



Statement of Accounts 2015/16

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NARRATIVE REPORT

1. INTRODUCTION

- 1.1 The Council is required to produce an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These require the Accounts to be prepared in accordance with proper accounting practices, which primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice for Local Authorities 2015/16 (SeRCOP), supported by International Financial Reporting Standards (IFRS).
- 1.2 The Statement of Accounts sets out the financial performance of the Council for the 2015/16 financial year and shows the year-end financial position at 31 March 2016.
- 1.3 This narrative report provides an explanation 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.

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

- 2.1 Wirral is a borough of contrast and diversity in both its physical characteristics and social demographics. There are both rural areas and townships and urban and industrialised areas in a compact peninsula of 60 square miles. The borough has a wealth of parks and countryside and over 20 miles of coastline. It brings together beautiful, rural countryside with new industrial developments and it has a strong cultural and economic history.
- 2.2 The population of Wirral (2013) is 320,295. 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 the fastest rate (than any other age group) over the next decade.
- 2.3 The Wirral Plan, agreed in July 2015 has an ambitious agenda. It sets out 20 Pledges to transform Wirral, and the lives of its residents, over the next five years, during a time of unprecedented change and uncertainty within the public sector. The Wirral Plan, and the 20 Pledges that have been committed to, are about Wirral's future. They are about delivering on the promises which have been made to Wirral residents. The Plan has been agreed with partners who are leading on the delivery of 8 of the 20 pledges.

The annual report that gives further details on the delivery of the 20 Pledges in 2015/16 is available at <http://www.wirral.gov.uk/about-council/wirral-plan-2020-vision/how-wirral-plan-20-pledges-are-making-real-difference-wirral>

The Plans priorities and achievements in 2015/16 have been:

PEOPLE	BUSINESS	ENVIRONMENT
<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>	<i>Wirral is a place where employers want to invest and businesses thrive.</i>	<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>Pledges</p> <ol style="list-style-type: none"> 1. Older people live well. 2. Children are ready for school. 3. Young people are ready for work and adulthood. 4. Vulnerable children reach their full potential. 5. Reduce child and family poverty. 6. People with disabilities live independently. 7. Zero tolerance to domestic violence. 	<p>Pledges</p> <ol style="list-style-type: none"> 8. Greater job opportunities in Wirral. 9. Workforce skills match business need. 10. Increase inward investment. 11. Thriving small businesses. 12. Vibrant tourism economy. 13. Transport and technology infrastructure fit for the future. 14. Assets and buildings are fit for purpose. 	<p>Pledges</p> <ol style="list-style-type: none"> 15. Leisure and cultural opportunities for all. 16. Wirral residents live healthier lives. 17. Community services are joined up and accessible. 18. Good quality housing that meets the needs of residents. 19. Wirral's neighbourhood are safe. 20. Attractive local environments for Wirral residents.
<p>How we performed</p> <ul style="list-style-type: none"> • Almost 70% of Wirral children are now reaching 'a good level of development' by age 5 • 85% of schools rated 'good or outstanding' by Ofsted • 61.8% of pupils achieving 5 GCSEs (A*-C) • A joint strategy for older people in Wirral was agreed by the Council and all partners in January 2016. • The number of 16-18 year olds in education, employment or training has increased. 	<p>How we performed</p> <ul style="list-style-type: none"> • 149% increase in the number of people achieving Apprenticeship qualifications. • New buildings on Wirral Waters opened. • Establishment of a Business Improvement District for Birkenhead (BID). • 11% increase in businesses operating in Wirral – up to 8,200. • 6 in 10 residents work in Wirral • A third of residents work within an organisation with less than 25 employees, whilst a further quarter work in a medium sized company (50-250 employees). 	<p>How we performed</p> <ul style="list-style-type: none"> • Over £2 million investment into Council leisure centres, with an increase of 25% of members. • 298 new affordable homes built. • 2,700 adaptations completed. • 6,000 people fined from dropping litter. • 78% of residents are satisfied with where they live • Reducing crime and Anti-Social Behaviour is residents' top priority. • The rate of ASB has fallen in 2015/16.

- 2.4 As part of delivering the Wirral Plan, the Council asked Ipsos Mori to conduct the first detailed survey of what residents want, need and aspire to since 2008. The results found that over three-quarters of Wirral residents (78%) are satisfied with their local area as a place to live. Overall satisfaction with the way the council runs things (54%) is in line with comparator authorities. The results of the survey will be used track performance, inform decisions and to generally make sure what we do is what residents want.
- 2.5 Wirral Council is made up of 66 locally elected councillors across 22 electoral wards. The political composition of the Council at May 2015 and May 2016:
- Labour – 39 seats
 - Conservative – 21 seats
 - Liberal Democrats – 5 seats
 - The Green Party – 1 seat
- 2.6 The Liverpool City Region Combined Authority was established on 1st April 2014 and the Council is a member. The Combined Authority's purpose is to bring about closer partnership working to lead large-scale City-regional strategies on transport, housing, economic development and skills.
- 2.7 The Council employs 3,635 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 organised into the following three main directorates:-
- Families and Wellbeing
 - Regeneration and Environment
 - Transformation and Resources
- 2.8 2015/16 has seen changes and improvements in how the Council works. The Wirral Plan agreed with other partners in Wirral aims to transform the way the public sector works.

This will be done through:-

- Empowering Locally
- Leading Collectively
- Acting Regionally
- Organising Internally

3. REVIEW OF THE FINANCIAL YEAR

3.1 REVENUE EXPENDITURE AND INCOME

- 3.1.1 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 February 2015 the Council agreed a net budget of £259.2 million for 2015/16. The Budget is regularly reviewed and was revised upwards by £9.6 million during the year to reflect planned savings not being achieved. The revised budget for 2015/16 was £268.8 million.

3.1.2 The net spending of the Council is met from a combination of Government Grants, the local taxpayer through Council Tax and other income. In 2015/16, the Council was able to freeze Council Tax partly as a result of accepting the offer of £1.4 million in Council Tax Freeze Grant from the Government for at least the next two years, which is equivalent to a 1% rise in Council Tax.

3.2 Comparison of the Budget with the Out-turn

3.2.1 Throughout the year spend against the approved Budget was monitored and reported on a monthly basis. 2015/16 has proved to be a difficult year, with a significant overspend being recorded and the revision to the original budget. At the end of Quarter 1 it was recognised that £28 million of savings would be achieved with a potential shortfall of £9.6 million. Cabinet recommended to Council that the savings be re-profiled to 2016/17 and that this shortfall be met from Reserves (£5.4 million) and £4.2 million from Balances in 2015/16. This was confirmed on 12 October 2015 and the Budget revised accordingly.

3.2.2 At the end of 2015/16 the Revenue Out-turn showed an underspend of £1.3 million. The out-turn position excludes variations in capital charges and recharges. The main contributory factors were :

Directorate	Description	Over £million	Under £million
FWB - Adult Social Services	Additional Care costs due to increasing demand for services	2.9	
	FWB – Children & Young People	Additional Care costs from increasing numbers of Looked After Children	2.8
	Additional employee costs including through agency placements	1.4	
	Underspends within Childrens Centres and Early Help		0.4
	Underspend Schools Support services		0.4
	One-off from Reserves and Provisions		0.3
FWB – Schools, Leisure, etc	Leisure Centres being delayed delivery of savings	0.2	
	Regeneration and Environment	Increased income from various areas	
	Supporting People Programme (early delivery of savings and efficiencies)		0.8
	Employee savings from vacant posts		0.6
Transformation and Resources	Treasury Management including Capital Financing		4.0
	Reduced staffing expenditure and increased income in various areas		1.1
	Assets overspend due to slippage in delivery of savings	0.5	

Service Spend	Revised Budget £ million	Out-turn £ million	Variance £ million
Adult Social Services	71.1	74.0	2.9
Children & Young People incl. Schools & Safeguarding	75.4	78.3	2.9
Public Health and Sport & Recreation	6.4	6.6	0.2
Regeneration & Environment	89.5	87.2	(2.3)
Transformation & Resources	30.2	25.3	(4.9)
Corporate Growth & Savings	(3.6)	(3.7)	(0.1)
Total	269.0	267.7	(1.3)

3.3 Financing the Revenue Budget

3.3.1 The table summarises the resources available to pay for the net Budget for the year and how this has changed as a result of the Out-turn position for the year.

Source of financing	Budget £ million	Out-turn £ million	Variance £ million
Government Grants:			
- Revenue Support Grant	64.3	64.3	-
- New Homes Bonus	2.8	2.8	-
- Council Tax Freeze Grant	1.4	1.4	-
- Business Rates Relief Grant	2.2	2.2	-
Council Tax	114.2	114.2	-
National Non Domestic Rates	74.5	74.5	-
General Fund Balances and Earmarked Reserves	9.6	8.3	(1.3)
Total	269.0	267.7	(1.3)

3.3.2 Schools are funded primarily from the Dedicated Schools Grant. This is a grant provided by the Department for Education and can only be used to meet expenditure properly included in the Schools Budget. An element of the grant is recouped by the Department to fund Academy Schools within the Council area. The final grant for 2015/16 was £170.4 million (2014/15 £174.6 million). Further details can be found in note 34 to the accounts.

3.4 Balances and Reserves

3.4.1 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.

3.4.2 The Council held Usable Reserves of £114.5 million at 31 March 2016 (2014/15 £124.4 million), consisting of Earmarked Reserves of £73.9 million (2014/15 £87.4 million), General Fund Balances of £22.2 million (2014/15 £18.8 million), Capital Receipts of £8.1 million (2014/15 £8.3 million) and unapplied Capital Grants of £10.3 million (2014/15 £9.9 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 9 to the accounts.

3.4.3 The Council also held a net credit balance in Unusable Reserves of £43.4 million at 31 March 2016 (2014/15 credit £118.8 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 24 to the accounts.

3.5 Reconciliation with Comprehensive Income and Expenditure Statement

3.5.1 The General Fund balance increased by £3.4 million in the year due to the following items:

	£ million
Transfer from Earmarked Reserves	(6.4)
Contribution to the Revenue Budget 2015/16	3.0
Surplus out-turn position for operating activities	(3.4)

This differs from the deficit on the Cost of Services of £36.436 million shown within the Comprehensive Income and Expenditure Statement. This difference is due to the following factors: -

- The Council's management accounting process includes the use and approved carry forward of reserves, which are included within the Movement in Reserves Statement rather than in the Comprehensive Income and Expenditure Statement.
- Adjustments also have to be made in respect of certain items that are required by the Code of Practice on Local Authority Accounting to be included within the Comprehensive Income and Expenditure Statement but excluded from Net Expenditure for the purposes of calculating the net budget requirement to be met from taxation, general grants and General Fund balances. These items include particularly the accrual of employee absences, the recognition of capital grants, movements in the value of non-current assets, revenue expenditure funded from capital under statute and adjustments to show the cost of pension liabilities. These items are all technical accounting adjustments which are included within expenditure on services within the Comprehensive Income and Expenditure Statement to meet financial reporting requirements but are cancelled out on consolidation within the Movement in Reserves Statement because they are not costs that are met through local taxation. Note 8 to the accounts shows the value of the adjustments between the accounting basis and funding basis under regulation.

3.6 CAPITAL EXPENDITURE AND INCOME

3.6.1 The Council spends money on capital projects in accordance with the definition of capital expenditure in the Local Authority (Capital Finance and Accounting) Regulations 2003. This relates essentially to spending on assets that have a life of more than one year.

3.6.2 During the year the Capital Programme was subject to regular monitoring and review. This saw a number of schemes being re-profiled into 2016/17 as a result of over ambitious original project timescales, which needed to be replaced with more realistic and achievable ones as the project progressed. A consequence of

the changes was that the associated funding was also re-profiled which contributed to the 'one-off' underspend on Treasury Management referred to in paragraph 3.2.2

3.6.3 In 2015/16 £36.1 million was spent on capital projects (2014/15 £32.5 million). The spending and how that spending was funded is shown in the tables:

Spend by Programme	Actual Spend £million	Share %
Transformation and Resources	5.7	15.8
Children & Young People	7.7	21.3
Adult Social Services	1.3	3.6
Sport and Recreation	1.8	5.0
Regeneration	5.4	15.0
Environment and Regulation	10.5	29.1
Housing and Community Safety	3.7	10.2
Total	36.1	100.0

Funding by Source	Actual Funding £ million	Share %
Borrowing	14.3	39.6
Grants	18.5	51.2
Capital Receipts	2.9	8.1
Revenue/Reserves	0.4	1.1
Total	36.1	100.0

3.6.4 A summary of the main spending areas and the plans: -

- Transformation and Resources. As part of an ongoing programme £2.2 million has been invested in a significant number of Council properties to ensure more efficient use. The I.T. programme is focused on modernising the Council's I.T. capability. Further development includes upgrading servers and the Council e-mail system which is currently in progress.
- Children & Young People. This mainly covers work to schools funded by Government Grant. Some of the major works in the year were: Fender Primary - completion of a 2 classroom and resource extension, Elleray Park Special - a new four classroom extension and welfare facility. The first payment to Onside Youth Zones has been made. Completion of the "Hive" is planned for February 2017.
- Adult Social Services. As part of the commitment to transform the provision of day services £0.5 million has been invested supporting Wirral Evolutions to provide centres of excellence.
- Sport and Recreation. The new fitness suite at Guinea Gap is still seeing an increase in usage and membership at West Kirby Leisure Centre has increased following the improvements to its fitness suite.
- Regeneration. Over £5.2 million Regional Growth Fund and business investment grants have been allocated which are helping to create jobs and encourage growth.
- Environment and Regulation. Installation of LED street lighting was substantially completed in March 2016 generating future revenue savings. The main bridge schemes were the refurbishment of the Bidston Bypass North Bridge and replacement of the two Dock bridges. Highway

maintenance resulted, amongst others, in the completion of 20 resurfacing schemes.

- Housing and Community Safety. £1.7 million of grant aid has been provided for the provision of essential aids and adaptations giving disabled people better freedom of movement in and around their homes. The new house building programme has commenced with £0.5m invested during the year.

3.7 INCOME COLLECTION

3.7.1 The Council collects income from a variety of sources, the main ones being local taxation income from Council Tax and Business Rates and Sundry Debtors.

3.7.2 Council Tax

The Council collected 95.3% of the income due in 2015/16, a slight decrease on the collection rate for 2014/15 of 95.5%. However, it is expected that over time 96.75% of Council Tax due for 2015/16 will be collected. In total £139.0 million was received during the year (2014/15 £136.1 million) and the Council Tax arrears totalled £18.2 million at 31 March 2016 (2014/15 £17.2 million).

The collection rate and increase in arrears continues to reflect the alterations to Central Government funding and the introduction of the Local Council Tax Support Scheme in 2013/14. This Scheme increased the numbers who have to pay Council Tax with many having to contribute for the first time. Along with the removal of a number of exemptions and discounts from Council Tax bills these changes have adversely affected the levels of collection and arrears.

3.7.3 Business Rates

Under the Business Rates Retention Scheme, the Council retains 49% of Business Rates due for the year. The balance is paid to the government (50%) and the Merseyside Fire and Rescue Service (1%).

In 2015/16 £70.4 million was income due through Business Rates (2014/15 £69.5 million). The in-year collection rate for 2015/16 was 97.2%, a decrease from the 2014/15 level of 98.2%.

3.7.4 Sundry Debtors

Sundry debtors incorporate a range of fees and charges for services provided by the Council. During 2015/16 the Council raised over 66,061 invoices (2014/15 - 48,000) with a value of £91.3 million (2014/15 £105.5 million) and collected income of £97.8 million (2014/15 £97.3 million). Arrears at 31 March 2016 are £23.9 million (2014/15 £30.9 million). The reduction in value reflects a number of debtors raised at the end of 2014/15 that were not repeated at the end of 2015/16.

4. BALANCE SHEET

4.1 The Balance Sheet at 31 March 2016 shows a Net Asset position of £71.1 million (2014/15 £5.6 million). The net worth of the Council, excluding the Pensions Liability is £532.7 million (2014/15 £508 million).

4.2 The most significant item in the Balance Sheet is the requirement for the Council to recognise its estimated Pension Liability within its Balance Sheet. This is valued using an actuarial valuation and can fluctuate dependent upon external

factors. For 2015/16, the Pension Liability recognised amounted to £461.6 million (2014/15 £502.5 million). Details of the Pensions Liability can be found in note 43 and is referred to below in the section on Retirement Benefits.

4.3 Summary of the Balance Sheet

	March 2016 £ million	March 2015 £ million
Long Term Assets		
Property and Other	689.8	663.1
Long Term Investments		-
Long Term Debtors	46.7	50.8
Long Term Assets	736.5	713.9
Current Assets and Current Liabilities		
Current Assets	121.2	123.5
Current Liabilities	(85.4)	(77.6)
Net Current Assets	35.8	45.9
Long Term Liabilities		
Borrowing	(188.2)	(193.9)
Other Long Term Liabilities	(509.5)	(552.9)
Provisions and Capital Grants	(3.5)	(7.4)
Long Term Liabilities	(701.2)	(754.2)
Net Assets	71.1	5.6

4.4 Property and Other Assets

The revaluation of property, plant and equipment must now take 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 £689.8 million at 31 March 2016 (2014/15 £663.1 million). A breakdown of the value of the asset portfolio is provided in notes 13 to 16 to the accounts and note 20 to the accounts.

4.5 Investments

Total investments at 31 March 2016 were £34.3 million (2014/15 £27.2 million). In 2015/16 all investments have been placed on a short-term basis with financial institutions. Throughout 2015/16, 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. The investment income during the year totalled £0.55 million with an average rate of return of 0.6% (2014/15 £0.53 million at an average rate of 0.5%).

4.6 Debtors

Debtors are classified as long-term or short-term debtors and the balance at 31 March 2016 was £95.8 million (2014/15 £101.2 million). The long-term debt includes £40.2 million in respect of the former Merseyside County Council, which is managed by Wirral Council (2014/15 £44.7 million). A breakdown of the debtor balances can be found in notes 18 and 40 to the accounts.

4.7 **Creditors**

Creditors at 31 March 2016 were £59.8 million (2014/15 £61.1 million). A breakdown can be found in note 21 to the accounts.

4.8 **Borrowing**

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 proactive management is undertaken in line with approved Government and statutory guidance contained within The Code of Practice for Treasury Management in Public Services.

In managing debt 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. The present economic position makes debt rescheduling unlikely in the short-to-medium term.

At 31 March 2016 long-term borrowing totalled £188.2 million (2014/15 £193.9 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.

4.9 **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 2016, 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 £461.6million at 31 March 2016 (2014/15 £502.5 million), which is a decrease of £40.9 million from 31 March 2015. This change has primarily resulted from an improvement in the present value of pensions benefit obligations and 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.

Teachers employed by the Council are members of the teachers' pension scheme. The Department for Education administers this scheme and it is not possible for the Council to identify its share of the underlying scheme liabilities, which is therefore not reflected in the Council's Balance Sheet. The liability for teachers' discretionary added year payments rests with the Council and under scheme regulations is funded on a "pay as you go" basis with annual payments to retired teachers.

With effect from 1 April 2013, the Council assumed responsibility for Public Health Services. Staff transferred to the employment of Wirral Council but remained members of the Pension Fund administered by the National Health Service. It is not possible for the Council to identify its share of the underlying scheme liabilities of this Pension Fund and therefore this is not reflected in the Council Balance Sheet.

4.10 **Net Assets**

The Net Assets of the Council are held in the Usable or Unusable Reserve balances within the Balance Sheet (see also paragraphs 4.1 and 4.2 above). 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 2016 the major usable reserves were in respect of the cost of Transforming Council Services £11.0 million (2014/15 £12.8 million), School balances £11.7 million (2014/15 £10.7 million), which are ring-fenced for use by schools only, Business Rates Equalisation £10.3 million (2014/15 £7.8 million, Housing Benefit £5.2 million (2014/15 £5.9 million), Waste Development Fund £6.0 million (2014/15 £6.5 million) and the Insurance Fund £10.9 million (2014/15 £10.2 million).

5. **CASH FLOW STATEMENT**

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

6. **COLLECTION FUND**

- 6.1 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).
- 6.2 Under the Business Rates Retention Scheme, rates income is collected and apportioned between Wirral Council (49%), Merseyside Fire and Rescue Service

(1%) and Central Government (50%). The introduction of this scheme in 2013/14 has had a significant effect on the balance held in the Collection Fund.

- 6.3 During 2015/16 the Fund showed a loss of £0.5 million for the year (2014/15 a surplus of £2.9 million) and the accumulated year-end balance at 31 March 2016 was a surplus of £0.6 million (2014/15 a surplus of £1.1 million). More detail is contained in the Additional Statement - Collection Fund Income and Expenditure Account. A breakdown of the deficit is shown below:

	2015/16 £'000	2014/15 £'000
Council Tax Surplus	(5,056)	(5,829)
NNDR Deficit	4,460	4,709
Total	(596)	(1,120)

7. MERSEYSIDE PENSION FUND

- 7.1 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 2015/16.

8 FUTURE DEVELOPMENTS

- 8.1 The public sector has seen a permanent reduction in its spending since 2010. The Autumn Statement and Spending Review 2015 confirmed that the Council's funding will reduce into the medium term and that reductions to core funding will continue.
- 8.2 An effective Medium Term Financial Strategy and Wirral Plan are necessary to ensure that the Council functions well. It is important that Councillors and residents are aware of the scale of the financial issues facing the Council. The Strategy has therefore been developed against a difficult financial picture. Over the period 2016/17 - 2020/21 the Council will face further financial challenges. The Medium Term Financial Strategy focuses on ensuring that resources are targeted to the 20 Pledges while operating within the reduced financial resources that will be available.
- 8.3 Based upon the information presently available the total budget gap for the MTFFS period is anticipated to be £129 million.

Budget Gap

2016/17	2017/18	2018/19	2019/20	2020/21	Total
£28m	£26m	£21m	£21m	£33m	£129m

Medium Term Financial Strategy shows that the Council has managed to set a balanced budget for 2016/17, including savings of £31.5 million for the year. However there remains a gap between planned spend and likely for future years. There will be further difficult decisions around the provision of services and the priorities of the Council over the coming years as further proposals are developed to bridge this gap. Under these circumstances it is likely that previously unpalatable decisions will be required to be taken.

8.4 The Medium Term Financial Strategy is currently being developed with actions focussed on creating a “one Council”, aligned approach to action planning and budgeting. Members have agreed a number of pledges for the Council. The main focus of the approach will be savings. These will be themed into the following:

- Income and Resource Management
- Managing Demand
- Delivering Differently
- Service Changes

9. ABOUT THE STATEMENT OF ACCOUNTS

9.1 This section provides a brief description of the various statements and their purposes including:-

- The Statement of Responsibilities, which sets out the responsibilities of the Council and of the Chief Financial Officer / Acting Section 151 Officer;
- The Auditor’s Statement, which is the Independent Auditor’s report to Members of Wirral Council including the conclusion of arrangements for securing Value for Money.

9.2 The Core Financial Statements comprise four key statements:-

- The Movement in Reserves Statement, which shows the movement on the different reserves that the Council holds;
- The Comprehensive Income and Expenditure Statement, which shows all income and expenditure for the Council;
- The Balance Sheet, which shows the financial standing of the Council at 31 March 2016, detailing all assets and liabilities;
- The Cash Flow Statement, which shows the inflows and outflows of cash arising from transactions with other parties.

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

9.4 There are Supplementary 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 Pension Fund, which covers the financial position of the Merseyside Pension Fund, which is administered by Wirral Council.

9.5 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.

9.6 In 2015/16, there have been no changes to the Service Reporting Code of Practice that have an impact on the Statement of Accounts. There are no new accounting policies adopted during the year however there are changes to accounting policies and disclosures following the introduction of IFRS 13 Fair Value Measurement.

