the Council Tax element of the Collection Fund is only physically distributed to or recovered from billing and precepting authorities where an estimated surplus/deficit has already been notified to those authorities.

At 31 March 2018, there was a surplus of £1.725 million (2016/17 £4.104 million) which has been allocated amongst the precepting authorities on the basis of the 2017/18 precept proportions.

In accordance with the changes in accounting practice any outstanding amounts at year end are distributed to preceptors on an accrued basis. Wirral's Balance Sheet reflects the share of any amounts owing or owed to it. An agency arrangement is reflected in Wirral Council's accounts with a single debtor or creditor representing amounts owed or owing to the Merseyside Fire & Rescue Service and the Police & Crime Commissioner for Merseyside.

### **NNDR**

The billing authority is also required to notify the Secretary of State and their precepting authorities of their NNDR income for the following financial year and an estimate of the surplus or deficit by 31 January, which is done by completing and returning the NNDR1 form.

As at 31 March 2018 there was a deficit of £3.101 million (2016/17 £1.453 million surplus), which has been allocated amongst the precepting authorities based on the relevant percentages set out in the Non-Domestic Rating (Rates Retention) Regulations 2013.

## **6. ALLOCATION OF YEAR END BALANCES**

The year-end balance on the Collection Fund is in respect of Council Tax and NNDR and is shared in proportion to the precepts on the Collection Fund. The Council Tax surplus is allocated on two bases - the balance that was reported in January 2018 (for 2017/18 the estimated position was a £1.70 million surplus) is apportioned using the 2017/18 precept shares, whereas the additional surplus resulting from the final position as at 31 March 2018, is apportioned using the 2018/19 precept shares. The National Non-Domestic Rates deficit is allocated based on the relevant percentages set out in the Non-Domestic Rating (Rates Retention) Regulations 2013.

Payable to / (Received from):	Council Tax 31 Mar 18	NNDR 31 Mar 18	Total Allocation
	£'000	£'000	£'000
Wirral Council	1,471	(3,070)	(1,599)
Police & Crime Commissioner	173	-	173
Merseyside Fire and Rescue Service	81	(31)	50
	<b>1,725</b>	<b>(3,101)</b>	<b>(1,376)</b>

The share of any Collection Fund surplus or deficit is reflected within the precepting organisation's 2017/18 accounts. Wirral Council's element is included within the Taxation and Non-Specific Grant Income line within the Comprehensive Income and Expenditure Statement.

# **Merseyside Pension Fund Accounts**

**MERSEYSIDE PENSION FUND ACCOUNTS****FINANCIAL STATEMENTS**

<b>FUND ACCOUNT</b> For the year ended 31 March 2018	<b>Note</b>	<b>2017/18</b> <b>£'000</b>	<b>2016/17</b> <b>£'000</b>
<b>Dealing with members, employers and others directly involved in the fund</b>			
Contributions receivable	7	407,068	208,513
Transfers in	8	12,174	11,568
		<b>419,242</b>	<b>220,081</b>
Benefits payable	9	(314,556)	(306,902)
Payments to and on account of leavers	10	(14,804)	(19,292)
		<b>(329,360)</b>	<b>(326,194)</b>
<b>Net additions/(withdrawals) from dealing with members</b>		<b>89,882</b>	<b>(106,113)</b>
<b>Management Expenses</b>	11	<b>(40,027)</b>	<b>(38,315)</b>
<b>Net additions/(withdrawals) including fund management expenses</b>		<b>49,855</b>	<b>(144,428)</b>
<b>Return on Investments:</b>			
Investment Income	12	197,008	167,672
Profit and losses on disposal of investments and change in market value of investments	13	141,671	1,306,428
Taxes on income	12	(3,578)	(943)
<b>Net Return on Investments</b>		<b>335,101</b>	<b>1,473,157</b>
Net increase/(decrease) in the Fund during the year		384,956	1,328,729
Net Assets of the Fund at the start of the year		8,178,485	6,849,756
<b>Net Assets of the Fund at the end of the year</b>		<b>8,563,441</b>	<b>8,178,485</b>

<b>NET ASSETS STATEMENT</b> For the year ended 31 March 2018	<b>Note</b>	<b>2017/18</b> <b>£'000</b>	<b>2016/17</b> <b>£'000</b>
<b>Investment Assets</b>	13		
Equities		2,768,408	2,728,658
Pooled Investment Vehicles		5,074,479	4,804,297
Derivative Contracts		218	224
Direct Property		519,750	431,150
Short Term Cash Deposits		53,226	75,222
Other Investment Balances		99,613	117,550
		<b>8,515,694</b>	<b>8,157,101</b>
<b>Investment Liabilities</b>	18	<b>(13,736)</b>	<b>(4,490)</b>
<b>Total Net Assets</b>		<b>8,501,958</b>	<b>8,152,611</b>
Long Term Assets	19	5,013	7,110
Current Assets	20	79,909	34,358
Current Liabilities	20	(23,439)	(15,594)
<b>Net Assets of the Fund as at 31 March</b>		<b>8,563,441</b>	<b>8,178,485</b>

## NOTES TO THE ACCOUNTS

### 1. DESCRIPTION OF FUND

Merseyside Pension Fund (MPF/the Fund) is part of the Local Government Pension Scheme (LGPS) and Wirral Council is the administering Authority. Wirral Council is the reporting entity for this pension fund.

The overall responsibility for the management of the Fund rests with the Pensions Committee, which for 2017/18 included 10 councillors from Wirral Council, the Administering Authority, and one councillor from each of the 4 other Borough Councils. Representatives of trade unions also attend. The more detailed consideration of investment strategy and asset allocation of the Fund's portfolios is considered by the Investment Monitoring Working Party, which includes two external advisers and a consultant. The more detailed consideration of governance and risk issues is considered by the Governance and Risk Working Party.

In 2015/16 a local Pensions Board was introduced in accordance with the Public Service Pensions legislation and regulations. The Board's aim is to assist the Administering Authority with ensuring compliance and the effective governance and administration of the Fund.

The following description of the Fund is a summary only. For more detail, reference should be made to Merseyside Pension Fund Annual Report 2017/18 and the underlying statutory powers underpinning the Scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

#### a) General

The scheme is governed by the Public Services Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Fund is a contributory defined benefit pension scheme administered by Wirral Council to provide pensions and other benefits for pensionable employees of the Merseyside Local Authorities and a range of other scheduled and admitted bodies. Teachers, Police Officers and Fire Fighters are not included as they come within other national pension schemes.

#### b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the Scheme, remain in the Scheme or make their own personal arrangements outside the Scheme.

Organisations participating in Merseyside Pension Fund include:

- Scheduled bodies, which are Local Authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation.

There are 194 employer organisations within Merseyside Pension Fund including Wirral Council itself, the Fund also has 137,487 members as detailed below:

	31-Mar-18	31-Mar-17
Number of employers with active members	194	182
Number of employees in scheme	49,151	47,206
Number of pensioners	43,495	42,194
Number of dependants	6,665	6,571
Number of deferred pensioners	38,176	38,368
Total	137,487	134,339

### c) Funding

Benefits are funded by employee and employer contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS and are matched by employers' contributions which are set based on triennial actuarial funding valuations.

### d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below.

	Service pre 1 April 2008	Service post 31 March 2008
<b>Pension</b>	Each year worked is worth $1/80 \times$ final pensionable salary.	Each year worked is worth $1/60 \times$ final pensionable salary.
<b>Lump sum</b>	Automatic lump sum of $3 \times$ salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of  $1/49$ th. Accrued pension is uprated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme, for more details please refer to the Fund's website.

## 2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2017/18 financial year and its position at year end as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, are shown within the statement by the Actuary, which is published as an addendum to the accounts.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared on an accruals basis, unless otherwise stated.

#### **Contributions and Benefits**

Contributions are accounted for on an accruals basis. Contributions are made by active members of the Fund in accordance with LGPS Regulations and employers contributions are based on triennial actuarial valuations.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Benefits payable represent the benefits paid during the financial year and include an estimated accrual for lump-sum benefits outstanding as at the year end. Benefits payable includes interest on late payment. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Estimates for post year end outstanding items have been used for payments of retirement grants and death grants:

- Retirement grants due for payment, but not paid by 31 March: using actual figures as far as possible, and assuming maximum commutation to be taken where the knowledge of the individual member's choice is still outstanding.
- Death grants due for payment, but not paid by 31 March: for example awaiting Probate.

**Transfers to and from Other Schemes**

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

**Management Expenses**

The Fund discloses its management expenses analysed into three categories, administration costs, investment management costs and oversight and governance costs in accordance with CIPFA "Accounting for Local Government and Management Costs."

Administration Costs

All administration expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the Fund. Associated management and other overheads are apportioned to the Fund in accordance with Council Policy.

