Wirral Council
Statement of Accounts 2019/20

Contents

Narrative Report

Narrative Report

The Statement of Accounts sets out the financial performance of the Council for the 2019/20 financial year and shows the year-end financial position at 31 March 2020. The Statement of Accounts is produced annually to give electors, local taxpayers, Members of the Council, employees, and other interested parties clear information about the Council's finances. Whilst plain language has been used wherever possible, technical language is required in some areas. To assist with understanding of the accounts a glossary of financial terms has been included at the end of the Statement of Accounts.

The narrative report provides a short summary of the Council's overall financial and non-financial achievements for the year and assists in the interpretation of the financial statements.

The narrative report is structured as follows:
1. About Wirral
2. Strategic priorities
3. Main influences on the Council and accounts in 2019/20
4. Key outcomes
5. Summary of financial performance for 2019/20
6. About the Statement of Accounts

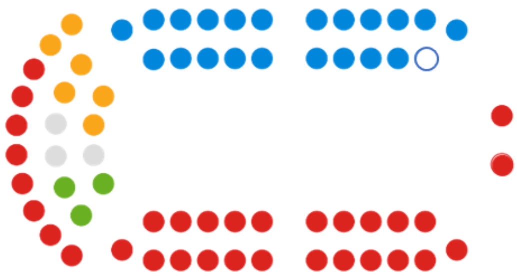
1. About Wirral

Home to 322,796 residents, 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 or above) are expected to increase at a faster rate than any other age group over the next decade, which is consistent with national statistics. Wirral is a unique place; a combination of beautiful, rural countryside alongside cutting edge technology and advanced manufacturing industries, it has a long and storied history of entrepreneurialism and culture. Wirral is a compact peninsula of 60 square miles, with a wealth of parks and countryside and over 20 miles of coastline.

The Council is responsible for providing a range of services to residents, businesses, and visitors to the Borough. These include education, safeguarding vulnerable children and adults, social care, public health, highways, leisure, culture, waste collection and disposal, planning, housing benefits, regeneration, and community engagement. In addition to providing or commissioning services the Council is also responsible for the collection of local taxation in the form of Council Tax and Non-Domestic Rates on behalf of itself and local agencies such as Police and Fire authorities.

Wirral Council is made up of 66 locally elected Councillors across 22 electoral wards, there is one vacant Councillor position for Moreton West & Saughall Ward. The political composition of the Council at the end of 2019/20 was:

- Labour – 32 seats
- Conservative – 21 seats
- Liberal Democrats – 6 seats
- Independent – 3 seats
- The Green Party – 3 seats
- Vacant- 1 seat



In July 2020, the Independent Party seats increased to four following a Councillor moving from the Green Party.

Council Structures and Operating Model

The Council employs over 3,000 people in full time and part time posts, led by The Chief Executive and Senior Leadership Team. In July 2019, Paul Satoor was appointed Chief Executive of the Council replacing Eric Robinson. The Council has gone through a number of important changes during the year that will continue to ensure the decision-making and the structure of the Council is aligned to the delivery of its services and to the Wirral Plan; these include a move to a Committee structure that will come into force during 2020/21. The related restructure and appointment of the Chief Officers that was announced in June 2020 was ratified by the Employment and Appointments Committee 2nd March 2020. The Council's operational structure changes are set out in the table below, which illustrates the Directorates that make up service delivery and associated support services.

2019/20	2020/21
Business Management	Corporate Office Resources Law and Governance
Delivery	Neighbourhood Services
Economic and Housing Growth	Regeneration and Places
Adult Care and Health	Adults' Care and Health and Strategic Commissioning Public Health
Children's Services	Children, Families and Education

The structure that was in place during 2019/20 is further detailed below, with summary information on the services and operations undertaken by each Directorate provided.

Business Management:

- Support and lead organisational change. Section 151 Officer and Monitoring Officer.
- Included Change and Organisational Design, Transformation, Governance and Assurance, Commercial Management, Merseyside Pension Fund, Finance and Investment, The Transaction Centre, Law, Assets and Digital.

Delivery Services:

- Provided high quality, affordable services using the most appropriate model for circumstances.
- Included Community Services, Place Services, Safer Wirral Hub and Highways and Associated Services.

Economic and Housing Growth:

- Included Regeneration and Inward Investment, Culture and Visitor Economy, Major Growth Projects and Housing Delivery.

Adult Care and Health:

- Responsible for development of integrated services with health and other partners.
- Responsible for commissioning and contract management of those services. This includes Integrated Commissioning Programme and Health and Care Outcomes.

Children's Services:

- Delivered a wide range of specialist and targeted services for children in relation to social care, safeguarding, early help and prevention.

All Council functions work together to progress the themes and pledges set out in the Wirral Plan.

2. Strategic Priorities

2020 is the final year of "Wirral Plan: a 2020 vision". The five-year plan was structured around three core themes:

- People,
- Business and
- Environment.

A summary of the core themes and the 20 key pledges are shown below. The full Wirral Plan can be found on our website: www.wirral.gov.uk/wirralplan.

People
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.

Pledges:
1. Older people live well
2. Children are ready for work and adulthood
3. Children are ready for School
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.

Business
Wirral is a place where employers want to invest and businesses thrive.

Pledges:
8. Greater job opportunities in Wirral
9. Workforce skills match business need
10. Increase inward investment
11. Thriving small businesses
12. Transport and technology infrastructure fit for the future
13. Transport and buildings are fit for purpose
14. Assets and buildings are fit for purpose

Environment
Wirral has an attractive and sustainable environment
Leisure and cultural opportunities for all
Wirral residents to live healthier lives *where good health and an excellent quality of life is enjoyed by everyone who lives here.*

Pledges:

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 neighborhoods are safe
20. Attractive local environments for Wirral residents

In June 2020 the new Chief Officer structure was announced to complement the current vision and reflect how the Council now operates; this structure will ensure we deliver on our priorities in the new Wirral Plan and keep residents at the heart of everything we do. It will help meet the challenges we face and deliver one of the biggest regeneration agendas in the country.

These priorities are all developed and agreed at a partnership level, with their focus and goals shared by all appropriate agencies in the public and private sectors as well as those third sector organisations that span both. Over the period the Wirral Plan has been in place, the Council has changed significantly in order to progress our priorities through the implementation of the pledges.

Wirral Health and Care Commissioning (WHCC) is a key example of the Council's partnerships, which enable us to deliver on our priorities. WHCC is a partnership between Wirral Council and NHS Wirral Clinical Commissioning Group. The integrated organisation commissions the majority of health and care services in Wirral and the integrated approach means that they can work together to provide more seamless and effective services to people. The aim is to commission health and care services that are of a high standard, safe and equitable. We want to enable all people in Wirral to live longer and healthier lives by supporting them to lead healthy lifestyles and enabling people and communities to become active partners in their health and wellbeing. Further details can be found on https://www.wirralhealthandcare.org/about-us

The Council has continued to work on delivering increased investment in the area through Wirral Growth Company LLP (a Limited Liability Partnership (LLP) which is a joint venture with national regeneration specialists Muse Developments. The partnership was formally established in early 2019 to deliver regeneration across the Borough over the next 10 to 15 years, through a number of schemes such as commercial, retail and residential accommodation.

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

Forward Looking Financial Scenario

Wirral, and the local government sector as a whole, has faced significant funding reductions in recent years uncertainty in relation to funding is a matter that all Councils face. Over the next five years, Wirral Council is planning for rising costs alongside rising demand for services coupled with changes to central government funding – a situation that could lead to significant financial challenges with a need to substantially modify operations in line with resources available.

Our challenge for 2020/21 and beyond is to deliver the Wirral Plan 2025, through generating income to bridge the gap between resources, changes to government funding and increasing demand whilst delivering services that are vital to local residents in an efficient manner as possible.

In March 2020 the Council approved a budget for 2020/21 together with an indicative budget for the following four years. At the time the budget was approved the Council was facing a funding gap ranging from £27m to £30m over the period 2022-25. The Council has seen cuts of over £233m and saved over £100m since 2010, therefore locating further efficiencies is expected to have an impact on the services that we provide.

In light of the impact of Covid-19, an indicative budget gap of close to £75.6m over the next two years has been forecast (2020 to 2022), at quarter two, this is £24.1m for 2020/21 (before £9.3m of Sales, Fees and Income compensation) and £60.8m 2021/22; this continues to be one of the Council's primary challenges to address going forward. The Council is looking at scenarios to balance the budget for 2020/21 and Covid-19 funding that has been and continues to be made available will assist to a degree for Covid-19 related activities, but will not completely close the gap. Alongside this financial position, the UK has now left the EU, which gives a high degree of uncertainty in relation to local government operations.

To ensure financial stability amidst the financial challenges that are being faced requires a shift in the way services are delivered and funded - this will be achieved via a medium to long term programme of income, investment and growth along with defined activities such as:

- Proposals for savings that address the funding gap, whilst also acknowledging that not all services will continue to be provided in the same way.
- Growth in Council Tax revenues, linked to growth in Local Plan targets.
- Growth in Business Rates as a result of regeneration activity to increase the number of businesses operating in the area.
- Changing how the Council operates to improve service, deliver on priorities and reduce costs.
  Working with partners and residents to provide the tools that get people into employment. In doing so, this will provide better life outcomes & a reduced need for social care.

Coronavirus Pandemic

The Coronavirus Pandemic (Covid-19) has had a considerable impact on the Council. The Government announced "lockdown" on 23rd March 2020 and a second lockdown from 5th November to 2nd December 2020. The impact on the Council's services and operations has been very significant, as it has been on the public sector as a whole. HM Treasury announced a number of significant packages of funding to support the pandemic, which directly support business and residents as well as support for Council services. Wirral Council staff were promptly mobilised to react to the emergency situation, with a large number of staff switching focus from their usual role to deliver new and innovative workstreams in order to support local residents and businesses.

The Government increased Business Rates Relief to 100% for retail, leisure and hospitality businesses including nurseries, meaning that a large number of businesses will pay zero in business rates for 2020/21. The impact of this additional relief is offset by government grant funding received by the Council to cover the loss in income.

The additional costs associated with Covid-19 response activity had a dramatic and immediate impact on specific services but not a dramatic impact on the financial outturn for 2019/20, as the pandemic only started to make a notable effect on the public's and businesses' behaviour in the last two weeks of March, right at the very end of the financial year.

The true scale of Covid-19's impact on the Council's finances will be felt during 2020/21 and beyond. The Council is expecting substantial losses across many of its streams of Sales, Fees and Charges. These include leisure, parking, licensing fees, registrars, building control and planning fees. As with any downturn in the economy, investment income is anticipated to reduce which will create further pressures on the Council's finances. A Government compensation scheme was recently announced that will offset some of these losses but not all.

The Council continues to quantify the impact of Covid-19 at this stage, with the nation now in a second lockdown it is difficult to do with any degree of certainty, but the financial pressure on the Council will be substantial; even after the Government's emergency Covid-19 funding is taken into account. During 2020/21, the Council had planned to utilise its earmarked reserves for its specific one-off projects, along with the use of flexible capital receipts for transformation projects; as well as a small value of reserves as part of its approach to balance the budget and deliver on its objectives. The financial resilience of these reserves and use of flexible capital receipts have been revised as part of the Q2 Revenue Budget appraisal and will be closely monitored.

The Council is currently considering the impact of Covid-19 and is determining an operational approach that focuses on the recovery from the pandemic and will revise its Medium Term Financial Plan (MTFP) accordingly, in a manner that continues to give consideration to the Council's strategic objectives.

The Council has submitted a capitalisation directive for an in-principle sum of £63.528m (£23.910m 20/21 and £39.618m 21/22) and this submission is being externally validated by the Local Government Association (LGA). Since the submission, this position has changed to a more favourable position which could reduce the amount of this request. The in-principle request is reflective of the fact that the final capitalisation sum will undeniably change as time goes on.

The Covid-19 crisis has meant that the Council has had to review what its most critical services are, determine which are required to still be operational even during a global pandemic and further to this determine how to provide new services in response to local needs as a reaction to the emergency situation. The changing environment and "new normal" in which we are likely to find ourselves will require the Council to review the services it provides, its delivery models and the outcomes that are of the highest priority. This will also require the Council to review the structural position of its budget and how that needs to change in the future.

3. Main influences on the Council and accounts in 2019/20

There have been a number of developments in 2019/20 that have impacted on the Council during the year, some of these have influenced the presentation of the 2019/20 Accounts and the reported financial position of the Council. Below are some of the key events.

- Government funding
- Ofsted inspection
- Spending and recruitment freeze
- Repatriation of British nationals from Wuhan and Coronavirus Pandemic
- Consultation on the Birkenhead Commercial District
- Better Care Fund
- Changes in pension estimates

Government funding

Funding reductions continued to have a significant impact on the Council's budget for 2019/20 with net savings of £45m built into the budget position. The impact of significant reductions in funding, year-on-year (£233m delivered in 10 years/between years 2011 and 2019), has put pressure on the sustainability of services as further efficiencies are sought; the Council continues to develop proposals that deliver services in line with priorities and key objectives, included in which is supporting the most vulnerable members of our local community, within the constraints of limited financial resources. The unmitigated budget gap to 2025 is expected to be circa £81.8m during the period, this is before the impact of Covid-19, post Covid-19 this could be estimated to grow even further to 2025.

Ofsted Inspection

The Improvement Notice issued by the Secretary of State for Education was formally lifted in July 2019 following the Inspection of Local Authority Children's Services (ILACS), inspection of children's services in June 2019.

The inspection recognised that leadership in Wirral Children's Services is good and that social care practice to help and protect children and young people required improvement and was no longer inadequate. The inspection outlined five key areas for continued improvement to be monitored as part of the 'supervision and support' arrangement with the Department for Education.

The COVID-19 crisis prolonged the period of supervision and support for Wirral, which was expected to be rescinded in July 2020. In November 2020, the Department for Education confirmed that period of support and supervision is now complete and there would be no further formal involvement with Wirral Council children's services. The letter received from the Deputy Director, Children's Services Improvement and Interventions Unit stated that there "is strong and committed leadership in Wirral Council, and a clear vision for delivering high quality services".

Spending and vacancy freeze

The Council faced a significant overspend on the 2019/20 budget in late 2019. The Council took further prudent steps to mitigate this and introduced a set of actions which included more severe restrictions non-essential spending and a more rigorous freeze on recruitment to tackle the budget gap.

Repatriation of British Nationals from Wuhan and Coronavirus Pandemic

In January 2020, Wirral Council delivered the humanitarian response to the international repatriation of more than one hundred people to the UK, from Wuhan, China and later, in February, from a cruise ship off the coast of Japan. The Council worked closely with a range of local partners including health, police, third sector and charitable bodies, and on a national level with MHCLG, Public Health England and NHS England, to mobilise support during the two week quarantine period in Wirral, with less than two days' notice. The Council played a leading role in the multi-agency Strategic Command Group, which was formed locally by NHS England in Gold Command, to deliver on the instructions from the UK Government.

Wirral Council was complimented on a national and local level for its swift and comprehensive efforts in this unprecedented situation.

When it was apparent that the Coronavirus was heading for a global pandemic, the Council set about an immediate emergency response. Even before lockdown was announced on 23 March, the Council had already taken steps to close its office buildings and mobilised all staff to work from home where appropriate. A Strategic and Tactical command structure was immediately implemented that linked into the Merseyside Local Resilience Forum to ensure a coordinated approach to the emergency across the City Region.

Delegated authority was provided to the Chief Executive to ensure an immediate response could be provided and through the pandemic, both the Leader of the Council and the Chief Executive ensured the public and staff were kept updated on events. Our key priorities throughout the pandemic response period have been to:

1. Preserve life
2. Protect the vulnerable people in our communities
3. Safeguard our children and young people
4. Support local businesses and the economy
5. Maintain the health and safety, and support the wellbeing, of our staff.