10. SUMMARY

10.1 The Statement of Accounts provides information about the Council's expenditure and income for the year and its overall financial position at the end of the financial year. It is a key element in reporting how Council finances have been managed.

10.2 The Council managed its performance and finances during 2015/16 with the progression of the Wirral Plan and the delivery of a number of savings. The final budget position showed 'one-off' benefits contributing to an underspend of £1.3 million in the year; General Fund Balances are at the level assessed as being required based upon local circumstances.

10.3 The Council agreed its Budget for 2016/17 in March 2016. This saw an increase in Council Tax levels from 1 April 2016 and included a package of savings and efficiencies totalling over £31 million for 2016/17. The budget included a contingency of £12 million to cover the financial risks and pressures that may occur in 2016/17.

10.4 In terms of the Capital Programme the Council is looking to realise over £25 million from the sale of surplus assets over the next 2 to 3 years. These receipts will support future investment reducing both the need to borrow and the impact of any borrowing on the Revenue Budget.

10.5 Looking to the future the Medium Term Financial Strategy 2016/17 – 2020/21 has identified a gap between planned spend and likely resources of £129 million. The Council is responding to this challenge through the Wirral Plan - A 2020 Vision that will require decisions being taken about which services are delivered and how they are delivered.

10.6 Wirral Council has undergone significant changes in recent years. These Accounts indicate that the financial position is robust with resilience in place to meet the risks associated with increasing financial pressures. However the scale of the challenge, and Government funding reductions, means further change is inevitable as the Council seeks to ensure delivery of its objectives within the available resources and re-thinks what can be achieved from the public purse.

10.7 The financial monitoring arrangements will continue to see regular update reports presented to Cabinet throughout the year. It is important that the Council manages both the short-term in-year issues whilst ensuring that there is a focus on the Medium Term Financial Strategy and resolving the funding shortfall in future years. Forecasts will be updated as further information becomes available and kept under regular review.

Tom Sault
Head of Financial Services/Acting S151 Officer
30 June 2016

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 Head of Financial Services/Acting S151 Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer (in Wirral Council this is the Head of Financial Services/Acting S151 Officer) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practice as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts the 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.

The Statement of Accounts presents a true and fair view of the financial position of Wirral Council at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.

Tom Sault
Head of Financial Services/Acting S151 Officer
26 September 2016

Approval of the Accounts

The Statement of Accounts is to be considered by the Audit and Risk Management Committee on 26 September 2016.

Councillor Adrian Jones
Chair of the Audit & Risk
Management Committee

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WIRRAL COUNCIL

We have audited the financial statements of Wirral Metropolitan Borough Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act 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 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.

Respective responsibilities of the Head of Financial Services and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Head of Financial Services 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 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Financial Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and auditor

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

We are required under Section 20(1)(c) of the Act 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.

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether 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 these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Basis for qualified conclusion

In considering the Authority's arrangements for securing efficiency, economy and effectiveness we identified the following matter:

In September 2016, Ofsted issued its report on the inspection of the Authority's services for children in need of help and protection, children looked after and care leavers. The overall judgement was that children's services were rated as inadequate. The inspection found widespread and serious failures in the services provided to children who need help and protection.

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, and for planning, organising and developing the workforce effectively to deliver strategic priorities.

Qualified conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, except for the effects of the matter described in the Basis for qualified conclusion paragraph, we are satisfied that, in all significant respects, the Authority put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2016 in accordance with the requirements of the Act and the Code until we have:

- completed our consideration of an objection brought to our attention by a local authority elector under Section 27 of the Act; and
- completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2016.

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 value for money through economic, efficient and effective use of its resources.

Robin Baker

Robin Baker
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Royal Liver Building
Liverpool
L3 1PS

30 September 2016

The signed version of this report is available from the Head of Financial Services/Acting S151 Officer for Wirral Council, South Wing, 2nd Floor, Old Market House, 13 Hamilton Street, Birkenhead, Wirral, CH41 5AL

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WIRRAL METROPOLITAN BOROUGH COUNCIL

We have audited the pension fund financial statements of Wirral Metropolitan Borough Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act 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 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.

Respective responsibilities of the Head of Financial Services and auditor

As explained more fully in the Statement of the Head of Financial Services' Responsibilities, the Head of Financial Services is responsible for the preparation of the Authority's 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 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Financial Services; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion the pension fund financial statements:

- present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the fund year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts is consistent with the audited pension fund financial statements.

Jackie Bellard

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

4 Hardman Square
Spinningfields
Manchester
M3 3EB

29 September 2016

The signed version of this report is available from the Head of Financial Services/Acting S151 Officer for Wirral Council, South Wing, 2nd Floor, Old Market House, 13 Hamilton Street, Birkenhead, Wirral, CH41 5AL

ANNUAL GOVERNANCE STATEMENT 2015-16

1. Scope of Responsibility

Wirral Council has continued to strengthen its governance arrangements during 2015-16 and is confident that there are robust internal governance controls in place, demonstrated by improvements towards the Council's existing governance issues.

The Council's strengthened position is illustrated by the Council being recognised as Britain's 'Most Improved Council' at the LGC awards in March 2015. This award clearly demonstrates the Council being recognised by its peers for the improvements which have been achieved.

Wirral Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and public money is safeguarded, properly accounted for and used economically, efficiently and effectively. Wirral Council also has a duty, under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, including as accountable body for the Merseyside Pension Fund, Wirral Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including activities for the management of risk.

Wirral Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is available on our website at www.wirral.gov.uk. This statement explains how Wirral Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6 (3), which requires all relevant bodies to prepare an Annual Governance Statement.

2. The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the Authority is directed and controlled, together with the activities through which it accounts to, engages with and, where appropriate, leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Wirral Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Wirral Council for the year ending 31 March 2016 and up to the date of approval of the annual statement of accounts.

3. Overview of Council Progress

The Council has continued to improve during 2015-16, continually strengthening its governance arrangements and building on previous improvements. Internal governance controls have been strengthened; demonstrated by improvements delivered during 2015-16 to address the Council's existing governance issues.

The Council has identified one governance issue in 2015-16, which is outlined in this statement. This presents an improved position from four governance issues in 2014-15. The Council has made considerable progress to conclude three of its 2014-15 governance issues. Progress made against each of these issues is detailed below.

ICT Business Continuity and Resilience Plans

The Council had previously identified weaknesses in its business continuity arrangements, due to a lack of robust ICT business continuity plans. The 2014-15 Annual Governance Statement highlighted these plans must be in place for the Council's identified critical services to ensure these can function effectively in the event of an incident.

The following actions have been taken during 2015-16 to ensure that ICT business continuity and resilience plans are in place:

The Business Continuity Policy was reviewed in September 2015 and is available on the Council's intranet, alongside a Business Continuity Planning Template. The Council identified 30 critical service areas where a Business Continuity Plan was required, and work has been completed to prepare these plans in all 30 critical areas, which have been quality assured to ensure an appropriate level of robustness.

An agreement with a local public sector partner has been agreed for the relocation of the Council's primary data centre, in order to strengthen the Council's ICT resilience. Further preparations are required and a project plan is in place to ensure that key milestones are met as work continues towards migration to the new site and completion of the Data Centre project, expected by July 2017. A review of the current Data Centre is to be undertaken to ascertain the remedial works required to strengthen arrangements.

The progress made indicates that this is no longer a Significant Governance Issue. The Data Centre project must be completed successfully, and there is further work required to ensure that the Council's business continuity plans are effective and are kept regularly under constant review. Progress and implementation of these issues will continue to be monitored through the Corporate Governance Group.

Corporate Procurement Arrangements

The Council had identified weaknesses in relation to corporate procurement arrangements and during 2015-16 a number of actions have been taken to address this.

Contract Procedure Rules were revised and implemented on 1 April 2016. Briefing sessions have been delivered to over 200 key officers and sessions are to be delivered for a further 100 officers. An e-learning module covering the new policy will be delivered during 2016/17 and made compulsory for all officers. Officers must comply in full with Contract Procedure Rules, working in conjunction with the Procurement team, so as to ensure a robust corporate approach.

A fit for purpose structure for the Procurement Team is in the process of being implemented, with recruitment expected to take place during Spring/Summer 2016.

The progress made, coupled with the future action expected to be taken, indicates that this is no longer a Significant Governance Issue in its own right. The requirement for full compliance with the Contract Procedure Rules, including procurement best practice principles, will be regularly monitored as part of the identified significant governance issue relating to compliance. Progress and implementation of this specific issue will continue to be monitored through the Corporate Governance Group.

Absence Management

The Council has identified weaknesses in its absence management arrangements including the reporting of absence and effective management in accordance with Council policies.

The Council has implemented a number of measures during 2015-16 to assist the management and reduction of absence. A new policy and procedure was introduced in October 2015 to help managers to improve effective reporting and management of sickness absence. Briefing sessions were held in November and December 2015 to explain the key changes. Further resources and support around the new Attendance Management policies and procedures are available to managers on the intranet.

It is recognised that mental health absence (particularly stress-related) is a challenge for the organisation. First day referral to Occupational Health for all mental health related absences has been implemented to assist employees in remaining in work or returning sooner. The development of a Health and Wellbeing strategy is planned, focusing on improving the health and wellbeing of the workforce and improving prevention and intervention strategies.

The progress made would indicate that this is no longer a Significant Governance Issue given the actions taken during 2015-16. The Council will continue to monitor sickness levels through regular reports from the HR/Payroll system to Departmental Management Teams. Performance will also be reported as part of Organisational Health Reports. The requirement for full compliance with the Attendance Management policies and procedures will be regularly monitored as part of the identified significant governance issue relating to compliance. Progress and implementation of this specific issue will continue to be monitored through the Corporate Governance Group.

Compliance

The one remaining Significant Governance Issue is related to organisational and managerial compliance with certain Council processes and procedures, including: performance appraisals, absence management, contract procedure rules and essential training. This issue requires further work to demonstrate a sufficiently improved position before it can be removed from the Council's Annual Governance Statement.

On this basis the Council has decided to retain this as a significant governance issue to ensure there are robust review and scrutiny arrangements in place to ensure it is addressed. Corporate Governance Group will lead the development of a robust action plan to address this governance issue which will be regularly monitored.

No 'new' governance issues have been identified during 2015-16 which demonstrates the Council is an organisation which is stable with embedded and consolidated arrangements to strengthen governance.

4. The Governance Framework

The CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' identifies six core principles of governance best practice.

Wirral Council's governance framework is aligned to these six core principles. Key areas of assurance of the systems and processes which comprise the Council's governance arrangements are as follows:

Principle 1: Focusing on the purpose of the Authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.

The Council's Corporate Plan 2013-16 was refreshed for 2015-16 and agreed by Council in December 2014. The Plan provided the organisation with a clear vision and set of priorities for the Council to deliver on within available resources. The Plan was implemented during 2015-16 through the Council's performance management framework which was based on the Corporate Plan and three Directorate Plans as approved in March 2015. Corporate Plan monitoring reports were provided to the Council's Strategic Leadership Team, Cabinet and Coordinating Committee quarterly. Directorate Plan monitoring reports were provided regularly to Directorate Management Team meetings and quarterly to the relevant Directorate Policy and Performance committee.

Performance reports were based on the key indicators as included within the plans and aligned to the Council's strategic priorities. Red, amber, green ratings were provided against agreed targets at the start of the year. Responsible officers were assigned to all indicators to ensure clear lines of accountability. In cases of under-performance, responsible officers were required to attend scrutiny committees to explain the reasons and the corrective action being put in place to address it.

During 2015-16, the Council led the development of a five year Wirral Plan to follow on from the previous Corporate Plan which concluded its final year in 2015-16. The Wirral Plan 2020, published in June 2015, sets out twenty 'pledges' for the Council and its public sector partners in Wirral to deliver over the next five years. The Plan aims to make the Council more focussed on delivering better outcomes for local people. The Wirral Partnership, which held its inaugural summit meeting in July 2015, saw partners from across the borough jointly endorse the Wirral Plan and adopt its priorities as shared outcomes which all public services would work towards. This partnership will now drive the implementation of the Plan to ensure effective delivery of the pledges by 2020.

The importance of delivering in partnership and maximising resources across Wirral's public sector is fully recognised by the Council, as is the need to look beyond organisational and geographical boundaries to work together with the whole of the public sector in Wirral. This will enable maximum impact to deliver better outcomes to Wirral residents and achieve value for money through developing a single long term vision for the borough.

As part of informing the Wirral Plan, the Wirral Partnership delivered the Residents'

Survey in September 2015, the first detailed programme of research into what residents want, need and aspire to since 2008. The Wirral Plan focuses on three key priority areas: people, business and the environment. The Plan is underpinned by a number of strategies and a series of enabling projects have been developed around neighbourhood working, assets, transport, and the partnership's digital agenda to support the delivery of the twenty pledges. The Residents' Survey findings have informed the development of all strategies and the Council is committed to repeating the survey on a regular basis to ensure residents' views continue to inform the Council's decision making processes.

A new performance management framework has been developed during 2015-16 to oversee the performance of the Wirral Plan effective from 1st April 2016. Training on the new performance management arrangements has been rolled out across the Council during April/May 2016.

In November 2015, the Council participated in a LGA Corporate Peer Challenge led by a team of local government experts. The focus of the peer challenge was on the Council's capacity to deliver the Wirral Plan 2020 and associated pledges; the Council's approach to partnership working; and the development of new models for service delivery.

The peer challenge found the Council had made major progress in developing the Wirral Plan and the Wirral Partnership, and endorsed the initial approach for changing the design and operation of the Council. The review findings also confirmed there needs to be a stronger focus on long-term financial planning to ensure that the Council is fully aligning its resources to the Wirral Plan pledges, as well as highlighting a new approach to large-scale transformation is required. The review further highlighted areas where the Council needed to strengthen its capability and capacity, including the need to develop a more commercial approach in how the organisation operates. An action plan has been developed in response to the findings of the Corporate Peer Challenge.

The Council responded promptly to the peer challenge findings to ensure it continues to strengthen its financial management and stability. An overview of the Medium Term Financial Strategy 2016-21 was agreed by Council in February 2016 alongside the 2016-17 budget. Work is now underway to further align the Wirral Plan and its 20 pledges with the Medium Term Financial Strategy by September 2016, and ensure resources are targeted in accordance with the priorities identified in the Wirral Plan. Closer alignment of budget setting to the Wirral Plan, and a move away from annual budget setting to longer term financial planning will provide the Council with strengthened governance and financial management arrangements.

Wirral Council continues to play an influential role in the Liverpool City Region as part of the Combined Authority which has been established to promote economic development of the region, draw down support from central government and European funding streams and work in a targeted and integrated way on transport-related initiatives. The Combined Authority agreed its devolution deal with central government in November 2015 and Wirral Council's Leader is the lead for Economic Development for the Combined Authority.

Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.

The Council's political leadership provides the strategic direction for the delivery of the long-term vision of the Council, working closely with senior officers, partner organisations and all Elected Members.

The Council's Constitution provides a clear framework to ensure that Members and Officers have clearly defined functions and roles. This includes a scheme of delegation and a protocol on Member / Officer Relations that clarify the expectations and boundaries between Member and Officer roles and responsibilities. The Council has recently reviewed its constitution and scheme of delegation, which were approved by Council in December 2015 and will be kept under regular review to meet Council requirements and provide effective governance.

Additionally, weekly planning sessions take place with Cabinet and the Strategic Leadership Team to develop the future direction of the Council. Cabinet portfolios clearly describe the role and responsibility of Cabinet in promoting and delivering the Wirral Plan and the Council's financial strategy, and to ensure Cabinet Members champion and deliver activities which result in improved outcomes for Wirral residents and create a Council which is fit for the future.

Portfolio briefings take place on a monthly basis between the Cabinet Members and Strategic Directors to discuss items relevant to the portfolio area including performance of services, budget and risk management issues. The Deputy Leader's portfolio includes responsibilities for transformation and improvement, and reports to Cabinet and Council on a regular basis.

In 2015-16, the Leader of the Council appointed Elected Members as Pledge Champions to ensure the Wirral Plan has strong member engagement and involvement. Pledge Champions take responsibility for driving the delivery and profile of their pledges, ensuring high levels of engagement and community stakeholders, partners and residents are able to contribute towards achieving our shared priorities.

Wirral Council's Overview & Scrutiny function is currently delivered through four Policy and Performance Committees. The Committees have clear responsibilities to inform policy development and to enable pre-decision scrutiny of decisions within the remit of the strategic directorate. A Co-ordinating Committee is responsible for overseeing arrangements and allocating crosscutting activities. A total of 41 non-executive Members sit on one or more Policy and Performance Committees, supported by a team of dedicated Scrutiny Officers.

As part of the Council's budget setting process the Policy & Performance committees conducted robust scrutiny of the Council's budget proposals in January 2016. The model adopted by the Council allowed Scrutiny Members to choose which budget proposals they wished to examine in detail. This was facilitated through a series of dedicated workshops to better understand the rationale behind proposals, as well as examining in detail the potential impact, risks and possible mitigation.

Scrutiny findings were fed into Cabinet's considerations and informed its final budget recommendations to Council in March 2016. The impact of Council scrutiny embedded within the budget-setting process has led to proposals being either supported, rejected or re-shaped as a result of the feedback received. This ensures decisions taken through

the annual budget setting process are informed by constructive challenge as well as the priorities articulated by local residents.

In order to ensure the scrutiny function can respond appropriately to the drivers for change, a review of the current scrutiny model will be completed to fully align the Wirral Plan themes of People, Business and Environment to the Council's Policy and Performance Committees. This will further enable the Council's scrutiny function to focus on the delivery of outcomes for Wirral residents and the delivery of Wirral Plan pledges.

Arrangements are in place to ensure the Head of Paid Service and Monitoring Officer role and functions are discharged effectively and these functions are set out in the Council's Constitution. This ensures there is compliance with relevant laws and regulations and internal policies and procedures. The Council complies with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government 2015.

The Council also complies with the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations 2010. The Chief Internal Auditor provides reports to the Council's Strategic Leadership Team and Audit and Risk Management Committee on a monthly basis.

The Council's Chief Information Officer has been appointed as the Authority's Senior Information Risk Owner and is a member of the officer Information Governance Board which is chaired by the Strategic Director for Transformation and Resources.

In order to ensure that the Council has the skills, capacity and capability in the right places to deliver the Wirral Plan and associated pledges, the Council, during 2015-16, has been developing a new operating model which will implement a new approach to how the organisation operates and ensure its arrangements continue to be effective. The new operating model will ensure the Council is structured based on delivering better outcomes with our partners for Wirral residents.

The Peer Review team reviewed the proposed model as part of the Council's peer challenge and considered it was an appropriate model and advised the Council to progress implementation promptly. The implementation of the new operating model is an organisational priority for 2016-17.

Principle 3: Promoting the values of the Authority and demonstrating the values of good governance through behaviour.

Wirral Council applies the Nolan principles of public life in its approach to Elected Member conduct. The principles cover Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership, and are embedded within the Members' Code of Conduct as part of the Council's constitution to ensure there is clear accountability and clarity. The Council's Standards and Constitutional Working Group have the responsibility to review the protocol on Member / Officer relations to provide a framework to govern how Members and Officers work together. The protocol gained Council approval in March 2015 and is embedded in the Council's Constitution.

The Council has an agreed set of organisational values and behaviours which inform and shape how staff across the Council provide services to Wirral residents, businesses and other stakeholders. The values are for staff to deliver with integrity, ambition, confidence and efficiency. Engagement sessions with staff to embed these values across the Council's workforce took place during 2015-16, however it recognised there is further work required to ensure these values are visible and fully promoted within the

organisation. This will be a priority for 2016-17 and the production of a new Organisational Development Plan will put in place the clear actions required to further embed the Council's values and behaviours

A new performance appraisal process was adopted in 2014-15 which required managers and staff to evidence how the organisational values have been demonstrated, review employee performance and set objectives for the future year. The Council did not achieve its target for completing performance appraisals in 2015-16, although there were significant improvements to the previous year's performance levels. Actions that were taken during 2015-16 to improve completion levels included regular communication to managers and staff to provide guidance and timescales for completion, as well as regular reporting to senior managers.

It is recognised that completion of performance appraisals for all employees is an essential part of ensuring the Council's workforce is clear on the vision and direction of the organisation, and to clearly set out objectives and expectations for the forthcoming year. The target set for 2016-17 is for 100% of all Council employees to have received a performance appraisal. To assist with the achievement of this target, the performance appraisal documentation has been revised and additional guidance and training for managers will be provided to ensure they are completed within the agreed timescales. The Council is therefore confident that the measures that have now been put in place, as outlined above, will make this target achievable.

Work is underway to produce a new Organisational Development Plan which will be in place for 2016-17. A short term culture action plan was delivered in 2015-16 to focus on the actions that needed to be taken promptly in response to the peer challenge findings and the detailed cultural diagnostic completed by the senior leadership team. The action plan focuses on communication and engagement with employees and managers, compliance and accountability and also the steps which need to be taken to develop the Council's capacity and capability to achieve the long term ambitions set out in the Wirral Plan.

The culture action plan has seen the development and delivery of a programme of Chief Executive and SLT roadshows across the organisation. These have increased leadership visibility and given staff opportunities to challenge and question. In addition staff engagement with customers has been improved through opening up social media access to all staff.

As part of the Council's culture action plan, Accountability Statements have been developed for senior managers to improve accountability and compliance across a number of key areas including: budget, performance appraisals, managing attendance, and communication. These statements were signed by senior officers at the end of March 2016. Managerial compliance with certain Council processes and procedures will continue to require further actions to be taken during 2016-17. This includes performance appraisals, absence management, contract procedure rules and essential training. It is recognised that progress has been made, however this will remain as a significant governance issue within the 2015-16 Annual Governance Statement to ensure that remaining actions are completed.

'Dignity at Work' training is essential for all Senior Managers and a programme of training for managers which covers dignity at work, grievance and whistleblowing policies has been delivered during 2015-16. The dignity at work policy provides a process to follow when dealing with allegations of bullying and harassment. Since the implementation of the

dignity at work policy, the Council has appointed and trained over 30 dignity at work advisors to support employees through these processes.

A revised Absence Management Policy was introduced in October 2015. The policy was cascaded to managers through email communications to notify them of the new policy and the Council's One Brief article informed all employees. Briefing sessions on the key changes to the policy were held for Managers in November 2015 and frequently asked questions were published. The Council's intranet page has also been revised to ensure the most relevant information is easily accessible; this includes a list of most frequent manager tasks. Since implementation the Council has seen an increase in the number of employees who are being managed in a formal process.

A revised Disciplinary Policy was introduced in July 2015. The policy was cascaded to managers through email communications to notify them of the new policy, and briefing sessions on the key changes to the policy were held for Managers in November 2015.

The Council established a Workforce Equality Steering Group in July 2014 which is chaired by the Director of Transformation and Resources and supported by the Council's Workforce Equalities Officer. The group has representation from all relevant divisions and meets regularly throughout the year to implement the requirements of the Equality Act 2010. The group also monitors the Corporate Equality Plan to progress the Council's aim to achieve the 'excellent level' of the Equality Framework for Local Government.

In order to ensure Council policies and decisions do not directly or indirectly discriminate against Wirral residents, all Cabinet and Committee reports must include an Equality Impact Assessment (EIA). The assessment is used to analyse policies and practices to make sure they do not discriminate or disadvantage people by treating them less favourably or putting them at a disadvantage because of their protected characteristic such as gender, race or disability compared to others without that characteristic.

The Council has a clear conflict of interest policy which applies to all employees. All Council employees are required to complete a conflict of interest declaration form annually as part of their performance appraisal. The Members' Code of Conduct clearly defines disclosable interests and details the obligations of Elected Members in the disclosure of interests to the Monitoring Officer. The Monitoring Officer is required to maintain a Register of Interests.

Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

Risk management is high on the agenda both corporately and within directorates. A Corporate Risk Management Policy has been in place during 2015/16 and will be reviewed for 2016/17 to align to the delivery of the Wirral Plan.

The Council has reviewed and refreshed its Corporate Risk Register during 2015-16 to ensure the register reflects the Council's most critical risks. The register now includes a set of redefined risks with descriptions produced for each. This newly defined set of risks focuses on key strategic and tactical risks relating to the Wirral Plan and the delivery of outcomes. This will be reported to Cabinet and to Audit & Risk Management Committee in June 2016.

The Council again participated in a national CIPFA benchmarking exercise with other authorities during 2015-16 to further develop its approach to managing risks and

incorporating best practice from others. The exercise highlighted the Council had made progress since the previous year's assessment.

Risk monitoring reports are routinely reported to the Council's Corporate Governance Group and Strategic Leadership Team, and to the Audit and Risk Management Committee for their review of assurance requirements.

In order to ensure the Council has effective arrangements in place to deliver the Wirral Plan and fully understands the risks associated with achieving its ambitions, a risk appetite exercise has been completed with the Council's political and executive leadership to consider their collective appetite for risk. A survey was conducted in December 2015 to assess attitudes to key areas of risk and an action plan is in development to take this work forward including completing an exercise with partners to identify the risk appetite of the Wirral Partnership.

The Council has also launched new risk management e-Learning courses during 2015-16 to equip managers and staff with core skills to handle risk more effectively.

Policy and Performance Committees provide effective scrutiny of key Council decisions. As part of the development of the Wirral Plan, a series of three scrutiny workshops were held for non-executive members, focusing on each of the Wirral Plan themes of People, Business and Environment. This provided Members with an opportunity to be briefed on delivery arrangements around the 20 Wirral Plan pledges as well as being able to challenge and influence the emerging delivery plan. The feedback from these sessions was compiled into a report that went to Cabinet in March 2016. This feedback was also cascaded to all pledge sponsors and leads in order that it could be considered for inclusion, where appropriate, in the Plan's supporting strategies and action plans.

The Council publishes minutes and agendas of all Committees on the Council website in line with the Freedom of Information Act 2000. The Council uses the mod.gov committee management and report writing and reviewing system for all cabinet and committee reports. This provides a streamlined report writing process and the mod.gov workflow strengthens the statutory sign-off process for all reports.

Wirral Council adheres to the requirements of the Transparency Code, as published by the Department for Communities and Local Government (DCLG) and publishes open data in line with this using the Data.gov discovery service.

The Council has a three stage corporate complaints procedure which is well publicised on the Council's website. Complaint responses are required within 15 working days, and responses to Stage 3 complaints are investigated by a senior manager from an unrelated service to which about the complaint has been made. There are separate processes in place relating to schools, councillors and adult and children's social care.

All complaints are recorded and monitored and the corporate health report provides details of the number of complaints received. This information is regularly reviewed by the Council's Strategic Leadership Team and includes the percentage of complaints not resolved at stage 1, and the percentage responded to within the timescales. These figures are available by department so that areas of concern can be investigated further.

Principle 5: Developing the capacity and capability of members to be effective and ensuring that officers, including statutory officers, also have the capability to deliver effectively.

The Authority offers Members, including the newly elected, a programme of training covering the Member Charter, Code of Conduct, Code of Corporate Governance, and Regulatory Framework. All Elected Members also have the opportunity to complete a personal development plan and a new Elected Member development programme will be designed and implemented during 2016-17.

The Council has a 'Skills for Wirral' training and development programme for managers and employees. The 'Wirral Management Development Programme' provides essential training for managers to ensure that they have the support to meet the expectations framework. The Framework has nine essential modules which contain a mixture of workshops and e-learning modules. An online training needs analysis has assisted in identifying priorities for managers, alongside specific targeted programmes. The Council's online training needs analysis for managers went live on 1 April 2015, in line with the Performance Appraisal process for 2015-16.

The Council has a Leadership Development Programme for senior managers from across the organisation which focuses on the Wirral vision, leadership in a changing context, and how to apply their learning in the leadership of the organisation.

The Council is also taking action to respond to the findings of the Corporate Peer Challenge and is currently designing a new transformation programme, as recommended by the Peer Team. This will ensure that the Council has the capacity and capability to deliver its ambitious programme of change and put in place a strengthened commercialisation approach.

The Council is committed to ensuring that all employees receive regular and timely communication. There is an established 'One Brief' publication that is sent to all managers regularly to cascade outlining key communication messages which managers are expected to discuss with their teams during team meetings. Weekly communications are sent to all staff from the Chief Executive in order to keep the workforce informed of key organisational developments.

In February 2016 a new Managers' Brief was launched; a dedicated briefing system that provides distilled, useful information for all managers with supervisory responsibilities, regardless of grade or level. Managers' Brief includes key communications messages to cascade to staff, HR and policy updates, and feedback from chief officer and senior leader sessions.

Internal Communications in the Council have been strengthened in 2015-16 through making better use of existing opportunities to communicate with staff and using a refreshed, clear, concise, plain English, approach wherever possible. Corporate screensavers have been rolled out across the entire council network of computers and key communications are uploaded to the HR SelfServe system ensuring all staff can access the information.

A series of staff roadshows have been led by the Chief Executive and supported by the Senior Leadership Team. The roadshows have been well attended by staff from across the authority and are the first of a regular six monthly plan for chief officers to

meet with staff face to face and discuss the future direction of the Council.

Throughout 2015-16 regular Chief Officer and Senior Manager Conferences have been held to share important information about the Council through updates from the Leader and the Chief Executive as well as updates from a number of key areas across the Council. These sessions enable Chief Officers and Senior Managers to share their views and comments on the changes that are taking place and provides them with the confidence and capability to ensure continued effective delivery within their service area.

Principle 6: Engaging with local people and other stakeholders to ensure robust local public accountability.

As set out in the Wirral Plan 2020, the Council is committed to engaging residents to ensure local priorities are addressed, and empowering communities to deliver more themselves. In 2015 Ipsos Mori, on behalf of Wirral Council, conducted a detailed Resident Survey to find out what Wirral residents want and need. Over 1,200 people responded to the survey which was designed to investigate residents' perceptions of Wirral as a place to live; priorities for residents; satisfaction with the council and public services; workforce patterns; and resident wellbeing and resilience.

The results of the survey has been used to support Wirral's 2020 Vision through informing decisions, tracking performance, and helping the Council to focus on resident priorities for improvement.

Further commitment to engaging with local people is illustrated through stakeholder consultation sessions held around the pledge strategies. Consultation sessions have involved residents, partners and other stakeholders to ensure that there has been extensive engagement in the development of strategies and their priority areas.

A budget consultation exercise took place during 2015-16 with local residents, staff and stakeholders to seek their views on a series of budget proposals put forward to help the council save the money required for 2016/17. Over 10,000 local people responded to the consultation: significantly higher than previous years. The results of the consultation were reported to Cabinet with recommendations approved at the meeting of Council on 3rd March 2016 when the final budget was set.

In Autumn 2015, the Council opened up access to social media sites to all staff. Opening up social media is contributing to an open and effective relationship between the authority and local residents by showing trust and a new, modern, risk aware but not risk averse approach.

In November 2015, the Council took part in the LGA's national social media campaign #OurDay. For one day, the Council's main Twitter account shared stories, facts, photos and videos, tagged with #OurDay. The day was a success in terms of reaching the public and showcasing some of the services the Council delivers.

Neighbourhood working arrangements are in place to bring communities closer to the decision-making process via the four constituency areas. The Constituency Committees meet on a quarterly basis and the focus of the neighbourhood working model is designed to engage locally Elected Members and their communities in discussions to identify solutions to local issues together.

The Wirral Partnership is currently reviewing the borough's neighbourhood working arrangements and is developing its future strategic approach which is fully aligned to delivering the Wirral Plan and associated pledges through a set of constituency plans. The strategy and plans will be presented for approval by Elected Members in 2016-17.

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.

The review of effectiveness 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; and feedback and comments provided by Chief Officers and managers within the Authority who have responsibility for the development and maintenance of the governance environment.

Internal Audit has completed a self-assessment of its compliance with the Public Sector Internal Audit Standards. The overall assessment was a very high level of compliance with the Standards, with an external assessment to be completed before 2018, in accordance with the requirements.

Corporate Management Assurance

The Council's Strategic Leadership Team has managed the development of the Annual Governance Statement to ensure a high level of corporate engagement and ownership. A quarterly review of performance management, audit and risk takes place to review and consider emerging governance issues and ensure that appropriate action is in place.

An officer Corporate Governance Group is chaired by the Strategic Director for Transformation and Resources. The group includes strategic leads for Performance, Risk, Internal Audit, Improvement 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.

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

Cabinet has a leading role in ensuring good governance arrangements are in place to drive forward transformation and improvements across the Council. The Deputy Leader has responsibilities within their portfolio for governance, commissioning and improvement to ensure that there is a strong and robust leadership approach to governance and compliance across the organisation.

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 report and the Chair of the Committee produces an annual report. The Committee also complete an annual self-assessment based on CIPFA guidance.

External Audit

Grant Thornton 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.

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 which will support the Council to better achieve its purposes. The Committee also oversees and agrees minor changes to the Council’s constitutional arrangements as recommended by the Monitoring Officer.

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.

6. Significant Governance Issues

Description of Governance Issue	Responsibility / Lead Officer	Expected Delivery
<p>The Council has identified that further action is required to address organisational and managerial compliance with certain Council processes and procedures, including performance appraisals, absence management, contract procedure rules and essential training.</p> <p>Corporate Governance Group will lead the development of a robust action plan to address this governance issue.</p>	<p>Strategic Director – Transformation & Resources</p>	<p>March 2017</p>

Update to Annual Governance Statement: 20 September 2016

The Council received a report from Ofsted on 20 September 2016 which rated Children's Services in Wirral as inadequate. The report highlighted 'serious and widespread failures' in the delivery of services to children who need help and protection in Wirral; focusing on frequent changes in social workers, issues in how partners work together, and evidence of poor records management across a range of areas.

The Ofsted findings have been accepted and the response will deliver major and sustained improvements which are carefully planned and considered.

An Improvement Board has been established and will initially be led by the Chief Executive until the appointment of an Independent Chair. The Improvement Plan has to be agreed with the Department for Education before 30 December 2016. A Department for Education advisor will assist the Council and Ofsted will return quarterly to review progress.

Description of Governance Issue	Responsibility / Lead Officer	Expected Delivery
Ofsted highlighted serious and widespread failures' in the delivery of services to children who need help and protection in Wirral; focusing on frequent changes in social workers, issues in how partners work together, and evidence of poor records management across a range of areas.	Improvement Board / Julia Hassall (Director of Children's Services)	Improvement Plan before 30 December 2016
Improvement Board established to lead the process including identification and delivery of an Improvement Plan.		

7. Conclusion

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

The Council regards that its governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework, and will ensure appropriate action is taken to address the 2015-16 significant governance issue.

Signed: _____ Date: _____

Chief Executive

Signed: _____ Date: _____

Leader of the Council

ANNUAL GOVERNANCE STATEMENT 2015/16 - SIGNIFICANT GOVERNANCE ISSUE ACTION PLAN

Significant Governance Issue (SGI) – Compliance - Action Plan			
Outcome required and how achievement in addressing the SGI will be monitored and measured	Responsible Officer	Expected Delivery Date	Action to be taken to ensure the outcome is achieved
<p>A. Contract Procedure Rules:</p> <p>Outcome required:</p> <p>Compliance with Council processes and procedures in relation to Contract Procedure Rules.</p> <p>How this will be monitored and measured:</p> <p>Monitoring compliance with Contracts Procedure Rules (CPR's) is undertaken by Corporate Procurement. All Procedure Rules Approval Document activity is recorded; this includes exceptions to the rules, variation and extensions to contracts, and Contract awards.</p> <p>Audit and Risk Management Committee and the Corporate Governance Group will receive a half yearly report which will include any contract awarded over £500,000; any variation or extension to a contract; or a waiver of breach of the rules which exceeds £50,000.</p>	<p>Head of Procurement – Ray Williams</p>	<p>31 March 2017</p>	<p>Since the 1st April 2016 the revised Contract Procedure Rules (CPR's) have been in operation with training in both the application and understanding of the new Rules to over 200 plus officers who are involved within procurement processes for the Council. The majority of Senior Officers have commented upon the new Rules leading to a better understanding of CPR's since April 2016, which has contributed to their successful application. Future actions include:</p> <ul style="list-style-type: none"> • In October 2016 a new e-learning module 'Understanding Procurement Process' will be mandatory for all managers to complete by the end of March 2017. • Regular reporting to the Corporate Governance Group to ensure there is a robust accountability and compliance across the organisation. • A fit for purpose structure for the Procurement Team is being implemented with recruitment expected to take place during Autumn 2016.

<p>B. Absence Management:</p> <p>Outcome required:</p> <p>Compliance with Council processes and procedures in relation to absence management, including ensuring absence is reported and managed effectively.</p> <p>How this will be monitored and measured:</p> <p>Number of working days/shifts lost due to sickness absence. (Wirral data is compared against performance in other Local Authorities and Regionally)</p>	<p>Head of HR/OD – Chris Hyams</p>	<p>31 March 2017</p>	<p>Management of absence remains a high priority and action continues to be taken to reduce the level of sickness absence across the Council. This includes:</p> <ul style="list-style-type: none"> • Absence is reported monthly at Senior Leadership Team. • HR continues to offer proactive support with reports to Departmental Management Teams which includes undertaking serious case reviews with Chief Officers, training for specific services and absence surgeries which commence in September 2016. • Development of a Health and Wellbeing Strategy focusing on improving the health and wellbeing of the workforce and improving prevention and intervention strategies
<p>C. Essential Training:</p> <p>Outcome required:</p> <p>Compliance with Council processes and procedures in relation to essential training.</p> <p>How this will be monitored and measured:</p> <p>100% of management staff completing 2016-17 corporate essential management training by 31 March 2017; and 100% of employees completing 2016-17 corporate essential training by 31 March 2017.</p>	<p>Head of HR/OD – Chris Hyams</p>	<p>31 March 2017</p>	<p>A number of actions are in place to ensure the Council's new approach to essential training is embedded across the organisation:</p> <ul style="list-style-type: none"> • Communication with all staff through a number of relevant channels to raise awareness of the training modules and completion dates. • Production of training materials in different formats to ensure all staff can access training effectively. • Monthly monitoring reports to Senior Leadership Team.

<p>D. Performance Appraisals:</p> <p>Outcome required:</p> <p>Compliance with Council processes and procedures in relation to Performance Appraisal and Development.</p> <p>How this will be monitored and measured:</p> <p>Percentage of Performance Appraisals (PAs) completed and registered in reporting year.</p>	<p>Head of HR/OD – Chris Hyams</p>	<p>30 September 2016</p>	<p>Ensuring all staff receive PAs remains a high priority for the Council and a number of steps have been put in place to ensure they are carried out:</p> <ul style="list-style-type: none"> • Performance appraisal figures are reported monthly at Senior Leadership Team. • Senior Managers have received a breakdown of which managers within their service area have not received their PA, so these can be addressed. • Full guidance is available for group appraisal. These are being scheduled and are monitored by HR staff. • The requirement to complete PAs by the end of September 2016 has been included in issues of ExecView and ManagerView communications. <p>In addition, new arrangements for PA will be put in place following the implementation of the organisation's 'New Operating Model'.</p>
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Core Financial Statements

MOVEMENT IN RESERVES STATEMENT

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (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 Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2014	17,199	83,630	8,789	13,826	123,444	10,797	134,241
Movement in reserves during 2014/15							
Surplus or (deficit) on the provision of services	(13,362)	-	-	-	(13,362)	-	(13,362)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(115,241)	(115,241)
Total Comprehensive Income and Expenditure	(13,362)	-	-	-	(13,362)	(115,241)	(128,603)
Adjustments between accounting basis and funding basis under regulations (Note 8)	18,718	-	(511)	(3,878)	14,329	(14,329)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	5,356	-	(511)	(3,878)	967	(129,570)	(128,603)
Transfers to/from Earmarked Reserves (Note 9)	(3,755)	3,755	-	-	-	-	-
Increase/Decrease in 2014/15	1,601	3,755	(511)	(3,878)	967	(129,570)	(128,603)
Balance at 31 March 2015	18,800	87,385	8,278	9,948	124,411	(118,773)	5,638

	General Fund Balance	Ear-marked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2015	18,800	87,385	8,278	9,948	124,411	(118,773)	5,638
Movement in reserves during 2015/16							
Surplus or (deficit) on the provision of services	(36,436)	-	-	-	(36,436)	-	(36,436)
Other Comprehensive Income and Expenditure	-	-	-	-	-	101,902	101,902
Total Comprehensive Income and Expenditure	(36,436)	-	-	-	(36,436)	101,902	65,466
Adjustments between accounting basis and funding basis under regulations (Note 8)	26,408	-	(231)	313	26,490	(26,490)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	(10,028)	-	(231)	313	(9,946)	75,412	65,466
Transfers to/from Earmarked Reserves (Note 9)	13,470	(13,470)	-	-	-	-	-
Increase/Decrease in 2015/16	3,442	(13,470)	(231)	313	(9,946)	75,412	65,466
Balance at 31 March 2016	22,242	73,915	8,047	10,261	114,465	(43,363)	71,102

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.

	2015/16			2014/15		
	Gross Exp- enditure	Gross Income	Net Exp- enditure	Gross Exp- enditure	Gross Income	Net Exp- enditure
	£'000	£'000	£'000	£'000	£'000	£'000
Continuing Operations						
Central services to the public	5,849	2,498	3,351	6,827	1,880	4,947
Cultural and related services	33,782	10,405	23,377	33,507	10,045	23,462
Planning services	16,869	9,153	7,716	15,486	8,050	7,436
Environmental and regulatory services	23,938	7,852	16,086	23,549	14,497	9,052
Children's and education services	324,464	235,788	88,676	321,969	243,706	78,263
Highways and transport services	16,952	4,098	12,854	17,966	5,325	12,641
Housing services	154,812	142,583	12,229	158,872	145,232	13,640
Adult social care	111,863	28,793	83,070	110,327	29,947	80,380
Public health	31,940	30,528	1,412	28,205	28,385	(180)
Corporate and democratic core	5,167	78	5,089	4,962	538	4,424
Non distributed costs	841	-	841	75	-	75
Cost of Services	726,477	471,776	254,701	721,745	487,605	234,140
Other operating expenditure (Note 10)	46,841	-	46,841	57,962	-	57,962
Financing and investment income and expenditure (Note 11)	29,658	5,380	24,278	28,905	1,940	26,965
Taxation and non specific grant income (Note 12)	-	289,384	(289,384)	-	305,705	(305,705)
(Surplus) or Deficit on Provision of Services	802,976	766,540	36,436	808,612	795,250	13,362
Surplus or deficit on revaluation of Property, Plant and Equipment assets			(50,607)			(11,862)
Surplus on revaluation of PFI liability			-			201
Surplus or deficit on revaluation of available for sale financial assets			3			(4)
Re-measurement of the net defined benefit liability			(51,298)			126,906
Other Comprehensive Income and Expenditure			(101,902)			115,241
Total Comprehensive Income and Expenditure			(65,466)			128,603

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 2016	31 March 2015
		£'000	£'000
Property, Plant & Equipment	13	663,207	632,074
Heritage Assets	14	12,757	12,980
Investment Property	15	12,092	16,666
Intangible Assets	16	1,710	1,412
Long Term Investments	17	-	-
Long Term Debtors	40	46,715	50,762
Long Term Assets		736,481	713,894
Short Term Investments	17	34,290	27,242
Assets Held for Sale	20	20,277	9,190
Inventories		147	232
Short Term Debtors	18	49,080	50,513
Cash and Cash Equivalents	19	17,457	36,403
Current Assets		121,251	123,580
Short Term Borrowing	17	19,951	10,043
Short Term Creditors	21	59,840	61,184
Short Term Deferred Credit		402	726
Provisions	22	5,222	5,657
Current Liabilities		85,415	77,610
Provisions	22	2,450	2,547
Long Term Borrowing	17	188,185	193,880
Other Long Term Liabilities	41	509,577	552,977
Capital Grants Receipts in Advance	35	1,003	4,822
Long Term Liabilities		701,215	754,226
Net Assets		71,102	5,638
Usable Reserves	23	114,465	124,411
Unusable Reserves	24	(43,363)	(118,773)
Total Reserves		71,102	5,638

The unaudited accounts were issued on 30 June 2016 and the audited accounts were authorised for issue on 26 September 2016.

Tom Sault
Acting Section 151 Officer

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.

	2015/16	2014/15
	£'000	£'000
Net (surplus) / deficit on the provision of services	36,436	13,362
Adjust net (surplus)/ deficit on the provision of services for non cash movements (Note 25)	(46,082)	(49,459)
Adjust for items in the net (surplus)/ deficit on the provision of services that are investing or financing activities (Note 25)	13,180	11,927
Net Cash Flow From Operating Activities	3,534	(24,170)
Net Cash Flows From Investing Activities (Note 26)	17,291	4,163
Net Cash Flows From Financing Activities (Note 27)	(1,879)	14,598
Net increase or decrease in cash and cash equivalents	18,946	(5,409)
Cash and cash equivalents at the beginning of the reporting period	(36,403)	(30,994)
Cash and cash equivalents at the end of the reporting period	(17,457)	(36,403)

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 2015/16 financial year and its position at the year-end of 31 March 2016. 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 primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice for Local Authorities 2015/16 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted is principally historical cost modified for the valuation of certain categories of non-current assets 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.

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"> • Understandability. • Relevance. • Reliability. • Comparability 	<p>Revenue accounting concepts</p> <ul style="list-style-type: none"> • Accruals. • Going concern. • Primacy of legislative requirements.
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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 2015/16. However there are changes to accounting policies and disclosures following the introduction of IFRS 13 Fair Value Measurement and these are included in the accounts.

Accruals of Income and Expenditure (Debtors and Creditors)

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 Account 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 second 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 Department for Communities and Local Government, 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 2015/16 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 in equal instalments 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 Accounts 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 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. In 2015/16 the employers contributions payable to the NHS Pensions Scheme in the year have been charged to the Public Health service line within the Comprehensive Income and Expenditure Statement.
- 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 Account.
- (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

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 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.

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).

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 significantly material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information. In order to ensure compliance with the Code further details are covered in note 36 Related Parties. Only the Council's share of Joint Operations has been included in the Statement of Accounts.

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.

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 of 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.

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.

Non-Distributed Costs

The definition of non-distributed costs is limited to past service costs, settlements, curtailments for pensions' transactions, unused IT facilities, other unrealisable assets, impairment losses and depreciation relating to specific assets and revenue costs.

Overheads

In accordance with the Service Reporting Code of Practice (SeRCOP) 2015/16, charges or apportionments for the costs of support services are made to those who benefit from the supply or service.

Support service costs are allocated using the most appropriate basis available, for example, allocated on the basis of actual time spent by staff on the various services. Other bases used include computing costs allocated on the amount of central processing use and Service Level Agreements and Administrative Buildings on the basis of area occupied.

The exceptions which, under SeRCOP, are the costs of the Corporate and Democratic Core (relating to the Council's status as a multi-functional, democratic organisation) and of Non-Distributed Costs (changes in past service costs and impairment losses chargeable on Assets Held for Sale) are accounted for as separate headings in the Comprehensive Income and Expenditure Statement.

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

Where the Council has entered into a PFI or similar contract then 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 Account 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 current 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 an increase 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 Account 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 and trading accounts, 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 Business Rates appeals, bad debts and insurance.

The provision for Business Rates appeals relates to the impact of successful appeals in 2015/16 and backdated amounts in relation to earlier years. It is required following the introduction of the Business Rates Retention Scheme on 1 April 2013.