Investment Management Costs

All investment expenses are accounted for on an accrual basis.

Fees of the external Investment Managers and Custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market values of the investments under their management and therefore increase or reduce as the value of these investments change.

Costs in respect of the internal investment team are classified as investment expenses.

Estimates for post year end outstanding items have been used for external Investment Management fees using the Fund's valuations as at 31 March.

In accordance with CIPFA "Accounting for Local Government Management Costs" guidance, transaction costs and property related expenses are shown under investment expenses.

For certain unquoted investments including Private Equity, Hedge Funds, Opportunities and Infrastructure the Fund do not charge costs for these to the Fund Account because the Fund Manager costs are not charged directly to the Fund. They are instead deducted from the value of the Fund's holding in that investment or from investment income paid to the Fund. If the Fund has been charged directly for fund manager costs they are shown as external investment management fees.

Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with oversight and governance are charged direct to the Fund. Associated management and other overheads are apportioned to the Fund in accordance with Council Policy.

The cost of obtaining investment advice from external consultants is included in governance and oversight expenses.

### **Investment Income**

Income from Equities is accounted for when the related investment is quoted ex dividend. Income from Pooled Investment Vehicles and interest on Short Term Deposits has been accounted for on an accruals basis. Distributions from Private Equity are treated as return of capital until the book value is nil then treated as income on an accruals basis.

Rental income from properties is taken into account by reference to the periods to which the rents relate and is shown gross of related expenses. The Fund accrues rent up to 24 March each year. Rent received on the Quarter Day, 25 March, is accounted for in full in the following year.

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

### **Taxation**

The Fund is a registered Public Service Scheme under Section 1 (1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

### **Valuation of Investments**

Financial assets are included in the Net Asset Statement on a fair value basis as at the reporting date. The values of investments as shown in the Net Asset Statement are determined as follows:

- Listed securities are valued at quoted bid market prices on the final day of the accounting period. The bid price is the price which the Fund would have obtained should the securities have been sold at that date.
- For unlisted investments wherever possible valuations are obtained via the Independent Administrator. Valuations that are obtained direct from the Manager are verified against the latest available audited accounts adjusted for any cash flows up to the reporting date.
- Hedge Funds and Infrastructure are recorded at fair value based on net asset values provided by Fund Administrators or using latest financial statements published by respective Fund Managers adjusted for any cash flows.
- Private Equity valuations are in accordance with the guidelines and conventions of the British Venture Capital Association/International Private Equity guidelines or equivalent.
- Indirect Property is valued at net asset value or capital fair value basis provided by the Fund Manager. For listed Funds the net asset value per unit is obtained through data vendors.
- The freehold and leasehold interests in the properties held within the Fund were independently valued as at 31 March 2018 by Savills (UK) Limited, acting in the capacity of External Valuers as defined in the RICS Red Book (but not for the avoidance of doubt as an External Valuer of the Fund as defined by the Alternative Investment Fund Managers Regulations 2013). The valuations accord with the requirements of IFRS 13, SSAP 19 and the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards 2017 incorporating

the IVSC International Valuation Standards issued June 2017 and effective from 1 July 2017 (the "RICS Red Book").

- Pooled Investment Vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of Pooled Investment Vehicles that are Accumulation Funds, change in market value also includes income which is reinvested by the Manager of the vehicle in the underlying investment, net of applicable withholding tax.

### **Translation of Foreign Currencies**

Assets and liabilities in foreign currencies are translated into sterling at rates ruling at the year end. Foreign income received during the year is translated at the rate ruling at the date of receipt. All resulting exchange adjustments are included in the revenue account.

### **Derivatives**

The Fund uses derivative financial assets to manage exposure to specific risks arising from its investment activities.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The value of future contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The value of exchange traded options is determined using the exchange price for closing out the option at the reporting date.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

### **Short Term Deposits**

Short-term deposits only cover cash balances held by the Fund. Cash held by Investment Managers awaiting investment is shown under "Other Investment Balances".

### **Financial Liabilities**

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

### **Additional Voluntary Contributions**

The Committee holds assets invested separately from the main Fund. In accordance with regulation 4 (1) (b) of the Pensions Schemes (Management and Investment of Funds) Regulations 2016, these assets are excluded from the Pension Fund accounts.

The Scheme providers are Equitable Life, Standard Life and Prudential. Individual members participating in this arrangement each receive an annual statement confirming the amounts held on their account and the movements in the year.

#### 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Fund has not applied any critical judgements.

#### 5. ESTIMATION

##### Unquoted Investments

The Fund has significant unquoted investments within Private Equity, Infrastructure, Property and other Alternative investments. These are valued within the financial statements using valuations from the Managers of the respective assets. There are clear accounting standards for these valuations and the Fund has in place procedures for ensuring that valuations applied by Managers comply with these standards and any other relevant best practice. The value of unquoted assets as at 31 March 2018 was £4,603 million (£4,350 million at 31 March 2017).

Private Equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

Hedge Funds are valued at the sum of the fair values provided by the Administrators of the underlying Funds plus adjustments that the Hedge Fund Directors or Independent Administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

Direct property and pooled property funds use valuation techniques to determine the carrying amount. Where possible these valuations are based on observable data, but where this is not possible management uses the best available data.

#### 6. EVENTS AFTER REPORTING SHEET DATE

There have been no events since 31 March 2018, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

#### 7. CONTRIBUTIONS RECEIVABLE

	2017/18	2016/17
	£'000	£'000
<b>Employers</b>		
Normal	119,408	111,926
Pension Strain	10,426	11,808
Deficit Funding	223,096	31,541
<b>Total Employers</b>	<b>352,930</b>	<b>155,275</b>
<b>Employees</b>		
Normal	54,138	53,238
	<b>407,068</b>	<b>208,513</b>
<b>Relating to:</b>		
Administering Authority	57,357	35,305
Statutory Bodies	319,948	145,159
Admission Bodies	29,763	28,049
	<b>407,068</b>	<b>208,513</b>

Contributions are made by active members of the Fund in accordance with the LGPS and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2018. Employee contributions are matched by employers' contributions which are based on triennial actuarial valuations. The 2017/18 contributions above were calculated at the valuation dated 31 March 2016. The 2016 actuarial valuation calculated the average primary employer contribution rate of 15.4% (2013 13.3%).

"Pension Strain" represents the cost to employers when their employees retire early to compensate the Fund for the reduction in contribution income and the early payment of benefits. Payments to the Fund for such costs are made over agreed periods. An accrual has been made for agreed future payments to the Fund.

"Deficit Funding" includes payments by employers for past service deficit and additional payments by employers to reduce a deficit. During 2017/18 the fund has received additional and upfront payments covering a three year period until the next actuarial valuation in 2019, totalling £141.2 million, (2016/17 £1.6 million).

The Fund does reserve the right to levy interest charges on late receipt of contributions from employers. In 2017/18 no such charges were levied.

## 8. TRANSFERS IN

	2017/18	2016/17
	£'000	£'000
Individual transfers	12,174	11,568
	<b>12,174</b>	<b>11,568</b>

There were no group transfers to the Fund during 2017/18.

## 9. BENEFITS PAYABLE

	2017/18	2016/17
	£'000	£'000
Pensions	252,874	247,865
Lump sum retiring allowances	56,141	52,632
Lump sum death benefits	5,541	6,405
	<b>314,556</b>	<b>306,902</b>
<b>Relating to:</b>		
Administering Authority	43,387	41,873
Statutory Bodies	222,117	217,741
Admission Bodies	49,052	47,288
	<b>314,556</b>	<b>306,902</b>

**10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS**

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Refunds to members leaving service	447	465
Payment for members joining State scheme	37	289
Income for members from State scheme	1	(32)
Group transfers to other schemes	-	1,226
Individual transfers to other schemes	14,319	17,344
	<b>14,804</b>	<b>19,292</b>

There were no group transfers out of the Fund during 2017/18.

**11. MANAGEMENT EXPENSES**

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Administration costs	2,587	2,673
Investment management costs	35,922	33,887
Oversight and governance costs	1,727	1,978
Other Income	(209)	(223)
	<b>40,027</b>	<b>38,315</b>

**11a. ADMINISTRATION COSTS**

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Employee costs	1,665	1,686
IT costs	611	639
General costs	276	329
Other costs	35	19
	<b>2,587</b>	<b>2,673</b>

**11b. INVESTMENT MANAGEMENT COSTS**

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
External Investment Management Fees	22,707	20,607
External Investment Management Performance Fees	1,546	3,076
External Services	565	545
Internal Investment Management Fees	614	609
Property Related Expenses	6,377	4,889
Transaction Costs	4,113	4,161
	<b>35,922</b>	<b>33,887</b>

**11c. OVERSIGHT AND GOVERNANCE COSTS**

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Employee Costs	475	468
External Services	767	838
Internal Audit	34	32
External Audit	39	37
Other Costs	412	603
	<b>1,727</b>	<b>1,978</b>

Actuarial fees included within External Services above (note 11c) are shown gross of any fees that have been recharged to employers. Included within Other Income for 2017/18 is £195,994 relating to recharged Actuarial fees (2016/17 £173,224).