The Council is still very much involved in supporting the response to the pandemic and through the Director of Public Health is responsible for new functions such as track and trace. It is anticipated that the response to Covid-19 will continue for the foreseeable future with the Council continuing to operate in a different way to ensure the safety of the Wirral population.

The Birkenhead Commercial District

A key component of the regeneration of Birkenhead town centre are the plans for the delivery of the Birkenhead commercial district. Building on a consultation, which took place in September 2019, on how the public saw the opportunities for their town centre to be redeveloped, proposals were brought forward by the Wirral Growth Company, which included new office and retail space, as well as the relocation of Birkenhead Market. This second stage of public consultation took place in November 2019 with a unit being taken within the town centre and follow up sessions held with a range of stake holders including Market traders, the Chamber of Commerce, The Hive, Wirral Metropolitan College and the Multi Cultural Centre. The proposed plans for Birkenhead include a new business district of high quality offices, alongside a new residential neighbourhood, an improved market, leisure space and extensive public realm improvements, with the aim of creating a revitalised town centre and a dynamic evening economy to secure the vibrancy of the centre.

These plans are being progressed by the Wirral Growth Company, a 50:50 joint partnership between the Council and Muse Developments. The Partnership Business Plan sets out the proposed Phase 1 developments for the Growth Company and this was agreed by Cabinet in February 2020. A planning application for development to kick start the regeneration of the town centre was submitted by the Wirral Growth Company in August 2020. This is the first phase of a comprehensive regeneration programme, which will be delivered over the next 10 years, and which will see construction of commercial offices, a brand new market facility and much needed housing in the town centre.

Pooled Budgets

In line with policy requirements, Wirral NHS Clinical Commissioning Group and Wirral Council have entered into a pooled budget arrangement under section 75 of the NHS Act 2006; The pool incentivises the NHS and local government to work more closely together around vulnerable people, placing their well-being as the focus of care and health services. The pooled budget is hosted by Wirral Council and commenced on 1 April 2015; it includes but is not limited to services funded by the Better Care Fund.

Locally, the primary aims of the pooled fund are:

- Supporting independence in the community by place-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 pooled budget in 2019/20 was £141m, which included £59m of Better Care Funding.

Changes in the Pension liability

The Local Government Pension Scheme (LGPS) is a statutory pension scheme funded over the long term to meet the pension promises to scheme members and their beneficiaries. The Council participates in the scheme through the Merseyside Pension Fund.

The Accounts show an annual position of the scheme for the share that relates to the Council. Any change in the assets or liabilities of the scheme due to the size and the Councils share can have a significant impact on the Balance Sheet and its Unusable reserves. The assets of the scheme for the Council are £1.136bn and liabilities of £1.553bn. The net change in the scheme for 2019/20 was a reduction of the liability by £63.1m. The majority of this movement relates to the change in financial and demographic assumptions.

4. Key Outcomes

The following highlights some of the key areas of Council performance against the Wirral plan pledges:

Transport and Technology Infrastructure Fit for the Future

£870,000 capital spend in 2019/20 for Windows 10 roll out to council staff. This up to date technology ensured that the council continued, to function during the COVID lockdown.

40% increase in the volume of people cycling. In 2019/20 there was £777,000 capital spend programmed for the Sustainable Transport Enhancement Package (STEP) to improve highway and cycling infrastructure across the borough. Despite the positive increase in cyclists, overall satisfaction with highways and walking and cycling infrastructure has decreased.

Greater Job Opportunities in Wirral

1,455 unemployed or inactive residents supported through the Wirral Ways to Work programme, this support helped 750 into employment, education or training. £2.2m was spent on the programme in the year 2019/20.

Thriving Small Businesses

155 new small businesses since 2018/19

Leisure and cultural Opportunities for all

150,000 visitors attended the Tour of Britain Event, generating **£1.77m** in economic impact

30,000 visitors attended the Wirral Food and Drink Festival, generating **£930k** in economic impact as well as **£80k** in commercial income.

This year saw the Council become the Borough of Culture and this was an extraordinary time for the Borough with amazing events taking place and these included the Borough's first food and drink festival, a night at the proms by the Royal Philharmonic Orchestra, Tour of Britain; a 108 mile ride broadcast on ITV 4, with highly positive feedback back including quotes such as *'it was the best ever'.*

As part of the 2015 – 2020 Wirral Plan, the three key themes; People, Business and Environment contained 20 pledges to measure the success of the intended outcomes. The Pledges for each theme and the associated outcomes that were achieved over the life of the plan that concluded in 2019/20 are included in the table below:

People	
Pledge	**Outcomes**
Healthy Life Expectancy at Birth	• Healthy life expectancy at birth for females has improved to 63.7 years (2016-18) and is 1.9 years higher than at the start of the plan. • The healthy life expectancy at birth for males in Wirral has increased slightly from 59.8 to 61.10 years.
Vulnerable Children Reach Their Full Potential	• The Children in Need rate per 10,000 has fallen from 397.0 at the start of the Wirral plan to 374.2. • The rate of looked after children per 10,000 has increased from 99.3 at the start of the Wirral plan to 121.6. This figure however is down from 123.0 at the end of year 2018/19.
People with Disabilities Live Independent Lives	• The Employment rate aged 16-64 – (Equality Act core or Work Limiting Disabled measure from the Office for National Statistics) increased again to 57.3%, up from 37.5% at the start of the Wirral Plan.
Zero Tolerance to Domestic Violence	• Wirral has developed a range of strategies to tackle the complex issue of Domestic Abuse including, helping children who suffer the effects of domestic abuse, supporting victims and rehabilitating offenders. • Although there is evidence to show that victims are receiving the help that they need, percentage of incidents of repeat domestic abuse cases has increased from 16% at the start of the Wirral plan to 26%.

Business	
Pledge	**Outcomes**
Greater Job Opportunities in Wirral	• Employment rate has increased from 66.7 at the beginning of the plan to 74.5 at the end of 2019/20. This figure will likely be impacted by job losses associated with the COVID-19 global pandemic.
Thriving Small Businesses	• The Wirral Plan set out to create 250 new businesses by the end of plan and has well surpassed that target with a net increase of 1,305 since 2015.
Vibrant Tourist Economy	• The value of the tourist economy in Wirral has increased from £355m in 2015, to £459m in 2020. • In 2019 Wirral was the borough of culture and saw thousands of resident and visitors enjoy many memorable and amazing events.
Transport and Technology Infrastructure Fit for the Future	• It is positive that Wirral has increased the volume percentage of people cycling from 19% at the start of the plan to 59% at the end of 2018/19. • This positive increase is alongside an overall decrease in satisfaction with highways, public transport and walking and cycling facilities.

Environment	
Pledge	**Outcomes**
Leisure and Cultural Opportunities for All	• The number of events in Wirral's parks, beaches and open spaces has increased from 332 in 2016/17 to 441 at the end of January 2020.
Wirral Residents Live Healthier Lives	• Smoking prevalence in adults has seen a decrease from 17.2% to 12%. Wirral has improved faster than the North West and England in this area. • There has been less success with completion of drug treatment, dropping from 46.4% at the start of the plan to 31.6% in 2019/20.
Good Quality Housing that Meets the Needs of Residents	• Wirral has fallen short if its target to build 3,500 new houses by the end of the plan, reaching 3,285 by the end of 2019/20. However, the council has also brought 1,437 properties back into use (target of 1,250). • The number of home adaptations has increased from 671 in 2015/16 to 2,764 at the end of 2019/20.

5. Summary of Financial Performance for 2019/20

Revenue expenditure

Revenue expenditure 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 is approved by Members, which sets out the income and expenditure required during the year to provide services. In March 2019 the Council agreed a net budget of £273.7m for 2019/20, a further £3.5m of reserves was then added to the budget to bring the total budget to £277.2m.

The net spend of the Council is met from a combination of government grants, the local taxpayer through Council Tax and other income. In 2019/20, the Council Tax band D charge was £1,823.23, an increase of 2.99% following a relaxation of the Council Tax cap by the Government of an additional 1%.

Throughout the year spend against the approved Budget was monitored and reported on a monthly basis to maintain an approach of robust financial management to ensure the maintenance of services. In 2019/20 the Council reported a balanced outturn against the budget, with the General Fund balance is £10.676m.

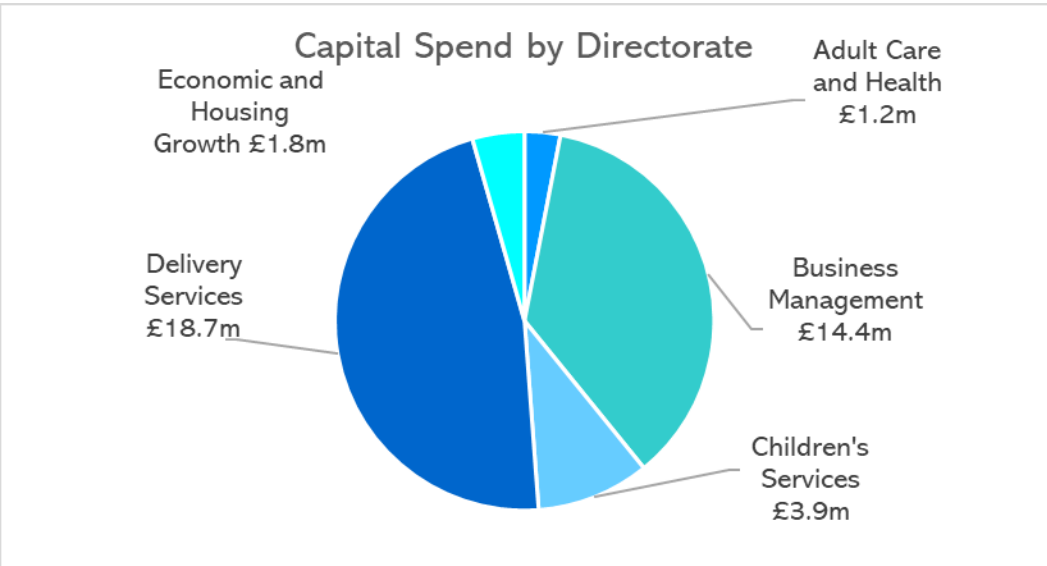
The table below shows the budget and actual spend for each directorate is reported and monitored in year. The Statement of Accounts report the same expenditure and income but in a different format to comply with the statutory external reporting requirements. This incorporates additional costs such as depreciation or changes to the value of property which, under regulation, is not chargeable to usable reserves in the year. The impact of such costs in the Accounts is set out in the Expenditure and Funding Analysis note to the accompanying statements:

Objective Headings	Budget £000	Adjusted Actuals £000	Total (Over)/ under to Outturn £000
Economic & Housing Growth	30,980	30,238	742
Business Management	14,403	3,714	10,689
Delivery	53,445	56,018	(2,573)
Children	94,426	93,777	649
Adult Care & Health	95,455	93,462	1,993
Directorate Total	**288,709**	**277,209**	**11,500**
Centrally held Use of Reserves and Capital Receipt Budgets	(11,500)	0	(11,500)
Organisation total	**277,209**	**277,209**	**0**

Capital expenditure

Capital expenditure is different from revenue expenditure, in that it is investment in services and the area (such as buildings, roads and land) that will provide benefits over more than one year. The capital programme, due to take place over several years is over £150m. The capital spend for 2019/20 was £40m (2018/19 £48.5m).

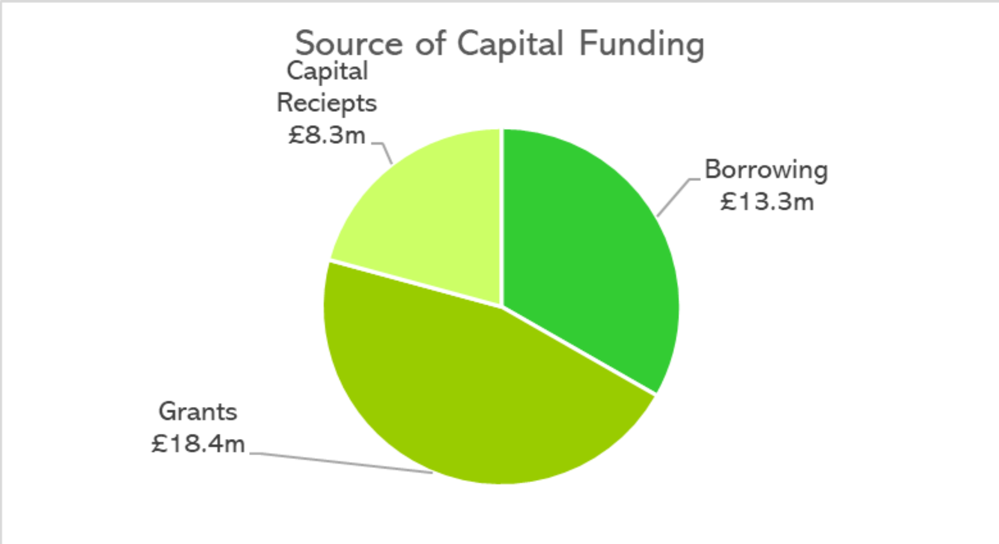
The chart below shows capital spend by directorate:



The table below shows a further breakdown of capital spend into projects:

Adult Care and Health	
Adult Care and Health Total	**1,222**
Economic and Housing Growth	
Economic and Housing Growth Total	**1,776**
Delivery Services	
Highway Maintenance	4,978
Aids for Adaptations	3,502
Transport for Growth	1,760
LED street lighting/column Replacement	1,497
Leasowe Leisure Outdoor 3G	1,178
West Kirby Marine Lake/Sailing Centre accommodation	896
Home Improvements	340
Fitness Equipment	318
Bebington Library	296
Eastham Youth Hub	203
Other	3,740
Delivery Services Total	**18,708**
Business Management	
Key Route Network	3,428
Transformational Capitalisation	8,312
Other	2,703
Business Management Total	**14,443**
Children's Services	
Condition/Modernisation	2,285
Other	1,580
Children's Services Total	**3,865**
Total Capital spend	**40,014**

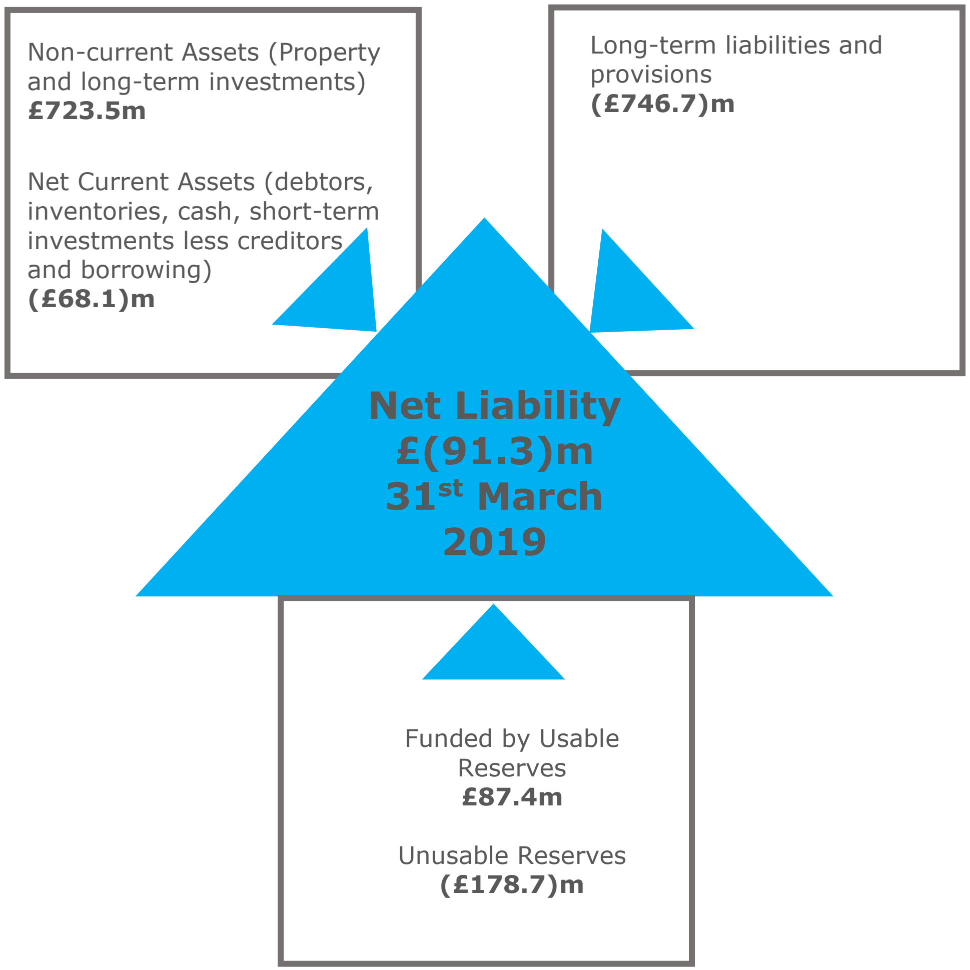
Sources of capital funding are shown in the chart below:

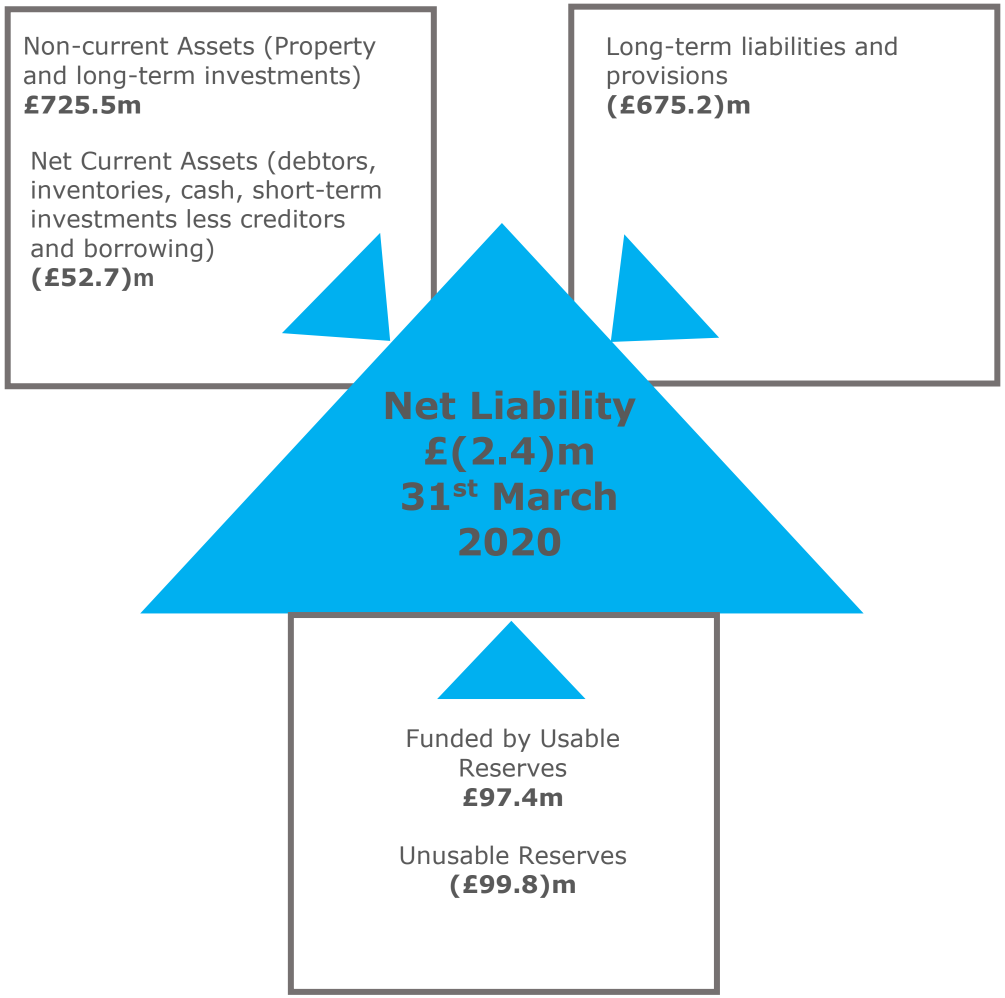


Summary of the Councils Cashflow and Balance Sheet

The Council's Balance Sheet shows the financial position at the year-end and reflects everything that the Council owns and has control over. As a result of the Comprehensive Income and Expenditure Statement the final position of the General Fund balance as at 31 March 2020 is £10.676m, which is still in line with the Council's approved policy to provide a prudent financial safety net for unforeseen events.

The Balance Sheet at 31 March 2020 shows a net liability of £2.410m (2018/19 £91.323m). The net asset worth of the Council excluding the Pension Liability is £469.979m (2018/19 £448.058m). The movement for 2019/20 of £88.913m is explained in the sections below. The Council has reviewed its financial performance for 2019/20 and the budget for 2020/21 and considers that the Council may be viewed as a going concern.


Non-current Assets (Property and long-term investments)
£723.5m
Net Current Assets (debtors, inventories, cash, short-term investments less creditors and borrowing)
(£68.1)m
Long-term liabilities and provisions
(£746.7)m
Net Liability £(91.3)m 31st March 2019
Funded by Usable Reserves
£87.4m
Unusable Reserves
(£178.7)m


Non-current Assets (Property and long-term investments)
£725.5m
Net Current Assets (debtors, inventories, cash, short-term investments less creditors and borrowing)
(£52.7)m
Long-term liabilities and provisions
(£675.2)m
Net Liability £(2.4)m 31st March 2020
Funded by Usable Reserves
£97.4m
Unusable Reserves
(£99.8)m

Long Term Assets

	2018/19 £000	2019/20 £000	Change £000
Property Plant and Equipment	644,487	655,993	11,506
Heritage Assets	14,308	14,308	0
Investment Properties	27,357	24,680	(2,677)
Intangible Assets	549	165	(384)
Investments	1,550	0	(1,550)
Debtors	35,255	30,356	(4,899)
Total	**723,506**	**725,502**	**1,996**

The £2m increase in Long Term Assets is due to capital expenditure of £24.7m, valuations increase of £46.9m, off-set by depreciation and disposals of £63.2m, an investment maturing of £1.5m and the reduction in debtors of £4.9m. The portfolio of investment properties is valued annually and the property and land within PPE (Property, Plant and Equipment) Note 14, on a short cycle basis, which is a maximum of every five years. The property percentage valued in 2019/20 was 42% and this was to ensure there were no material misstatement in the accounts. A breakdown of the assets can be found in Notes 14 to 17 to the accounts.

Current Assets / Liabilities

	2018/19 £000	2019/20 £000	Change £000
Investments	10,988	33,185	22,197
Debtors	57,655	86,737	29,082
Cash and cash equivalents	26,855	53,672	26,817
Other debtors	134	257	123
Short term borrowing	(94,233)	(146,792)	(52,559)
Creditors	(57,234)	(68,995)	(11,761)
Provisions	(12,310)	(10,798)	1,512
Total	**(68,145)**	**(52,734)**	**15,411**

Total current assets in the Balance Sheet (Investments, debtors including other debtors and cash and cash equivalents) are £173.9m off-set by current liabilities (short term borrowing, creditors and provisions) of £226.6m, giving a net current liability of £52.7m. The debtors have increased by £29.1m of which £16.5m was raised in the last few weeks of March, these were not due to become payable by the 31 March 2020. Cash has increased following the receipt of payments from Ministry of Housing, Communities and Local Government (MHCLG) totalling £25.2m, these are currently being reported in the balance sheet as Earmarked Reserves in Note 9 to the accounts. Investments have increased by £22.2m and this includes an investment in the Public Sector Social Impact Fund (PSSIF) of £10m and Covid-19 grant monies. Short-term borrowing has also increased by £52.6m, due to the uncertainty around the availability of liquidity, additional temporary cash was required to meet the unknown demand in this exceptional period, both of these are set out in Note 18 to the accounts. Movements in Creditors, see Note 23, and Provisions movements in Note 24; these movements are generally due to increased suppliers and accruals at year-end and the release of provisions in year.

Long Term Liablities

	2018/19 £000	2019/20 £000	Change £000
Provisions	(2,376)	(3,227)	(851)
Long term borrowing	(164,541)	(162,340)	2,201
Net pension liability	(539,381)	(472,389)	66,992
Other long term liabilities	(39,556)	(36,865)	2,691
Capital grants in advance	(830)	(357)	473
Total	**(746,684)**	**(675,178)**	**71,506**

The only significant change in long-term liabilities is the reduction in the net Pension liability of £67m (2018/19 it increased by £82.1m), this is made up of £63.1m Local Government Pension Scheme (LGPS) and Unfunded Teachers' of £3.9m, this change is recognising the actuarial changes in a number of factors including financial assumptions, changes to the Consumer Price Index (CPI), pay and inflation. Details of these can be found in Note 44 to the accounts.

Reserves

The Council holds Usable Reserves of £97.4m (2018/19 £87.4m), consisting of Earmarked Reserves of £66.8m (2018/19 £59.6m), General Fund Balances of £10.7m (2018/19 £10.7m), Capital Receipts £0.5m (2018/19 £0.9m) and Capital Grants Unapplied of £19.4m (2018/19 £16.2m). A breakdown of these can be found in Note 25 to the accounts, along with a breakdown of Earmarked Reserves in Note 9. Earmarked reserve movement of £7.2m is a combination of Covid-19 reserves of £25.2m (NNDR Section 31 grants and Covid-19 Emergency Fund reserves) and a net reduction in directorate and centrally held reserves of £18m. These reserves are regularly reviewed to assess their adequacy for the purpose intended and whether they are still required.

Unusable Reserves are held for managing the statutory accounting adjustments that are not permitted to be reported in Outturn and therefore to support service budgets. The improvement in Unusable reserves of £78.9m is due primarily to the change in pensions liability of £78.2m, further information can be found in Note 26.

6. About the Statement of Accounts

The Statement of Accounts brings together the financial performance for the Council for the year and its financial standing as at the 31 March 2020. They contain both revenue and capital transactions across all services.

The Council is required to produce an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices, comprising of the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) supported by International Financial Reporting Standards (IFRS).

- The Council has made a change to its Capital receipts policy. Sales of assets give rise to capital receipts if the receipts are greater than or equal to £10,000. These are recorded on an accrual basis, and if required, are divided into a reserved part (based on applicable statutory requirements) and a usable part (the balance). 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 Ministry for Communities and Local Government a proportion of receipts derived from the disposal of housing land. The Council has and continues to use the flexibilities over the use of capital receipts to support a range of transformational activities.
- There are no other new accounting policies for 2019/20.
- The Council reviews annually any interests in companies and other entities for any financial arrangements that may require the production of Group Accounts. In 2019/20 there were no material transactions that require this.

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

- **Narrative Report** provides an overview of the Council's financial and non-financial position for 2019/20.
- **Statement of Responsibilities for the Statement of Accounts** details the responsibilities of the Council and of the Director of Finance and Investment (S151).
- **Independent Auditor's Report**, is the Council external Auditor's report to Members of Wirral Council
- l including the conclusion of arrangements for securing Value for Money. This will be added post audit Statement of Accounts.

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

1. **Comprehensive Income and Expenditure Statement**, which shows all income and expenditure for the Council;
2. **Movement in Reserves Statement**, which shows the movement on the different reserves that the Council holds;
3. **Balance Sheet**, which shows the financial standing of the Council at 31 March 2020, detailing all assets and liabilities;
4. **Cash Flow Statement**, which shows the inflows and outflows of cash arising from transactions with other parties.

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

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

The **Annual Governance Statement**, which does not form part of the formal Statement of Accounts is a separate publication, this report sets out to:

- Give 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;
- Show the actions agreed by the Leader and Chief Executive to address those matters identified as requiring action to further enhance the governance arrangements.

Statement of Responsibilities for the Statement of Accounts

The Council's responsibilities

The Council is required to:

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

The Chief Finance Officer's Responsibilities

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

In preparing this Statement of Accounts the Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Code of Practice.

The Chief Financial Officer has also:

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

Certification of the Accounts

I certify that the Statement of Accounts presents a true and fair view of the financial position of Wirral Council at 31 March 2020 and its income and expenditure for the year then ended.

Signed by Shaer Halewood
Chief Finance Officer
Director of Resources (S151 Officer)
11 January 2021

Independent Auditor's Report

Independent auditor's report to the members of Wirral Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Wirral Council (the 'Authority') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Director of Resources the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

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

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

In our evaluation of the Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.
However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of land and buildings as at 31 March 2020. As, disclosed in Note 4 to the financial statements, the year-end valuations are provided on the basis of a material valuation uncertainty as per the Royal Institute of Chartered Surveyors (RICS) Red Book guidance. As a consequence, a higher degree of caution is attached to the valuations.

In addition, for the Authority's share of the Pension Fund assets, for property valuations due to Covid-19, has been reported on the basis of material valuation uncertainty as per the Royal Institute of Chartered Surveyors (RICS) Red Book. Our opinion is not modified in respect of this matter.

Other information

The Director of Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority, the Director of Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 27, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Resources. The Director of Resources 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 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Risk Management Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Adverse Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, because of the significance of the matters described in the basis for adverse conclusion section of our report we are not satisfied that in all significant respects Wirral Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for Adverse Conclusion

In considering the Authority's arrangements for securing efficiency, economy and effectiveness in its use of resources, we identified the following matters:

The Authority faces an increasingly difficult financial position. It set an initial budget of £273 million for 2019/20, with planned use of £4.5 million of reserves and £7 million of capital receipts. It subsequently increased the budget to £277m but was only able to achieve this planned out-turn by utilising a further £20.5m from reserves. In total, £25.2m of reserves were utilised with £7m being added back into reserves. As at 31 March 2020 the Authority's general fund reserves were only £10 million, the minimum level deemed appropriate by the Authority. This is not a sustainable position and the Authority now has limited reserves to call upon to balance its budget going forward.

The Authority is forecasting a budget deficit of £14.774m in 2020/21. The Authority has applied for a capitalisation directive to provide support to the Council for 2020/21 and 2021/22 in order to balance its budget. Should the capitalisation directive not be secured, the Council may need to issue a s114 notice under the Local Government Finance Act 1988.