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 2015/16.

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 2014/15 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	58	3	12	76
Voluntary Aided	-	26	-	-	26
Voluntary Controlled	-	4	-	-	4
Foundation	-	-	3	-	3
Total	3	88	6	12	109

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 2015/16 there are amendments to the following Accounting Standards, which will become effective from financial year 2016/17:

Highways Network Assets based on Code of Practice on Transport Infrastructure Assets

The main change identified relates to the way transport infrastructure assets are valued. With effect from 1 April 2016 all transport infrastructure assets with a material value held by the Council will now be valued at depreciated replacement cost, rather than historic cost. There will be no retrospective change to the 2015/16 accounts.

The purpose of this change is to support an asset management based approach to the provision of financial information about local authority Highways Network assets.

The Code will require Highways Network Assets to be recognised as a separate class of asset within Property, Plant and Equipment. This will be made up of a number of sub categories such as carriageways. Assets will be reclassified and this change will significantly increase the value of this group of assets, increase the amount of depreciation and see a revaluation gain. The carrying value of this group of assets is expected to be £2.2 billion.

Telling a Story

The 2016/17 CIPFA Code will require a change to the formats of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement.

This change will bring in a new expenditure and funding analysis within the CIES reported on the same basis as the Council is structured. The Statement will be split on the same lines as that used for Financial Monitoring and operational purposes. This change will end the current link between the CIES and the Service Reporting Code of Practice (SeRCOP). In addition a new expenditure and income funding analysis will be introduced and a streamlined movement in reserves statement will replace the current segmental reporting requirements. In 2016/17 the comparator figures in the CIES and the Movement in Reserves Statement will reflect the new formats and reporting requirements.

The introduction of Annual Improvements to IFRSs (2010-2012 Cycle), (2012-2014 Cycle) and other IFRSs will introduce minor clarifications and are not expected to materially affect the financial statements of the Council.

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. However, the Council has determined that this uncertainty is 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 will make a provision 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 106 schools. Of these, a total of 33 schools are either Voluntary Aided, Voluntary Controlled or Foundation 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 29 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 3 Foundation Schools and 1 Voluntary Aided School, where control through ownership remains.

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 2016 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
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £23.655 million. However, the assumptions interact in complex ways. During 2015/16, the Council's actuaries advised that the net pensions liability had decreased by £38.22 million. This change includes: <ul style="list-style-type: none"> • An increase in the year of £50.461 million in the actuarial valuation of scheme assets; • An increase in the year of £29.631 million in the pensions costs recognised within the scheme; • Employer contributions actually paid in the year of £32.835 million.
Property, Plant and Equipment	Land and buildings are revalued using a 5-year rolling programme ensuring that the current value of the assets is reflected in the Balance Sheet. New 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 are currently only revalued once every 5 years.	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 +/- £5.0 million and would be matched by a corresponding change to the balance in the Revaluation Reserve.

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

5. MATERIAL ITEMS OF INCOME AND EXPENSE

During 2014/15, three schools became Academies and the transfer was treated as a loss on disposal of a non-current asset within the Comprehensive Income and Expenditure Statement and amounted to £12.0 million.

6. EXCEPTIONAL ITEMS

There were no exceptional items in 2015/16.

In 2014/15 the Council received from Merseyside Waste Disposal Authority a one off amount of £6.7 million in 2014/15. This is included in the Income figure on the line Environmental and Regulatory Services in the Comprehensive Income and Expenditure Statement. This amount is to be used to support the objectives and targets of the Joint Recycling and Waste Management Strategy over the coming years. The unutilised (or remaining) amount at the 31 March was transferred to an earmarked reserve.

7. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2016, up to the date when these accounts were authorised by the Acting Section 151 Officer on 26 September 2016, that require any adjustment to these accounts.

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.

2014/15	Usable Reserves			Movement in Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Depreciation of non current assets	17,532	-	-	17,532	(17,532)
Impairment and revaluation losses of non current assets	6,442	-	-	6,442	(6,442)
Movement in market value of investment property	(320)	-	-	(320)	320
Amortisation of intangible assets	62	-	-	62	(62)
Capital grant and contributions applied	(6,007)	-	-	(6,007)	6,007
Revenue Expenditure Funded from Capital under Statute (REFCUS)	1,754	-	-	1,754	(1,754)
Amount on non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	15,927	-	-	15,927	(15,927)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory Provision for the repayment of debt - (Minimum Revenue Provision)	(12,792)	-	-	(12,792)	12,792
Capital expenditure charged against the General Fund	(798)	-	-	(798)	798
Adjustments primarily involving the Capital Grants Unapplied Account					
Capital grants unapplied credited to the Comprehensive Income and Expenditure Statement	(4,492)	-	4,492	-	-
Application of grants through the Capital Adjustment Account.	-	-	(7,918)	(7,918)	7,918
Application of previous year's grants to fund de-minims capital expenditure	452	-	(452)	-	-
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,437)	3,437	-	-	-
Use of the Capital Receipts Reserve to finance capital expenditure	-	(3,942)	-	(3,942)	3,942
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipt pool	6	(6)	-	-	-

(Table continued on following page)

(Table continued from previous page)

2014/15	Usable Reserves			Movement in Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£'000	£'000	£'000		
Adjustments involving the Deferred Capital Receipts Reserve					
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3	-	-	3	(3)
Adjustments primarily involving the Financial Instruments Adjustment Account					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year with statutory requirements	(43)	-	-	(43)	43
Adjustments primarily involving the Pensions Reserve					
Pension cost (transferred to (or from) the pensions reserve)	6,372	-	-	6,372	(6,372)
Adjustments primarily involving the Collection Fund Adjustment Account					
Amount by which council tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from council tax and NNDR income calculated for the year in accordance with statutory requirements	(2,486)	-	-	(2,486)	2,486
Adjustments primarily involving the Accumulated Absences Account					
Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	543	-	-	543	(543)
Total adjustments	18,718	(511)	(3,878)	14,329	(14,329)

2015/16	Usable Reserves			Movement in Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Depreciation of non current assets	18,094	-	-	18,094	(18,094)
Impairment and revaluation losses of non current assets	16,406	-	-	16,406	(16,406)
Movement in market value of investment property	(2,850)	-	-	(2,850)	2,850
Amortisation of intangible assets	279	-	-	279	(279)
Capital grant and contributions applied	(6,576)	-	-	(6,576)	6,576
Revenue Expenditure Funded from Capital under Statute (REFCUS)	2,200	-	-	2,200	(2,200)
Reserves applied to fund REFCUS	(296)	-	-	(296)	296
Amount on non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	6,242	-	-	6,242	(6,242)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory Provision for the repayment of debt - (Minimum revenue provision)	(12,349)	-	-	(12,349)	12,349
Capital expenditure charged against the General Fund	(281)	-	-	(281)	281
Adjustments primarily involving the Capital Grants Unapplied Account					
Capital grants unapplied credited to the Comprehensive Income and Expenditure Statement	(4,002)	-	4,002	-	-
Application of grants through the Capital Adjustment Account.	-	-	(3,689)	(3,689)	3,689
Application of previous year's grants to fund de-minims capital expenditure	-	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,702)	2,702	-	-	-
Use of the Capital Receipts Reserve to finance capital expenditure	-	(2,928)	-	(2,928)	2,928
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipt pool	5	(5)	-	-	-

(Table continued from previous page)

2015/16	Usable Reserves			Movement in Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Deferred Capital Receipts Reserve					
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-
Adjustments primarily involving the Financial Instruments Adjustment Account					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year with statutory requirements	(45)	-	-	(45)	45
Adjustments primarily involving the Pensions Reserve					
Pension cost (transferred to (or from) the Pensions Reserve)	10,418	-	-	10,418	(10,418)
Adjustments primarily involving the Collection Fund Adjustment Account					
Amount by which council tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from council tax and NNDR income calculated for the year in accordance with statutory requirements	541	-	-	541	(541)
Adjustments primarily involving the Accumulated Absences Account					
Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is Different from the remuneration chargeable in the year in accordance with statutory requirements	1,324	-	-	1,324	(1,324)
Total adjustments	26,408	(231)	313	26,490	(26,490)

9. TRANSFERS TO/FROM EARMARKED 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 was carried out as part of the 2016/17 budget setting process. The following table discloses each earmarked reserve where the balance is in excess of £0.25 million on either 31 March 2015 or 31 March 2016. Overall movement in the reserves is £13.5 million (made up of £18.9 million additions to reserve and £32.4 million contributions from reserve).

Earmarked Reserves	Balance at 31 March 2014	Movement 2014/15	Balance at 31 March 2015	Movement 2015/16	Balance at 31 March 2016
	£'000	£'000	£'000	£'000	£'000
Schools Balances	11,682	(958)	10,724	1,014	11,738
Transformation Fund	14,156	(1,307)	12,849	(1,876)	10,973
Insurance Fund	9,151	1,055	10,206	661	10,867
Business Rates Equalisation	3,259	4,621	7,880	2,424	10,304
Waste Development Fund	-	6,502	6,502	(484)	6,018
Housing Benefit	6,888	(954)	5,934	(730)	5,204
One Stop Shop/Libraries IT Networks	1,878	(137)	1,741	(258)	1,483
Dedicated Schools Grant	1,402	656	2,058	(786)	1,272
Community Asset Transfer	1,531	(213)	1,318	(482)	836
Support and Assistance to Public in Need	626	577	1,203	(433)	770
Property Development Framework	-	700	700	-	700
IT Development	3,792	(2,855)	937	(256)	681
Stay, Work, Learn Wise	908	-	908	(232)	676
Schools Harmonisation	1,077	(416)	661	(5)	656
Major Infrastructure Project Development	-	500	500	152	652
Flood Prevention	284	201	485	70	555
Intensive Family Intervention Project	914	104	1,018	(469)	549
Selective Licensing	-	167	167	370	537
Early Years - 2 Year Olds Funding	-	510	510	(49)	461
HR Reserve	-	-	-	410	410
Champs Innovation Fund	186	81	267	113	380
Future School Redundancy Costs	109	-	109	258	367
Schools Capital Schemes	750	(116)	634	(270)	364
Public Health 15-16 Allocations	34	-	34	314	348
Parks & Countryside	311	-	311	-	311
Home Improvements	96	73	169	140	309
Discretionary Housing Payments	-	-	-	297	297
Home Adaptations	495	-	495	(200)	295
Public Health Outcomes	1,953	(90)	1,863	(1,616)	247
Childrens Workforce Development Council	469	(146)	323	(101)	222
Public Health - Information and Performance	564	-	564	(380)	184
Families & Well Being Budget Stabilisation	3,431	-	3,431	(3,431)	-
Efficiency Investment Rolling Fund	1,289	250	1,539	(1,539)	-
Business Rates Appeals	1,000	-	1,000	(1,000)	-
Supporting People Programme	905	-	905	(905)	-
Waste Efficiencies Fund	-	500	500	(500)	-
Schools Contingency	368	-	368	(368)	-
Business Improvement Grant	328	-	328	(328)	-
Children Centre Nurseries	322	-	322	(322)	-
Local Pay Review	296	-	296	(296)	-
Schools Service IT	294	-	294	(294)	-
Homeless Prevention	271	-	271	(271)	-
New Homes Bonus	145	120	265	(265)	-
Budget Equalisation	1,860	(1,860)	-	-	-
Schools - PFI Affordability Gap	600	(600)	-	-	-
Child Poverty	250	(250)	-	-	-
Other Reserves	9,752	(2,955)	6,797	(1,547)	5,250
	83,626	3,760	87,386	(13,470)	73,916

The purposes for the individual earmarked reserves

Schools Balances

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

	2015/16	2014/15
	£'000	£'000
Schools underspending	12,317	11,063
Schools overspending	(579)	(339)
Net Schools balances	11,738	10,724

	Number of schools with in hand balances	Number of schools with overdrawn balances
Nursery	3	-
Primary	75	13
Secondary	4	2
Special	12	-

Transformation Fund

This reserve was originally established in 2013/14 and has been used to fund the costs of changes to Council services over the last 2 years. Further changes to Council services are expected during 2016/17 and this reserve will continue to be utilised in order to fund these changes. Over the past 2 years this reserve has been used to fund expenditure including employee related payments and investment in services to yield efficiencies.

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.

Business Rates Equalisation

This reserve was created in 2013/14 to meet fluctuations in the income received from business rates following the introduction of the Business Rates Retention Scheme on 1 April 2013.

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.

Housing Benefit

There is an ongoing issue relating to the previous Housing Benefit Supporting People arrangements, the potential claw-back of subsidy against recent years. Sums have also been set aside for the further development of integrating supporting IT systems.

One Stop Shop / Libraries IT Network

To develop the Information Technology systems within the One Stop Shops and libraries as part of the provision of a more integrated service.

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.

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.

Support and Assistance to the Public in Need

The reserve was set up from the balance of the grant received from the Government in 2013/14 and 2014/15 to provide 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 ongoing expenses. The balance on the reserve represents the balance of the grant which was not distributed in 2015/16 and will be used in future years.

Property Development Framework

This reserve has been set up to meet potential budget pressures arising from the use of a head lease delivery model and relates to rent payments and the cost of works that will arise should the current leaseholder fail to meet lease obligations.

IT Development

For the expansion and development of IT services in the implementation of the programme agreed as part of the IT Strategy.

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.

Schools Harmonisation

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

Major Infrastructure Project Development

To fund the research and development of major development projects in line with Corporate and Regeneration priorities

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 total cost of £2.2 million with the works which commenced in 2015/16.

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.

Selective Licensing

To fund the set up costs of the delayed implementation of the Selective Licensing scheme.

Early Years – 2 Year Olds Funding

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

HR Reserve

This reserve was created in 2015/16 to include underspends for the year and future commitments related to HR. This reserve will be utilised in 2016/17 to cover the projected shortfall in Schools HR SLA income, to fund posts on a fixed term basis and to fund pay arrears relating to job evaluation.

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. At present the reserve is in place awaiting funding agreement from the Cheshire and Merseyside Directors of Public Health.

Future School Redundancy Costs

Reserve to help support any redundancy costs incurred within Schools.

Schools Capital Schemes

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

Public Health 2015/16 Allocations

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

In 2015/2016, Public Health was subject to an unplanned in-year grant reduction of £1.9million from which we had to meet from reserves.

Parks and Countryside – Planned Preventative Maintenance

This reserve funds a programme of work that enables maintenance issues to be addressed, which, if not tackled, would either reduce the lifespan of the service infrastructure or lead to health and safety issues.

Home Improvements

Payments made back to the Council against charges for HRA loans. Ring-fenced to go back into financial assistance as per Cabinet agreement.

Discretionary Housing Payments

Central Government reduced Wirral's allocation of DHP in 2015/16. However, when setting the 2015/16 budget, Cabinet agreed to invest £300k of Council funding to bridge the gap. This was not all spent in 2015/16, and so is held in reserve, and will be used for additional DHP over government contribution in 2016/17 and future years.

Home Adaptations

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

Public Health Outcomes

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.

Children's Workforce Development Council

The reserve was set up from Income received in 2011/12 and 2013/14 to fund training and supervision for newly qualified social workers. This will be used to fund the cost of training and supervising newly qualified social workers and to pay for agency cover if social workers are absent to go on training courses (Early Professional Development Scheme and Newly Qualified Social Workers Income) and will also be used to fund 2 posts (Social Work Improvement Fund).

Public Health – Information and Performance

This reserve is to meet future commitments within Public Health.

Families and Well Being – Budget Stabilisation

The set aside of budget under-spends to meet potential budget pressures within the Children and Young People and Adult Social Services areas. This reserve has been fully utilised in 2015/16.

Efficiency Investment Rolling Fund

This Fund was established to facilitate investment in efficient practices by "loaning" pump-priming funding at the start of a revenue saving project which would repay the loan out of savings in later years. This reserve has been fully utilised in 2015/16.

Business Rates 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 2015/16 but also any backdated amount relating to earlier years. This sum has been provided, in addition to the provision relating to the liability in respect of likely known levels of appeals, to meet unforeseen liabilities in future years. This reserve has been fully utilised in 2015/16.

Supporting People

Permission has been granted by the Department of Communities and Local Government to retain any administration and specific programme grant for use in future years. This reserve is to be spent on a number of initiatives to support people in need to live in their own homes. Implementation of the programme commenced in 2013/14 and the programme and funding has been re-profiled. This reserve has been fully utilised in 2015/16.

Waste Efficiencies Fund

Funding has been allocated from contract savings to enable further efficiencies within the Waste Collection Service which were implemented in 2015/16. This reserve has been fully utilised in 2015/16.

Schools Contingency

Created to cover formula errors that would have been unknown at the time schools budgets were set. Such adjustments may result in an additional budget being allocated from this reserve. This reserve has been fully utilised in 2015/16.

Business Improvement Grant

Grants are awarded by a Business Support panel and are funded from the revenue budget. This reserve will fund outstanding valid claims, which are expected to be settled in the 2015/16 financial year. This reserve has been fully utilised in 2015/16.

Children's Centre Nurseries

The budget for Children Centre Nurseries was reduced by 7/12ths in 2014/15 and a further 5/12ths in 2014/15 to remove the budget in full. After an unsuccessful tendering period the nurseries are still operating and therefore a proportion of the income carried forward is still needed as work continues with schools to transfer the function over to them by September 2015. This reserve has been fully utilised in 2015/16.

Local Pay Review

The amount identified, and set-aside, to fund the costs of implementing proposals to harmonise and simplify working arrangements as well as meeting the requirements arising from the implementation of equal pay legislation. This reserve has been fully utilised in 2015/16.

Schools Service IT

The service is fully funded from schools contributions and this reserve supports the service in the event of changing demands for IT services from schools. This reserve has been fully utilised in 2015/16.

Homeless Prevention

The fund is used to offer loans to prevent repossessions and evictions. This reserve has been fully utilised in 2015/16.

New Homes Bonus

The Fund will be used to provide resources for future use on housing capital projects. This reserve has been fully utilised in 2015/16.

Budget Equalisation

To provide resources to meet budget pressures that may occur in the future to avoid significant annual budget increases. This reserve was fully utilised in 2015/16.

Schools PFI Affordability Gap

This reserve was set up to meet potential budget shortfalls in relation to spending on the schools PFI schemes and was fully utilised in 2014/15

Child Poverty

This reserve was set up to pay for the Schools Readiness Project within Surestart and was fully utilised in 2014/15.

Other

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

10. OTHER OPERATING EXPENDITURE

	2015/16 £'000	2014/15 £'000
Levies	42,087	44,808
Payments to the Government Housing Capital Receipts Pool	5	6
Pensions Scheme – Administration Costs	566	587
Gains / losses on the disposal of non-current assets	4183	12,561
Total	46,841	57,962

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2015/16 £'000	2014/15 £'000
Interest payable and similar charges	12,697	13,179
Pensions – net interest cost	15,919	15,726
Interest receivable and similar income	(915)	(902)
Income and expenditure in relation to investment properties and changes in their fair value	(3,603)	(1,180)
Gains and losses on trading accounts	180	142
Total	24,278	26,965

12. TAXATION AND NON SPECIFIC GRANT INCOME

	2015/16 £'000	2014/15 £'000
Council tax income	117,272	114,712
Non domestic rates income	74,684	72,552
Non ring-fenced government grants	86,858	107,942
Capital grants and contributions	10,570	10,499
Total	289,384	305,705

Further details on grants are contained in note 35.

13. PROPERTY, PLANT AND EQUIPMENT**Movements on Balances****Movements in 2015/16:**

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2015	476,609	25,366	150,387	26,557	7,200	10,160	696,279
Additions	10,786	2,966	9,829	135	-	716	24,432
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	43,129	6	-	-	(69)	-	43,066
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(20,163)	-	-	-	(233)	-	(20,396)
Derecognition - disposals	(609)	(297)	-	-	(4,315)	(1,148)	(6,369)
Reclassifications/transfers	(11,715)	663	1,666	169	18,790	(2,498)	7,075
Assets reclassified (to)/from Held for Sale	-	-	-	-	(11,093)	-	(11,093)
Other movements in cost or valuation	-	-	-	-	-	-	-
At 31 March 2016	498,037	28,704	161,882	26,861	10,280	7,230	732,994
Accumulated Depreciation and Impairment							
At 1 April 2015	9,529	16,226	38,376	-	74	-	64,205
Depreciation charge	11,645	1,934	4,434	-	81	-	18,094
Depreciation written out to the Revaluation Reserve	(7,765)	-	-	-	(6)	-	(7,771)

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	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Depreciation written out on revaluation taken to the surplus/deficit on the Provision of Services	(3,990)	-	-	-	(68)	-	(4,058)
impairment losses /(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Derecognition disposals	(386)	(297)	-	-	-	-	(683)
Other movements in depreciation and impairment	(37)	-	-	-	37	-	-
At 31 March 2016	8,996	17,863	42,810	-	118	-	69,787
Net Book Value							
At 31 March 2015	467,080	9,140	112,011	26,557	7,126	10,160	632,074
At 31 March 2016	489,041	10,841	119,072	26,861	10,162	7,230	663,207

Comparative Movements in 2014/15:

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Con-struction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2014	492,505	21,520	144,413	25,777	6,730	8,661	699,606
Additions	8,906	3,846	5,974	780	243	1,499	21,248
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	1,637	-	-	-	444	-	2,081
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(10,421)	-	-	-	-	-	(10,421)
Derecognition - disposals	(15,689)	-	-	-	(222)	-	(15,911)
Reclassifications/ transfers	(324)	-	-	-	65	-	(259)
Assets reclassified (to)/from Held for Sale	-	-	-	-	(60)	-	(60)
Other movements in cost or valuation	(5)	-	-	-	-	-	(5)
At 31 March 2015	476,609	25,366	150,387	26,557	7,200	10,160	696,279
Accumulated Depreciation and Impairment							
At 1 April 2014	12,145	14,708	34,283	-	36	-	61,172
Depreciation charge	12,541	1,518	4,093	-	40	-	18,192
Depreciation written out to the Revaluation Reserve	(9,489)	-	-	-	(2)	-	(9,491)

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	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
Depreciation written out on revaluation taken to the surplus/deficit on the Provision of Services	(3,979)	-	-	-	-	-	(3,979)
Impairment losses /(reversals) recognised in the Surplus/Deficit on the Provision of Services	(656)	-	-	-	-	-	(656)
Derecognition - disposals	(1,027)	-	-	-	-	-	(1,027)
Other movements in depreciation and impairment	(6)	-	-	-	-	-	(6)
At 31 March 2014	9,529	16,226	38,376	-	74	-	64,205
Net Book Value							
At 31 March 2014	480,360	6,812	110,130	25,777	6,694	8,661	638,434
At 31 March 2015	467,080	9,140	112,011	26,557	7,126	10,160	632,074

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 & Equipment – 3-40 years

Infrastructure – 10-120 years

Surplus Assets – 5 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 2015/16, 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, assets with a value greater than £1 million, last revalued in 2013/14 and £2m last valued in 2014/15, were revalued in 2015/16.

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.

	Land and Buildings	Surplus Assets	Total
	£'000	£'000	£'000
Carried at historical cost	4,859	638	5,497
Valued at fair value as at:			
31 March 2016	420,189	9,642	429,831
31 March 2015	45,760	-	45,760
31 March 2014	4,091	-	4,091
31 March 2013	14,622	-	14,622
31 March 2012	8,516	-	8,516
Total Cost or Valuation	498,037	10,280	508,317

14. 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 2014	3,130	937	408	436	7,775	12,686
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Revaluations	-	-	-	290	-	290
Impairment (Losses)/Reversals recognised in the Revaluation Reserve	-	-	-	-	-	-
Impairment (Losses)/Reversals recognised in Surplus or Deficit on the Provision of Services	-	-	-	4	-	4
Balance as at 31 March 2015	3,130	937	408	730	7,775	12,980
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 2015	3,130	937	408	730	7,775	12,980
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Revaluations	-	-	-	(230)	-	(230)
Impairment (Losses)/Reversals recognised in the Revaluation Reserve	-	-	-	-	-	-
Impairment (Losses)/Reversals recognised in Surplus or Deficit on the Provision of Services	-	-	-	7	-	7
Balance as at 31 March 2016	3,130	937	408	507	7,775	12,757

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).