External Audit fees for 2017/18 also include £2,180 relating to additional services in respect of IAS19 assurances for admitted body auditors, which are recharged to those admitted bodies.

**12. INVESTMENT INCOME**

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Dividends from Equities	84,247	69,880
Income from Pooled Investment Vehicles	52,333	49,885
Rents from Properties	26,754	23,498
Interest on Short Term Cash Deposits	267	306
Income from Private Equity	32,422	22,856
Other	985	1,247
	<b>197,008</b>	<b>167,672</b>
Irrecoverable Withholding Tax	<b>(3,578)</b>	<b>(943)</b>
	<b>193,430</b>	<b>166,729</b>

Rental income is shown gross of any property related expenses, with related expenses shown under investment expenses (note 11b).

Investment income figures are shown gross of tax. Included in these figures is recoverable taxation of £4.8 million (2016/17 £4.1 million).

The Fund is seeking to recover tax withheld by UK and overseas tax regimes under the EU principle of free movement of capital within its borders, there were no repayments received in 2017/18 (2016/17 £nil).

**12a. PROPERTY INCOME**

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Rental income	26,754	23,498
Direct operating expenses	(6,377)	(4,889)
<b>Net rent from properties</b>	<b>20,377</b>	<b>18,609</b>

No contingent rents have been recognised as income during the period.

**12b. PROPERTY OPERATING LEASES**

The Fund's property portfolio comprises a variety of units which are leased to organisations with the objective of generating appropriate investment returns.

These leases are all categorised as operating leases due to the relatively short length of the agreements i.e. relative to the overall life of the asset and proportion of the assets overall value. The leases do not meet the assessment criteria for finance leases, and the risks and rewards of ownership of the leased assets are retained by the Fund and reflected in the Net Assets Statement.

The properties comprise a mix of office, retail and industrial buildings. These leases vary in length from short term to over 25 years.

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

<b>Age profile of lease income</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
No later than one year	1,302	1,277
Between one and five years	8,114	6,774
Later than five years	17,540	13,834
<b>Total</b>	<b>26,956</b>	<b>21,885</b>

With regards to the properties owned and leased by the Fund, all are leased to the tenants under contracts that have been assessed as operating leases and which may include periodic rent reviews etc. The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease entered into, such as adjustments following rent reviews.

**13. INVESTMENTS**

2017/18	Market Value 31.3.2017 £'000	Purchases at cost & Derivative Payments £'000	Sale Proceeds & Derivative Receipts £'000	Change in Market Value *	Market Value 31.3.2018 £'000
Equities	2,728,658	1,272,950	(1,225,858)	(7,342)	2,768,408
Pooled Investment Vehicles	4,804,297	550,657	(414,391)	133,916	5,074,479
Derivative Contracts	224	979,418	(982,541)	3,117	218
Direct Property	431,150	71,899		16,701	519,750
	<b>7,964,329</b>	<b>2,874,924</b>	<b>(2,622,790)</b>	<b>146,392</b>	<b>8,362,855</b>
Short term cash deposits	75,222	-	-	-	53,226
Other investment balances	117,550	-	-	(4,721)	99,613
	<b>8,157,101</b>			<b>141,671</b>	<b>8,515,694</b>

2016/17	Market Value 31.3.2016 £'000	Purchases at cost & Derivative Payments £'000	Sale Proceeds & Derivative Receipts £'000	Change in Market Value *	Market Value 31.3.2017 £'000
Equities	2,020,418	1,232,039	(1,016,978)	493,179	2,728,658
Pooled Investment Vehicles	4,264,626	323,279	(608,771)	825,163	4,804,297
Derivative Contracts	254	279,162	(272,286)	(6,906)	224
Direct Property	377,000	79,885	(18,638)	(7,097)	431,150
	<b>6,662,298</b>	<b>1,914,365</b>	<b>(1,916,673)</b>	<b>1,304,339</b>	<b>7,964,329</b>
Short term cash deposits	40,031	-	-	-	75,222
Other investment balances	114,660	-	-	2,089	117,550
	<b>6,816,989</b>			<b>1,306,428</b>	<b>8,157,101</b>

\*Note: The change in market value of investments during the year comprises all realised and unrealised appreciation and depreciation.

Transaction costs had previously been added to purchases and netted against sales proceeds; however, they are no longer shown in the above tables and instead are shown under investment management costs in note 11b in accordance with CIPFA guidance.

Indirect costs are incurred through the bid-offer spread on investments in pooled vehicles. The amount of indirect costs is not provided directly to the Fund.

**13a Analysis of investments**

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
<b>Equities (segregated holdings)</b>		
UK Quoted	1,261,630	1,193,697
Overseas Quoted	1,506,778	1,534,961
	<b>2,768,408</b>	<b>2,728,658</b>
<b>Pooled Investment Vehicles</b>		
<b>UK Managed Funds:</b>		
Property	43,961	17,569
Equities	130,528	107,630
Private Equity	311,657	294,048
Hedge Funds	44,079	53,491
Corporate Bonds	343,277	267,082
Infrastructure	252,983	159,687
Opportunities	324,309	301,012
<b>Overseas Managed Funds:</b>		
Equities	486,772	456,946
Private Equity	251,754	251,013
Hedge Funds	226,624	218,664
Infrastructure	175,233	163,601
Opportunities	136,854	131,052
<b>UK Unit Trusts:</b>		
Property	107,949	99,026
<b>Overseas Unit Trusts:</b>		
Property	96,448	87,157
<b>Other Unitised Funds</b>	2,142,051	2,196,319
	<b>5,074,479</b>	<b>4,804,297</b>
<b>Derivative Contracts</b>	<b>218</b>	<b>224</b>
<b>UK Properties</b>		
Freehold	394,100	322,800
Leasehold	125,650	108,350
	<b>519,750</b>	<b>431,150</b>
Balance at 1 April	431,150	377,000
Additions	71,899	79,885
Disposals	-	(18,638)
Net gain/(loss) on fair value	-	(11,945)
Other changes in fair value	16,701	4,848
<b>Balance at 31 March</b>	<b>519,750</b>	<b>431,150</b>

As at 31 March 2018 there were no amounts of restrictions on the realisability of investment property or of income and proceeds of disposal.

There were no obligations to purchase new properties.

	2017/18 £'000	2016/17 £'000
<b>Short term cash deposits</b>		
Sterling	53,226	75,222
	<b>53,226</b>	<b>75,222</b>

	2017/18 £'000	2016/17 £'000
<b>Other investment balances</b>		
Outstanding trades	9,486	4,509
Outstanding dividends entitlements and recoverable withholding tax	17,566	17,304
Cash deposits	72,561	95,737
	<b>99,613</b>	<b>117,550</b>

### 13b Analysis of derivatives

#### Forward currency contracts

The Fund's forward currency contracts are exchange traded and are used by a number of our external Investment Managers to hedge exposures to foreign currency back into sterling.

Settlement date	Currency bought 000	Currency sold 000	Asset £'000	Liability £'000
Up to one month	GBP 19,363	EUR 21,282	218	-
			218	-
Net forward currency contracts at 31 March 2018				<b>218</b>
Prior year comparative				
Open forward currency contracts at 31 March 2017			174	<b>(13)</b>
Net forward currency contracts at 31 March 2017				<b>161</b>

<b>Derivatives as at 31 March 2018</b>		<b>£'000</b>	<b>£'000</b>
<b>Futures</b>			
<b>Type of Contract</b>	<b>Expires</b>	<b>Economic Exposure</b>	<b>Market Value</b>
<b>Assets</b>			
<b>Total Assets</b>			-
Liabilities			
Total Liabilities			-
<b>Net futures</b>			
			-
<b>Derivatives as at 31 March 2017</b>		<b>£'000</b>	<b>£'000</b>
<b>Futures</b>			
<b>Type of Contract</b>	<b>Expires</b>	<b>Economic Exposure</b>	<b>Market Value</b>
<b>Assets</b>			
EURO STOXX 50 Index Futures	Jun-17	500	50
<b>Total Assets</b>			<b>50</b>
Liabilities			
Total Liabilities			-
<b>Net futures</b>			
			<b>50</b>

A Futures contract is the obligation under a legal agreement to make or take delivery of a specified instrument at a fixed future date, at a price determined at the time of dealing. Merseyside Pension Fund's Index Futures Contracts are externally managed and their objective is to hedge overseas investment positions against adverse index movements. Futures dealing requires the posting of margin. Initial margin which must be posted before you can trade and variation margin, the mark-to-market value of the futures contracts you hold. Variation margin is exchanged daily and exists to reduce counterparty credit exposure.