These matters are evidence of weakness in proper arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

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

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2020. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Use of our report

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

M C Stocks

Mark Stocks, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

18 January 2021

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 New 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	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Un-applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2019	(10,668)	(59,550)	**(70,218)**	(923)	(16,251)	**(87,392)**	178,716	**91,324**
Adjustment to correct 18/19 closing balances	1	(2)	**(1)**	2	(1)	**0**	(1)	**(1)**
Revised balance at 1 April 2019	**(10,667)**	**(59,552)**	**(70,219)**	**(921)**	**(16,252)**	**(87,392)**	**178,715**	**91,323**
Movement in reserves during 2019/20								
Surplus or deficit on the provision of services	55,777	0	**55,777**	0	0	**55,777**	0	**55,777**
Other Comprehensive Income / Expenditure	0	0	**0**	0	0	**0**	(144,690)	**(144,690)**
Total Comprehensive Income and Expenditure	**55,777**	**0**	**55,777**	**0**	**0**	**55,777**	**(144,690)**	**(88,913)**
Adjustments between accounting basis and funding basis under regulations	(63,002)	0	**(63,002)**	408	(3,201)	**(65,795)**	65,795	**0**
Net Increase or Decrease before Transfers to Earmarked Reserves	**(7,225)**	**0**	**(7,225)**	**408**	**(3,201)**	**(10,018)**	**(78,895)**	**(88,913)**
Transfers to / from Earmarked Reserves	7,216	(7,216)	**0**	0	0	**0**	0	**0**
Increase or Decrease in 2019/20	**(9)**	**(7,216)**	**(7,225)**	**408**	**(3,201)**	**(10,018)**	**(78,895)**	**(88,913)**
Balance at 31 March 2020	**(10,676)**	**(66,768)**	**(77,444)**	**(513)**	**(19,453)**	**(97,410)**	**99,820**	**2,410**

	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Un-applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2018	(24,856)	(54,862)	**(79,718)**	(1,672)	(14,388)	**(95,778)**	129,985	**34,207**
Movement in reserves during 2018/19								
Surplus or deficit on the provision of services	49,847	0	**49,847**	0	0	**49,847**	0	**49,847**
Other Comprehensive Income / Expenditure	0	0	**0**	0	0	**0**	7,270	**7,270**
Total Comprehensive Income and Expenditure	**49,847**	**0**	**49,847**	**0**	**0**	**49,847**	**7,270**	**57,117**
Adjustments between accounting basis and funding basis under regulations	(40,347)	0	**(40,347)**	749	(1,863)	**(41,461)**	41,461	**0**
Net Increase or Decrease before Transfers to Earmarked Reserves	**9,500**	**0**	**9,500**	**749**	**(1,863)**	**8,386**	**48,731**	**57,117**
Transfers to / from Earmarked Reserves	4,688	(4,688)	**0**	0	0	**0**	0	**0**
Increase or Decrease in 2018/19	**14,188**	**(4,688)**	**9,500**	**749**	**(1,863)**	**8,386**	**48,731**	**57,117**
Balance at 31 March 2019	**(10,668)**	**(59,550)**	**(70,218)**	**(923)**	**(16,251)**	**(87,392)**	**178,716**	**91,324**

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.

The figures for 2018/19 have been restated and re-presented to be in line with the Directorate format adopted by the Council for monitoring financial performance during 2019/20, and also to reclassify some grant funding from Cost of Services to Taxation and Non Specific Grant Income (See Restatement of 2018/19 CIES Note 48).

2018/19 (restated)				2019/20		
Expenditure	**Income**	**Net**		**Expenditure**	**Income**	**Net**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
20,613	(5,431)	15,182	Economic & Housing Growth	23,024	(7,085)	15,939
135,773	(100,743)	35,030	Business Management	135,473	(118,769)	16,704
0	0	0	Covid-19	109	(220)	(111)
87,498	(27,233)	60,265	Delivery Services	106,463	(31,865)	74,598
330,654	(245,078)	85,576	Childrens Services	333,100	(234,710)	98,390
170,853	(81,631)	89,222	Adult Care & Health	182,918	(92,242)	90,676
745,391	**(460,116)**	**285,275**	**Cost of Services**	**781,087**	**(484,891)**	**296,196**
38,699	(582)	38,117	Other Operating Expenditure	41,312	0	41,312
33,429	(1,497)	31,932	Financing and Investment Income and Expenditure	56,690	(3,770)	52,920
0	(305,477)	(305,477)	Taxation and Non Specific Grant Income		(334,651)	(334,651)
817,519	**(767,672)**	**49,847**	**Surplus or Deficit on Provision of Services**	**879,089**	**(823,312)**	**55,777**
	(42,728)	(42,728)	Surplus or deficit on revaluation of Property, Plant and Equipment		(46,549)	(46,549)
	2,042	2,042	Surplus or deficit on revaluation of available for sale financial assets and financial instruments at fair value through other comprehensive income and expenditure		326	326
	47,956	47,956	Remeasurement of the net defined benefit liability / asset		(98,467)	(98,467)
	7,270	**7,270**	**Other Comprehensive Income and Expenditure**		**(144,690)**	**(144,690)**
817,519	**(760,402)**	**57,117**	**Total Comprehensive Income and Expenditure**	**879,089**	**(968,002)**	**(88,913)**

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.'

Restated 31 March 2019 £000	**Notes**		**31 March 2020 £000**
644,487	14	Property, Plant and Equipment	655,993
14,308	15	Heritage Assets	14,308
27,357	16	Investment Property	24,680
549	17	Intangible Assets	165
1,550	18	Long-Term Investments	0
35,255	18	Long-Term Debtors	30,356
723,506		**Long Term Assets**	**725,502**
10,988	18	Short-Term Investments	33,185
134		Inventories	257
57,655	19	Short-Term Debtors	86,737
26,855	21	Cash and Cash Equivalents	53,672
95,632		**Current Assets**	**173,851**
(94,233)	18 & 30	Short-Term Borrowing	(146,792)
(57,234)	23	Short-Term Creditors	(68,995)
(12,310)	24	Provisions	(10,798)
(163,777)		**Current Liabilities**	**(226,585)**
(2,376)	24	Provisions	(3,227)
(164,541)	18 & 30	Long-Term Borrowing	(162,340)
(39,556)	18 & 30	Other Long-Term Liabilities	(36,865)
(539,381)	44	Pension Liability	(472,389)
(830)	38	Grants Receipts in Advance - Capital	(357)
(746,684)		**Long Term Liabilities**	**(675,178)**
(91,323)		**Net Assets**	**(2,410)**
(87,392)	25	Usable Reserves	(97,410)
178,715	26	Unusable Reserves	99,820
91,323		**Total Reserves**	**2,410**

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.

2018/19 has been restated to reflect £0.125m Trust Funds previously included as cash being reclassified as creditors, and also to correct the values relating to the purchase of and proceeds from short-term and long-term investments, and to correcting the movement in debtors to include both long-term and short-term debtors. Signage has also been corrected on the 2018/19 opening and closing cash and cash equivalent values.

2018/19 (restated) £000	Notes		2019/20 £000
49,847		**Net (surplus) or deficit on the provision of services**	**55,777**
(66,050)	27	Adjustment to surplus or deficit on the provision of services for noncash movements	(72,004)
23,074	27	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	28,315
6,871		**Net cash flows from operating activities**	**12,088**
(20,243)	28	Net cash flows from investing activities	63,238
15,490	29	Net cash flows from financing activities	(48,509)
2,118		**Net (increase) or decrease in cash and cash equivalents**	**26,817**
24,737		Cash and cash equivalents at the beginning of the reporting period	26,855
26,855		**Cash and cash equivalents at the end of the reporting period**	**53,672**

Notes to the Core Financial Statements

Note 1 - Accounting Policies

SIGNIFICANT ACCOUNTING POLICIES

General Principles

The purpose of Note 1 is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. The accounting policies are the main principles, bases, conventions, rules and practices that specify how these transactions and other events are reflected in the financial statements.

The Statement of Accounts summarise the Council's transactions for the 2019/20 financial year and its position at the year-end of 31st March 2020. The Council is required to produce an annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit Regulations 2015. For 2019/20, these practices are 'The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20' ('the Code') supported by International Financial Reporting Standards (IFRS), where CIPFA has provided guidance notes.

The Accounts have been prepared on a going concern basis. The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Statement of Accounts has been adjusted to reflect events after 31st March 2020 and before the date the Accounts were authorised for issue only where the events provide material evidence of conditions that existed at 31st March.

The Council's over-arching accounting policies are set out below. Further detail on the accounting treatment adopted for specific transactions and balances is included in relevant disclosure notes.

1.0 Accruals of Income and Expenditure

1.1 Revenue Recognition

Revenue is a sub-set of income and is defined as the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth. Revenue is defined as income arising from the result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring a promised good or service to the service recipient. Revenue is measured as the amount of the contract/transaction price which is allocated to that performance obligation when met. Where the Council is acting as an agent of another organisation the amounts collected are excluded from revenue.

1.2 Income and Expenditure

Income and expenditure are accounted for on an accrual basis in the year the activity takes place. Income is recorded when it is earned, not when it is received and expenditure when it is incurred, not paid.

Activity is accounted for in the year that it takes place rather than when cash payments are made or received:

- Revenue from sales, fees, charges and rents due from customers are accounted for as income at the date the Council has satisfied a performance obligation by transferring promised goods and services to the recipient;

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventory on the Balance Sheet;
- Interest receivable on investments and payable on borrowings is accounted for per the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where assets are identified as impaired because of the likelihood arising from a past event that payments due under the contract will not be made, the asset is impaired and written down to the recoverable amount and a charge made to the revenue for income that might not be collected;
- Where payment is made or income received in advance of a service being received or delivered then a prepayment or receipt in advance is recorded in the Balance Sheet;
- Income from the sale of non-current assets is recognised only when all material conditions of sale have been met and is measured as the sums due under the sale contract; and
- Accruals are recognised where the value is equal to or exceeds £1,000 for any individual debtor or creditor.

The amounts included are based on actual invoices raised or received and, where actual amounts are not known, estimates are included based on an assessment of the value of goods and services rendered or received in the financial year. Any estimates are calculated using the best available information.

Income from Council Tax and National Non-Domestic Rates is recognised within the Comprehensive Income and Expenditure Statement (CIES) 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.

2.0 Assets Held for Sale

When it becomes probable an asset will be sold rather than held in continued use as an operational or investment asset, it will be reclassified within current assets as held for sale subject to strict criteria being met. The asset must be available for immediate sale, actively marketed and must have a high probability of being sold within one year of the date of classification. Held for sale assets are carried at the lower of cost or the fair value less costs to sell and not depreciated.

3.0 Capital Receipts

Sales of assets give rise to capital receipts if the receipt is greater than or equal to £10,000. These are recorded on an accrual basis and, if required, are divided into a reserved part (based on applicable statutory requirements) and a usable part (the balance). 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 Ministry for Housing, Communities and Local Government a proportion of receipts derived from the disposal of housing land.

The Council has and continues to use the flexibilities over the use of capital receipts to support a range of transformational activities.

4.0 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions recoverable on-demand, with a notice period of not more than 24 hours without material penalty. Cash equivalents are short-term, highly liquid investments which are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

5.0 Employee Benefits

5.1 Benefits payable during employment

The Council recognises the costs of benefits received by current employees (other than termination benefits). They include benefits such as salaries, wages and paid annual leave and are recognised as an expense for services in the year in which employees render service. An accrual is made for the cost of outstanding annual leave that staff have earned but not taken before the year-end and charged to the CIES to ensure that the cost of annual leave is charged to revenue in the financial year to which it relates. An annual accrual is undertaken to reflect these untaken entitlements at current rates of pay, as any change to current rates of pay for which the entitlement is paid is deemed not material and therefore no uplift has been accrued.

To prevent fluctuations from impacting on Council Tax, the year-on-year change in costs generated by this accrual is transferred to a specific reserve via the Movement in Reserves Statement.

5.2 Termination benefits

Termination benefits are dealt with separately from other employee benefits because the event which gives rise to an obligation is termination rather than employee service. Termination benefits are payable from 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 accrual basis to the CIES when either the Council can no longer withdraw the offer of those benefits or when the Council recognises restructuring costs which involve the payment of termination benefits, whichever is earlier. However, enhanced retirement benefits, paid via the Pension Fund, are charged to the General Fund in accordance with the pension regulations.

5.3 Post-employment benefits

Most employees of the Council participate in one 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, which is a defined benefit scheme administered by the Teachers Pensions Agency (TPA), on behalf of the Department for Education (DfE). The scheme is unfunded, the Government operates a notional fund as the basis for calculating employers’ contributions. The CIES is charged with the employer's contributions payable to the Teachers’ Pensions Scheme in the year. The scheme is accounted for as a defined contribution scheme and no liability for future payments is recognised in the Balance Sheet.

• The National Health Service (NHS) Pension Scheme, which is an unfunded defined benefit scheme that covers NHS employers, general practices and other bodies, covering staff transferred to the employment of the Council following the transfer of public health services on 1 April 2013. It is not possible for the Council to identify its share of the underlying scheme liabilities. The scheme is accounted for as a defined contribution scheme, and therefore no liability for future payments is recognised in the Balance Sheet.

• The Local Government Pension Scheme (LGPS) administered by the Merseyside Pension Fund for all other employees that are eligible to join subject to certain qualifying criteria. This operates as a defined benefit scheme and the liabilities attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit method. This method is based on an assessment of the future payments that will be made to members of the scheme in relation to future retirement benefits earned to-date; using assumptions about mortality rates, employee turnover and projected earnings for current members and discounted to their present date equivalent using the indicative rate or return on a high quality corporate bond. The scheme is governed by the Public Services Pensions Act 2013 and administered with the following secondary legislation on behalf of all participating employees:

- The LGPS Regulations 2013 (as amended);
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- The LGPS (Management and Investment of Funds) Regulations 2016.

Post-employment benefits are accounted for in accordance with International Accounting Standard 19 (IAS19) on Employee Benefits. Retirement benefits are therefore accounted for at the point that a commitment arises, even if the actual payment will be many years in the future. This reflects the Council's long-term commitment to increase contributions to make up any shortfall in attributable net assets in the LGPS.

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

- Quoted securities - market value, based on prices quoted to sellers in the market ("bid price")
- Unquoted securities - based on professional estimate
- Unitised securities - the average of the price quoted to sellers ("bid price") and the price offered to buyers in the market (the "offer price"), *and*
- Property - market value

The change in the net pension liability is analysed into the following components:

A) **Service Costs**

i. Current service cost – any increase in liabilities as a result of years of service earned in the financial year;

ii. Past service cost/gains – changes arising from in-year decisions where the effect relates to years of service earned previously. Curtailments are additional employer liabilities incurred when a member stops contributing to the scheme earlier than expected e.g. following redundancy, but without a reduced pension; and

iii. Gains/Losses on settlement – the result of actions that change the scope of the Council's future pension liability, for example a group of staff transferring to a different employer.

B) **Net interest on the net defined benefit liability** – difference between the increase in the present value of liabilities as they move a year closer to payment and the expected return on investments over the same period;

C) **Remeasurement on the defined benefit liability** – the impact of changes to the assumptions underpinning the actuarial estimates of the value of assets and liabilities are charged to the Pension Reserve as Other Comprehensive Income and Expenditure. These could be due to changes in assumed mortality rates, discount rates, inflation or because the actual level of investment returns is different from the long-term averages assumed under B;

D) **Contributions paid to the Fund** – employer's contributions paid to the Pension Fund; and

E) **Administration costs.**

Statutory provisions require the General Fund balance to be charged with the amount payable 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 based on cash flows rather than as benefits are earned by employees.

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

6.0 Events after the Balance Sheet date

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

- those that provide evidence of conditions that existed at the end of the reporting period (the Statement of Accounts is adjusted to reflect such events); and
- those that are indicative of changes in conditions after the reporting period. The Statement of Accounts is not adjusted to reflect such events but where they will have a material impact, disclosure is made in the Notes of the nature of these events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the accounts, see Events after the Balance Sheet Note 6 for details.

7.0 Fair Value Measurement

Some non-financial assets such as Investment Properties and surplus assets are measured at fair value and financial instruments at amortised costs at each reporting date. 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 most advantageous market for the asset or liability (if no principal market exists).

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

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

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs, which considers three levels of categories from inputs to valuations for fair value assets or liabilities:

- Level 1 – Quoted prices;
- Level 2 – Inputs other than quoted prices that are observable, either directly or indirectly; and
- Level 3 – Unobservable inputs.

8.0 Financial Instruments

8.1 Recognition and Measurement

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

8.2 Initial Recognition

Financial instruments are recognised in the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, i.e. when the purchasers become committed to the purchase or, in the case of the loan, 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 are delivered or received.

8.3 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 and carried at amortised cost (carrying value).

8.4 Financial Assets

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

- At amortised cost;
- At fair value through profit and loss (FVPL); and
- At fair value through other comprehensive income (FVOCI).