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 are essential to 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 2015/16.

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 2008/09 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 2015/16.

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 2012.

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.

15. 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.

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

	2015/16	2014/15
	£'000	£'000
Balance at start of the year	16,666	16,545
Additions:	-	-
Disposals	(348)	(458)
Net gains / (losses) from fair value adjustments	2,850	320
Transfers:		
To / (from) Property, Plant and Equipment	(7,076)	259
From Assets Held for Sale	-	-
Balance at 31 March	12,092	16,666

Fair Value Hierarchy for Investment Properties

Details of the Authority's Investment Properties and information about the Fair Value Hierarchy at 31st March 2016 are as follows:

2015/16 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 st March 2016 £'000
Development Sites	0	2,860	0	2,860
General Income Buildings	0	930	0	930
General Income Sites	0	4,260	0	4,260
Industrial Land & Buildings	0	4,042	0	4,042
Total	0	12,092	0	12,092

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 a market rents 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.

16. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. 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 2015/16 was £0.279 million (2014/15 £0.062 million).

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

Intangible Assets	2015/16	2014/15
	£'000	£'000
Balance at 1 April	1,412	133
Purchases	577	1,341
Amortisation for the year	(279)	(62)
Balance at 31 March	1,710	1,412

17. FINANCIAL INSTRUMENTS

Financial Instruments Balances

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

Long Term	Long Term		Short Term	Short Term
31 March 2016	31 March 2015		31 March 2016	31 March 2015
£'000	£'000		£'000	£'000
		Financial Assets		
-	-	Loans and Receivables	32,280	26,229
-	-	Available for Sale	2,010	1,013
-	-	Total Financial Assets	34,290	27,242
		Financial Liabilities		
188,185	193,880	Borrowings	19,951	10,043
47,982	50,502	PFI Liability	2,421	2,342
-	9	Finance Lease Liability	9	9
236,167	244,391	Total Financial Liabilities	22,381	12,394

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

Long Term	Long Term		Short Term	Short Term
31 March 2016	31 March 2015		31 March 2016	31 March 2015
£'000	£'000		£'000	£'000
		Borrowings		
190,965	196,649	Nominal Amount	17,470	7,507
-	-	Accrued Interest	2,481	2,536
(2,780)	(2,769)	EIR Adjustments	-	-
188,185	193,880	Total Amortised Cost	19,951	10,043

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

Long Term	Long Term		Short Term	Short Term
31 March 2016	31 March 2015		31 March 2016	31 March 2015
£'000	£'000		£'000	£'000
		Loans and Receivables		
-	-	Nominal Amount	32,100	26,000
-	-	Accrued Interest	180	229
-	-	Impairment/ Revaluation	-	-
-	-	Total Amortised Cost	32,280	26,229
		Available for Sale		
-	-	Nominal Amount	2,000	1,000
-	-	Impairment/ Revaluation	10	13
-	-	Total Fair Value	2,010	1,013
-	-	TOTAL INVESTMENTS	34,290	27,242

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:

2015/16	Financial Liabilities	Financial Assets		Total
	Liabilities Measured at amortised cost	Loans and Receivables	Available for sale assets	
	£'000	£'000	£'000	£'000
Interest expense	(13,001)	-	-	(13,001)
Impairment losses	-	-	-	-
Interest payable and similar charges	(13,001)	-	-	(13,001)
Interest Income	-	372	174	546
Gains on derecognition	-	-	-	-
Total Interest and Investment Income	-	372	174	546
Gains on revaluation	-	-	-	-
Surplus arising on revaluation of financial assets	-	-	-	-
Net gain/ (loss) for the year	(13,001)	372	174	(12,455)

This compares with the gains and losses recognised in 2014/15:

2014/15	Financial Liabilities	Financial Assets		Total
	Liabilities Measured at amortised cost	Loans and Receivables	Available for sale assets	
	£'000	£'000	£'000	£'000
Interest expense	(13,179)	-	-	(13,179)
Impairment losses	-	-	-	-
Interest payable and similar charges	(13,179)	-	-	(13,179)
Interest Income	-	404	133	537
Gains on derecognition	-	-	-	-
Total Interest and Investment Income	-	404	133	537
Gains on revaluation	-	-	-	-
Surplus arising on revaluation of financial assets	-	-	-	-
Net gain/ (loss) for the year	(13,179)	404	133	(12,642)

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 31st March 2016.

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 31st 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 2016	Fair Value as at 31 March 2016	Carrying Amount as at 31 March 2015	Fair Value as at 31 March 2015
		£'000	£'000	£'000	£'000
Financial Liabilities held at amortised cost:					
PWLB Loans	2	39,110	43,496	46,601	54,630
LOBO Loans	2	154,667	295,578	154,642	285,034
Other Loans	2	5,235	5,801	2,551	3,295
Lease Payables & PFI	2	50,403	53,308	52,826	57,323
Total		249,415	398,183	256,620	400,282
Others for which fair value is not disclosed *		22,044		16,652	
Total Liabilities		271,459		273,272	
Financial Assets held at fair value:					
Money Market Funds	1	16,595	16,595	28,110	28,110
Externally Managed Funds	1	2,010	2,010	1,013	1,013
Total		18,605	18,605	29,123	29,123
Others for which fair value is not disclosed *		37,985		43,358	
Total Financial Assets		56,590		72,481	

* 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.

18. DEBTORS

	31 March 2016	31 March 2015
	£'000	£'000
Central government bodies	5,370	6,461
Other local authorities	6,230	4,372
NHS bodies	5,492	7,301
Collection Fund	6,747	5,688
Other entities and individuals	25,241	26,691
Total	49,080	50,513

19. 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 2016 £'000	31 March 2015 £'000
Cash held by Authority	862	2,261
Call accounts (same day access funds)	16,595	34,142
Total Cash and Cash Equivalents	17,457	36,403

20. ASSETS HELD FOR SALE

	2015/16 £'000	2014/15 £'000
Balance outstanding at start of year	9,190	9,708
Assets newly classified as held for sale	11,295	67
Disposals	(208)	(585)
Balance outstanding at year-end	20,277	9,190

The balance of Assets held for Sale has increased by £11 million during 2015-16. This is due to assets being reclassified from Property, Plant and Equipment and Investment Properties. The assets that reclassified are currently being marketed and are expected to sell within the next 12 months.

21. CREDITORS

	31 March 2016 £'000	31 March 2015 £'000
Central government bodies	5,612	5,421
Other local authorities	116	565
NHS bodies	3,225	1,689
Public corporations and trading funds	53	-
Other entities and individuals	50,834	53,509
Total	59,840	61,184

22. 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 2015	Utilised in 2015/16	Additions in 2015/16	Released in 2015/16	Balance at 31 March 2016
	£'000	£'000	£'000	£'000	£'000
Council Tax	11,258	(3,142)	3,604	-	11,720
NNDR	1,715	(715)	624	-	1,624
Housing Benefit	8,997	-	1,147	-	10,144
Sundry Debtors	7,943	(1,121)	1,697	-	8,519
Summons Costs	621	(190)	205	-	636
Total	30,534	(5,168)	7,277	-	32,643

Others

The provisions figure shown in the Balance Sheet comprises:-

	Balance at 1 April 2015	Utilised in 2015/16	Additions in 2015/16	Released in 2015/16	Balance at 31 March 2016
	£'000	£'000	£'000	£'000	£'000
Short Term					
Insurance Fund	1,500	0	0	(200)	1,300
NNDR Appeals	2,630	(123)	397	0	2,904
Severance Pay	723	(665)	175	(58)	175
Carbon Reduction Commitment	449	(449)	449	0	449
Land Charges	350	(255)	211	0	306
Other	5	0	83	0	88
	5,657	(1,492)	1,315	(258)	5,222
Long Term					
Insurance Fund	2,547	0	0	(97)	2,450
	2,547	0	0	(97)	2,450

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 2015/16 but also any backdated amount relating to earlier years. This will include decisions made in future years regarding appeals which may affect the 2015/16 and earlier financial years' business rates charges. The provision calculation is based upon data supplied by the Valuation Office at 31 March 2016 regarding outstanding and settled appeals.

Severance

The Council has identified funding that will be required for staff reductions in financial year 2015/16 that will cost £0.175 million and has therefore made provision for this liability.

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 2014/15 have been met from this provision in 2015/16.

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.

23. USABLE RESERVES

Usable Reserve	Balance at 1 April 2015	Movement in Year	Balance at 31 March 2016	Purpose of Reserve
	£'000	£'000	£'000	
General Fund	18,800	3,442	22,242	Resources available to meet future running costs for services.
Earmarked General Fund Reserves	87,385	(13,470)	73,915	See note 9 for further details.
Capital Receipts Reserve	8,278	(231)	8,047	Contains the proceeds of fixed asset sales that are available to meet future capital investment.
Capital Grants Unapplied	9,948	313	10,261	Government Grants and contributions received in year for projects.
Total	124,411	(9,946)	114,465	

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 reserves and are not included in the General Fund Balance. The Capital Receipts Reserve and Capital Grants Unapplied are held for capital purposes.

24. UNUSABLE RESERVES

Unusable Reserves (Re-stated)	Balance at 1 April 2015	Movement in Year	Balance at 31 March 2016
	£'000	£'000	£'000
Revaluation Reserve	195,431	46,214	241,645
Capital Adjustment Account	191,468	(9,961)	181,507
Pensions Reserve	(502,475)	40,880	(461,595)
Other	(3,197)	(1,723)	(4,920)
Total Unusable Reserves	(118,773)	75,410	(43,363)

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.

2015/16		2014/15
£'000		£'000
195,431	Balance at 1 April	190,058
67,757	Upward revaluation of assets	31,599
(17,150)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(19,737)
50,607	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	11,862
(4,118)	Difference between fair value depreciation and historical cost depreciation	(3,389)
(275)	Accumulated gains on assets sold or scrapped	(3,100)
(4,393)	Total amount written off to the Capital Adjustment Account	(6,489)
241,645	Balance at 31 March	195,431

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.

2015/16		2014/15
£'000		£'000
191,468	Balance at 1 April	195,120
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(34,500)	Charges for depreciation, revaluation losses and impairment of non-current assets	(23,974)
4,118	Historic cost adjustment on Revaluation losses on Property, Plant and Equipment	3,389
(279)	Amortisation of intangible assets	(62)
(2,200)	Revenue expenditure funded from capital under statute	(1,754)
(6,242)	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	(15,927)
(39,103)		(38,328)
	Capital financing applied in the year:	
2,928	Use of the Capital Receipts Reserve to finance new capital expenditure	3,942
10,165	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	13,925
12,349	Statutory provision for the financing of capital investment charged against the General Fund	12,792
281	Capital expenditure charged against the General Fund and other balances	798
25,723		31,457
275	Balance in Revaluation Reserve written off on disposal of assets	3,100
2,849	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	320
296	Public Sector Housing Loans	-
-	Movement in Value of PFI Liability	(201)
3,420		3,219
181,508	Balance at 31 March	191,468

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.

2015/16		2014/15
£'000		£'000
(502,475)	Balance at 1 April	(369,197)
51,298	Re-measurement of pensions assets and liabilities	(126,906)
(46,116)	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	(42,910)
35,698	Employer's pensions contributions and direct payments to pensioners payable in the year	36,538
(461,595)	Balance at 31 March	(502,475)

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 2016 the account had a credit balance of £3.497 million (2014/15 credit £3.641 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 2016, the account had a balance of £2.098 million (2014/15 £2.639 million).

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 £6.201million at 31 March 2016 (2014/15 credit £4.877 million).

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 2016, the reserve had a credit balance of £0.007 million (2014/15 credit £0.01 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 2016 the reserve had a balance of £2.671 million (2014/15 £2.671 million).

25. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2015/16	2014/15
	£'000	£'000
Interest received	(675)	(473)
Interest paid	12,753	12,878
<i>Adjust net (surplus)/ deficit on the provision of services for non cash movements:</i>		
Depreciation	(18,094)	(18,192)
Impairment	(16,406)	(5,330)
Amortisations of intangible assets	(279)	(62)
(Increase) / decrease in long & short term creditors	1,012	(2,157)
Increase / (decrease) in long & short term debtors	683	(1,939)
Increase / (decrease) in stock / WIP	(85)	(60)
Movement in Pensions Liability	(10,418)	(6,372)
Non cash items relating to the disposal of fixed assets	(6,242)	(15,931)
Other non-cash items charged to the net surplus or deficit on the provision of services	3,747	585
	(46,082)	(49,459)
<i>Adjust for items in the net (surplus)/ deficit on the provision of services that are investing or financing activities</i>		
Proceeds from the sale of property, plant and equip., investment property and intangible assets	2,702	3,436
Grants applied to the financing of capital expenditure	10,478	10,500
Any other items for which the cash effects are investing or financing cash flows.	-	(2,009)
Billing Authority NNDR adjustments	-	-
	13,180	11,927

26. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2015/16		2014/15
£'000		£'000
25,761	Purchase of property, plant and equipment, investment property and intangible assets.	22,121
8,690	Purchase of short-term and long-term investments	45
1,154	Other payments for investing activities	300
(2,702)	Proceeds from sale of property, plant and equipment, investment property and intangible assets	(3,436)
-	Proceeds from short-term and long-term investments	-
(15,612)	Other receipts from investing activities	(14,867)
17,291	Net cash flows from investing activities	4,163

27. CASH FLOW STATEMENT - FINANCING ACTIVITIES

2015/16		2014/15
£'000		£'000
(11,785)	Cash Receipts from short and long-term borrowing	(500)
-	Other receipts from financing activities	(60)
2,432	Cash payments for the reduction of outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	2,293
7,506	Repayment of short- and long-term borrowing	13,500
	Billing Authority Council Tax and NNDR adjustments	(635)
(32)	Other payments for financing activities	-
(1,879)	Net cash flows from financing activities	14,598

28. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SERCOP). However, decisions about resource allocation are taken by the Council's Cabinet on the basis of monitoring reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;
- amounts charged to directorates in relation to capital expenditure (depreciation for example) are reversed out through the Transformation and Resources Directorate. In the Statement of Accounts these are reversed out through the Movement in Reserves Statement;
- Levies and reserves are treated as departmental costs.

The income and expenditure by Council services recorded in the budget reports for the year 2015/16 is as follows:

Directorate Income and Expenditure 2015/16	Adult Social Services	Children and Young People	Regeneration & Environment	Transformation & Resources	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(29,181)	(39,318)	(21,905)	(7,682)	(393)	(98,479)
Government grants	(103)	(197,116)	(194)	(138,667)	(28,837)	(364,917)
Total Income	(29,284)	(236,434)	(22,099)	(146,349)	(29,230)	(463,396)
Employee expenses	13,485	180,815	18,685	15,333	9,498	237,816
Other service expenses	99,814	104,372	33,354	145,160	7,037	389,737
Support service recharges	9,041	19,632	9,732	10,452	11,002	59,859
Total Expenditure	122,340	304,819	61,771	170,945	27,537	687,412
Net Expenditure	93,056	68,385	39,672	24,596	(1,693)	224,016

Comparative information for the year 2014/15 is as follows:

2014/15	Adult Social Services	Children and Young People	Regeneration & Environment	Transformation & Resources	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(28,917)	(47,373)	(28,182)	(2,701)	(1,930)	(109,103)
Government grants	-	(199,849)	(940)	(143,357)	(26,543)	(370,689)
Total Income	(28,917)	(247,222)	(29,122)	(146,058)	(28,473)	(479,792)
Employee expenses	15,872	190,916	20,912	10,268	13,081	251,049
Other service expenses	90,419	106,315	34,763	144,823	9,491	385,811
Support service recharges	9,140	23,899	8,424	10,233	9,283	60,979
Total Expenditure	115,431	321,130	64,099	165,324	31,855	697,839
Net Expenditure	86,514	73,908	34,977	19,266	3,382	218,047

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2015/16	2014/15
	£'000	£'000
Net expenditure in the Directorate Analysis	224,016	218,047
Net expenditure on services and support services not included in the Analysis	-	-
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	30,685	16,093
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	-	-
Cost of Services in Comprehensive Income and Expenditure Statement	254,701	234,140

2015/16	Direct- orate Analysis	Amounts not reported to manage- ment for decision making	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(98,479)	-	(98,479)	(3,421)	(101,900)
Interest and investment income	-	-	-	(919)	(919)
Income from council tax/NNDR	-	-	-	(191,956)	(191,956)
Government grants and contributions	(364,917)	(8,379)	(373,296)	(97,433)	(470,729)
Total Income	(463,396)	(8,379)	(471,775)	(293,729)	(765,504)
					-
Employee expenses	237,817	(704)	237,113	566	237,679
Other service expenses	389,736	-	389,736	-	389,736
Support Service recharges	59,859	-	59,859	-	59,859
Depreciation, amortisation and impairment	-	39,768	39,768	-	39,768
Interest Payments	-	-	-	28,613	28,613
Precepts & Levies	-	-	-	42,087	42,087
Payments to Housing Capital Receipts Pool	-	-	-	5	5
Gain or Loss on Disposal of Fixed Assets	-	-	-	4,184	4,184
Total expenditure	687,412	39,064	726,476	75,455	801,931
Surplus or (deficit) on the provision of services	224,016	30,685	254,701	(218,274)	36,427

2014/15	Direct- orate Analysis	Amounts not reported to manage- ment for decision making	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(109,103)	-	(109,103)	(1,038)	(110,141)
Interest and investment income	-	-	-	(902)	(902)
Income from council tax/NNDR	-	-	-	(187,264)	(187,264)
Government grants and contributions	(370,689)	(7,813)	(378,502)	(118,441)	(496,943)
Total Income	(479,792)	(7,813)	(487,605)	(307,645)	(795,250)
Employee expenses	251,049	(3,595)	247,454	587	248,041
Other service expenses	385,811	-	385,811	-	385,811
Support Service recharges	60,979	-	60,979	-	60,979
Depreciation, amortisation and impairment	-	27,501	27,501	-	27,501
Interest Payments	-	-	-	28,905	28,905
Precepts & Levies	-	-	-	44,808	44,808
Payments to Housing Capital Receipts Pool	-	-	-	6	6
Gain or Loss on Disposal of Fixed Assets	-	-	-	12,561	12,561
Total expenditure	697,839	23,906	721,745	86,867	808,612
Surplus or (deficit) on the provision of services	218,047	16,093	234,140	(220,778)	13,362

29. TRADING ACCOUNTS

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:

	2015/16	2014/15
	£'000	£'000
Turnover	(742)	(771)
Expenditure	922	913
	180	142

30. 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 1st 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*

The contract with the Community Equipment Store reported in 2014/15 ceased on the 30th of June 2015 and the function was replaced with the WIS (Wirral Independence Service) which is provided by Medequip. The spend in 2015/16 is part of the Better Care Fund.

Revenue	2015/16	2014/15
	£'000	£'000
Funding provided to the pooled budget		
Wirral Council	4,210	520
Wirral Community Trust	26,535	1,400
	30,745	1,920
Expenditure met from the pooled budget		
Wirral Council	21,268	846
Wirral Community Trust	9,477	1,693
	30,745	2,539
Net deficit arising on the pooled budget during the year	-	619
Cost of the Council's share of the deficit on the pooled budget for the year	-	326

Capital (Disabled facilities grant and Social Care)	2015/16	2014/15
	£'000	£'000
Funding provided to the pooled budget		
Wirral Council	3,076	-
Wirral Community Trust	-	-
	3,076	-
Expenditure met from the pooled budget		
Wirral Council	1,722	-
Wirral Community Trust	-	-
	1,722	-
Net deficit arising on the pooled budget during the year	(1,354)	-
Cost of the Council's share of the deficit on the pooled budget for the year	(1,354)	-

The remaining funding for Disabled facilities grants will be moved into 2016/17 to be used as part of a rolling program for the provision of adaptations to disabled people's homes to help them to live independently for longer.

31. MEMBERS' ALLOWANCES

The Council paid the following amounts to Members of the Council during the year. These amounts relate to payments made directly to members. In addition approximately £3,000 was paid directly by the council in respect of taxi journeys undertaken by members during the year (2015/16)

	2015/16	2014/15
	£'000	£'000
Salaries	11	12
Allowances	749	744
Expenses	5	6
Total	765	762

32. OFFICERS' REMUNERATION

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

	Employment Period	Notes	Salary £	Allow- ances £	Comp- ensation for loss of Office £	Pension Contrib- utions £	Total inc Pension Contrib- utions £
Financial Year 2015/16							
Chief Executive (Eric Robinson)	07/04/15-31/03/16	a)	159,798	239	-	22,066	182,103
Strategic Director : Transformation & Resources	01/04/15-31/03/16		119,843	4	-	16,566	136,413
Strategic Director: Families & Wellbeing	01/04/15-31/03/16		119,883	152	-	16,566	136,601
Strategic Director: Regeneration & Environment	01/04/15-31/10/15	b)	75,619	-	49,057	247,172	371,848
Director of Public Health	01/04/15-31/03/16		91,025	-	-	14,079	105,104
Head of Neighbourhood and Engagement	01/04/15-17/07/15		52,740	-	37,086	3,472	93,298
Director of Resources	Vacant		-	-	-	-	-
Acting Section 151 Officer	01/04/15-31/03/16		78,161	-	-	10,811	88,972
Director of Adult Social Services	01/04/15-31/03/16		111,088	594	-	15,347	127,029
Director of Children & Young People's Services	01/04/15-31/03/16		108,245	-	-	14,964	123,209
Assistant Chief Executive/Head of Infrastructure Monitoring Officer	01/04/15-31/03/16	c)	102,738	233	-	14,153	117,124
			73,605	-	-	-	73,605
Total			1,092,745	1,222	86,143	375,196	1,555,306

The Council made on bonus payments to senior employees.

- a) Acting Chief Executive/Head of Infrastructure covering Chief Executive post from 01/04/15-06/04/15 in addition to existing post
- b) Acting Chief Executive/Head of Infrastructure covering Strategic Director - Regeneration & Environment post from 01/11/15-31/03/16 in addition to existing post
- c) Acting Chief Executive/Head of Infrastructure covering 2 additional posts (see above) for part of the year

	Employment Period	Notes	Salary £	Allow- ances £	Comp- ensation for loss of Office £	Pension Contrib- utions £	Total inc Pension Contrib- utions £
Financial Year 2014/15							
Chief Executive	01/04/14-31/12/14	(a)	100,074	414	-	-	100,488
Acting Chief Executive	01/01/15-31/03/15	(c)	25,597	-	-	3,538	29,135
Strategic Director : Transformation & Resources	01/04/14-31/03/15		120,108	15	-	16,566	136,689
Strategic Director: Families & Wellbeing	01/04/14-31/03/15		120,254	-	-	16,566	136,820
Strategic Director: Regeneration & Environment	01/04/14-31/03/15		119,616	212	-	16,566	136,394
Head of Policy & Performance/Director of Public Health	01/04/14-31/03/15		89,686	-	-	12,556	102,242
Head of Neighbourhood and Engagement	01/04/14-31/03/15		83,361	-	-	11,524	94,885
Director of Resources	01/04/14-30/11/14	(b)	63,438	198	-	8,066	71,702
Acting Section 151 Officer	01/12/14-31/03/15	(b)	25,375	-	-	3,505	28,880
Director of Adult Social Services	01/04/14-31/03/15		108,285	709	-	14,964	123,958
Director of Children & Young People's Services	01/04/14-31/03/15		105,467	-	-	14,580	120,047
Assistant Chief Executive/ Head of Universal Services/Infrastructure	01/04/14-31/03/15	(c)	76,159	-	-	10,529	86,688
Monitoring Officer	01/04/14-31/03/15		72,527	-	-	-	72,527
Total			1,109,947	1,548	-	128,960	1,240,455

Note (a) – Acting Chief Executive in place 1 January 2015 to 6 April 2015;

Note (b) – Since 1 December 2014, an Acting Section 151 Officer has been in place covering this post;

Note (c) – The Chief Executive left the Council on 31 December 2014. The Assistant Chief Executive acted as Interim Chief Executive between 1 January 2015 and 6 April 2015, the date when the new Chief Executive took up the post.