**13c Summary of Managers' Portfolio Values at 31 March 2018**

	2017/18		2016/17	
	£million	%	£million	%
<b>Externally Managed</b>				
JP Morgan (European equities)	252	3.0	258	3.2
Nomura (Japan)	461	5.4	433	5.3
Schroders (fixed income)	343	4.0	267	3.3
Legal & General (fixed income)	369	4.3	298	3.7
Unigestion (European equities and pooled Emerging Markets)	319	3.8	318	3.9
M&G (global emerging markets)	183	2.1	177	2.2
TT International (UK equities)	249	2.9	237	2.9
Blackrock (UK equities)	252	3.0	249	3.1
Blackrock (Pacific Rim)	152	1.8	157	1.9
Blackrock (QIF)	87	1.0	70	0.9
Newton (UK equities)	263	3.1	260	3.2
Amundi (global emerging markets)	186	2.2	168	2.1
Maple-Brown Abbot (Pacific Rim equities)	166	1.9	173	2.1
State Street Global Advisor (Passive State Street Transition Manager)	1,773	20.9	1,900	23.0
Blackrock Transition Manager	195	2.3	-	-
	<b>5,250</b>	<b>61.7</b>	<b>5,159</b>	<b>63.2</b>
<b>Internally Managed</b>				
UK equities	401	4.7	404	4.9
European equities	246	2.9	238	2.9
Property (direct)	520	6.1	431	5.3
Property (indirect)	270	3.2	226	2.8
Private equity	563	6.6	545	6.7
Hedge funds	271	3.2	272	3.3
Infrastructure	428	5.0	323	4.0
Opportunities	486	5.7	462	5.7
Short term deposits & other investments	80	0.9	97	1.2
	<b>3,265</b>	<b>38.3</b>	<b>2,998</b>	<b>36.8</b>
	<b>8,515</b>	<b>100.0</b>	<b>8,157</b>	<b>100.0</b>

The following holdings each represent more than 5% of the net assets of the Fund:

	2017/18		2016/17	
	£'million	%	£'million	%
SSGA Pooled UK Index Linked Gilts	682	8.0	708	8.7
SSGA USA Equity Tracker	613	7.2	729	8.9

### 13d Stock lending

As at 31 March 2018, £352.4 million of stock was on loan to market makers, which was covered by cash and non-cash collateral, totalling £381.1 million. Collateral is marked to market, and adjusted daily. Income from Stock Lending amounted to £978,508 and is included within "Other" Investment Income. As the Fund retains its economic interest in stock on loan, their value remains within the Fund valuation. As the Fund has an obligation to return collateral to the borrowers, collateral is excluded from the Fund valuation. The Fund used its Custodian as agent lender, lending only to an agreed list of approved borrowers. An indemnity is in place which gives the Fund further protection against losses.

### 14 FAIR VALUE – BASIS OF VALUATION

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Derivatives - futures and options	Level 1	Published exchange prices at year end	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Unquoted bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Derivatives - forward currency contracts	Level 2	Market forward exchange rates at the year end	Not required	Not required

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
<b>Pooled investments - overseas unit trusts and property funds</b>	Level 2	Closed bid price where bid and offer prices are published - closing single price where single price is published. Valuation for property funds are provided by fund managers and where available closing bid prices are used.	NAV - based pricing set on a forward pricing basis	Not required
<b>Direct property</b>	Level 3	Valued at fair value at the year-end using independent external Valuers in accordance with FRS 13, SSAP 19 and the Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standards (the "RICS Red Book").	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength of existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices
<b>Unquoted equity</b>	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines or equivalent	EBITDA multiple, revenue multiple, discount for lack of marketability, control premium	Material events occurring between the date of the financial statements provided and MPF's own reporting date, changes to expected cashflows, differences between audited and unaudited accounts.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
<b>Pooled investments - hedge funds and infrastructure</b>	Level 3	The funds are valued in accordance with International Financial Reporting Standards (IFRS). The valuation basis, determined by the relevant Fund Manager, may be any of quoted market prices, broker or dealer quotations, transaction price, third party transaction price, industry multiples and public comparables, transitions in similar techniques, third party independent appraisals or pricing models.	NAV - based pricing set on a forward pricing basis	Material events occurring between the date of the financial statements provided and MPF's own reporting date, changes to expected cashflows, differences between audited and unaudited accounts.

### Sensitivity of assets valued at level 3

The table below sets out the assets classified as level 3 assets. The Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges (as provided by the Fund's investment consultants), and has set out below the consequent potential impact on the closing value of investments held at 31 March 2018. There are various factors that affect the complexity of valuation and the realisable value of assets and certain asset specific issues may lead to realisable valuations falling outside the stated range.

	Value 31 March 2018 £'000	Potential variance %	Value on increase £'000	Value on decrease £'000
<b>Property</b>	773,163	10.0	850,479	695,847
<b>Unquoted UK equity</b>	74,171	15.0	85,297	63,045
<b>Unquoted overseas equity</b>	58,599	15.0	67,389	49,809
<b>Hedge funds</b>	223,240	10.0	245,564	200,916
<b>Infrastructure</b>	353,266	15.0	406,256	300,276
<b>Private equity</b>	645,474	15.0	742,295	548,653
<b>Total</b>	<b>2,127,913</b>			

## **14a FAIR VALUE HIERARCHY**

Assets valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values.

### **Level 1**

Assets at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the market quotation of the relevant stock exchange.

### **Level 2**

Assets at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

### **Level 3**

Assets at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such investments would include unquoted equity investments and Hedge Fund of Funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in Private Equity are based on valuations provided by the general partners to the Private Equity funds in which Merseyside Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of the investment in Hedge Funds are based on the net asset value provided by the Fund Manager. Assurances over the valuation are gained from the independent audit of the value.

The following table provides an analysis of the financial assets of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	3,760,289	2,474,653	1,608,163	7,843,105
Non-financial assets at fair value through profit and loss			519,750	519,750
<b>Total financial assets</b>	<b>3,760,289</b>	<b>2,474,653</b>	<b>2,127,913</b>	<b>8,362,855</b>

Values at 31 March 2017*	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	3,614,529	2,465,771	1,452,879	7,533,179
Non-financial assets at fair value through profit and loss			431,150	431,150
<b>Total financial assets</b>	<b>3,614,529</b>	<b>2,465,771</b>	<b>1,884,029</b>	<b>7,964,329</b>

\* Following a further review of levels 1, 2 and 3 categories against PRAG guidance, the values at 31 March 2017 have been restated, £121.7 million has moved from level 1 to level 2, £2.1 million from level 1 to 3 and £20.3 million has moved from level 3 to level 1.

A reconciliation of fair value measurements in Level 3 is set out below:

	2017/18 £'000	2016/17* £'000
<b>Opening balance</b>	1,884,029	1,627,606
Acquisitions	340,755	240,240
Disposal proceeds	(179,809)	(123,699)
Transfer into Level 3	2,574	-
Total gain/(losses) included in the fund account:		
On assets sold	2,487	(11,071)
On assets held at year end	77,877	150,953
<b>Closing balance</b>	<b>2,127,913</b>	<b>1,884,029</b>

\* The information for 2016/17 has been restated

## 15. FINANCIAL INSTRUMENTS

### 15a Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net asset statement heading.

	31 March 2018		
	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit and loss
	£'000	£'000	£'000
<b>Financial Assets</b>			
Equities			2,768,408
Pooled Investment Vehicles			5,074,479
Derivatives			218
Cash deposits	53,226		
Other investment balances	99,613		
Long term and current assets	84,922		
<b>Total financial assets</b>	<b>237,761</b>	<b>-</b>	<b>7,843,105</b>
<b>Grand total</b>	<b>8,080,866</b>		
<b>Financial Liabilities</b>			
Other investment balances		(13,736)	
Current Liabilities		(23,439)	
<b>Total financial liabilities</b>	<b>-</b>	<b>(37,175)</b>	<b>-</b>
<b>Grand total</b>	<b>(37,175)</b>		
<b>Grand net total</b>	<b>8,043,691</b>		

	31 March 2017		
	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit and loss
	£'000	£'000	£'000
<b>Financial Assets</b>			
Equities			2,728,658
Pooled Investment Vehicles			4,804,297
Derivatives			224
Cash deposits	75,222		
Other investment balances	117,550		
Long term and current assets	41,468		
<b>Total financial assets</b>	<b>234,240</b>	<b>-</b>	<b>7,533,179</b>
<b>Grand total</b>	<b>7,767,419</b>		
<b>Financial Liabilities</b>			
Other investment balances		(4,490)	
Current Liabilities		(15,594)	
<b>Total financial liabilities</b>	<b>-</b>	<b>(20,084)</b>	<b>-</b>
<b>Grand total</b>	<b>(20,084)</b>		
<b>Grand net total</b>	<b>7,747,335</b>		

To allow reconciliation to the Net Asset Statement and for ease to the reader all long term & current assets and current liabilities have been included in the above note, although not all are classified as financial instruments, the amounts that are not financial instruments are considered immaterial.