The Council's business model is to buy and hold investments to collect contractual cash flows i.e. payments of interest over the term of the asset and repayment of the principal amount invested at the end. Most of the Council's financial assets are therefore classified as being at amortised cost.

i. Measured at amortised cost

For most of the financial instruments held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to CIES is the amount receivable for the year in the loan agreement. Any profit or loss on the sale of the financial instrument is debited/credited to the Financing and Investment Income and Expenditure line in the CIES in the year of sale.

ii. Measured at Fair Value through Other Comprehensive Income (FVOCI)

The Council has made an irrevocable election to designate certain financial assets as FVOCI on the basis they are not held for trading but held for longer-term strategic purposes.

The asset is initially measured and subsequently re-measured to current fair value at each balance sheet date. Dividend income is credited to Financing and Investment Income and Expenditure in the CIES when it becomes receivable by the Council. Changes in fair value between balance sheet dates are charged / credited to Other Comprehensive Income and Expenditure and are matched by an entry in the Financial Instruments Revaluation Reserve. This matching entry means that there is no impact on the Surplus or Deficit on the Provision of Services at that time. When the assets concerned are finally sold the cumulative profits or losses previously recognised in Other Comprehensive Income and Expenditure (i.e. sale proceeds less original cost) are transferred from the Financial Instruments Revaluation Reserve and recognised in the Surplus or Deficit on Provision of Services (SDPS).

iii. **Measured at Fair Value through Profit and Loss (FVTPL)**

These are measured and carried at fair value (market price). At each balance sheet date, the asset's fair value is re-measured to the current fair value and any change is reported in the SDPS. On disposal any gains and losses are recognised in the Financing and Investment Income line in the CIES. The fair value measurement is based on the following techniques:

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

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

8.5 Impairments to Financial Assets Measured at Amortised Cost

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES.

8.6 Expected Credit Loss Model

The Council recognises expected credit losses (i.e. non-payment of principal and / or interest) on all its financial assets held at amortised cost (or where relevant FVOCI). Usually only credit losses arising in the next twelve months are calculated. Lifetime losses are only recognised when the risk of the amount lent out not being made in full increases significantly over the year. Trade receivables (debtors) are permitted to use the simplified approach to expected credit losses. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.

8.7 Financial Liabilities

Financial liabilities are initially measured at fair value and subsequently measured at amortised cost (carrying value). The amount presented in the Balance Sheet is therefore the outstanding principal repayable (plus accrued interest). Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the CIES in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down is spread over the life of the loan by an adjustment to the effective interest rate. This is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium payable or discount receivable when it was repaid.

8.8 Instruments entered into before 1 April 2006

The Council has a few financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected if either a provision or a contingent liability is required.

8.9 Disclosure of the nature and risk arising from Financial Instruments

The Council's 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; and
- Market risk – financial loss from changes in interest rates.

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.

9.0 Government Grants and Other Contributions

Government grants and other contributions are accounted for on an accrual basis in the CIES, when there is reasonable assurance that the money will be received and all conditions attached to the funding will be met. Where conditions attached to grants and contributions remain outstanding, monies received to date are carried forward in the Balance Sheet as Creditors (Receipts in Advance) until the conditions have been satisfied.

Capital grants are treated as income within the CIES, within the Taxation and Non-specific Grant Income and Expenditure Note 12, when the conditions regarding their use are met. A corresponding amount is transferred, as shown in the Movement in Reserves Statement, from the General Fund Balance to the Capital Adjustment Account in the Unusable Reserves Note 26, if the grant has been used to finance capital expenditure in the year, or to the Capital Grants Unapplied Account until it is used. Capital grants with conditions attached are 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, when it is recognised as a capital grant within the CIES.

Separate accounts are maintained for capital and revenue grants in accordance with the Code.

10.0 Interests in Companies and Other Entities

Group Accounts are referred to in IFRS10 Consolidated Financial Statements, IFRS11 Joint Arrangements, IFRS12 Disclosure of Interests in Other Entities, International Accounting Standard (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 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 the Council's interests in total are not material, when reviewing both quantitative and qualitative information, group accounts have not been produced. Further details are covered in the Note 39 on Related Party Transactions and Involvement with Companies and only the Council's share of Joint Operations has been included in this Statement of Accounts.

11.0 Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken in conjunction with other joint operators involve the use of the assets and resources of those joint operators. The Authority as a joint operator recognises on its Balance Sheet its share of the assets and liabilities generated by the operation, and the Cost of Services within the CIES includes its share of the expenditure incurred and of income earned from the activity.

Under Section 75 of the Health Act 2006, the Council is able to establish joint working arrangements with NHS bodies and to pool funds from the two organisations to create a single budget. Where pooled budgets are established, the Council's accounts reflect only the Council's share of the overall budget and exclude the share attributable to partner organisations.

12.0 Leases

Leases are classified as either **finance** 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 or an operating lease depends on the substance of the transaction rather than the form of any legal agreement. Leases are classified as finance leases where the terms of the lease transfer most of the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Land and building elements of a lease are considered separately for lease classification.

12.1 Finance Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. This judgement is made at the inception of the lease using criteria set out in IAS 17. Arrangements that are not legally leases but convey the right of use in return for a payment are subject to the same accounting treatment as if they were in fact a lease.

Where the Council grants a finance lease (lessor) over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a Debtor in the Balance Sheet. Lease rentals receivable are apportioned between:

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

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the leased asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the Debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

12.2 Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased assets. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

13.0 Minimum Revenue Provision

The Council is not required to use Council Tax to fund depreciation, revaluation and impairment losses or amortisation of non-current assets. However, it is required to make an annual contribution from revenue towards provision for the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis or as determined by the Council in accordance with statutory guidance.

14.0 Non-Current Assets

14.1 Property, Plant and Equipment

These are tangible assets that have physical substance and are held for use in the provision of services, for rental to others or for administrative purposes, and which are expected to be used for more than one year. Property, Plant and Equipment (PPE) includes expenditure on such things as the acquisition of land and buildings, vehicles, plant and equipment and the construction and enhancement of roads, buildings and other structures. This category does not typically include Assets Held for Sale, as they would normally be expected to be sold within twelve months (see Assets Held for Sale Note 22); properties held solely for the purpose of generating a financial return (see Investment Property Note 16) and those held primarily for their contribution to knowledge and culture (see Heritage Assets Note 15).

14.2 Initial Recognition and Valuation

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accrual basis if it yields benefit for more than one year, the cost is equal to or exceeds the minimum threshold for capitalisation of £10,000, and the cost can be measured reliably. Expenditure that maintains but does not enhance the benefit that an asset can provide – such as 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 CIES under Financing and Investment Income and Expenditure.

The categories of PPE are as follows:

- Land and buildings;
- Vehicles, plant and equipment;
- Infrastructure assets – from which benefit can be obtained only from continued use, for example, highways and bridges;

- Community assets - from which the Council intends to hold in perpetuity which have no determinable finite useful life and may have restrictions on their disposal, for example, parks;
- Surplus assets – those not used in the operation of the Council or its services; and
- Assets under construction – those currently being built, and not available for use in providing services in the current accounting year.

14.3 Measurement

PPE is valued on the basis recommended by the Code and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS).

Assets are initially measured at the direct cost of bringing the asset into working condition for its intended use and subsequently using professionally undertaken valuations using bases recommended by RICS:

- Historic cost – Infrastructure, Community and Assets under construction; or
- Current value – All other PPE assets.

Infrastructure, community assets, assets under construction and vehicles, plant and equipment are then carried in the Balance Sheet at depreciated historic cost (DHC). Other categories of PPE are subsequently re-measured at existing use or fair value, as per the table below:

Asset class	**Accounting Basis in CIES**
Land and Buildings	Where prices for comparable properties are available in an active market, properties are valued at market value considering the existing use. Where no market exists or the property is specialised, current value is measured at depreciated replacement cost
Surplus Assets	Fair value

The Code definition of current value requires PPE that are operational to be recognised in the Accounts at their service potential value and not their fair value, which means that some specialised assets with no available market will be valued at Depreciated Replacement Cost (DRC), which uses a Modern Equivalent Asset methodology to estimate the value of an asset based on the cost of replacing it with a new asset that can deliver the same services.

Assets are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Assets are revalued in accordance with the methodologies and requirements of the Royal Institute of Professional Valuers.

14.4 Revaluation

All assets held at current value are subject to revaluation (this includes Investment Property). Property assets are revalued when due under the five year cycle (the short period as defined by the Code) or earlier where there has been a change in circumstances either for the specific asset or the wider asset group, which may have a material impact on value. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains, however if the asset had previously been impaired or suffered a revaluation decrease which was charged to the CIES then the gain is instead credited to the CIES. Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gain);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES;
- where valuation gains or losses are recognised in the CIES, equivalent amounts are transferred into the Capital Adjustment Account.

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

14.5 Impairment

Assets are assessed at each year-end for indications of impairment and where conditions exist and possible differences are estimated to be material, the recoverable amount is estimated and, where this is less than the carrying amount, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for in the same way as revaluation losses. When an asset is disposed of or decommissioned, the carrying amount in the Balance Sheet (whether PPE or Assets Held for Sale) is written-off to the Other Operating Expenditure line in the CIES against any receipts arising from the disposal as a gain or loss. To avoid impairment becoming a charge against Council Tax the value of such impairments is reversed out within the Movement in Reserves Statement and charged to the Capital Adjustment Account.

14.6 Depreciation

Depreciation is charged to the CIES to reflect the usage of assets over their estimated useful life. It is provided for on all PPE assets with the exception of:

- Land or other assets without a determinable useful life; and
- Assets under construction as they are not being used yet.

Depreciation is calculated on the following bases:

- Buildings - straight-line allocation over the useful life of the property as estimated by a qualified valuer;
- Vehicles, plant, furniture and equipment - straight line allocation over the estimated useful life of each class of assets in the Balance Sheet, as advised by a suitably qualified officer; and
- Infrastructure - straight-line allocation over the estimated useful life of the asset.

The Code requires that each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately. Where assets are material, with individual component valuations comprising significant proportions of the total cost of the asset (greater than 10% of the asset value) but with markedly different useful lives, the components are depreciated separately. Only material assets with a value equal to or in excess of £2million are componentised. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation 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.

Within the Council’s asset portfolio there are asset classes where componentisation will not be considered for the following reasons:

- Equipment – considered immaterial; and
- Asset classes which are not depreciated – such as land, investment property, heritage assets, community assets, surplus assets and assets held for sale.

The remaining assets, which are contained with the operational portfolio, are often of a specialised nature such as schools and leisure centres. The Council's valuers are asked to provide component information for each asset which is reviewed to assess if inclusion of different components will have a material impact.

Charges commence when the asset becomes available for use and cease on derecognition.

14.7 Derecognition of Assets

Any disposal receipts equal to and above £10,000 are categorised as capital receipts on an accruals basis and are 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 CIES and the same amount is appropriated from the Usable Capital Receipts Reserve and credited to the Movement in Reserves Statement.

The written off value of disposals is not a charge against Council Tax but is subject to separate arrangements for capital financing. Amounts reflected in the CIES are appropriated to the Capital Adjustment Account via the Movement in Reserves Statement.

An asset is derecognised by disposal when no future economic benefit or service potential is expected from its use. When an asset is disposed of or decommissioned, the carrying amount of the asset is de-recognised in the Balance Sheet. This amount, net of any receipts from disposal, are accounted for as a gain or loss on disposal and taken to the Other Operating Expenditure line in the CIES. Any revaluation gains previously accounted for in the Revaluation Reserve are transferred to the Capital Adjustment Account. Receipts from disposals are credited to Other Operating Expenditure within the CIES as part of the gain or loss on disposal (i.e. offset against the carrying value at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

14.8 Charges to Revenue for Non-current Assets

The CIES is charged with the following amounts to record the real cost of non-current assets used in the provision of services during the year:

- Depreciation attributable to the assets used by the relevant service;
- Impairment/revaluation losses on assets used by the service;
- Amortisation of intangible assets attributable to the service; and
- Profit and loss on disposal of assets.

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

14.9 Heritage Assets

These assets have historic, artistic, scientific, geophysical or environmental qualities and are held principally for their contribution to art and culture; and are recognised in the Balance Sheet when their value is equal to or exceeds the capitalisation threshold of £10,000. Their value at the time of recognition is, wherever possible, at either valuation or cost. If this has not been possible, particularly in respect of the art collection assets and civic regalia, where the distinctive and rare nature of these assets can make valuations complicated (and in some cases unobtainable), the assets are not included as a value on the Balance Sheet but are detailed in notes to the Statement of Accounts. Such assets are deemed to have infinite lives and are not subject to depreciation, but the carrying amounts are reviewed where there is evidence of impairment such as physical damage. Any impairment is recognised and measured in accordance with the Council's general accounting policy on impairment. The following categories summarise the current collections held:

- **Decorative Art & Other Collections**

  Collections of art and ceramics, drawings, glass, metalwork, jewellery, furniture, maritime models, ethnography, artefacts, geology and others.

- **Buildings**

  There are two buildings included in the valuation of heritage assets: Bidston Hill Windmill and Leasowe Lighthouse.

- **Civic Regalia**

  This includes items connected with civic functions undertaken as part of the mayoral role and civic events, including mayoral badges, chains, borough maces, etc., as well as memorabilia commemorating past events.

- **Transport**

  Various historic trams and buses.

- **Fine Art**

  These include important British watercolours and drawings of the 18th and 19th century, by artists including the Liverpool School artist, Philip Wilson Steer and other leading local artists. There are two key pieces of fine artwork both valued at £2m each, within a collection of 5,000 separate pieces. Valuations are based on the latest insurance estimates from November 2018.

14.10 Investment Properties

Investment properties are held exclusively for revenue generation or for capital gain and not used directly to deliver services. Such assets are measured initially at cost and subsequently at fair value and are not depreciated but are revalued annually according to market conditions at the year-end.

Net rental income together with any revaluation gains and losses or impairments are recognised in the Financing and Investment Income and Expenditure line within the CIES. However, regulations do not permit unrealised gains and losses to impact the General Fund balance. Therefore, gains and losses are reversed via the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for sale proceeds equal to and above £10,000) to the Capital Receipts Reserve.

14.11 Intangible Assets

Intangible assets do not have physical substance but are identifiable and are controlled through custody or legal rights. Purchased intangibles, such as software licences, are capitalised at cost, whilst internally developed intangibles are only capitalised where there is a readily ascertainable market value for them.

These assets are capitalised on the Balance Sheet where they are separately identifiable and controlled and are expected to bring benefits for more than one financial year. Intangible assets are only capitalised if their value equals or exceed the capital threshold of £10,000. Intangible assets are reviewed for impairment at the end of the first full financial year following operation.

15.0 Overheads and Support Service Costs

Services are analysed in the CIES and Expenditure and Funding Analysis (EFA) in line with the organisational structure of the Council and in accordance with the Code for:

- Corporate and Democratic; and
- Trading Accounts.

Income and Expenditure is allocated to services to reflect the way the Council operates its services and reported to management. The full costs of overheads, such as utility bills, are apportioned to services within the Net Cost of Services section of the CIES and the EFA. Central support recharges and Corporate costs are reported in accordance with the Code as Corporate Services within the CIES and EFA. Overheads and support services for trading accounts are allocated in accordance with the Code and CIPFA Service Reporting Code of Practice (SeRCOP).

16.0 Prior Year Adjustments and Changes in Accounting Policies

Prior year adjustments may arise because of changes in accounting policies and are 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. Material adjustments from 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.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more clear and reliable information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior year as if the new policy had always been applied. The Council has not adopted any new accounting standards or amendments with a significant impact on the Council's position during 2019/20.

17.0 Private Finance Initiative (PFI) and Service Concession Arrangements

PFI and similar contracts are agreements for the Council (grantor) to receive services, where the responsibility for making available the PPE needed to provide the services passes to the PFI contractor (Operator). As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the PPE will pass to the Council at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as PPE, except in relation to schools which have transferred to Academy status.