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	2015/16 Number of Employees				2014/15 Number of Employees		
	General	Schools Non Teaching	Teaching	Total	General	Teaching	Total
£50,001 - £55,000	28	1	51	80	22	44	66
£55,001 - £60,000	21	-	38	59	22	37	59
£60,001 - £65,000	12	-	37	49	7	41	48
£65,001 - £70,000	7	-	22	29	4	17	21
£70,001 - £75,000	6	-	6	12	12	9	21
£75,001 - £80,000	3	-	3	6	2	3	5
£80,001 - £85,000	3	-	5	8	6	3	9
£85,001 - £90,000	1	-	2	3	2	1	3
£90,001 - £95,000	1	-	-	1	1	-	1
£95,001 - £100,000	-	-	1	1	-	2	2
£100,001 - £105,000	2	-	2	4	1	1	2
£105,001 - £110,000	1	-	-	1	4	-	4
£110,001 - £115,000	1	-	-	1	-	-	-
£115,001 - £120,000	1	-	-	1	2	-	2
£120,001 - £125,000	3	-	-	3	2	-	2
£125,001 - £130,000	-	-	-	-	-	1	1
£170,001 - £175,000	1	-	-	1	-	-	-
£175,001 - £180,000	-	-	-	-	1	-	1
	91	1	167	259	88	159	247

The numbers of exit packages with total cost per band and total cost of the 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	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16 £'000	2014/15 £'000
£ 0 - £ 20,000	13	3	145	213	158	216	1,122	1,952
£ 20,001 - £ 40,000	1	-	21	56	22	56	586	1,367
£ 40,001 - £ 60,000	-	-	4	4	4	4	193	211
£ 60,001 - £ 80,000	-	-	-	3	-	3	-	205
£ 80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	1	-	1	-	129
	14	3	170	277	184	280	1,901	3,864

Termination Benefits

In 2014/15 the Council commenced a major restructuring of its departmental operations. This continued in 2015/16 and has seen changes in the operational arrangements at director, head of service and senior manager level. The requirement to make budget reductions in 2015/16 and beyond has also seen further reviews and restructuring of a number of Council services.

As a consequence of these changes to the Councils organisation Wirral has incurred termination payments and liabilities of £1.901 million in 2015/16 (2014/15 £3.86 million). This covers the costs of staff severance packages where the detailed restructuring of a service area has either occurred in 2015/16 or is demonstrably committed to take place in 2015/16.

33. EXTERNAL AUDIT COSTS

In 2015/16 the following fees were paid relating to external audit and inspection:

	2015/16	2014/15
	£'000	£'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	160	213
Fees payable to Grant Thornton for the certification of grant claims and returns	25	36
Fees payable to Grant Thornton in respect of other services provided by the appointed auditor	8	10
Total	193	259

34. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). 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 2011.

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 2015/16 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£'000	£'000	£'000
Final DSG for 2015/16 (prior to Academy Recoupment)			236,603
Academy figure recouped for 2015/16			(66,217)
Final DSG for 2015/16			170,386
plus: Brought forward from 2014/15			3,463
less: Carry forward to 2016/17 agreed in advance			(1,245)
Agreed initial budgeted distribution 2015/16	27,189	145,415	172,604
In year adjustments		(52)	(52)
Final budgeted distribution for 2015/16	27,189	145,363	172,552
less: Actual central expenditure	(26,354)		(26,354)
less: Actual ISB deployed to schools		(145,363)	(145,363)
Authority contribution for 2015/16	437	-	437
Carry forward to 2016/17 agreed in advance			1,245
Total carried forward to 2016/17	1,272	-	2,517

Comparative figures for 2014/15 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£'000	£'000	£'000
Final DSG for 2014/15 (prior to Academy Recoupment)			237,481
Academy figure recouped for 2014/15			(62,846)
Final DSG for 2014/15			174,635
plus: Brought forward from 2013/14			3,803
less: Carry forward to 2015/16 agreed in advance			(1,406)
Agreed initial budgeted distribution 2014/15	27,484	149,548	177,032
In year adjustments			-
Final budgeted distribution for 2014/15	27,484	149,548	177,032
less: Actual central expenditure	(25,427)		(25,427)
less: Actual ISB deployed to schools		(149,548)	(149,548)
Authority contribution for 2014/15	-	-	-
Carry forward to 2015/16 agreed in advance			1,406
Total carried forward to 2015/16	2,057	-	3,463

35. GRANT INCOME

The Council credited the following grants and contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

Credited to Taxation and Non Specific Grant Income:	2015/16		2014/15	
	£'000	£'000	£'000	£'000
Revenue Grants :				
Revenue Support Grant	64,281		87,493	
Schools Private Finance Initiative	5,471		5,471	
Education Services Grant	3,795		4,857	
Grant to Compensate for Changes to Business Rates	3,386		2,971	
New Homes Bonus Grant	2,835		2,010	
Care Act Funding	2,157		-	
Independent Living Fund Grant	1,325		-	
Council Tax Freeze Grant	1,307		1,354	
Troubled Families Grant	951		903	
Local Council Tax Support Admin Grant	526		565	
14-15 SEN-RG	-		364	
Local Reform and Community Voices	243		315	
Adoption Reform Grant	-		260	
SEND Implementation	175		260	
Local Services Support Grant	98		184	
Other Revenue Grants	308		935	
Total Revenue Grants		86,858		107,942
Capital Grants :				
Transport Supplementary Grant	4,363		4,995	
Standards Fund	3,848		3,113	
Social Care Grant	983		-	
Sustainable Transport Enhance Prog	473		-	
Disabled Facilities Grants	371		-	
Universal Free School Meals	139		410	
LSTF Major Bid	-		485	
Heritage Lottery Fund	-		181	
Other Capital Grants (less than £250k)	301		1,315	
Total Capital Grants		10,478		10,499
Total Credited to Taxation and Non Specific Grant Income		97,336		118,441

	2015/16	2014/15
	£'000	£'000
Credited to Services:		
Dedicated Schools Grant	170,386	174,635
Housing Benefits	135,279	137,832
Public Health Grant	28,787	26,440
Pupil Premium	13,831	14,407
16-19 Further Education YPLA	5,318	6,371
Universal Infant Free School Meals (UIFSM)	3,393	1,903
Housing Benefits Admin Grant	1,871	2,041
PE & Sports Grant	856	840
Adult Safeguarded Learning	839	839
Discretionary Housing Payments	737	996
Youth Justice Board	670	776
Youth Employment Gateway	636	308
Rates Relief	339	357
Music Grant	317	724
Step Up to Social Work	180	339
Local Welfare Assistance Scheme	-	1,607
Local Sustainable Transport Fund	-	731
Pot Hole Grant	-	463
Crime and Disorder Reduction Grant	-	432
Other	835	1,123
Total Credited to Services	364,274	373,164

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 £1.003 million:

	31 March 2016	31 March 2015
	£'000	£'000
Grants Receipts in Advance		
Regional Growth Fund	-	2,883
Cluster of Empty Homes	653	1,254
Milberry Properties	267	266
Aiming Higher - Disabled Children	-	233
Other	83	186
Total Grant Receipts in Advance	1,003	4,822

Revenue grants with conditions totalling less than £1 million are included in short term creditors.

36. 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 (eg 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 2015/16 is shown in Note 31. During 2015/16, works and services to the value of £8.2 million were commissioned from companies in which Members had an interest. Contracts were entered into in full compliance with the council's standing orders. During the year, payments to the value of £3.3 million were made to companies in which members had an interest, including payments to Magenta Living (£0.8 million in 2015/16, £0.7 million in 2014/15) and Wirral Evolutions (£2.1 million in 2015/16, £Nil in 2014/15) and to various voluntary organisations (£0.3 million in 2015/16, £0.2 million in 2014/15). 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 2015/16, the Assistant Chief Executive declared an interest as a director of Edsential Community Interest Company which is a company significantly influenced by the council. The Head of Delivery, Families and Wellbeing, declared an interest as acting managing director of Wirral Evolutions, which is 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.

Magenta Living (Wirral Partnership Homes) – Community Fund

The Community Fund is administered and held in a separate bank account by Magenta Living, formerly Wirral Partnership Homes. Its use is jointly controlled by representatives of Wirral Council and Magenta Living. Wirral Council's accounts do not include the assets, income or expenditure of the Fund. Any grants paid to the Council from the Community Fund are, however, included within the Council's accounts.

Wirral Council did not draw down from the grant in 2015/16 (£3 million in 2014/15). However a grant of £0.75m for 2015/16 was paid in 2016/17 from the Community Fund to fund support for housing and homelessness initiatives and scheme tackling domestic abuse. The balance of the Community Fund at 31 March 2016 stood at £10.1 million (£8.2 million at March 2015).

The balance on the Community Fund is also being held to meet costs in respect of an environmental warranty, which was set up with Magenta Living at the time of the transfer of housing stock from the Council to Magenta to meet the costs of remediation of environmental contamination.

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. 2015/16 was the first year of operation for Wirral Evolutions. The Council purchased adult social care services to the value of £2.1 million from the company in 2015/16 and has provided payroll services for Wirral Evolutions. Wirral Evolutions has a net pension deficit of £1m as at 31st March 2016.

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 £0.97 million from the company in 2015/16 and provided payroll services to Edsential CIC.

The company started to trade on 1st December 2015. The Council has provided a working capital loan to Edsential of £600,000. The Council also guarantees the Merseyside Pensions part of the pension liability which equates to £1.6m.

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 Repre- sentatives	Precept/L evy 2015/16 £'000	Precept/ Levy 2014/15 £'000
Merseyside Police and Crime Commissioner	3	14,267	13,750
Merseyside Fire and Rescue Service	4	7,073	6,151
Merseyside Recycling and Waste Authority	2	15,531	15,085
Merseyside Port Health	6	61	44
Liverpool City Region Combined Authority	1	26,264	29,433

The Authority has a pooled budget arrangement with Wirral Community NHS Trust. Further details are contained in note 30.

The Council acts as the administering authority to Merseyside Pension Fund and charged the Fund £3.4 million (2014/15 £3.4 million) for administration and investment management costs.

37. CAPITAL EXPENDITURE AND CAPITAL FINANCING

Summary of Capital Expenditure and Financing	2015/16	2014/15
	£'000	£'000
Opening Capital Financing Requirement	337,968	349,251
Capital Investment		
Property, Plant & Equipment	24,432	21,248
Revenue Expenditure Funded from Capital under Statute	10,732	9,568
Intangible Assets	577	1,341
Long Term Debtors	409	300
	36,150	32,457
Sources of Finance		
Capital Receipts	(2,928)	(3,942)
Government Grants transferred from Capital Grants Unapplied	(3,689)	(7,918)
Government Grants and Other Contributions received and applied in year	(14,851)	(13,821)
Sums Set Aside from Revenue		
Minimum Revenue Provision	(16,818)	(17,261)
Revenue Contributions	(431)	(798)
	(38,717)	(43,740)
Closing Capital Financing Requirement	335,401	337,968
Explanation of the Movement in Year		
Increase/(Reduction) in the underlying need to borrow	(2,567)	(11,283)

The opening CFR for 2014/15 has been reduced by £5.885 million. This corrects a previous omission relating to the Merseyside Residual Debt Fund repayment of debt from outside organisations.

38. 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	112 years
Wirral Country Park Caravan Site (Touring)	The Caravan Club Ltd	13 years
Wirral Country Park Caravan Site (Static)	The Caravan Club Ltd	33 years
New Brighton Marine Point	Neptune Developments	246 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 2016	31 March 2015
	£'000	£'000
Finance lease debtor (net present value of minimum lease payments):		
• current	3	3
• non-current	2,664	2,667
Unearned finance income	25,823	26,107
Gross investment in the lease	28,490	28,777

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

	Investment in the Lease 31 March 2016 £000	Lease Payments 31 March 2016 £000	Investment in the Lease 31 March 2015 £000	Lease Payments 31 March 2015 £000
	£'000	£'000	£'000	£'000
Not later than one year	287	150	287	162
Later than one year and not later than five years	1,146	499	1,146	538
Later than five years	27,057	1,419	27,343	1,530
	28,490	2,068	28,776	2,230

39. 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:

	Leasowe Primary	Wallasey High	Total
	£'000	£'000	£'000
Movement in 2015/16			
Valuation			
Valuation at 1 April 2015	1,033	-	1,033
Revaluations	1,694	-	1,694
Accumulated Depreciation at 1 April 2015	(14)	-	(14)
Depreciation 2015/16	5	-	5
Disposals	-	-	-
Accumulated Depreciation at 31 March 2016	(9)	-	(9)
Net Book Value			
at 31 March 2016	2,718	-	2,718
at 31 March 2015	1,018	-	1,018
Comparative Movement in 2014/15			
Valuation at 1 April 2014	1,053	3,235	4,288
Revaluations		(3,235)	(3,235)
Accumulated Depreciation at 1 April 2014	(22)	(7)	(29)
Depreciation 2014/15	(13)	(83)	(96)
Disposals	-	90	90
Accumulated Depreciation at 31 March 2015	(35)	-	(35)

Payments

Payments remaining to be made under PFI contracts are as follows:

	Services	Lease Liability	Interest	Life cycle costs	Total
	£'000	£'000	£'000	£'000	£'000
Payable in 2016/17	2,873	2,421	1,740	862	7,896
Payable within 2 - 5 years	11,570	11,129	6,025	2,859	31,583
Payable within 6 - 10 years	14,638	15,548	5,287	4,006	39,479
Payable within 11 - 15 years	14,834	20,928	2,152	1,564	39,478
Payable within 16 - 20 years	1,037	377	7	75	1,496
Total	44,952	50,403	15,211	9,366	119,932

The unitary payment in 2015/16 is £11.347 million (2014/15 £11.184 million), allocated as follows

	2015/16	2014/15
	£'000	£'000
Service costs	4,118	4,413
Interest and similar charges	3,762	3,719
Lease liability	2,593	2,483
Life cycle costs	874	569
	11,347	11,184

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

	2015/16	2014/15
	£'000	£'000
Balance outstanding at start of year	52,826	55,109
Lease payments during the year	(2,593)	(2,484)
Other movements	170	201
	50,403	52,826

In calculating the future unitary payments to the end of the contract from 2015/16 onwards, 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 2016 by £170,000. 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.

40. 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
Balance 1.4.2014	49,153	3,091	28	2,674	54,946
Advances	-	300	-	-	300
Repaid/reclassified	(4,468)	-	(9)	(7)	(4,484)
Balances 31.3.2015	44,685	3,391	19	2,667	50,762
Balance 1.4.2015	44,685	3,391	19	2,667	50,762
Advances	-	1,154	-	-	1,154
Repaid/reclassified	(4,468)	(723)	(7)	(3)	(5,201)
Balances 31.3.2016	40,217	3,822	12	2,664	46,715

41. OTHER LONG TERM LIABILITIES

	PFI Long term liability	Other lease liability	Pensions liability	Total
	£'000	£'000	£'000	£'000
Balance 1.4.2014	52,988	18	369,197	422,203
Advances	-	-	-	-
Repayments	(2,495)	(9)	-	(2,504)
Deficit funding	-	-	133,278	133,278
Balance 31.3.2015	50,493	9	502,475	552,977
Balance 1.4.2015	50,493	9	502,475	552,977
Advances	-	-	-	-
Repayments	(2,510)	(10)	-	(2,520)
Deficit funding	-	-	(40,880)	(40,880)
Balance 31.3.2016	47,983	1	461,595	509,577

42. 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 in excess of 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 2016, the Authority's own contributions are negligible.

In 2015/16, the council paid £9.768m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.5% of pensionable pay. The figures for 2014/15 were £9.57m and 14.5%. 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 £9.5m.

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 43.

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

Public Health

Under the new arrangements for Public Health, staff performing public health functions at Wirral primary care trust (PCT) were compulsorily transferred to the Authority on 1 April 2013 on the abolition of the PCTs nationally. The transferred staff retained access to the NHS Pension Scheme. The Scheme provides specified benefits upon retirement towards which the Authority makes contributions based on a percentage 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. 41 staff transferred from the Wirral PCT and consequently the Authority 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 2016, the Authority's own contributions are negligible.

In 2015/16 the Authority paid £0.232m to the NHS Pension Scheme in respect of the retirement benefits of public health staff representing 13.57% of pensionable pay (2014/15 £0.169 million 14% of pensionable pay). There were no contributions remaining payable at the year-end. Contributions due to be paid in the next financial year are estimated to be £0.24m.

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

43. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council 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 Council 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 Council 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 (i.e. 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 Council 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 Council 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	
	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000
Comprehensive Income and Expenditure Statement						
<i>Cost of Services:</i>						
• current service costs	28,006	24,302	-	-	-	-
• past service costs	- 537	-	-	-	-	-
• settlements and curtailments	2,162	2,295	-	-	-	-
<i>Other Operating Expenditure:</i>						
• Administration costs	566	587	-	-	-	-
<i>Financing and Investment Income and Expenditure</i>						
• Net interest cost	13,510	12,570	1,363	1,740	1,046	1,416
Total Post Employment Benefits charged to the Surplus or Deficit on the Provision of Services	43,707	39,754	1,363	1,740	1,046	1,416

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	Local Government Pension Scheme		Discretionary Benefits Arrangements		Unfunded Teachers Scheme	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	£'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	24,110	(62,253)	-	-	-	-
- actuarial gains and losses arising from changes to demographic assumptions	-	-	-	-	-	-
- actuarial gains and losses arising from changes to financial assumptions	(73,191)	183,152	(1,380)	3,703	(837)	2,304
• Total remeasurement of the net defined benefit liability	(49,081)	120,899	(1,380)	3,703	(837)	2,304
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	(5,374)	160,653	(17)	5,443	209	3,720
<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	(43,707)	(39,754)	(1,363)	(1,740)	(1,046)	(1,416)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>						
• employers' contributions payable to scheme	30,048	30,736	-	-	2,863	2,981
• retirement benefits payable to pensioners	-	-	2,787	2,821	-	-

Pensions Assets and Liabilities recognised in the Balance Sheet

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

	2015/16	2014/15
	£'000	£'000
Present value of liabilities:		
Local Government Pension Scheme	1,272,346	1,325,647
Discretionary Benefits	39,917	42,721
Teachers pension scheme	32,514	35,168
	1,344,777	1,403,536
Fair value of assets:		
Local Government Pension Scheme	883,182	901,061
Net Liability arising from defined benefit obligation		
Local Government Pension Scheme	(389,164)	(424,586)
Discretionary Benefits	(39,917)	(42,721)
Teachers pension scheme	(32,514)	(35,168)
Total	(461,595)	(502,475)

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	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance at 1 April	901,061	804,014	-	-	-	-
Interest on plan assets	29,433	36,163	-	-	-	-
Remeasurements (Assets)	(24,110)	62,253	-	-	-	-
Employer contributions	30,048	30,736	2,787	2,821	2,863	2,981
Contributions by scheme participants	7,140	7,310	-	-	-	-
Benefits paid	(41,126)	(38,828)	(2,787)	(2,821)	(2,863)	(2,981)
Administration costs	(566)	(587)	-	-	-	-
Settlements	(18,698)	-	-	-	-	-
Closing balance at 31 March	883,182	901,061	-	-	-	-

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits		Unfunded Teachers Scheme	
	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000
Opening balance at 1 April	1,325,647	1,098,683	42,721	40,099	35,168	34,429
Current service cost	28,006	24,302	-	-	-	-
Interest cost on liabilities	42,943	48,733	1,363	1,740	1,046	1,416
Contributions by scheme participants	7,140	7,310	-	-	-	-
Remeasurements (Liabilities)	(73,191)	183,152	(1,380)	3,703	(837)	2,304
Benefits paid	(41,126)	(38,828)	(2,787)	(2,821)	(2,863)	(2,981)
Past service costs/ (gain)	-	-	-	-	-	-
Curtailments	2,162	2,295	-	-	-	-
Settlements	- 19,235	-	-	-	-	-
Closing balance at 31 March	1,272,346	1,325,647	39,917	42,721	32,514	35,168

Local Government Pension Scheme Assets comprised:

	Fair Value of Scheme Assets	
	2015/16 £'000	2014/15 £'000
Equities		
UK quoted	191,018	214,993
Global quoted	266,434	271,400
	457,452	486,393
Bonds		
UK Government	40,524	45,053
UK Corporate	21,395	23,337
UK Index-Linked	78,368	87,943
	140,287	156,333
Property		
UK Direct Property	50,619	50,459
UK Quoted Managed Property	3,614	2,974
UK Unquoted Managed Property	14,017	11,984
Global Managed Properties	10,408	9,011
	78,658	74,428

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	Fair Value of Scheme Assets	
	2015/16	2014/15
	£'000	£'000
Private Equity		
UK quoted	170	360
UK unquoted	32,437	26,942
Global unquoted	28,407	24,689
	61,014	51,991
Hedge Funds		
UK quoted	2,236	2,253
UK unquoted	4,772	4,866
Global unquoted	23,845	27,482
	30,853	34,601
Infrastructure		
UK quoted	17,744	12,615
Global quoted	3,561	2,433
Global unquoted	11,382	7,479
	32,687	22,527
Opportunities		
UK quoted	15,291	16,489
UK unquoted	25,198	18,472
Global quoted	1,187	2,703
Global unquoted	10,195	9,822
	51,871	47,486
Cash Instruments	30,360	27,302
Total	883,182	901,061

Asset Breakdown

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

	2015/16	2014/15
	%	%
Equities	51.8	54.0
Government Bonds	4.6	5.0
Other Bonds	11.3	12.3
Property	8.9	8.3
Alternatives	20.0	17.4
Cash Instruments	3.4	3.0
	100.0	100.0

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 credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Mercer, an independent firm of actuaries, estimates for the Merseyside Pension Fund being based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2015/16	2014/15
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	22.5	22.4
• Women	25.4	25.3
Longevity at 65 for future pensioners in years		
• Men	24.9	24.8
• Women	28.2	28.1
Rate of CPI inflation	2.0%	2.0%
Rate of increase in salaries	3.5%	3.5%
Rate of increase in pensions	2.0%	2.0%
Rate for discounting scheme liabilities	3.6%	3.3%
Rate for discounting scheme liabilities (Teachers unfunded)	3.4%	3.1%

The estimate of the defined benefit obligation is sensitive to the actuarial assumptions contained 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 inter-related.

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

Sensitivity Analysis

	Impact on the Defined Benefit		Teachers Additional Unfunded pensions	
	Increase in assumption £'000	Decrease in assumption £'000	Increase in assumption £'000	Decrease in assumption £'000
Longevity (increase or decrease in one year)	(25,875)	25,875	(1,487)	1,487
Rate of inflation (increase or decrease by 0.1%)	(24,088)	24,088	(299)	299
Rate of increase in salaries (increase or decrease by 0.1%)	(5,886)	5,886	-	-
Rate of increase in pensions (increase or decrease by 0.1%)	-	-	-	-
Rate for discounting liabilities (increase or decrease by 0.1%)	(23,665)	23,665	(297)	297

Asset and Liability Matching Strategy

The Pensions Committee of the Merseyside Pensions 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 (52% of scheme assets) and bonds (15%).

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 2016.

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.