### 15b Net gains and losses on financial instruments

	2017/18 £'000	2016/17 £'000
<b>Financial Assets</b>		
Fair Value through profit and loss	129,691	1,311,436
<b>Total financial assets</b>	<b>129,691</b>	<b>1,311,436</b>
<b>Financial Liabilities</b>		
Financial liabilities at amortised cost	(4,721)	2,089
<b>Total financial liabilities</b>	<b>(4,721)</b>	<b>2,089</b>
<b>Net</b>	<b>124,970</b>	<b>1,313,525</b>

### 15c Fair value of financial instruments

There is no material difference between the carrying value and fair value of financial instruments. The majority of financial instruments are held at fair value and for those which aren't their amortised cost is considered to be equivalent to an approximation of fair value.

## 16. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

### Risk and risk management

The Fund's objective is to achieve a funding level position of 100% whilst minimising the level and volatility of employer contributions. Investment strategy is decided with clear reference to this objective.

Over the long term, the Fund's objective is to set policies that will seek to ensure that investment returns achieved will at least match the assumptions underlying the actuarial valuation and therefore be appropriate to the liabilities of the Fund.

Having regard to its liability profile, the Fund has determined that adopting a bespoke benchmark should best enable it to implement an effective investment strategy. This strategic benchmark is reviewed every three years, at a minimum, at the time of the actuarial valuation but will be reviewed as required particularly if there have been significant changes in the underlying liability profile or the investment environment.

The Fund has carefully considered the expected returns from the various permitted asset classes and has concluded that in the longer term the return on equities will be greater than from other conventional assets. Consequently, the benchmark is biased towards equities and skewed towards active management, particularly in less developed markets.

The Fund is also cognisant of the risk that the shorter term returns may vary significantly from one period to another and between the benchmark and actual returns. Diversification of assets is seen as key to managing this risk and the risk/return characteristics of each asset and their relative correlations are reflected in the make up

of the strategic benchmark.

The Fund believes that, over the long term, a willingness to take on volatility and illiquidity is likely to be rewarded with outperformance. The Fund considers that its strong employer covenant, maturity profile and cash flows enable it to adopt a long term investment perspective. A mix of short term assets such as bonds and cash is maintained to cover short term liabilities while equities (both passive and active), private equity and direct property are held to benefit from the potential rewards arising from volatility and illiquidity risks. The Fund recognises that risk is inherent in investment activity and seeks to manage the level of risk that it takes in an appropriate manner. The Fund manages investment risks through the following measures:

- Broad diversification of types of investment and Investment Managers.
- Explicit mandates governing the activity of Investment Managers.
- The use of a specific benchmark, related to liabilities of the Fund for investment asset allocation.
- The appointment of Independent Investment Advisors to the Investment Monitoring Working Party.
- Comprehensive monitoring procedures for Investment Managers including internal officers and scrutiny by elected Members.

#### **16a Market Risk**

The Fund is aware that its key risk is market risk i.e. the unpredictability of market performance in the future. The general practice to quantify these risks is to measure the volatility of historical performance. The tables below show the Fund's exposure to asset classes and their reasonable predicted variance (as provided by the Fund's investment consultants) and the resulting potential changes in net assets available to pay pensions. The figures provided are a forward looking assumption of future volatility based on analysis of previous performance and probability.

	<b>Value March 2018 £million</b>	<b>Potential Variance</b>	<b>Value on increase £million</b>	<b>Value on decrease £million</b>
UK Equities (all equities including pooled vehicles)	1,801	19.0%	2,143	1,459
US Equities	652	21.0%	789	515
European Equities	777	22.5%	952	603
Japan Equities	461	20.5%	556	367
Emerging Markets Equities inc Pac Rim	819	28.0%	1,049	590
UK Fixed Income Pooled Vehicles	712	11.0%	790	634
UK Index Linked Pooled Vehicles	682	9.0%	743	620
Pooled Property	248	12.5%	279	217
Private Equity	563	27.5%	718	408
Hedge Funds	271	9.5%	296	245
Infrastructure	428	18.5%	507	349
Other Alternative Assets	429	14.0%	489	369
Short term deposits & other investment balances	201	0.0%	201	201
	<b>8,044</b>			

	<b>Value March 2017 £million</b>	<b>Potential Variance</b>	<b>Value on increase £million</b>	<b>Value on decrease £million</b>
UK Equities (all equities including pooled vehicles)	1,692	19.0%	2,013	1,370
US Equities	787	21.0%	952	622
European Equities	790	22.5%	968	612
Japan Equities	438	20.5%	527	348
Emerging Markets Equities inc Pac Rim	812	31.0%	1,064	561
UK Fixed Income Pooled Vehicles	566	11.0%	628	503
UK Index Linked Pooled Vehicles	708	9.0%	772	644
Pooled Property	204	12.5%	229	178
Private Equity	545	27.5%	695	395
Hedge Funds	272	9.0%	297	248
Infrastructure	323	18.5%	383	263
Other Alternative Assets	396	14.2%	452	340
Short term deposits & other investment balances	214	0.0%	214	214
	<b>7,747</b>			

**16b Credit Risk**

The Fund does not hold any Fixed Interest Securities directly and the Managers of the Pooled Fixed Income Vehicles are responsible for managing credit risk, section 16a of this note covers the market risks of these holdings.

The Fund's arrangements for derivatives, securities lending and impaired items are dealt with in other notes to the accounts.

The short term cash deposits and other investment balances are diversified with investment grade financial institutions. The Fund has a treasury management policy that is compliant with current best practice.

The Fund's cash holding under its treasury management arrangements as at 31 March 2018 was £53.2 million (31 March 2017 £75.2 million). This was held in instant access accounts with the following institutions:

	Rating (S&P)	Balances as at 31 March 2018	Balances as at 31 March 2017
		£'000	£'000
Lloyds Bank	Long A Short A-1	33,226	40,222
Invesco	AAAm	10,000	20,000
Santander	Long A Short A-1	10,000	-
Svenska Handelsbanken	Long AA- Short A-1+	-	15,000
<b>Total</b>		<b>53,226</b>	<b>75,222</b>

**16c Liquidity risk**

The Fund's key priority is to pay pensions in the long term and in the short term and the asset allocation is the key strategy in ensuring this. The earlier sections have dealt with the longer term risks associated with market volatility.

The Fund has a cash balance at 31 March of £53.2 million. The Fund has £6,157 million in assets which could be realised in under 7 days' notice, £913 million in assets which could be realised in under 90 days' notice and £974 million in assets which could not be realised within a 90 day period.

The Fund has no borrowing or borrowing facilities.

The management of the Fund also prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The Fund has a net addition for 2017/18 in its dealing with members of £89 million, management expenses of £40 million, and investment income of £197 million.

**16d Outlook for real investment returns**

The expectation of future real investment returns can affect the Fund's liabilities as they may impact on the discount rate used by the actuary to discount the liabilities; the Fund's actuary has calculated that the Fund has sensitivity to this discount rate of 20% per 1% change in real investment returns. The Fund considers both the liabilities and assets together and assesses the funding ratio and the implications for investment strategy on a quarterly basis at the IMWP.

## 17. FUNDING ARRANGEMENTS

In line with The Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2016. The next valuation will take place as at 31 March 2019.

The most recent Triennial Valuation by the actuary was as at 31 March 2016, when the funding level was 85% of projected actuarial liabilities (2013 76%). The funding objective is to achieve and then maintain assets equal to the funding target. The funding target is the present value of 100% of projected accrued liabilities, including allowance for projected final pay. The FSS specifies a maximum period for achieving full funding of 19 years.

The funding method adopted is the projected unit method, which implicitly allows for new entrants replacing leavers.

The key elements of the funding policy are to:

- manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due
- enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, scheduled, designating and admitted bodies, while achieving and maintaining fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes
- maximise the returns from investments within reasonable risk parameters taking into account the above aims.