The original recognition of these assets at fair value (based on the cost to purchase PPE) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. The Council recognises the asset and liability on the Balance Sheet, and accounts for it as if it were a finance lease. Non-current PFI assets recognised on the Balance Sheet are revalued and depreciated in the same way as PPE owned by the Council. The amounts payable to the PFI operator each year are analysed as follows:

- **Service costs** - charged to the relevant service in the CIES;
- **Finance Cost** – An interest charge on the outstanding Balance Sheet Liability, charged to the Financing and Investment Income and Expenditure line in the CIES. The interest rate is calculated for the scheme so that the Balance Sheet liability is zero at the end of the contract;

- **Contingent Rent** – increases in the amounts to be paid for the property arising during the contract, are charged to the Financing and Investment Income and Expenditure line in the CIES;
- **Payment towards liability** – applied to write-down the balance sheet liability towards the PFI operator (the profile of write-downs is calculated on the same basis as for a finance lease); and
- **Lifecycle costs** – recognised as expenditure on non-current assets and added to the assets on the Balance Sheet.

The cost of the PFI is partly-funded from Government Grant. This grant is treated as non-specific and credited to the Taxation and Non-Specific Grant Income line in the CIES.

18.0 Provisions, Contingent Assets and Contingent Liabilities

Provisions are recognised where there is a present legal or constructive obligation arising from past event(s) which has placed the Council in a position where it has an obligation that is likely to lead to it incurring a cost. The precise timing and value of the cost may be unknown but can be reliably estimated. Provisions are charged as an expense to the appropriate service line in the CIES in the year the Council becomes aware of the obligation, based on a best estimate of the likely settlement.

Where some or all of the payment required to settle a provision is expected to be recovered from a third party, this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation. When payments for expenditure are incurred to which the provision relates, they are charged directly to the provision.

Provision estimates are reviewed at the Balance Sheet date and adjusted as necessary to reflect the current best estimate in the CIES. When payments relating to the provision are made, they are charged to the provision created in the Balance Sheet.

Contingent Assets and Contingent Liabilities are obligations or assets arising from past events where:

- The existence or value of the obligation is dependent on future events which are outside the control of the Council;
- It is not probable that a flow of economic benefits will be required to settle the obligation; and
- The obligation/contingent asset cannot be easily quantified.

Contingent assets and liabilities are not recognised in the Balance Sheet and are disclosed in the notes to the accounts. The notes set out the scale of the potential costs and the likelihood of them being realised.

19.0 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Earmarked reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

Where expenditure has been incurred which is to be financed from an earmarked reserve, the expenditure is charged to the relevant service within the SDPS line within the CIES. An amount is then transferred from the earmarked reserve to the General Fund Balance via an entry in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Reserves are categorised as either “usable” or “unusable”. Usable reserves are those which may be used to fund revenue or capital expenditure. Unusable reserves are kept for managing the accounting treatment of non-current assets, financial instruments, retirement and employee benefits; and do not represent usable resources.

20.0 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

REFCUS is expenditure of a capital nature that does not result in the creation of a non-current asset on the Balance Sheet, but which have been charged to the CIES. Legislation requires defined items of revenue expenditure charged to services to be treated as capital expenditure; such expenditure is transferred from the General Fund balance via the Movement in Reserves Statement to the Capital Adjustment Account. These items are normally written-off 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 is used to offset the amounts charged to the CIES, so there is no impact on Council Tax.

21.0 Schools

Where the balance of control for 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 income, expenditure, assets, liabilities and cash flows are recognised in the Councils main financial statements, rather than within Group Accounts. Other types of school, such as academies and free schools are outside of the Council’s control and therefore not included in the Council’s accounts.

Schools’ non-current assets (school buildings and playing fields) are recognised on the Balance Sheet where the Council directly owns the assets, where the Council holds the balance of control of the assets or where the school, or the school governing body own the assets or have had the right to use the assets transferred to them.

When a maintained school converts to an Academy, the school’s non-current assets held on the Council’s Balance Sheet are treated as a disposal. The carrying value of the asset is written off to Financing and Investment Income and Expenditure within the CIES. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. The written-off asset is not a charge to the General Fund, as the cost is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

22.0 Value Added Tax (VAT)

Income and Expenditure excludes any amounts relating to VAT and will be included as an expense only if it is irrecoverable from Her Majesty's Revenue and Customs.

Note 2 - Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2019/20 requires the Council to disclose information setting out the impact of accounting changes by a new accounting standard that has been issued but not yet adopted by the Code. The relevant changes relate to the following standards all of which will be amended for accounts produced for financial periods starting after 1st April 2020.

- IFRS 16 Leases 01/01/19
- IAS 28 Investment in Associates
- IFRS 7, 9 and IAS 39 01/01/20
- IFRS 3 Business Combinations 01/01/20
- IAS 19 Employee benefits 01/01/19
- Annual improvements to IFRS Standards 2015-17 cycle
    - IFRS 7 Financial Instrument Disclosures 01/01/16
    - IFRS 11 Joint arrangements 01/01/19
    - IFRS 12 Disclosure of Interest in Other Entities 01/01/17

Some changes may need to be adopted retrospectively meaning that on adoption 2019/20 information included within these accounts could be restated in the 2020/21 accounts to reflect the new reporting requirements. This note sets out the impact that would have been seen if the new standards had already been in force.

The implementation of IFRS 16: Leases (originally due to be implemented from 1st April 2020 and adopted from 1st January 2019) is now deferred until 1st April 2022. This standard will bring most leases on balance sheet including operating leases thereby removing the distinction between finance and operating leases; there is a recognition that low-value and short-term leases may be exempt. The estimated impact based on current operating lease non-cancellable obligations is £2.1m, see Leases Note 41. This is applicable when either the authority or group companies are the lessee.

The various changes for other Standards as mentioned above IFRS 7, 9, IAS 39, IAS 28, IFRS 3, IAS 19 and the Annual Improvements to IFRSs cycles are relatively minor updates to the relevant standards to clarify the correct treatment. None will have a material impact on the Statement of Accounts.

Note 3 - Critical Judgements in Applying Accounting Policies

The following significant accounting judgements have been made in applying the accounting policies. The Council has had to make certain critical judgements about complex transactions or those involving uncertainty about future events.

Funding Levels

There is a high degree of uncertainty about the future levels of funding for local government, the impact on the economy following Covid-19 and leaving the European Union. However, the Council has determined that these uncertainties are not yet sufficiently mature to provide an indication that assets of the Council might be impaired as a result of a need to close facilities, significantly remodel Council services or reduce levels of service provision.

Going Concern

In March 2020 the Council approved a budget for 2020/21 together with an indicative budget for the following four years. At the time the budget was approved the Council was facing a funding gap ranging from £27m to £30m over the period 2022-25.

At 31 March 2020 the councils achieved a balanced budget with general fund reserves of £10.7m which is in line with its agreed levels and earmarked reserves of £66.7m, of which £25m, are Covid-19 related.

The Council is revising its budget position for 2020/21 and 2021/22 due to Covid-19 as direct and indirect costs are being placed under significant financial pressure. Work has been on-going during the year to identify saving and reduce cost pressures, which will continue to be reviewed, at quarter two the Council was forecasting a budget gap to 2021/22. An indicative budget gap of close to £75.6m over the next two years was forecast (2020 to 2022), at quarter two, this was £24.1m for 2020/21 (before £9.3m of Sales, Fees and Income compensation) and £60.8m 2021/22; this continues to be one of the Council's primary challenges to address going forward. The Council is looking at scenarios to balance the budget for 2020/21 and Covid-19 funding that has been and continues to be made available will assist to a degree for Covid-19 related activities, but will not completely close the gap. Alongside this financial position, the UK has now left the EU, which gives a high degree of uncertainty in relation to local government operations. The Spending Review 2020 indicates that around £9m additional funding will be provided in 2021/22 that will mitigate part of this gap, these are high level assumptions until this can be confirmed when the funding settlement is received on or around 17 December 2020.

To ensure financial stability amidst the financial challenges that are being faced requires a shift in the way services are delivered and funded - this will be achieved via a medium to long term programme of income, investment and growth. This has meant that the Council has had to review what its most critical services are, determine which are required to still be operational even during a global pandemic and further to this determine how to provide new services in response to local needs as a reaction to the emergency situation. The changing environment and "new normal" in which we are likely to find ourselves will require the Council to review the services it provides, its delivery models and the outcomes that are of the highest priority. This will also require the Council to review the structural position of its budget and how that needs to change in the future.

The Council continues to quantify the impact of Covid-19 at this stage, with the nation now in a second lockdown it is difficult to do with any degree of certainty, but the on-going financial pressure on the Council will be substantial; even after the Government's emergency Covid-19 funding is taken into account. During 2020/21, the Council had planned to utilise its earmarked reserves for its specific one-off projects, along with the use of flexible capital receipts for transformation projects. The financial resilience of these reserves and use of flexible capital receipts have been revised as part of the Q2 Revenue Budget appraisal and will be closely monitored. It is not planned to use any one-off funding to support the 2021/22 budget.

The Council is currently considering the impact of Covid-19 and is determining an operational approach that focuses on the recovery from the pandemic and has revised its Medium Term Financial Plan (MTFP) accordingly, in a manner that continues to give consideration to the Council's strategic objectives. Over the five years to 2025/26 the Council now has a balanced five year forecast.

The Council had submitted a capitalisation directive for an in-principle sum of £63.528m (£23.910m 20/21 and £39.618m 21/22), to balance the budget to 21/22, and this submission is being externally validated by the Local Government Association (LGA). Since the submission, this position has changed to a more favourable position which could reduce the amount of this request to just under £47m. This is an assumption based on the Spending Review 2020 and will be confirmed following receipt of the funding settlement.

The in-principle request is reflective of the fact that the final capitalisation sum will undeniably change as time goes on. If the capitalisation directive is not approved, the Council will need to utilise its general fund balance to balance the 2021/22 budget, identify further cost saving by further reviewing how and what services are delivered, whilst continuing to provide statutory services. Work has been undertaken to identify 5%, 10% and 15% of cuts to services in preparation for this. Where both of these options do not achieve a balanced budget, the Council will have to issue a s114 statement.

Cash flows are monitored and requirements forecast on a daily basis in line with good treasury practices and to maximise interest costs, the forecast to December 2021 takes into account the impacts of Covid-19, which carries a degree of estimation, however we do not believe there to be any cash flow issues. The Council has a good history of managing its cash flow and does not anticipate any issues with borrowing either on a short or long-term basis as indicated by our brokers. We continually monitoring the facilities to borrow and how we borrow, the Council considers its ability to borrow on both a short and long-term basis strong. The Council continues to utilise short-term borrowing, due to competitive interest rates; and as long-term borrowing becomes more competitive the Council will give consideration to this facility to maximise interest costs and long-term cash flow demands i.e. the use of PWLB borrowing. Short-term borrowing was increased in late March 2020, to ensure during Covid-19 there were no liquidity issues. Short-term borrowing at the end of March 2020 was £146.8m, of which £140.6m was peer to peer borrowing, the current level of short-term borrowing due to mature on 31 March 2021 is £36.4m, of which £36m is peer to peer.

Group Boundary

The Council has interests in a number of external entities either as direct owner or in partnership with other organisations. The nature of these relationships has been assessed under IFRS 11, IAS 27 and IAS 28 (Accounting for Joint Arrangements, Subsidiaries and Associates). The Council has determined that two companies are subsidiaries; Wirral Evolutions Ltd and Wirral Holdings Ltd, and two joint ventures; Edsential Community Interest Company and Wirral Growth Company Limited Liability Partnership (LLP). Non-consolidation of these entities is based on a number of factors including the extent of the Council's interest and power to influence and control, materiality, investment and transparency. A full list of Council members can be found in the Related Parties Note 39.

Pooled Budgets

The Section 75 agreement by which Better Care Fund resources have been pooled between the Council and Wirral NHS Clinical Commissioning Group and has been assessed against the appropriate Accounting Standards mainly IFRS 10 and IFRS 11. The arrangement has been assessed to be classified as a Joint Operation given the governance and control arrangements of the pool. As such each party accounts for its assets, liabilities, revenues and expenses relating to its involvement in the Joint Operation. The details are included in the Pooled Budgets Note 33.

Treatment of Schools

The Council recognises Community schools land and buildings on its Balance Sheet where it directly owns or has right of use and control of the assets, however where the school, Diocese or governing body own the assets or have right of use, these assets have been transferred to the relevant body and removed from the Council Balance Sheet. The Council does however include within its Balance Sheet the value of the land and building for schools where control through ownership remains.

Schools governing bodies are separate entities to the Council but (with the exception of Academies and Free Schools) for the purpose of preparing the financial statements they are within the group boundary and their activities must be reported. In recognition of the unique nature of the relationship, Councils are required to report any material expenditure, income, assets and liabilities of these schools within its primary statements.

Schools that have converted to Academies, the land and building are not recognised on the Council Balance Sheet but disposed of at nil consideration, in the year the school formally converts to an Academy. One school converted to an Academy and one has applied to convert in the year.

The Council has completed an assessment of the different types of schools within the Borough, the outcome of this review is as follows:

	Total Schools	Council Controlled	Outside Council Control
Community Schools:			
Nursery	3	3	
Primary	50	50	
Secondary	2	2	
Special	11	11	
Foundation Schools	2	2	
Voluntary Controlled	4	1	3
Voluntary Aided	24	4	20
Academies	29		29
	125	**73**	**52**
		73 Schools on Balance Sheet	**52 Schools off Balance Sheet**

Note 4 - Assumptions made about 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 take into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could materially differ from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- ### Property Valuations

Uncertainty

The Council re-values its assets on a five year rolling cycle (excluding investment assets, surplus assets and assets held for sale), with one fifth of these assets being reviewed each year and all investment properties surplus and assets held for sale reviewed annually, together with any valuations which exceeds the materiality threshold. It is possible that property, plant and equipment values could fluctuate within this five year timeframe.

The Council bases its valuations on assumptions about asset conditions, useful lives, residual values and market conditions. These judgements are underpinned by the best available information and made by qualified valuation officers but are still based on estimates.

Effect if Results Differ from Assumptions

A 1% fluctuation in property values would amount to a +/- £1.9m change to the Non-Current Assets value on the Balance Sheet.

Should remaining asset lives fall by an average of 10%, then there would be a corresponding 10% increase in relevant annual depreciation charges, approx. £0.2m across operational land and building assets.

The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement.

The current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation(s) is/are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.

- ### Pension Liability

Uncertainty

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. The Council is advised on the assumptions it makes by Mercer, a firm of professional actuaries. Assumptions are disclosed in the Defined Benefit Pension Scheme Note 44 and reflects best advice on reasonable judgements at 31 March 2020.

Effect if Results Differ from Assumptions

The pensions' liability and reserve will vary significantly should any of the assumptions prove inaccurate. For instance, a 0.5% increase in discount rate would decrease the pension liability by £123.4m.

During the year the Council's actuaries advised that the net pensions liability had decreased by £129.4m as a result of updating the assumptions.

The outbreak of COVID-19, declared by the World Health Organisation as a 'Global Pandemic' on the 11 March 2020, has impacted on global markets. This will have had an impact on Pension Funds worldwide. Below are some key issues and risks that have been identified by the Merseyside Pension Fund.

Unquoted Investments

For 2019/20 there is additional uncertainty regarding the valuations of illiquid assets, due to the uncertainties in the financial markets and the time it will take to fully realise the impact of COVID-19 on such assets. There is an increased level of risk that the estimated valuations may be mis-stated. The valuations have been updated based upon the available information as at 31 March 2020 and maybe subject to variations as further information becomes available. There are assets such as Private Equity investments that are not publicly listed and as such there is a degree of estimation involved in these valuations. The International Private Equity and Venture Capital Valuation (IPEV) Board issued additional guidance on these given the magnitude of the COVID-19 crisis as at 31 March.