The Council expects to pay £30.6 million in contributions to the scheme in 2016/17. Expected contributions relating to discretionary benefits in 2016/17 are £2.8 million and the weighted average duration of the defined benefit obligation for scheme members is 18 years.

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 the Mercers, the firm of actuaries responsible for valuing the Fund.

Retirement benefit obligations

At 31 March 2016 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 2013, and at that date showed a funding level of 76% (assets of £5.82bn against accrued liabilities of about £7.69bn). The weighted average duration of the liabilities of the Fund as a whole is 18 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 2013, which showed a shortfall of assets against liabilities of £1.87bn as at that date, equivalent to a funding level of 76%. 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 18 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.

44. 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.

	Income	Expenditure	Assets	Liabilities
	£'000	£'000	£'000	£'000
EF Callister	-	-	373	-
Stitt Scholarship	-	-	37	-
Criminal Injuries	-	-	4	-
Other	-	-	84	-
	-	-	498	-

45. CONTINGENT ASSETS AND LIABILITIES**Pay Review**

As a consequence of the National Joint Council (NJC) for Local Government Services pay award the Council is implementing a Local Pay Review which is being backdated to 1 April 2007. The review is addressing any equality issue in relation to equal pay for work of equal value.

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 2016. 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.

46. 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 2016 that this was likely to crystallise.

The table below summarises the nominal value of the Council's investment portfolio as at 31 March 2016 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 31.03.16
		Long Term Rating	Cash Equivalent	0-3 Months	3-6 Months	6-12 Months	
		£'000	£'000	£'000	£'000	£'000	£'000
Loans & Receivables							
Banks							
UK	A	-	6,000	7,000	-	-	13,000
Non-UK	AA-	-	-	1,500	-	-	1,500
Building Societies							
UK	A	-	500	2,500	-	-	3,000
UK	Unrated	-	1,000	-	-	-	1,000
Corporate	Unrated		600				600
Other Local Authorities	n/a	-	13,000		-	-	13,000
Total Loans & Receivables		-	21,100	11,000	-	-	32,100
Available for sale financial assets							
Money Market Fund	AAA	16,595	-	-	-	-	16,595
Other Externally Managed Funds	AAA	-	2,000	-	-	-	2,000
Total Available for sale financial assets		16,595	2,000	-	-	-	18,595
Total Financial Instruments		16,595	23,100	11,000	-	-	50,695

*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.

2015/16	Trade Receivables	2014/15
£'000		£'000
14,224	Gross Receivables	21,040
(8,519)	Bad Debt Provision	(7,943)
5,705	Net Trade Receivables	13,097

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 2016 was as follows:

Maturity of Borrowing (Years)	31 March 2016	
	£'000	%
Short Term Borrowing		
Less than 1 year	19,951	9.59
Total Short Term Borrowing	19,951	9.59
Long Term Borrowing:-		
Over 1 year under 2 years	9,109	4.37
Over 2 years under 3 years	7,409	3.55
Over 3 years under 4 years	3,184	1.53
Over 4 years under 5 years	3,184	1.53
Over 5 years under 10 years	33,440	16.07
Over 10 years under 20 years	6,054	2.91
Over 20 years under 40 years	83,285	40.02
Over 40 years under 60 years	24,119	11.59
Over 60 years under 70 years	18,401	8.84
Total Long Term Borrowing	188,185	90.41
Total Borrowing	208,136	100.00

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 2016 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 £0.82million. There would be no effect on interest payable on borrowings as all borrowings held are at fixed rates of interest.

The appropriate impact of a 1% fall in interest rates would be the same as above but with the movements being reversed.

(b) 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).

(c) 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

	2015/16		2014/15	
	£'000	£'000	£'000	£'000
Council Tax				
Income				
Council Tax due for the Year (Note 2)		139,866		137,358
Transfers from the General Fund:				
- Pensioner Discounts		-		608
		139,866		137,966
Expenditure				
Precepts (Note 2):				
- Wirral Council	114,206		112,214	
- Police & Crime Commissioner for Merseyside	14,267		13,750	
- Merseyside Fire & Rescue Service	6,385	134,858	6,151	132,115
Provision for Bad and Doubtful Debts (Note 4)		1,392		2,906
Apportionment of previous year surplus / (deficit) (Note 5):				
- Wirral Council	3,728		-	
- Police & Crime Commissioner for Merseyside	457		-	
- Merseyside Fire & Rescue Service	204	4,389	-	-
		140,639		135,021
Council Tax - Net Expenditure / (Income) in the year		773		(2,945)
NNDR (Business Rates)				
Income				
NNDR due for the year (Note 3)		70,413		69,515
		70,413		69,515
Expenditure				
Cost of Collection		339		339
Transitional Arrangements		92		375
Payment to Central Government (Note 3)		34,399		33,545
Payments to Major Precepting Authorities (Note 3):				
- Wirral Council	33,711		32,874	
- Merseyside Fire & Rescue Service	688	34,399	671	33,545
Interest on Refunds		-		4
Provision for Bad and Doubtful Debts (Note 4)		1,274		1,233
Provision for Appeals (Note 4)		560		2,176
Apportionment of previous year surplus / (deficit) (Note 5):				
- Central Government	(454)		(840)	
- Wirral Council	(445)		(823)	
- Merseyside Fire & Rescue Service	(9)	(908)	(17)	(1,680)
Other transfers to General Fund in accordance with non-domestic rates regulations:				
- Enterprise Zone Growth		9		
		70,164		69,537
NNDR - Net Expenditure / (income) in the year		(249)		22
Total Net Expenditure / (Income) in the Collection Fund for the year		524		(2,923)

	2015/16	2014/15
	£'000	£'000
Council Tax		
Opening balance at 1 April	(5,829)	(2,884)
Movement in Year	773	(2,945)
Closing balance at 31 March	(5,056)	(5,829)
NNDR (Business Rates)		
Opening balance at 1 April	4,709	4,687
Movement in Year	(249)	22
Closing balance at 31 March	4,460	4,709
Overall Collection Fund balance 31 March	(596)	(1,120)

In accordance with proper accounting practice, the Collection Fund balance has been allocated in 2015/16 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.

Under the Business Rates Retention Scheme, which was introduced by the Government on 1 April 2013, business rates income is collected and apportioned between Wirral Council (49%), Merseyside Fire and Rescue Service (1%) and Central Government (50%). The main aim of the scheme is to give the Council more incentive to grow the economy in the Borough. However financial risk is also increased due to the volatile nature of the NNDR tax base and non-collection.

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 2015/16 for each band of dwelling as shown below:

A	1,006.27	B	1,173.99	C	1,341.70	D	1,509.41
E	1,844.83	F	2,180.26	G	2,515.68	H	3,018.82

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 2014/15. 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:

Band	No. of Properties	Less Discounts	Effective Properties	Band Ratio	Band D Equivalent
A	59,158	26,452.5	32,705.5	6/9	21,803.7
B	31,869	7,763.6	24,105.3	7/9	18,748.6
C	27,174	4,397.6	22,776.4	8/9	20,245.7
D	13,200	1,555.2	11,644.8	1	11,644.8
E	8,070	717.9	7,352.1	11/9	8,985.9
F	4,225	336.5	3,888.5	13/9	5,616.7
G	3,078	195.3	2,882.7	15/9	4,804.5
H	264	36.4	227.6	18/9	455.2
	147,038	41,455.0	105,583.0		92,305.1
Add Band A Disabled Relief Band D Equivalent					41.0
Total					92,346.1
Estimated Collection Rate					96.75%
Adjusted Council Tax Base					89,344.9

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:

	2015/16	2014/15
Precepts (£'000)		
- Wirral Council	114,206	112,214
- Police & Crime Commissioner for Merseyside	14,267	13,750
- Merseyside Fire & Rescue Service	6,385	6,151
Total Precepts	134,858	132,115
Council Tax Base	89,344.9	87,786.2
Band D Equivalent (Precepts divided by Council Tax Base)	£1,509.41	£1,504.96

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 Business Rate Retention scheme was introduced in 2013/14 and as a result 50% of NNDR collected is paid to Central Government, 1% to Merseyside Fire & Rescue Service, with the remaining 49% being retained by Wirral Council.

The estimated rateable value is split between general and small businesses. For 2015/16, the initial bills raised were based on a total rateable value of £180,616,580 (2014/15 £180,496,567). Of this figure £149,098,021 related to general business rates, which are charged at 49.3p in the £ (2014/15 48.2p). The total value of small business rates was £31,518,559, charged at 48.0p in the £ (2014/15 47.1p). This gave an opening charge for 2015/16 of £88.634 million (2014/15 £86.66 million).

This correlates to the NNDR income due for the year in the Collection Fund statement as follows:

NNDR Income Due	2015/16 £'000	2014/15 £'000
Opening charge	88,634	86,660
Adjustments	(4,223)	(4,376)
Small Business Rate Relief	(6,689)	(6,340)
Mandatory Relief	(5,015)	(4,653)
Discretionary Relief	(2,294)	(2,068)
Income deferred from previous years	0	292
NNDR Income Due:	70,413	69,515

The total rateable value of all hereditaments within the Council area as at 31 March 2016 was £185,662,275 (2014/15 £180,338,970).

The locally retained business rates are paid into the Council's General Fund. The calculated shares of receipts for 2015/16 are as follows:

	2015/16 £'000	2014/15 £'000
Wirral Council	33,388	32,040
Central Government	34,069	32,694
Merseyside Fire & Rescue Service	681	654
	68,138	65,388

The Collection Fund paid the following precepts during the year:

	2015/16 £'000	2014/15 £'000
Wirral Council	33,711	32,874
Central Government	34,399	33,545
Merseyside Fire & Rescue Service	688	671
Contribution to previous years estimated deficit:		
Wirral Council	(445)	(823)
Central Government	(454)	(840)
Merseyside Fire & Rescue Service	(9)	(17)
	67,890	65,410

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 2015/16, 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 will be closely monitored in future years to ensure it is sufficient, whilst not being excessive. £5.368m was in the provision at the end of 2014/15, which has been increased by a further £0.56m in 2015/16 to reflect current potential business rates reductions. The provision is split between the Collection Fund preceptors based on their precept shares.

NNDR Appeals Provision	2015/16	2014/15
	£'000	£'000
Balance at 1 April	5,368	3,192
Settled appeals	(251)	(792)
Movement in Provision	811	2,968
Balance at 31 March	5,928	5,368

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 2015/16. The bad debts provision is assessed annually and amounts set aside adjusted on an age profile of outstanding debt and other factors.

In 2015/16 an additional £1.392 million has been placed in the provision which reflects increased billing arising from the charging for empty properties, 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.

Council Tax Bad Debt Provision	2015/16	2014/15
	£'000	£'000
Balance at 1 April	13,295	11,218
Write-offs	(887)	(829)
Movement in Provision	1,392	2,906
Balance at 31 March	13,800	13,295

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 2015/16 an additional £1.274 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.

National Non-Domestic Rates Bad Debt Provision	2015/16	2014/15
	£'000	£'000
Balance at 1 April	3,499	3,593
Write-offs	(1,459)	(1,327)
Movement in Provision	1,274	1,233
Balance at 31 March	3,314	3,499

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 2016, there was a surplus of £5.056 million (2014/15 £5.829 million) which has been allocated amongst the precepting authorities on the basis of the 2015/16 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 2016 there was a deficit of £4.460 million (2014/15 £4.709 million), 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 2016 (for 2015/16 the estimated position was a £3.555 million surplus) is apportioned using the 2015/16 precept shares, whereas the additional surplus resulting from the final position as at 31 March 2016, is apportioned using the 2016/17 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 16 £'000	NNDR 31 Mar 16 £'000	Total Allocation £'000
Wirral Council	(4,286)	2,184	(2,102)
Central Government	0	2,231	2,231
Police & Crime Commissioner	(532)	0	(532)
Merseyside Fire and Rescue Service	(238)	45	(193)
	(5,056)	4,460	(596)

The share of any Collection Fund surplus or deficit is reflected within the precepting organisation's 2015/16 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**

FUND ACCOUNT For the year ended 31 March 2016	Note	2015/16 £'000	2014/15 £'000
			Reanalysed
Dealing with members, employers and others directly involved in the fund			
Contributions receivable	7	223,439	365,003
Transfers in	8	7,162	45,937
		230,601	410,940
Benefits payable	9	(300,320)	(291,685)
Payments to and on account of leavers	10	(14,446)	(124,520)
		(314,766)	(416,205)
Additions/(withdrawals) from dealing with members		(84,165)	(5,265)
Management Expenses	11	(32,626)	(25,801)
Return on Investments:			
Investment Income	12	140,290	126,242
Profit and losses on disposal of investments and change in market value of investments	13	(36,061)	643,704
Taxes on income	12	(387)	(469)
Net Return on Investments		103,842	769,477
Net increase/(decrease) in the Fund during the year		(12,949)	738,411
Net Assets of the Fund at the start of the year		6,862,705	6,124,294
Net Assets of the Fund at the end of the year		6,849,756	6,862,705

NET ASSETS STATEMENT For the year ended 31 March 2016	Note	2015/16 £'000	2014/15 £'000
Investment Assets	13		
Equities		2,020,418	2,053,353
Pooled Investment Vehicles		4,264,626	4,275,613
Derivative Contracts		254	2,233
Direct Property		377,000	382,210
Short Term Cash Deposits		40,031	47,098
Other Investment Balances		114,660	92,169
		6,816,989	6,852,676
Investment Liabilities	17	(4,527)	(24,868)
		6,812,462	6,827,808
Long Term Assets	18	9,236	11,655
Current Assets	19	39,270	39,635
Current Liabilities	19	(11,212)	(16,393)
Net Assets of the Fund as at 31 March		6,849,756	6,862,705

NOTES TO THE ACCOUNTS

1. DESCRIPTION OF FUND

Merseyside Pension Fund (MPF/the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Wirral Council. 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 2015/16 included 10 councillors from Wirral Council, the Administering authority, plus one councillor from each of the 4 other Borough Councils, and one member representing the other employers in the scheme. 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.

During 2015/16 a local Pensions Board has been 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 2015/16 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 2009.

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 170 employer organisations within Merseyside Pension Fund including Wirral Council itself as detailed below:

	31-Mar-16	31-Mar-15
Number of employers with active members	170	162
Number of employees in scheme	46,221	45,417
Number of pensioners	41,136	39,918
Number of dependents	6,588	6,682
Number of deferred pensioners	37,136	36,237
Total	131,081	128,254

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
Pension	Each year worked is worth $1/80 \times$ final pensionable salary.	Each year worked is worth $1/60 \times$ final pensionable salary.
Lump sum	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 2015/16 financial year and its position at year end as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 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. 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 split between administration expenses, investment management expenses and oversight and governance costs.

Administration Expenses

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 Expenses

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 Expenses

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 2016 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 9th Edition of the RICS Valuation – Professional Standards (incorporating the International Valuation Standards) (“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 (2) (b) of the Pensions Schemes (Management and Investment of Funds) Regulations 2009, 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 2016 was £1,670 million (£1,540 million at 31 March 2015).

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.

6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2016, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

7. CONTRIBUTIONS RECEIVABLE

	2015/16	2014/15
	£'000	£'000
Employers		
Normal	110,735	108,369
Pension Strain	13,492	15,334
Deficit Funding	45,843	187,858
Employees		
Normal	53,369	53,442
	223,439	365,003
Relating to:		
Administering Authority	36,338	38,375
Statutory Bodies	139,618	290,324
Admission Bodies	47,483	36,304
	223,439	365,003

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 2016. Employee contributions are matched by employers' contributions which are based on triennial actuarial valuations. The 2016 contributions above were calculated at the valuation dated 31 March 2013. The 2013 actuarial valuation calculated the average employer contribution of 22.5% (2010 18%).

"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 2015/16 the fund received additional and upfront payments covering the period until the next actuarial valuation in 2016, totalling £1.6 million, (in 2014/15, a number of employers opted to pay their three years deficit as a lump sum payment in year 1 totalling £96.8 million).

The Fund does reserve the right to levy interest charges on late receipt of contributions from employers. In 2015/16 no such charges were levied.

8. TRANSFERS IN

	2015/16	2014/15
	£'000	£'000
Group transfers	0	39,832
Individual transfers	7,162	6,105
	7,162	45,937

There were no group transfers to the Fund during 2015/16.

On 1 April 2014 MPF became the appropriate LGPS Fund for all Scheme members who have accrued LGPS benefits as a result of employment with the Local Government Association, for which a transfer of assets was received during 2014/15 with a value of £39.8 million.

9. BENEFITS PAYABLE

	2015/16	2014/15
	£'000	£'000
Pensions	243,390	235,364
Lump sum retiring allowances	51,958	50,118
Lump sum death benefits	4,972	6,203
	300,320	291,685
Relating to:		
Administering Authority	42,817	40,478
Statutory Bodies	210,017	206,877
Admission Bodies	47,486	44,330
	300,320	291,685

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2015/16	2014/15
	£'000	£'000
Refunds to members leaving service	429	172
Payment for members joining State scheme	222	84
Income for members from State scheme	(14)	(1)
Group transfers to other schemes	1,411	116,523
Individual transfers to other schemes	12,398	7,742
	14,446	124,520

There were two group transfers out of the Fund during 2015/16.

As part of the transforming rehabilitation programme, MPF transferred the Probation Trust liabilities on 1 June 2014 to Greater Manchester Pension Fund and transferred assets with a value of £116.5 million during 2014/15.

11. MANAGEMENT EXPENSES

	2015/16	2014/15
	£'000	£'000
		Restated
Administration expenses	2,421	2,369
Investment expenses	28,697	22,079
Oversight and governance expenses	1,838	1,620
Other Income	(330)	(267)
	32,626	25,801

*Management expenses are analysed into three categories, in accordance with CIPFA "Accounting for local government management costs".

11a. ADMINISTRATION EXPENSES

	2015/16 £'000	2014/15 £'000
Employee costs	1,643	1,576
IT costs	404	457
General costs	320	261
Other costs	54	75
	2,421	2,369

11b. INVESTMENT EXPENSES

	2015/16 £'000	2014/15 £'000
		Restated
External Investment Management Fees	15,850	10,456
External Investment Management Performance Fees	3,111	1,845
External Services	640	718
Internal Investment Management Fees	483	500
Property Related Expenses	5,093	4,834
Transaction Costs	3,520	3,726
	28,697	22,079

In accordance with CIPFA "Accounting for Local Government Management Costs" guidance, transaction costs and property related expenses are now shown under investment expenses. Transaction costs was previously added to purchases and netted against sales proceeds in table 13. Property related expenses were previously netted against rental income in table 12. The 2014/15 figures have been restated to reflect these changes.

In 2015/16 external investment management fees includes management fees paid for unlisted assets where the Fund has paid them directly, this amounted to £6.3 million, comparable data has not been restated for 2014/15 in the above table as the data was not collected in a way that allows reclassification.

11c. OVERSIGHT AND GOVERNANCE EXPENSES

	2015/16 £'000	2014/15 £'000
Employee Costs	449	418
External Services	733	495
Internal Audit	30	28
External Audit	40	39
Other Costs	586	640
	1,838	1,620

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 2015/16 is £317,434 relating to recharged Actuarial fees (2014/15 £146,172).

External Audit fees 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

	2015/16 £'000	2014/15 £'000
		Restated
Dividends from Equities	58,649	55,896
Income from Pooled Investment Vehicles	37,075	36,316
Rents from Properties	23,502	22,180
Interest on Short Term Cash Deposits	421	837
Income from Private Equity	19,385	9,840
Income from Derivatives	171	35
Other	1,087	1,138
	140,290	126,242
Irrecoverable Withholding Tax	(387)	(469)
	139,903	125,773

Rental income is shown gross of any property related expenses, with related expenses shown under investment expenses (note 11b), 2014/15 figures have been updated to reflect this change.

Investment income figures are shown gross of tax. Included in these figures is recoverable taxation of £4.1 million (2014/15 £2.7 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, but is not accruing for future receipt of such income within these accounts. Repayments received in 2015/16 £75,522 (2014/15 £233,029).

12a. PROPERTY INCOME

	2015/16 £'000	2014/15 £'000
Rental income	23,502	22,180
Direct operating expenses	(5,093)	(4,834)
Net rent from properties	18,409	17,346

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:

Age profile of lease income	2015/16 £'000	2014/15 £'000
No later than one year	1,152	2,510
Between one and five years	8,335	4,821
Later than five years	10,187	13,313
Total	19,674	20,644

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

2015/16	Market Value 31.3.2015 £'000	Purchases at cost & Derivative Payments £'000	Sale Proceeds & Derivative Receipts £'000	Change in Market Value * £'000	Market Value 31.3.2016 £'000
Equities	2,053,353	894,655	(852,802)	(74,788)	2,020,418
Pooled Investment Vehicles	4,275,613	288,302	(330,982)	31,693	4,264,626
Derivative Contracts	2,233	736,508	(737,780)	(707)	254
Direct Property	382,210	30,332	(42,916)	7,374	377,000
	6,713,409	1,949,797	(1,964,480)	(36,428)	6,662,298
Short term cash deposits	47,098			(326)	40,031
Other investment balances	92,169			693	114,660
	6,852,676			(36,061)	6,816,989

2014/15	Market Value 31.3.2014 £'000	Purchases at cost & Derivative Payments £'000	Sale Proceeds & Derivative Receipts £'000	Change in Market Value * £'000	Market Value 31.3.2015 £'000
		Restated	Restated	Restated	
Equities	1,838,855	933,352	(873,642)	154,788	2,053,353
Pooled Investment Vehicles	3,822,027	318,536	(295,485)	430,535	4,275,613
Derivative Contracts	4,131	2,893,922	(2,916,839)	21,019	2,233
Direct Property	310,650	57,326	(23,240)	37,474	382,210
	5,975,663	4,203,136	(4,109,206)	643,816	6,713,409
Short term cash deposits	31,780			380	47,098
Other investment balances	52,889			(492)	92,169
	6,060,332			643,704	6,852,676

*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 expenses 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

	2015/16	2014/15
	£'000	£'000
Equities (segregated holdings)		
UK Quoted	865,482	863,066
Overseas Quoted	1,154,936	1,190,287
	2,020,418	2,053,353
Pooled Investment Vehicles		
UK Managed Funds:		
Property	8,180	3,000
Equities	249,694	260,501
Private Equity	246,283	218,173
Hedge Funds	51,440	52,724
Corporate Bonds	242,219	236,946
Infrastructure	118,184	78,304
Opportunities	269,768	237,918
Overseas Managed Funds:		
Equities	365,890	365,471
Private Equity	209,515	175,779
Hedge Funds	180,803	214,935
Infrastructure	136,449	108,225
Opportunities	104,647	105,452
UK Unit Trusts:		
Property	96,506	82,913
Overseas Unit Trusts:		
Property	94,901	82,954
Other Unitised Funds	1,890,147	2,052,318
	4,264,626	4,275,613
Derivative Contracts	254	2,233
UK Properties		
Freehold	338,200	344,560
Leasehold	38,800	37,650
	377,000	382,210
Balance at 1 April	382,210	310,650
Additions	30,332	57,326
Disposals	(42,916)	(23,240)
Net gain/(loss) of fair value	10,629	459
Transfers in/(out)	-	-
Other changes in fair value	(3,255)	37,015
Balance at 31 March	377,000	382,210

As at 31 March 2016 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.

As at 31 March 2016 the Fund had committed to a redevelopment project of an existing retail centre at Guildford, approved expenditure for the redevelopment is £20 million.

	2015/16 £'000	2014/15 £'000
Short term cash deposits		
Sterling	38,946	46,067
Foreign currency	1,085	1,031
	40,031	47,098

The foreign currency deposit is an ISK deposit held in an escrow account following the distribution by the Glitnir Winding Up Board. Under the applicable currency controls operating in Iceland, the permission of the Central Bank of Iceland is required to release Icelandic Krona payments held within the Icelandic banking system. The deposit is earning market interest rates.