### Summary of key whole Fund assumptions used for calculating funding target

	<b>31 March 2016</b>
<b>Long Term Yields</b>	<b>% p.a.</b>
Market Implied RPI Inflation	3.20
<b>Solvency Funding Target Financial Assumptions</b>	
Investment Return	4.20
CPI Price Inflation	2.20
Salary Increases	3.70
Pension Increases	2.20
<b>Future Service Accrual Financial Assumptions</b>	
Investment Return/Discount Rate	4.95
CPI Price Inflation	2.20
Salary Increases	3.70
CARE	2.20

**18. INVESTMENT LIABILITIES**

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Derivative Contracts	-	13
Amounts due to stockbrokers	13,736	4,477
	<b>13,736</b>	<b>4,490</b>

**19. LONG TERM ASSETS**

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Assets due in more than one year	5,013	7,110
	<b>5,013</b>	<b>7,110</b>
<b>Relating to:</b>		
Central Government Bodies	922	1,845
Other Local Authorities	3,777	4,717
Public Corporations and Trading Funds	142	280
Bodies External to General Government	172	268
	<b>5,013</b>	<b>7,110</b>

Payments are being received in respect of pensioner and deferred members of the Magistrates Courts, which was previously an active employer in the Fund. Year 1 is shown as a current asset, but years 2 onwards are included above. Also included are future payments of pension strain to be paid by employers in 2018/19 onwards.

**20. CURRENT ASSETS AND LIABILITIES**

	<b>2017/18</b> <b>£'000</b>	<b>2016/17</b> <b>£'000</b>
<b>Assets</b>		
Contributions due	17,431	19,273
Amounts due from external managers	41,296	144
Accrued and outstanding investment income	1,152	664
Sundries	14,889	12,749
Provision for bad debts	(118)	(167)
Cash at bank	5,259	1,695
	<b>79,909</b>	<b>34,358</b>
<b>Relating to:</b>		
Central Government Bodies	1,868	1,863
Other Local Authorities	11,988	13,828
NHS	1	1
Public Corporations and Trading Funds	140	73
Bodies External to General Government	65,912	18,593
	<b>79,909</b>	<b>34,358</b>
<b>Liabilities</b>		
<b>Amounts due to external managers</b>	966	-
Transfer values payable	-	1,226
Retirement grants due	3,467	1,944
Provisions	432	294
Miscellaneous	18,574	12,130
	<b>23,439</b>	<b>15,594</b>
<b>Relating to:</b>		
Central Government Bodies	2,795	3,895
Other Local Authorities	3,016	1,881
Public Corporations and Trading Funds	26	2
Bodies External to General Government	17,602	9,816
	<b>23,439</b>	<b>15,594</b>
<b>Total current assets and liabilities</b>	<b>56,470</b>	<b>18,764</b>

"Sundries" mainly covers general debtors, property arrears due, agents' balances and recoverable taxation.

"Provision for Bad Debt" relates to general debtors and property rental income, and is based on an assessment of all individual debts as at 31 March 2018.

The main components of "Miscellaneous Liabilities" are the outstanding charges for Investment Management fees, payable quarterly in arrears, Custodian and Actuarial fees, plus income tax due, pre-paid rent and Administering Authority re-imbusement.

**21. CONTRACTUAL COMMITMENTS**

Commitments for investments amounted to £534.86 million as at 31st March 2018. (2016/17 £606.12 million). These commitments relate to Private Equity £209.46 million, Infrastructure £128.37 million, Opportunities £31.07 million, Indirect Property £165.96 million. As some of these funds are denominated in foreign currencies, the commitment in sterling is subject to change due to currency fluctuations.

## **22. CONTINGENT ASSETS**

When determining the appropriate Fund policy for employers the different participating characteristics as either a contractor or community body or whether a guarantor of sufficient financial standing agrees to support the pension obligations is taken into consideration when setting the fiduciary strategy.

It is the policy to actively seek mechanisms to strengthen employer covenants by engaging "contingent assets" in the form of bonds/indemnity insurance, local authority guarantors, parent company guarantors or charge on assets to mitigate the risk of employers exiting the Fund leaving unrecoverable debt.

These financial undertakings are drawn in favour of Wirral Council, as the Administering Authority of Merseyside Pension Fund and payment will only be triggered in the event of employer default.

## **23. RELATED PARTY TRANSACTIONS**

There are three groups of related parties: transactions between Wirral Council, as Administering Authority, and the Fund, between employers within the Fund and the Fund, and between Members and Senior Officers and the Fund.

Management expenses include charges by Wirral Council in providing services in its role as Administering Authority to the Fund, which amount to £3.3 million. (2016/17 £3.6 million). Such charges principally relate to staffing required to maintain the pension service. Central, Finance and IT costs are apportioned to the Fund on the basis of time spent on Fund work by Wirral Council. There was a debtor of £9.1 million (2016/17 £11.9 million) and a creditor of £254,502 as at 31 March 2018 (2016/17 £293,110).

Employers are related parties in so far as they pay contributions to the Fund in accordance with the appropriate Local Government Pension Scheme Regulations (LGPS). Contributions for the year are shown in note 7 and in respect of March 2018 payroll are included within the debtors figure in note 20.

A specific declaration has been received from Pension Committee Members, Pension Board Members and principal officers regarding membership of, and transactions with, such persons or their related parties. A number of Members act as Councillors or Board members of particular scheme employers, listed below, who maintain a conventional employer relationship with the Fund:

Liverpool City Council, Knowsley Council, Sefton Council and St Helens Borough Council, Wirral Council, Knowsley Youth Mutual, Helena Housing, Whiston Town Council, Rainhill Parish Council, Knowsley Housing Trust, One Vision Housing, CDS Housing, Greater Hornby Homes and Wirral Partnership Homes (also known as Magenta Living). The value of the transactions with each of these related parties, namely the routine monthly payments to the Fund of employers' and employees' contributions, is determined by the LGPS Regulations, and as such no related party transactions have been declared.

Peter Wallach, Director of Pensions acts in an un-remunerated board advisory capacity on 4 investment bodies in which the Fund has an interest, Eclipse (£13.8 million), Standard Life (£15.8 million), F&C (£21.5 million) and GLIL (£65.9 million).

Linda Desforges, Senior Portfolio Manager acts in an un-remunerated board advisory capacity on 5 investment bodies in which the Fund has an interest, Standard Life (£15.8 million), BBH Capital (£9.1 million), TEO Plc (£14.3 million), GCM Grosvenor Co-Investment Fund (£6.9 million) and F&C (£21.5 million).

Susannah Friar, Property Manager acts in an un-remunerated board advisory capacity on six investment bodies in which the Fund has an interest, Partners Group Real Estate Asia Pacific 2011 (£7.3 million), Bridges Property Alternatives IV (£1.1 million), Century Bridge China Real Estate Fund II (£5.5 million), Phoenix Asia Secured Debt Fund (£3.5 million) Alma Property Partners (£6.6 million) and Barwood Property.

Adil Manzoor Portfolio Manager, acts in an un-remunerated board advisory capacity on 4 investment bodies in which the Fund has an interest, Standard Life Infrastructure Fund I (£7.9 million), Blackrock GRP Fund I (£25.8 million) and AMP GIF II (£35.3 million) and Impax New Energy Investors III LP .

Each member of the Pension Fund Committee and Pension Board Members formally considers conflicts of interest at each meeting.

### Key management personnel

The Fund's senior management during 2017/18 was comprised of 7 individuals: the Director of Pensions, the Head of Pensions Administration, Senior Portfolio Managers (x3), Head of Finance & Risk and Senior Investment Manager, the remuneration paid to the senior management during 2017/18 was £421,487 (2016/17 £416,301). In addition, employer contributions of £56,995 (2016/17 £56,042) was also met from the Fund and charged to the Fund Account. The post of Senior Investment Manager was deleted during the year.