Hedge funds are valued at the fair value provided by the Administrators of the underlying Funds plus adjustments that the Hedge Fund Directors or Independent Administrators feel necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuations.

Direct property and pooled property funds use valuation techniques to determine the carrying amount. Where possible these valuations are based on observable data, but where this is not possible management of the Fund uses the best available data.

For 2019/20, also due to COVID-19, the property valuation has been reported on the basis of 'material valuation uncertainty' as per VPS3 and VPGA10 of the RICS Red Book Global and stated consequently, less certainty, and a higher degree of caution should be attached to their valuation than normally would be the case.

- ## Public Works Loan Board (PWLB) Loans

Both the carry value and the fair value of PWLB loans are included in disclosures within the Financial Instruments Note 18 and 18a. The fair values disclosed have been determined by discounting the contractual cash flows over the life of the loan at the market rate for local authority loans. PWLB loans are carried at amortised cost and their fair value is disclosed for information only.

Should the loan be cancelled or reissued with the PWLB at today's interest rates the value would differ to the carry value disclosed in the accounts. This would depend on prevailing interest rates at this point in time and the formula used by the PWLB to determine the early redemption 'penalty'. If interest rates changed by +/- 10% the carrying value of PWLB loans would change by +/- £23.7m.

- ## Business Rates

Uncertainty

The Council which is part of the Liverpool City Region 100% Business Rates Retention Pilot, of which in 2019/20 the Council retained 99% (£69.5m) of the business rates income it collected.

Effect if actual results differ

If business rates income fell by 10%, the impact on the Council would be approximately £7m. In response to the COVID-19 pandemic, Central Government announced a number of Business Rates reliefs, for which Councils will be compensated through additional grants. However, the impact of COVID-19 on business rates is uncertain at this stage. At the outset of the pandemic Wirral granted a three month deferral on their rates bills, and recovery action was temporarily suspended. The longer-term impact is unclear and as more business fail then the loss of business rates income could fall significantly.

Note 5 - Material Items of Income and Expense

A number of material transactions occurred during the year for the Council and these were the sale of Marine Point, with a net gain on disposal of £2.3m; the transfer of one school to an Academy, with a loss on disposal £12.5m, and a further school transferred to Foundation status, with a loss on disposal of £15.9m.

Note 6 - Events After the Balance Sheet Date

Relevant events after the balance sheet date have been considered up to 11th January 2021. This is the date the accounts were authorised for issue by the Director of Resources (S151 Officer).

Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date, provide information about conditions which existed as at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Following prosecution by the Health and Safety Executive in respect of a tragic loss of life, caused by a tree falling on a car on 10 November 2016, the Council was found highly culpable and was fined £100k, to be paid over five years, plus costs of £50k. The Council's accounts will not be amended to reflect this as it is not material in value to the accounts for the year ending 31 March 2020.

The Coronavirus pandemic has had a significant impact on the Councils financial resilience and the actions taken to mitigate its spread. To meet the needs of the residents, services and economy of the Borough, the Council has undertaken a significant number of activities to mitigate the costs and to protect services. It is forecast the Council will spend more than the government funding allocated, which includes £132.8m were the Council acts as an agent to passport funds and grants to businesses and individuals. The current Q2 forecast of pressures is expected to be in the region of £24.1m for 20/21 (before government support through the Sales, Fees and Income compensation scheme).

The Country went into a second lockdown in December, and the situation is further changing which will bring additional pressures on the Council. The longer-term impacts continue to be monitored and modelled.

Note 7 - Expenditure and Funding Analysis

This analysis shows how annual expenditure is used and funded from annual resources (government grants, rents, council tax and business rates) by the Council in comparison with those economic resources consumed or earned by the Council in accordance with generally accepted accounting practices.

The Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's Functions. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES). The 2018/19 figures have been restated to reflect the Directorate structure reported on during 2019/20, and to reflect the reclassification of some grant funding from Cost of Services to Taxation and Non-Specific Grant Income.

2018/19 (restated)				2019/20		
Net Expenditure Chargeable to the General Fund Balance	Adjustments	Net Expenditure in the Compre-hensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	Adjustments	Net Expenditure in the Compre-hensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
11,029	4,154	15,183	Economic & Housing Growth	10,859	5,080	15,939
29,230	5,796	35,026	Business Management	29,399	(12,695)	16,704
0	0	0	Covid-19	(112)	1	(111)
45,014	15,250	60,264	Delivery Services	44,871	29,727	74,598
64,114	21,463	85,577	Childrens Services	76,431	21,959	98,390
87,038	2,186	89,224	Adult Care & Health	87,603	3,073	90,676
236,425	**48,849**	**285,274**	**Net Cost of Services**	**249,051**	**47,145**	**296,196**
(226,926)	(8,502)	(235,428)	Other Income and Expenditure	(256,276)	15,857	(240,419)
9,499	**40,347**	**49,846**	**Surplus or Deficit on Provision of Services**	**(7,225)**	**63,002**	**55,777**
(79,718)			Opening Combined General Fund Balance	(70,219)		
9,499			Plus / less Surplus or Deficit on the General Fund Balance for the Year (Statutory basis)	(7,225)		
(70,219)			**Closing Combined General Fund Balance**	**(77,444)**		

Note 7a - Note to the Expenditure and Funding Analysis

	2019/20			
	Net Capital Statutory Adjustments £000	Net Pensions Statutory Adjustments £000	Other Statutory Adjustments £000	Total Adjustments £000
Economic & Housing Growth	4,682	398	0	5,080
Business Management	(11,995)	(700)	0	(12,695)
Covid-19	0	1	0	1
Delivery Services	28,061	1,666	0	29,727
Childrens Services	17,236	4,723	0	21,959
Adult Care & Health	2,847	226	0	3,073
Net Cost of Services	**40,831**	**6,314**	**0**	**47,145**
Other Income and Expenditure	8,248	13,207	(5,598)	15,857
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	**49,079**	**19,521**	**(5,598)**	**63,002**

	2018/19 (Restated)			
	Net Capital Statutory Adjustments £000	Net Pensions Statutory Adjustments £000	Other Statutory Adjustments £000	Total Adjustments £000
Economic & Housing Growth	3,134	1,020	0	4,154
Business Management	3,714	2,082	0	5,796
Covid-19	0	0	0	0
Delivery Services	11,449	3,801	0	15,250
Childrens Services	17,682	3,781	0	21,463
Adult Care & Health	579	1,607	0	2,186
Net Cost of Services	**36,558**	**12,291**	**0**	**48,849**
Other Income and Expenditure	(11,618)	12,173	(9,057)	(8,502)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	**24,940**	**24,464**	**(9,057)**	**40,347**

Adjustments to the General Fund

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

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- Financing and investment income and expenditure - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from financing and investment income and expenditure as these are not chargeable under generally accepted accounting practices.

- Taxation and Non Specific Grant Income and Expenditure – Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Pension Adjustments

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

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

Other Statutory Adjustments

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

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

Note 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.

2019/20	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments to the Revenue Resources				
Pension cost (transferred to (or from) the Pensions Reserve)	20,263	0	0	(20,263)
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	142	0	0	(142)
Council tax and NDR (transfers to or from the Collection Fund)	442	0	0	(442)
Holiday pay (transferred to the Accumulated Absences reserve)	(211)	0	0	211
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	68,359	96	0	(68,455)
Total Adjustments to Revenue Resources	**88,995**	**96**	**0**	**(89,091)**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(7,874)	7,874	0	0
Repayment of MRDF debt	0	4,469	0	(4,469)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	66	(66)	0	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(6,077)	0	0	6,077
Total Adjustments between Revenue and Capital Resources	**(13,885)**	**12,277**	**0**	**1,608**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0	(8,312)	0	8,312
Write off MRDF receipt to LT debtors	0	(4,469)	0	4,469
Application of capital grants to finance capital expenditure	(12,108)	0	3,201	8,907
Total Adjustments to Capital Resources	**(12,108)**	**(12,781)**	**3,201**	**21,688**
Total Adjustments	**63,002**	**(408)**	**3,201**	**(65,795)**

2018/19	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments to the Revenue Resources				
Pension cost (transferred to (or from) the Pensions Reserve)	22,410	0	0	(22,410)
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(664)	0	0	664
Council tax and NDR (transfers to or from the Collection Fund)	(2,429)	0	0	2,429
Holiday pay (transferred to the Accumulated Absences reserve)	(246)	0	0	246
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	52,894	165	0	(53,059)
Total Adjustments to Revenue Resources	**71,965**	**165**	**0**	**(72,130)**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(13,424)	13,424	0	0
Repayment of MRDF debt		4,469	0	(4,469)
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1)	1	0	
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(8,196)	0	0	8,196
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(11)	0	0	11
Total Adjustments between Revenue and Capital Resources	**(21,632)**	**17,894**	**0**	**3,738**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0	(14,339)	0	14,339
Write off MRDF receipt to LT debtors	0	(4,469)	0	4,469
Application of capital grants to finance capital expenditure	(9,986)	0	1,863	8,123
Total Adjustments to Capital Resources	**(9,986)**	**(18,808)**	**1,863**	**26,931**
Total Adjustments	**40,347**	**(749)**	**1,863**	**(41,461)**

Note 9 - Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in Earmarked Reserves to provide financing for future expenditure plans and the amounts transferred back from Earmarked Reserves to meet expenditure in 2019/20 and 2018/19. The reserves held at 31st March 2020 include £25.2m of funding relating to the emergency response associated with COVID-19. This is made up of the NNDR Section 31 Grants reserves of £13.3m and the Covid-19 Emergency Fund of £11.9m.

The Dedicated Schools Grant (DSG) reserve has previously been split, in 2018/19 these were reported separately as Dedicated Schools Grant (£1.4m), Schools Harmonisation (£0.65m) with the remainder (£0.14m) being included within 'Other Reserves'. However, these all result from carried forward DSG funds and so have been combined to report together as the DSG reserve. Opening and Closing 2018/19 balances have been restated accordingly in the table below, and therefore align to the Dedicated Schools Grant Note 37, in the 2018/19 and 2019/20 Statement of Accounts.

At 31st March 2020 the Dedicated Schools Grant reserve has a debit balance to the value of £1.264m which represents a deficit position to be carried forward into 2020/21. The deficit position is mainly due to additional pressure in the High Needs block. This is the first year that Wirral Council has experienced a deficit position in its Dedicated School Grant budget and is actively developing a plan to recoup the deficit.

	Balance at 1 April 2018 (restated) £000	Transfers in 2018/19 (restated) £000	Transfers out 2018/19 (restated) £000	Balance at 31 March 2019 (restated) £000	Transfers in 2019/20 £000	Transfers out 2019/20 £000	Balance at 31 March 2020 £000
School Balances	(10,227)	(159)	1,496	(8,890)	(151)	1,118	(7,923)
Schools Capital Schemes	(433)	(72)	141	(364)	(5)	8	(361)
Dedicated Schools Grant	(2,288)	(48)	125	(2,209)	(8)	3,481	1,264
NNDR Section 31 Grants	0	0	0	0	(13,357)	0	(13,357)
Covid-19 Emergency Fund	0	0	0	0	(11,862)	0	(11,862)
Insurance Fund	(7,550)	(1,057)	51	(8,557)	(137)	0	(8,694)
Business Rates Equalisation	(10,327)	(687)	2,339	(8,675)	0	4,011	(4,664)
Corporate Priorities	0	0	0	0	(3,981)	0	(3,981)
Financial Instrument Equalisation	0	(2,134)	6	(2,128)	0	1	(2,127)
Housing Benefit	(2,478)	0	324	(2,154)	0	187	(1,967)
Public Health Outcomes	(1,581)	(670)	5	(2,247)	0	1,043	(1,204)
Waste Development Fund	(3,328)	(9)	1,167	(2,170)	0	1,109	(1,061)
Financial Resilience	(3,314)	(580)	1,251	(2,643)	(857)	2,643	(857)
Champs Innovation Fund	(257)	(550)	1	(806)	0	110	(696)
Parks Tree Maintenance	(1,128)	(19)	271	(876)	0	277	(599)
Selective Licensing	(538)	0	0	(538)	0	0	(538)
H & S Flood Prevention	(535)	0	15	(520)	0	16	(504)
Intensive Family Intervention Project	(433)	(234)	0	(667)	0	167	(500)
S106 - David Wilson Homes	(244)	(254)	0	(498)	0	0	(498)
Enterprise Zone Investment	(380)	(50)	102	(328)	(100)	25	(403)
Local Development Framework	(178)	(1,079)	179	(1,078)	(271)	956	(393)
Wirral Ways to Work	(391)	(523)	447	(467)	(11)	101	(377)
Community Safety Initiatives	(363)	(87)	43	(407)	0	0	(407)
Section 106 - Bloor Homes	(339)	0	0	(339)	0	0	(339)
Human Resources Reserve	(255)	(42)	0	(297)	0	0	(297)
Regeneration & Inward Investment	0	(314)	29	(285)	0	0	(285)
Commercial Management	0	(291)	0	(291)	0	66	(225)
Backdated Long Term Care	(350)	(1,883)	0	(2,233)	0	2,233	0
Collection Fund	0	(2,000)	0	(2,000)	0	2,000	0
Transformation Fund	0	(1,782)	29	(1,753)	(1,693)	3,446	0
Economic Market Risk	0	(1,000)	0	(1,000)	0	1,000	0
Other reserves	(7,947)	(1,913)	4,728	(5,132)	(56)	1,275	(3,913)
Total Earmarked Reserves	**(54,864)**	**(17,437)**	**12,749**	**(59,552)**	**(32,489)**	**25,273**	**(66,768)**

NNDR Section 31 Grants

Section 31 Grants are received to compensate Local Authorities for Business Rates reliefs applied to bills as a result of decisions made by Central Government. The S31 grants for 2020/21 were received in advance as a one-off measure to assist Local Authorities with cashflow because of the COVID-19 pandemic. This funding will support the Council's service expenditure in 2020/21.

Covid-19 Emergency Fund

On 19 March 2020, the government announced £1.6bn of additional funding for local government to help them respond to coronavirus (COVID-19) pressures across all the services they deliver, with a further £1.6bn in additional funding announced on 18 April 2020. The Council received £11.9m for the first tranche of this grant on 31st March 2020, and this has been held in reserve to offset against related expenditure in 2020/21.

Insurance Fund

This is 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 is held to meet fluctuations in the income received from business rates. Although the Council has benefited from participation in the Liverpool City Region Pilot, the effects of the operation of the national 75% Business Rate Retention is unclear, although its introduction has been delayed due to the Covid-19 pandemic. To smooth any variation in income the reserve aims to mitigate against changes in the amount of business rates received. Some of this reserve has been released in 2019/20 to support budget pressures within services.

Corporate Priorities

Some resources from directorates budgets where they would ordinarily transfer to departmental ringfenced reserves have instead been added to a newly created Corporate Priorities reserve. This is to ensure close monitoring of the resources and that they are being used to support corporate priorities. This includes ringfenced resources relating to the Public Health grant, the Cheshire and Merseyside Partnership (CHAMPS) Innovation Fund, and Section 106 funding.

Financial Instrument Equalisation Reserve

Following reassessment of borrowings that are shown on the balance sheet due to the adoption of IFRS 9, this reserve has been set up to hold the impact of the assessment and will be assessed annually over the remaining life of the loans.

Housing Benefit

This reserve is held to meet a potential risk of clawback of subsidy relating to the previous Housing Benefit Supporting People arrangement.

Public Health Outcomes

This reserve was set up to meet future commitments in relation to Public Health in accordance with the terms of the Public Health Grant provided by the Department of Health. Some grant receipts from 2019/20 have instead been moved into the Corporate Priorities reserve for 2020/21, although they are still ringfenced and identifiable.

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 .