	2015/16 £'000	2014/15 £'000
Other investment balances		
Amounts due from brokers	-	35
Outstanding trades	22,765	18,495
Outstanding dividends entitlements and recoverable withholding tax	13,373	12,005
Cash deposits	78,522	61,634
	114,660	92,169

13b Analysis of derivatives

Derivatives as at 31 March 2016		£'000	£'000
Futures			
Type of Contract	Expires	Economic Exposure	Market Value
Assets			
EURO STOXX 50 Index Futures	Jun-16	(810)	(81)
Total Assets			(81)
Liabilities			
Total Liabilities			-
Net futures			(81)
Derivatives as at 31 March 2015		£'000	£'000
Futures			
Type of Contract	Expires	Economic Exposure	Market Value
Assets			
EURO STOXX 50 Index Futures	Jun-15	350	35
Total Assets			35
Liabilities			
Total Liabilities			-
Net futures			35

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. Collateral is held in EUR currency and the sterling equivalent is £626,265. DJ Euro STOXX 50 have a contract multiplier of x10 therefore the notional value underlying the futures contracts is £-0.81 million.

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 7,154	EUR 9,050	0	(23)
Up to three months	GBP 25,062	JPY 4,000,000	254	-
			254	(23)
Net forward currency contracts at 31 March 2016				231
Prior year comparative				
Open forward currency contracts at 31 March 2015			2,647	(449)
Net forward currency contracts at 31 March 2015				2,198

13c Summary of Managers' Portfolio Values at 31 March 2016

	2015/16		2014/15	
	£million	%	£million	%
Externally Managed				
JP Morgan (European equities)	213	3.1	220	3.2
Nomura (Japan)	311	4.6	317	4.6
Schroders (fixed income)	242	3.6	237	3.5
Legal & General (fixed income)	277	4.1	270	3.9
Unigestion (European equities and pooled Emerging Markets)	266	3.9	262	3.8
M&G (UK equities)	150	2.2	168	2.5
M&G (global emerging markets)	127	1.9	138	2.0
TT International (UK equities)	204	3.0	197	2.9
Blackrock (UK equities)	212	3.1	212	3.1
Blackrock (Pacific Rim)	118	1.7	133	1.9
Blackrock (QIF)	71	1.0	66	1.0
Newton (UK equities)	235	3.4	216	3.2
Amundi (global emerging markets)	125	1.8	137	2.0
Maple-Brown Abbot (Pacific Rim equities)	122	1.8	136	2.0
State Street Global Advisor (Passive Manager)	1,614	23.8	1,782	26.0
	4,287	63.0	4,491	65.6
Internally Managed				
UK equities	322	4.7	328	4.8
European equities	179	2.6	186	2.7
Property (direct)	377	5.5	382	5.6
Property (indirect)	214	3.1	176	2.6
Private equity	456	6.7	394	5.7
Hedge funds	232	3.4	268	3.9
Infrastructure	255	3.7	187	2.7
Opportunities	394	5.8	363	5.3
Global Emerging Markets	25	0.4	-	-
Short term deposits & other investments	76	1.1	78	1.1
	2,530	37.0	2,362	34.4
	6,817	100.0	6,853	100.0

The following holdings each represent more than 5% of the net assets of the Fund:

	2015/16		2014/15	
	£'million	%	£'million	%
SSGA Pooled UK Index Linked Gilts	603	8.8	637	9.3
SSGA USA Equity Tracker	548	8.0	544	7.9
SSGA Pooled UK Equities	381	5.6	445	6.5

13d Stock lending

As at 31 March 2016, £149.3 million of stock was on loan to market makers, which was covered by cash and non-cash collateral, totalling £161.7 million. Collateral is marked to market, and adjusted daily. Income from Stock Lending amounted to £1.0 million 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.

The risks associated with Stock Lending are set out in the Fund's "Statement of Investment Principles".

14. FINANCIAL INSTRUMENTS

14a 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 2016		
	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit and loss
	£'000	£'000	£'000
Financial Assets			
Equities			2,020,418
Pooled Investment Vehicles			4,264,626
Derivatives			254
Cash deposits	40,031		
Other investment balances	114,660		
Long term and current assets	48,506		
Total financial assets	203,197	-	6,285,298
Financial Liabilities			
Other investment balances		(4,527)	
Current Liabilities		(11,212)	
Total financial liabilities	-	(15,739)	-
Net	203,197	(15,739)	6,285,298

	31 March 2015		
	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit and loss
	£'000	£000	£000
Financial Assets			
Equities			2,053,353
Pooled Investment Vehicles			4,275,613
Derivatives			2,233
Cash deposits	47,098		
Other investment balances	92,169		
Long term and current assets	51,290		
Total financial assets	190,557	-	6,331,199
Financial Liabilities			
Other investment balances		(24,868)	
Creditors		(16,393)	
Total financial liabilities	-	(41,261)	-
Net	190,557	(41,261)	6,331,199

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.

14b Net gains and losses on financial instruments

	2015/16 £'000	2014/15 £'000
Financial Assets		
Fair Value through profit and loss	(43,802)	602,616
Loans and receivables	(326)	380
Total financial assets	(44,128)	602,996
Financial Liabilities		
Financial liabilities at amortised cost	693	(492)
Loans and receivables	-	-
Total financial liabilities	693	(492)
Net	(43,435)	602,504

14c 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.

14d Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classed into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments 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

Financial instruments 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

Financial instruments 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 instruments 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 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Financial assets at fair value through profit and loss	4,992,756	63,959	1,228,583	6,285,298
Total financial assets	4,992,756	63,959	1,228,583	6,285,298

Values at 31 March 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Financial assets at fair value through profit and loss	5,173,596	57,365	1,100,238	6,331,199
Total financial assets	5,173,596	57,365	1,100,238	6,331,199

A reconciliation of fair value measurements in Level 3 is set out below:

	2015/16 £'000	2014/15 £'000
Opening balance	1,100,238	902,823
Acquisitions	207,933	208,094
Disposal proceeds	(54,992)	(84,591)
Total gain/(losses) included in the fund account:		
On assets sold	3,440	1,890
On assets held at year end	(28,036)	72,022
Closing balance	1,228,583	1,100,238

15. 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.

15a 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.

	Value March 2016 £million	Potential Variance	Value on increase	Value on decrease
UK Equities (all equities include pooled vehicles)	1,496	19.0%	1,780	1,211
US Equities	566	17.0%	663	470
European Equities	626	19.0%	745	507
Japan Equities	328	20.0%	394	263
Emerging Markets Equities inc Pac Rim	638	30.0%	829	446
UK Fixed Income Pooled Vehicles	520	11.0%	577	462
UK Index Linked Pooled Vehicles	603	9.0%	657	549
Pooled Property	200	12.5%	225	175
Private Equity	456	25.0%	570	342
Hedge Funds	232	9.0%	253	211
Infrastructure	255	18.5%	302	208
Other Alternative Assets	365	14.0%	416	314
Short term deposits & other investment balances	188	0.0%	188	188
	6,473			

	Value March 2015 £million	Potential Variance	Value on increase £million	Value on decrease £million
UK Equities (all equities include pooled vehicles)	1,569	19.0%	1,867	1,271
US Equities	563	17.0%	659	467
European Equities	613	19.0%	729	496
Japan Equities	402	20.0%	482	321
Emerging Markets Equities inc Pac Rim	685	30.0%	891	480
UK Fixed Income Pooled Vehicles	507	11.0%	563	451
UK Index Linked Pooled Vehicles	637	9.0%	695	580
Pooled Property	169	12.5%	190	148
Private Equity	394	25.0%	492	295
Hedge Funds	268	9.0%	292	244
Infrastructure	187	18.5%	221	152
Other Alternative Assets	336	14.5%	384	287
Short term deposits & other investment balances	151	0.0%	151	151
	6,481			

15b 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 15a 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 2016 was £40.0 million (31 March 2015 £47.1 million). This was held in instant access accounts with the following institutions:

	Rating (S&P)	Balances as at 31 March 2016	Balances as at 31 March 2015
		£'000	£'000
Royal Bank of Scotland	Long BBB+ Short A-2	0	1
Lloyds Bank	Long A Short A-1	38,945	45,686
Northern Trust	Long AA- Short A-1+	1	0
Iceland escrow account		1,085	1,411
Total		40,031	47,098

15c 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 £40.0 million. The Fund also has £4,918 million in assets which could be realised in under 7 days notice, £721 million in assets which could be realised in under 90 days notice and £646 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. Whilst the Fund has a net withdrawal for 2015/16 in its dealing with members of £84 million and management expenses of £32 million, this is offset by investment income of £140 million.

15d Interest rate risk

Interest rates primarily affect the Fund's liabilities through the transmission mechanism from interest rates to government bond yields and ultimately 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%. 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.

16. 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 2013. The next valuation will take place as at 31 March 2016.

The most recent Triennial Valuation by the actuary was as at 31 March 2013, when the funding level was 76% of projected actuarial liabilities (2010 78%). 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 22 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 enable employer contribution rates to be kept as nearly constant as possible and at a reasonable and affordable cost to the taxpayers, scheduled, resolution and admitted bodies
- to manage employers' liability effectively
- to ensure that sufficient resources are available to meet all liabilities as they fall due
- to maximise the returns from investments within reasonable risk parameters.

Summary of key whole Fund assumptions used for calculating funding target

	31 March 2013
Long Term Gilt Yields	
Fixed Interest	3.2% p.a.
Index-Linked	-0.4% p.a.
Funding Target Financial Assumptions	
Investment Return	4.6% p.a.
CPI Price Inflation	2.6% p.a.
Salary Increases	4.1% p.a.
Pension Increases	2.6% p.a.
Long Term Future Service Accrual Financial Assumptions	
Investment Return	5.6% p.a.
CPI Price Inflation	2.6% p.a.
Salary Increases	4.1% p.a.
Pension Increases	2.6% p.a.

17. INVESTMENT LIABILITIES

	2015/16	2014/15
	£'000	£'000
Derivative Contracts	104	-
Amounts due to stockbrokers	4,423	24,868
	4,527	24,868

18. LONG TERM ASSETS

	2015/16	2014/15
	£'000	£'000
Assets due in more than one year	9,236	11,655
	9,236	11,655
Relating to:		
Central Government Bodies	2,767	3,689
Other Local Authorities	5,548	6,733
Public Corporations and Trading Funds	441	548
Bodies External to General Government	480	685
	9,236	11,655

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 2017/18 onwards.

19. CURRENT ASSETS AND LIABILITIES

	2015/16	2014/15
	£'000	£'000
Assets		
Contributions due	20,636	21,883
Amounts due from external managers	921	1,126
Accrued and outstanding investment income	367	543
Sundries	15,889	13,352
Provision for bad debts	(166)	(32)
Cash at bank	1,623	2,763
	39,270	39,635
Relating to:		
Central Government Bodies	1,856	1,893
Other Local Authorities	14,761	15,892
NHS	2	2
Public Corporations and Trading Funds	170	202
Bodies External to General Government	22,481	21,646
	39,270	39,635
Liabilities		
Retirement grants due	2,372	2,185
Provisions	247	369
Miscellaneous	8,593	13,839
	11,212	16,393
Relating to:		
Central Government Bodies	2,570	2,290
Other Local Authorities	1,920	4,129
Public Corporations and Trading Funds	171	23
Bodies External to General Government	6,551	9,951
	11,212	16,393
Total current assets and liabilities	28,058	23,242

"Sundries" mainly covers general debtors, property arrears due, agents' balances and recoverable taxation.

"Provision for Bad Debt" relates to property rental income, and is based on an assessment of all individual property debts as at 31 March 2016.

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.

20. CONTRACTUAL COMMITMENTS

Commitments for investments amounted to £325.41 million as at 31st March 2016. (2014/15 £386.17 million). These commitments relate to Private Equity £164.69 million, Infrastructure £60.58 million, Opportunities £20.48 million, Indirect Property £79.66 million. As some of these funds are denominated in foreign currencies, the commitment in sterling is subject to change due to currency fluctuations.

21. 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 Administrating Authority of Merseyside Pension Fund and payment will only be triggered in the event of employer default.

22. 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. (2015 £3.4 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 £16.0 million (2015 £15.8 million) and a creditor of £259,834 as at 31 March 2016 (2015 £2 million).

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 2016 payroll are included within the debtors figure in note 19.

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, Knowsley Town Council, 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 3 investment bodies in which the Fund has an interest, Eclipse (£6.6 million), Standard Life (£15.5 million) and F&C (£21.9 million).

Susannah Friar, Property Manager acts in an un-remunerated board advisory capacity on one investment body in which the Fund has an interest, Partners Group Real Estate Asia Pacific 2011 (£7.5 million), by whom travel expenses and accommodation were paid.

Each member of the Pension Fund Committee and Pension Board Members formally considers conflicts of interest at each meeting.

Key management personnel

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

Financial Year 2015/16	Employment Period	Salary	Pension Contributions	Total including Pension Contributions
		£	£	£
Director of Pensions	01/04/15 - 31/03/16	79,277	10,782	90,059
Senior Investment Manager	01/04/15 - 31/03/16	56,965	7,747	64,712

Financial Year 2014/15	Employment Period	Salary	Pension Contributions	Total including Pension Contributions
		£	£	£
Director of Pensions	01/04/14 - 31/03/15	73,474	9,992	83,466
Senior Investment Manager	01/04/14 - 31/03/15	56,046	7,622	63,668

23. ADDITIONAL VOLUNTARY CONTRIBUTION INVESTMENTS

	2015/16	2014/15
	£000	£000
The aggregate amount of AVC investments is as follows :		
Equitable Life	2,158	2,297
Standard Life	6,064	6,204
Prudential	5,525	5,417
	13,747	13,918
Changes during the year were as follows:		
Contributions	2,026	1,869
Repayments	2,241	2,493
Change in market values	44	901

SCHEME EMPLOYERS WITH ACTIVE MEMBERS AS AT 31 MARCH 2016**Scheduled Bodies**

Academy of St Francis
Arena & Convention Centre Liverpool
Bellerive FCJ Catholic College
Belvedere Academy
Billinge Chapel End Parish Council
Birkdale High School (Academy)
Birkenhead High School Academy
Birkenhead Sixth Form College
Blue Coat School (Academy)
Carmel College
Calday Grange Grammer School (Academy)
Chesterfield High School (Academy)
Chief Constable
Childwall Sports and Science Academy
Cronton Parish Council
De la Salle Academy
Deyes High School (Academy)
Edsential SLE
Emslie Morgan Academy
Enterprise South Liverpool Academy
Everton Free School (Academy)
Finch Woods Academy
Formby High School (Academy)
Greenbank High School (Academy)
Halewood Centre for Learning (Academy)
Halewood Town Council
Harmonize (Academy)
Hawthornes Free School
Heygreen Community Primary (Academy)
Hilbre High School (Academy)
Hillside High School (Academy)
Hope Academy
Hugh Baird College
King George V College
Kings Leadership Academy (Liverpool)
Kirkby High School
Knowsley Community College
Knowsley Lane Primary School (Academy)
Knowsley M.B.C.
Knowsley Town Council
Litherland High School (Academy)
Liverpool City Council
Liverpool College (Academy)
Liverpool Community College

Liverpool John Moores University
Liverpool Life Science UTC (Academy)
Lord Derby Academy
Maghull High School (Academy)
Merseyside Fire & Rescue Authority
Merseyside Passenger Transport Executive (MPTE)
Merseyside Recycling and Waste Authority
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
Prenton High School for Girls (Academy)
Prescot Town Council
Rainford Parish Council
Rainhill Parish Council
Rainhill St Anns CE Primary School (Academy)
Range High School (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 Michael's C of E High School (Academy)
St Silas C of E Primary School (Academy)
Sutton Academy
The Birkenhead Park School
The Kingsway Academy
The Studio (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 Ltd
Age UK - Liverpool
Agilisys Limited
Amey Services Ltd - Highways
Arriva North West
Arvato Public Sector Services Limited
Association of Police Authorities
Balfour Beatty PFI SEN School (Cofey)
Balfour Beatty Workplace (Cofey)
BAM Nuttall
Berrybridge Housing Ltd
Birkenhead Market Services Ltd
Birkenhead School (2002)
Bouygues E & S FM UK Ltd
Care Quality Commission
Catholic Children's Society
CDS Housing
City Health Care Partners
Cobalt Housing Ltd
Compass Contract Group
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
Hall Cleaning Services
Helena Partnerships Ltd.
Hochtief Liverpool Schools
Hochtief Wirral Schools
Interserve (Facilities Management) Ltd
KGB Cleaning & Support Services
Kingswood Colomendy Ltd.
Knowsley Youth Mutual
Lee Valley Housing Association Ltd
Lifeline Project 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
Merseyside Welfare Rights
Mosscroft Childcare Ltd
New Brighton Day Nursery Ltd
North Huyton Communities Future
North Liverpool Citizens Advice Bureau
Northgate Managed Services
One Vision Housing Ltd.
Partners Credit Union
Port Sunlight Village Trust
Sefton Education Business Partnership
Sefton New Directions Ltd.
Shap Ltd
South Liverpool Housing Ltd
Southern Electric Co Ltd
Southern Neighbourhood Council
Tarmac Trading Ltd
Taylor Shaw (Meols Cop)
Taylor Shaw (The Grange)
Taylor Shaw (Raeburn)
Taylor Shaw (Range)
Vauxhall Neighbourhood Council
Veolia ES Merseyside & Halton
Village Housing Association Ltd
Wavertree Citizens Advice Bureau
Welsh Local Government Association
Wirral Autistic Society
Wirral Partnership Homes (Magenta)

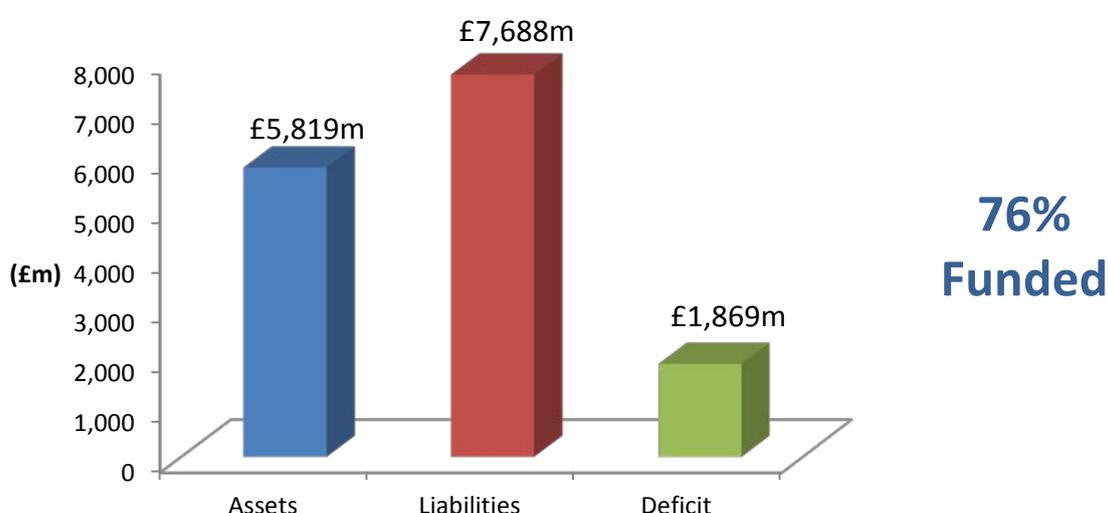
MERSEYSIDE PENSION FUND

Accounts for the year ended 31 March 2016 - 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 2013 to determine the contribution rates for the period 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Fund's assets of £5,819 million represented 76% of the Fund's past service liabilities of £7,688 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £1,869 million.



The valuation also showed that a common rate of contribution of 13.3% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient in the long term, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allowed for the new LGPS benefit structure which became effective from 1 April 2014.

After the valuation date, there were significant changes in financial markets. In particular there was an increase in gilt yields, which underpin the liability assessment. This improved the funding position materially to 80% with a resulting deficit of £1,456 million. This improvement was taken into account when setting the deficit contribution requirements for employers where required to stabilise contribution rates. On average across the Fund, the updated deficit would be eliminated by a contribution addition of £76m per annum increasing at 4.1% per annum (equivalent to approximately 9.1% of projected Pensionable Pay at the valuation date) for 22 years if all assumptions are borne out in practice.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

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 common contribution rate were as follows:

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate)	4.6% per annum	5.6% per annum
Rate of pay increases*	4.1% per annum	4.1% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

* allowance was also made for short-term public sector pay restraint over a 3 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

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 2016 (the 31 March 2015 assumptions are included for comparison):

	31 March 2016	31 March 2015
Rate of return on investments (discount rate)	3.6% per annum	3.3% per annum
Rate of pay increases	3.5% per annum*	3.5% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% per annum	2.0% per annum

* includes a corresponding allowance to that made in the 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 2014.

During the year, corporate bond yields rose, resulting in a higher discount rate being used for IAS26 purposes at the year end than at the beginning of the year (3.6% p.a. versus 3.3% p.a.). There was no change in the expected long-term rate of CPI inflation during the year, resulting in the same assumption for pension increases at the year end than at the beginning of the year (2.0% p.a.).

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2015 was estimated as £9,477 million.

The effect of the changes in actuarial assumptions between 31 March 2015 and 31 March 2016 as described above is to decrease the liabilities by c£462 million. Adding interest over the year increases the liabilities by c£312 million. The net effect of allowing for benefits accrued/paid over the period decreases the liabilities by c£35million (including any increase in liabilities arising as a result of early retirements/augmentations).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2016 is therefore £9,292 million.

Paul Middleman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2016

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 that arise because:

- Events have not coincided with the actuarial assumptions made at the last valuation
- The actuarial assumptions have changed.

Appointed Auditors

The Audit Commission appoints external auditors to every local authority from one of the major firms of registered auditors. From 2014/15 the external audit function was transferred from District Audit to Grant Thornton UK LLP

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 Financing Charges

These are charges to the revenue account in respect of interest and principal repayments for borrowings together with any leasing rentals.

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 Accounting Standards and 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 and Central Government.

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

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

Curtailments show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

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, good received or services provided, which is deemed to have been spent when the works, goods or services have been received.

External Audit

The independent examination of the activities and accounts to ensure that the accounts have been prepared in accord with legislative requirements and proper practices and to ensure proper arrangements to secure value for money in the use of resources have been made.

Fixed Assets

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.

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

There are two types of grant. Specific grants are for particular services such as Schools. The Formula Grant is to fund Local Authority services generally. It is based on complex formulae which provide the Government assessment of how much an authority needs to spend in order to provide a standard level of service.

Group Accounts

Group Accounts are required to consolidate the financial results of the Council with those of any subsidiaries and associates.

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 Bidston Windmill, Civic Regalia and the art and other important collections of porcelain and pottery.

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. The Service Reporting Code of Practice interprets the Standards for local government.

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 50% of the amount collected is paid to Central Government. The remaining 50% is retained by the Council (49%) and the Merseyside Fire and Rescue Service (1%).

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 Merseyside Integrated Transport Authority (Merseytravel).

Prior Year Adjustments

These are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

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.

Reporting Standards

The Code of Practice prescribes the accounting treatment and disclosures for all the normal transactions of the Council. It is based upon International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) and UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

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.

Service Reporting Code of Practice (SeRCOP)

This Code is prepared and published annually by CIPFA. It is reviewed annually to ensure that it is developed in line with the needs of modern local government, transparency, best value and public services reform. SeRCOP establishes proper practices with regard to consistent financial reporting for services. In England and Wales it is given legislative support by regulations which identify the accounting practices it propounds as proper practices under the Local Government Act 2003.

Un-apportioned Central Overheads

Overheads for which no user receives any specific benefit and the costs are not apportioned to services.

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.