## 24. ADDITIONAL VOLUNTARY CONTRIBUTION INVESTMENTS

	2017/18 £000	2016/17 £000
The aggregate amount of AVC investments is as follows :		
Equitable Life	2,015	2,089
Standard Life	5,988	6,139
Prudential	7,930	6,331
	<b>15,933</b>	<b>14,559</b>
Changes during the year were as follows:		
Contributions	3,432	2,473
Repayments	2,441	2,964
Change in market values	383	1,303

**SCHEME EMPLOYERS WITH ACTIVE MEMBERS AS AT 31 MARCH 2018****Scheduled Bodies**

Academy of St Francis  
Bellerive FCJ Catholic College  
Billinge Chapel End Parish Council  
Birkdale High School (Academy)  
Birkenhead High School Academy  
Birkenhead Sixth Form College (Academy)  
Blacklow Brow School (Academy)  
Blue Coat School (Academy)  
Carmel College  
Calday Grange Grammer School (Academy)  
Chesterfield High School (Academy)  
Chief Constable  
Childwall Sports and Science Academy  
Cronton C of E Primary (Academy)  
Cronton Parish Council  
De la Salle Academy  
Deyes High School (Academy)  
Eccleston Parish Council  
Edsential SLE  
Egremont Primary School (Academy)  
Emslie Morgan Academy  
Everton Free School (Academy)  
Finch Woods Academy  
Formby High School (Academy)  
Garston C of E Primary School (Academy)  
Great Meols Primary School (Academy)  
Greenbank High School (Academy)  
Halewood Academy Centre for Learning  
Halewood C of E Primary (Academy)  
Halewood Town Council  
Halsnead Primary School (Academy)  
Harmonize (Academy)  
Hawthornes Free School  
Heygreen Community Primary (Academy)  
Hilbre High School (Academy)  
Hillside High School (Academy)  
Hope Academy  
Hugh Baird College  
Kings Leadership Academy (Liverpool)  
Kirkby High School  
Knowsley Lane Primary School (Academy)  
Knowsley M.B.C.  
Knowsley Town Council  
LDST – Liverpool Diocesan Schools Trust (Academy)  
Litherland High School (Academy)  
Liverpool City Council

Liverpool City Region Combined Authority (LCRCA)  
Liverpool College (Academy)  
Liverpool John Moores University  
Liverpool Life Science UTC (Academy)  
Liverpool Street Scene Services Ltd  
Lord Derby Academy  
Maghull High School (Academy)  
Maghull Town Council  
Merseyside Fire & Rescue Authority  
Merseyside Passenger Transport Executive (MPTE)  
Merseyside Recycling and Waste Authority  
New Park Primary (Academy)  
North Liverpool Academy  
Office of the Police and Crime Commissioner for Merseyside (OPCCM)  
Oldershaw Academy  
Our Lady of Pity RC Primary School (Academy)  
Park View Academy  
Poulton Lancelyn Primary School (Academy)  
Prenton High School for Girls (Academy)  
Prescot Town Council  
Rainford High School (Academy)  
Rainford Parish Council  
Rainhill Parish Council  
Rainhill Learning Village Multi Academy Trust  
Rainhill St Anns CE Primary School (Academy)  
Range High School (Academy)  
Roscoe Primary (Academy)  
School Improvement Liverpool Ltd  
Sefton M.B.C.  
Shared Education Services Ltd  
Southport College  
St. Anselms College (Academy)  
St. Edwards College (Academy)  
St. Francis Xavier's College (Academy)  
St. Helens College  
St. Helens M.B.C.  
St John Plessington Catholic College  
St Margaret Church of England Academy  
St Mary & St Thomas CE Primary School (Academy)  
St Marys Catholic College  
St Michael's C of E High School (Academy)  
St Silas C of E Primary School (Academy)  
St Thomas C of E Primary (Academy)  
Stanley High School (Academy)  
Stanton Road Primary School  
Studio @ Deyes Academy  
Sylvester Primary Academy  
The ACC Liverpool Group Ltd  
The Academy of St Nicholas

The Beacon C E Primary School (Academy)  
The Belvedere Academy  
The Birkenhead Park School  
The City of Liverpool College  
The Kingsway Academy  
The Prescot School (Academy)  
The Studio (Academy)  
The Sutton Academy  
Town Lane Infant School (Academy)  
Townfield Primary School (Academy)  
Upton Hall School (Academy)  
Weatherhead High School (Academy)  
West Derby School (Academy)  
West Kirby Grammar School (Academy)  
Whiston Town Council  
Wirral Council  
Wirral Evolutions  
Wirral Grammar School for Boys (Academy)  
Wirral Grammar School for Girls (Academy)  
Wirral Metropolitan College  
Woodchurch High School (Academy)

**Admission Bodies**

Addaction (Sefton)  
Age Concern – Liverpool  
Agilisys Limited  
Amey Services Ltd - Highways  
Arriva North West  
Arvato Public Sector Services Limited  
Association of Police Authorities  
Balfour Beatty PFI SEN School  
Balfour Beatty Workplace  
BAM Nuttall  
Berrybridge Housing Ltd  
Birkenhead Market Services Ltd  
Birkenhead School (2002)  
Bouygues E & S FM UK Ltd  
Care Quality Commission  
Castlerock Recruitment Group Ltd  
Caterlink Ltd  
Catholic Children's Society  
CDS Housing  
Change Grow Live  
City Healthcare Partnership CIC  
Cobalt Housing Ltd  
Compass Contract Services (UK)  
Compass (Scolarest) Liverpool Schools  
Compass (Scolarest) Wirral Schools  
Elite Cleaning & Environmental Services Ltd

Friends of Birkenhead Council Kennels  
Geraud Markets Liverpool Ltd  
Glendale (Liverpool Parks Services) Ltd  
Glenvale Transport Ltd/Stagecoach.  
Graysons Education  
Greater Hornby Homes  
Greater Merseyside Connexions  
Helena Partnerships Ltd.  
Hochtief Liverpool Schools  
Hochtief Wirral Schools  
Interserve (Facilities Management) Ltd  
Kingswood Colomendy Ltd.  
Knowsley Youth Mutual  
Lee Valley Housing Association Ltd  
Liverpool Hope University  
Liverpool Housing Trust  
Liverpool Mutual Homes Ltd.  
Liverpool Vision Limited  
Local Government Association  
Mack Trading  
Mellors Catering – Birkdale  
Mellors Catering – St Anns  
Mellors Catering – St Mary & St Thomas  
Mellors Catering - St Paul & St Timothy  
Merseyside Lieutenancy  
Mosscroft Childcare Ltd  
North Huyton Communities Future  
One Vision Housing Ltd  
Orian Solutions  
Partners Credit Union  
Port Sunlight Village Trust  
Sanctuary Home Care Ltd  
Sefton Education Business Partnership  
Sefton New Directions Ltd.  
Shap Ltd  
South Liverpool Housing Ltd  
Southern Electric Co Ltd  
Tarmac Trading Ltd  
Taylor Shaw (Great Meols)  
Taylor Shaw (The Grange)  
Taylor Shaw (Raeburn)  
Taylor Shaw (Range)  
Taylor Shaw (St Andrews)  
Vauxhall Neighbourhood Council  
Veolia ES Merseyside & Halton  
Volair Ltd  
WCFT (NHS)

Welsh Local Government Association  
WIRED  
Wirral Autistic Society  
Wirral Chamber of Commerce  
Wirral Partnership Homes (Magenta)

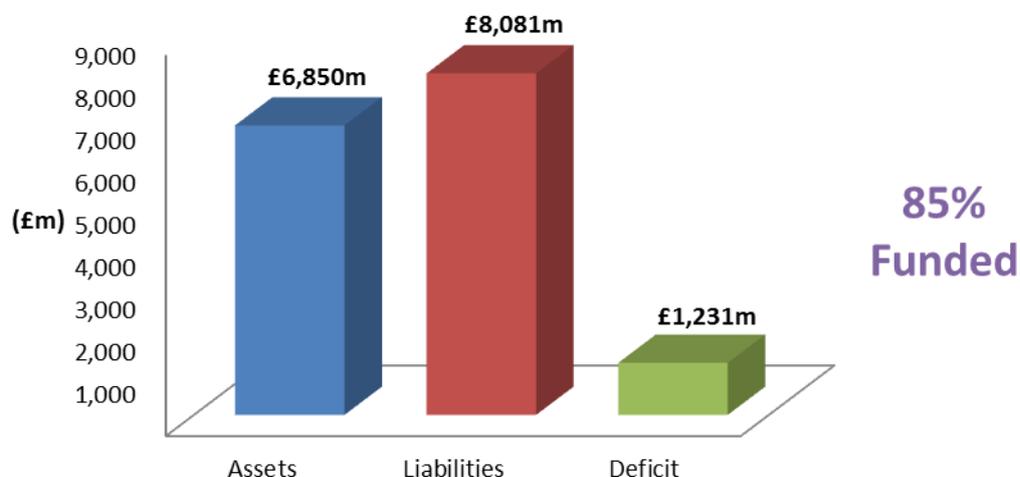
## MERSEYSIDE PENSION FUND

### ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 - STATEMENT BY THE CONSULTING ACTUARY

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Merseyside Pension Fund was carried out as at 31 March 2016 to determine the contribution rates with effect from 1 April 2017 to 31 March 2020.

On the basis of the assumptions adopted, the Fund's assets of £6,850 million represented 85% of the Fund's past service liabilities of £8,081 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £1,231 million.



The valuation also showed that a Primary contribution rate of 15.4% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and then maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall (or contribution reductions to refund any surplus).

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average deficit recovery period is 19 years, and the total initial recovery payment (the "Secondary rate") for 2018/19 is approximately £49 million (this allows for some employers to phase in any increases or to make a prepayment in April 2017). For all employers, the Secondary rate will increase at 3.7% per annum, except where phasing has been applied. With the agreement of the Administering Authority employers may also opt to pay some of their deficit contributions early (after suitably agreed reductions), with either all three years being paid in April 2017 or payment being made in the April of the year in question.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2017.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the Primary rate of contribution were as follows:

	<b>For past service liabilities (Funding Target)</b>	<b>For future service liabilities (Primary rate of contribution)</b>
Rate of return on investments (discount rate)	4.2% per annum	4.95% per annum
Rate of pay increases (long term)*	3.7% per annum	3.7% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.2% per annum	2.2% per annum

\* allowance was also made for short-term public sector pay restraint over a 4 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2019. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2020.

### Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2018 (the 31 March 2017 assumptions are included for comparison):

	<b>31 March 2017</b>	<b>31 March 2018</b>
Rate of return on investments (discount rate)	2.5% per annum	2.6% per annum
Rate of CPI Inflation / CARE Benefit revaluation	2.3% per annum	2.1% per annum
Rate of pay increases*	3.8% per annum	3.6% per annum

	31 March 2017	31 March 2018
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.3% per annum	2.2% per annum

\* includes a corresponding allowance to that made in the latest formal actuarial valuation for short-term public sector pay restraint. The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2017.

During the year, corporate bond yields rose slightly, resulting in a higher discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (2.6% p.a. versus 2.5% p.a.). The expected long-term rate of CPI inflation decreased during the year, from 2.3% p.a. to 2.1%. Both of these factors served to decrease the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2017 was estimated as £11,418 million. Interest over the year increased the liabilities by c£286 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£27 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). There was then a decrease in liabilities of £446 million due to "actuarial gains" (i.e. the effect of the changes in the actuarial assumptions used, referred to above).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2018 is therefore £11,285 million.

**Paul Middleman**  
**Fellow of the Institute and Faculty**  
**Actuaries**  
**Mercer Limited**  
**May 2018**

**Clive Lewis**  
**Fellow of the Institute and Faculty of**  
**of Actuaries**  
**Mercer Limited**  
**May 2018**

# **Glossary of Financial Terms**

## **GLOSSARY OF FINANCIAL TERMS**

### **Accruals**

Income is recognised when it is earned rather than when it is received. Expenditure is recognised when goods or services are received rather than when the payment is made.

### **Actuarial Gains and Losses**

Actuaries assess financial and non-financial information provided to project levels of future pension Fund requirements. Changes in actuarial deficits or surpluses arise because:

- Events have not coincided with the actuarial assumptions made at the last valuation
- The actuarial assumptions have changed.

### **Balances**

The balances are to provide funding for unanticipated expenditure and / or expenditure that is of an unforeseen nature. The level is determined having regard to the strategic, operational and financial risks and uncertainties faced by the Council.

### **Budget**

The Budget is a statement of the spending plans for the financial year.

### **Capital Expenditure**

Expenditure on the acquisition of an asset or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

### **Capital Receipts**

Income received from the disposal of land and other capital assets, and from the repayment of grants and loans to the Council.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

This Institute is the leading professional accountancy body for public services and produces the Code of Practice that must be followed in preparing the Council's financial statements.

### **Collection Fund**

A Fund administered by the Council to record all income collected from local taxpayers and business ratepayers and show how this is passed on to other public authorities.

### **Community Assets**

These are fixed assets which the Council intends to hold in perpetuity which have no determinable finite useful life and may have restrictions on their disposal eg parks.

### **Council Tax**

This is the main source of taxation for the Council. It is levied on households within the area and the proceeds are paid into the Collection Fund for distribution to precepting authorities and for use by the Council's General Fund.

### **Creditors**

Amounts owed by the Council for works undertaken, goods received or services provided for which payment had not been made at the date of the Balance Sheet.

**Current Service Costs (Pensions)**

For a defined benefit scheme, the value of the pension benefits earned by active employees in the period, net of contributions paid by employees in respect of those benefits. The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period ie the ultimate pension benefits earned by employees in the current year.

**Curtailment (Pensions)**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces the number of employees the accrual of defined benefits for some or all of their future service.

**Debtors**

Amounts owed to the Council that had not been received at the date of the Balance Sheet.

**Defined Benefit Scheme**

A pension, or other retirement benefit scheme, where the scheme's rules define the benefits payable independently of the contributions paid into the scheme. The benefits paid from the scheme are not directly related to the investments within the scheme. The scheme may be funded or unfunded.

**Defined Contributions Scheme**

A pension or other retirement benefit scheme into which an employer pays regular contributions, as an amount or as a % of pay, and has 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**

A charge that represents the extent to which an asset has been worn-out or used or otherwise reduced the useful economic life of a fixed asset during the year.

**Expected Rate of Return on Pensions Assets**

For the Pension Fund the average rate of return, including both income and changes in fair value net of scheme expenses, expected over the remaining life of the asset.

**Expenditure**

Amounts paid by the Council for works undertaken, goods received or services provided, which is deemed to have been spent when the works, goods or services have been received.

**General Fund**

The main revenue fund of the Council and includes the net costs of all services financed by local taxpayers and Government grants. It is the day to day spending on services.

**Government Grants**

Specific assistance by Government and similar bodies in the form of cash. For specific grants to a particular service there is expected to be compliance with certain conditions relating to the activities of the Council but many grants are "general" and used to help pay for the net cost of Council services generally.

**Heritage Assets**

These are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained for the contribution to knowledge and culture. This includes Civic Regalia, works of art and historic buildings.

**Impairment**

A reduction in the value of a fixed asset below the amount brought forward in the Balance Sheet. Reductions include items such as a significant decline in a fixed asset's market value.

**Income**

Amounts due to the Council for goods supplied or services provided with the income deemed to have been earned once the goods or services have been supplied.

**Infrastructure Assets**

These are assets which generally cannot be sold and from which benefit can be obtained only from the continued use of the asset eg highways and bridges.

**Intangible Assets**

These are assets which do not have physical substance but are identifiable and controlled by the Council and include items such as software and licenses.

**International Financial Reporting Standards (IFRS)**

The Standards dictate specific accounting treatments. They must be applied to all financial statements in order to provide a true and fair view of the financial position, and a standardised method of comparison with others.

**Investment Properties**

Properties held solely to earn rentals or for capital appreciation, and not used to provide services or for administrative purposes.

**Leases**

Leasing costs are the rental for the use of an asset for a specified period of time. There are two different types of lease. Finance leases transfer substantially the risks and rewards of ownership of a fixed asset to the lessee. Operating leases are where the balance of risks and rewards remains with the lessor who retains the asset eg computer equipment.

**Minimum Revenue Provision (MRP)**

This is the minimum amount that the Council is required to charge to the revenue account each year to provide for the repayment of debt.

**National Non-Domestic Rates (NNDR also known as Business Rates)**

A levy on business property based on national rate in the £ applied to the rateable value of the premises. The Government determines the national rate and the Rates are collected by the Council and accounted for within the collection fund. The Council draws down from this an amount specified at the start of the year.

**Net Book Value**

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

**Net Expenditure**

Gross expenditure less specific service income but before the deduction of non-ring fenced government grants and local taxation.

**Precept**

The amount the Council is required to raise from Council Tax on behalf of other authorities namely the Merseyside Recycling & Waste Authority and the Liverpool Combined Authority. It is collected and distributed on behalf of precepting authorities by the Council. These transactions are accounted for within the Collection Fund.

**Prior Year Adjustments**

These are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**Property, Plant and Equipment**

Assets that yield benefits to the Council and the services provided for a period of more than one year e.g. buildings, land and vehicles.

**Provisions**

Amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and / or timing of such costs is uncertain.

**Public Works Loans Board (PWLB)**

A Central Government body which is the main provider of loans to local authorities to fund capital expenditure.

**Reserves**

These are amounts held to meet specific, known or predicted future expenditure.

**Revenue Expenditure**

This is spending on the day-to-day running costs of providing services and is primarily employee costs, general running expenses and capital financing costs.

**Revenue Expenditure Funded from Capital under Statute (REFCUS)**

This represents items of capital expenditure where no asset exists and the cost is allowed by statute to be charged as revenue expenditure to the Consolidated Income & Expenditure Statement.

**Scheme Liabilities**

These are the liabilities of the Pension Fund for outgoings in the future and reflect the benefits that the employer is committed to provide for service up to a set date.

**Unfunded Defined Benefit Scheme**

An employer managed retirement plan that uses the employer's current income to fund pension payments as they become necessary. This is in contrast to a funded pension scheme where an employer sets aside funds systematically and in advance to cover any pension plan expenses such as payment to retirees and their beneficiaries.

**Unsupported (Prudential) Borrowing**

This is borrowing for which no support is given by Central Government. The Council is permitted to undertake unsupported borrowing but has to ensure that the borrowing costs are affordable and be met from the revenue budget.

**Useful Life**

This is the period over which the Council will derive benefit from the use of an asset.