School Balances

These are earmarked for use purely by the schools. The balance consists of 75 maintained schools with a combined surplus balance of £10.6m, partially offset by 21 maintained schools with a combined deficit balance of £2.6m.

Note 10 - Other Operating Expenditure

Other Operating Expenditure disclosed in the Comprehensive Income and Expenditure Statement is detailed below.

Restated 2018/19 £000		**2019/20 £000**
38,161	Levies	39,377
(1)	Payments to the Government Housing Capital Receipts Pool	0
(581)	Gains/losses on the Disposal of Non-Current Assets	1,360
538	Other	575
38,117	**Total Other Operating Expenditure**	**41,312**

Note 11 - Financing and Investment Income and Expenditure

The schools transferred in 2019/20 are two high schools (Pensby and Bebington) which transferred to Foundation and Academy school status respectively during the year. The net loss on transfer was £30.4m.
In 2018/19 two primary schools became academies. This generated a loss on transfer of £8.7m.

Restated 2018/19 £000		2019/20 £000
13,113	Interest payable and similar charges	13,578
11,552	Net interest on the net defined benefit liability (asset)	12,632
(611)	Interest receivable and similar income	(568)
(887)	Income and expenditure in relation to investment properties and changes in their fair value	(3,201)
8,689	Loss on disposal of interest in Academy Schools	30,411
76	Other investment income and expenditure	68
31,932	**Total**	**52,920**

Note 12 - Taxation and Non-Specific Grant Income

The Council receives funding which does not relate to specific services, and this is summarised in the following table.

The 2019/20 non-ringfenced government grants includes £11.862m COVID-19 Support grant to support Local Authorities with additional cost pressures resulting from the national pandemic, and a £13.357m grant to compensate for changes to the 20/21 business rates which was paid in advance to support the cashflow of Local Authorities during the COVID-19 pandemic.

2018/19 government grants have been restated to include £1.8m of Winter Pressures Grant not included in the 2018/19 note, and also to correct the value of the Special Education Needs / Disabilities grant.

2018/19 (Restated) £000		2019/20 £000
(137,601)	Council tax income	(142,460)
(127,618)	Non-domestic rates income and expenditure	(120,265)
(23,705)	Non-ringfenced government grants	(51,414)
(16,580)	Capital grants and contributions	(20,440)
27	Other tax or non-specific grant income / expenditure	(72)
(305,477)	**Total**	**(334,651)**

Note 13 - Expenditure and Income Analysed by Nature

2018/19 £000	Nature of Expenditure or Income	2019/20 £000
(127,756)	Fees, charges and other service income	(182,804)
(611)	Interest and investment income	(568)
(265,218)	Income from local taxation	(262,725)
(373,270)	Government grants and contributions	(374,662)
(699)	Other income	(118)
270,461	Employee benefits expenses	268,776
458,125	Other service expenses	485,737
17,533	Depreciation, amortisation and impairment	27,292
24,665	Interest payments	26,210
38,161	Precepts and levies	39,377
(1)	Payments to Housing Capital Receipts Pool	0
7,919	Gain or loss on disposal of non-current assets	28,687
538	Other expenditure	575
49,847	**Surplus or Deficit for Year**	**55,777**

Expenditure and Income Analysis by Directorate 2019-20	**Economic & Housing Growth**	**Business Management**	**Covid-19**	**Delivery Services**	**Childrens Services**	**Adult Care & Health**	**Other**	**Total**
Expenditure	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Employee benefits expenses	7,974	38,336	1	32,346	182,889	7,230	0	268,776
Support service recharge expenditure	0	0	0	0	0	0	0	0
Other service expenses	14,819	114,322	108	48,274	133,253	174,961	0	485,737
Depreciation, amortisation and impairment	231	(17,185)	0	26,560	16,959	727	0	27,292
Interest payments	0	0	0	0	0	0	26,210	26,210
Precepts and levies	21,736	17,346	0	175	120	0	0	39,377
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0	0
Gain or loss on disposal of non-current assets	0	0	0	0	0	0	28,687	28,687
Other expenditure	0	0	0	0	0	0	575	575
Total Expenditure	**44,760**	**152,819**	**109**	**107,355**	**333,221**	**182,918**	**55,472**	**876,654**
Income								
Fees, charges and other service income								
Non IFRS 15	(5,662)	(33,359)	(220)	(32,515)	(49,664)	(61,384)	0	(182,804)
IFRS 15	0	0	0	0	0	0	0	0
Total Fees, chares and other service income	**(5,662)**	**(33,359)**	**(220)**	**(32,515)**	**(49,664)**	**(61,384)**	**0**	**(182,804)**
Interest and investment income	0	0	0	0	0	0	(568)	(568)
Income from local taxation	0	0	0	0	0	0	(262,725)	(262,725)
Support Service recharge income	0	0	0	0	0	0	0	0
Government grants and contributions	(1,423)	(85,410)	0	0	(185,044)	(30,858)	(71,927)	(374,662)
Other income	0	0	0	0	0	0	(118)	(118)
Total Income	**(7,085)**	**(118,769)**	**(220)**	**(32,515)**	**(234,708)**	**(92,242)**	**(335,338)**	**(820,877)**
Surplus or Deficit for Year	**37,675**	**34,050**	**(111)**	**74,840**	**98,513**	**90,676**	**(279,866)**	**55,777**

Expenditure and Income Analysis by Directorate 2018-19	Economic & Housing Growth	Business Management	Covid-19	Delivery Services	Childrens Services	Adult Care & Health	Other	Total
Expenditure	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Employee benefits expenses	8,413	35,527	0	32,799	182,710	11,012	0	270,461
Support service recharge expenditure	0	0	0	0	0	0	0	0
Other service expenses	12,154	99,907	0	45,162	141,535	159,367	0	458,125
Depreciation, amortisation and impairment	45	336	0	10,267	6,410	475	0	17,533
Interest payments	0	0	0	0	0	0	24,665	24,665
Precepts and levies	21,787	16,100	0	172	102	0	0	38,161
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	(1)	(1)
Gain or loss on disposal of non-current assets	0	0	0	0	0	0	7,919	7,919
Other expenditure	0	0	0	0	0	0	538	538
Total Expenditure	**42,399**	**151,870**	**0**	**88,400**	**330,757**	**170,854**	**33,121**	**817,401**
Income								
Fees, charges and other service income								
Non IFRS 15	(3,033)	6,009	0	(27,888)	(54,161)	(48,683)	0	(127,756)
IFRS 15	0	0	0	0	0	0	0	0
Total Fees, chares and other service income	**(3,033)**	**6,009**	**0**	**(27,888)**	**(54,161)**	**(48,683)**	**0**	**(127,756)**
Interest and investment income	0	0	0	0	0	0	(611)	(611)
Income from local taxation	0	0	0	0	0	0	(265,218)	(265,218)
Support Service recharge income	0	0	0	0	0	0	0	0
Government grants and contributions	(2,398)	(106,752)	0	0	(190,857)	(34,748)	(38,515)	(373,270)
Other income	0	0	0	0	0	0	(699)	(699)
Total Income	**(5,431)**	**(100,743)**	**0**	**(27,888)**	**(245,018)**	**(83,431)**	**(305,043)**	**(767,554)**
Surplus or Deficit for Year	**36,968**	**51,127**	**0**	**60,512**	**85,739**	**87,423**	**(271,922)**	**49,847**

Note 14 - Property, Plant and Equipment

Movements to 31 March 2020

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
at 1 April 2019	**484,421**	**40,324**	**181,098**	**27,443**	**11,168**	**3,267**	**747,721**
Adjustments to cost/value & depreciation/impairment							
Additions	6,730	2,898	11,556	685	125	2,675	24,669
Revaluation increases/(decreases) recognised in the Revaluation Reserve	18,164	0	0	0	(739)	0	17,425
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,230)	0	0	0	(775)	0	(5,005)
Derecognition – disposals	(33,801)	0	0	0	(5)	0	(33,806)
Reclassifications and transfer	1,718	0	0	192	472	(1,862)	520
at 31 March 2020	**473,002**	**43,222**	**192,654**	**28,320**	**10,246**	**4,080**	**751,524**
Accumulated Depreciation and Impairment							
at 1 April 2019	**(19,648)**	**(25,162)**	**(58,358)**	**0**	**(66)**	**0**	**(103,234)**
Adjustments to cost/value & depreciation/impairment							
Depreciation charge	(14,152)	(3,559)	(6,712)	0	(1)	0	(24,424)
Depreciation written out to the Revaluation Reserve	29,125	0	0	0	0	0	29,125
Depreciation written out to the Surplus/Deficit on the Provision of Services	2,520	0	0	0	0	0	2,520
Derecognition – disposals	482	0	0	0	0	0	482
at 31 March 2020	**(1,673)**	**(28,721)**	**(65,070)**	**0**	**(67)**	**0**	**(95,531)**
Net Book Value							
at 31 March 2020	**471,329**	**14,501**	**127,584**	**28,320**	**10,179**	**4,080**	**655,993**
at 31 March 2019	**464,773**	**15,162**	**122,740**	**27,443**	**11,102**	**3,267**	**644,487**

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation at 1 April 2018	**447,515**	**35,223**	**173,880**	**27,145**	**10,983**	**2,571**	**697,317**
Adjustments to cost/value & depreciation/impairment							
Additions	8,309	5,101	7,563	163	204	696	22,036
Revaluation increases/(decreases) recognised in the Revaluation Reserve	36,846	0	0	0	(53)	0	36,793
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,347	0	0	(164)	(27)	0	1,156
Derecognition – disposals	(9,186)	0	0	0	(50)	0	(9,236)
Reclassifications and transfer	(410)	0	(345)	299	111	0	(345)
at 31 March 2019	**484,421**	**40,324**	**181,098**	**27,443**	**11,168**	**3,267**	**747,721**
Accumulated Depreciation and Impairment							
at 1 April 2018	**(14,341)**	**(22,317)**	**(52,893)**	**0**	**(111)**	**0**	**(89,662)**
Adjustments to cost/value & depreciation/impairment							
Depreciation charge	(13,156)	(2,845)	(5,465)	0	(1)	0	(21,467)
Depreciation written out to the Revaluation Reserve	5,935	0	0	0	0	0	5,935
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,592	0	0	0	0	0	1,592
Derecognition – disposals	322	0	0	0	46	0	368
at 31 March 2019	**(19,648)**	**(25,162)**	**(58,358)**	**0**	**(66)**	**0**	**(103,234)**
Net Book Value							
at 31 March 2019	**464,773**	**15,162**	**122,740**	**27,443**	**11,102**	**3,267**	**644,487**
at 31 March 2018	**433,174**	**12,906**	**120,987**	**27,145**	**10,872**	**2,571**	**607,655**

In 2019/20 the loss on the disposal of non-current assets is partly due to the change in ownership status of two schools. One school transferred to Foundation school status and one to an Academy. The Council also disposed of its interest in the ground lease for Marine Point, New Brighton, in-year.

As at 31st March 2020, capital commitments outstanding for the acquisition of items of Property, Plant and Equipment totalled £13.5m.

Revaluations

The Code 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 2019/20, 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. However, they must be revalued more regularly where a five-yearly valuation is insufficient to keep pace with material changes in fair value. To achieve this, a number of significant high value assets groups e.g. Leisure Centres and schools have been revalued irrespective of when the last valuation was undertaken.

The effective date of the valuation exercise for 2019/20 was 31st March 2020.

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

Class of Asset	Useful Life (Years)
Land and Building	1-60
Vehicles, plant, furtniture and equipment	3-40
Infrastructure	10-120
Surplus assets	Up to 30

Valuation Uncertainty

The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement.

Our valuation(s) is/are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.

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.

	Other Land and Buildings £000	Surplus Assets £000	Total £000
Carried at historical cost	**158,040**	**4,028**	**162,068**
Valued at current value as at:			
31/03/2020	472,943	10,246	**483,189**
31/03/2019	0	0	**0**
31/03/2018	59	0	**59**
31/03/2017	0	0	**0**
31/03/2016	0	0	**0**
Total Cost or Valuation	**473,002**	**10,246**	**483,248**

Note 15 - Heritage Assets

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

2019/20	Decorative Arts	Buildings	Civic Regalia	Transport	Fine Art	Total
	£000	£000	£000	£000	£000	£000
Opening Balance	**3,130**	**757**	**441**	**490**	**9,490**	**14,308**
Closing Balance	**3,130**	**757**	**441**	**490**	**9,490**	**14,308**

2018/19	Decorative	Buildings	Civic	Transport	Fine Art	Total
	£000	£000	£000	£000	£000	£000
Opening Balance	**3,130**	**757**	**441**	**490**	**9,490**	**14,308**
Closing Balance	**3,130**	**757**	**441**	**490**	**9,490**	**14,308**

There were no movements in 2019/20 for Heritage assets.

Decorative Art

These collections include items such as British ceramics, drawings and photographs. The more important of these are 300 pieces of porcelain produced in Liverpool between 1750 and 1800 and the Della Robbia pottery produced in Birkenhead between 1894 and 1906. The collections also include coins and medals, textiles, archaeological artifacts, sculptures, glass, metalwork, jewellery, furniture, and maritime models.

Buildings

There are two historic buildings held at fair value based on historic cost. These are Leasowe Lighthouse, which is the oldest brick-built lighthouse in the country and Bidston Hill Windmill, which was operational until 1875. Valuations were last undertaken between January 2008 and March 2018.

Civic Regalia

The collection includes 28 items connected with civic functions undertaken as part of the mayoral role, such as mayoral badges, chains and maces. The oldest item dates back to 1877. The collection also includes memorabilia commemorating events and associations of local interest. Valuations where undertaken in 2012, they were based on the likely cost of replacing the item with a near comparable if purchased second hand.

Transport

The collection consists of various vehicles, comprising historic buses and motorcycles. Valuations are based on insurance quotes obtained during 2018/19.

Fine Art and Other Collections

These include important British watercolours and drawings of the 18th and 19th century, by artists including the Liverpool School artist, Philip Wilson Steer and other leading local artists. There are two key pieces of fine artwork valued at £2m each, within a collection of 5,000 separate pieces. Valuations are based on the latest insurance estimates from November 2018.

Acquisition policy

Acquisitions will meet the requirements of the Accreditation Standard. It will consider limitations on collections imposed by such factors as staffing, storage and care of collection arrangements. The expansion of collections is achieved by donation, bequest and purchase using grant aid.

Disposal procedure

A decision 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. There have been no disposals in 2019/20.

Conservation and storage

Access to professional conservation advice is by liaison with the National Museums Liverpool and freelance conservators. Environmental monitoring and control are maintained in display and storage areas. Improvements to the heating and humidifier equipment is undertaken as necessary based on curatorial staff and conservation advice. A programme of lighting monitoring and control consistent with the preservation and maintenance of collections is maintained. Materials used will be consistent with good conservation practice. A record of all conservation work undertaken will be maintained.

Overall approach to valuation and accounting for Heritage Assets

The Code requires the Council to carry heritage assets at valuation rather than current or fair value, reflecting the fact that sales and exchanges of such assets are uncommon. Valuations may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations. In some cases it may not be practicable to establish a valuation for a heritage asset, in which case the asset is carried at historical cost if this information is available. Where heritage assets are measured at valuation, the carrying amount shall be reviewed with sufficient frequency to ensure the valuations remain current.

The latest comprehensive valuation was undertaken during the 2017/18 financial year. The present Collection Management Plan suggests valuations to be reconsidered every ten years, but consideration may be given to individual items in the interim.

Acquisitions are initially recognised at cost (where that cost is greater than £10,000) and donations are recognised at valuation. Heritage assets are not depreciated as the Council considers they have indefinite lives.

Heritage Assets not reported in the Balance Sheet:

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

There are 12 SSIs based on nature conservation legislation and 27 Council owned SBIs (non-statutory sites). A number of these form part of an overall Community Asset but because of their specific nature any attempt to separately identify specific costs associated with the SSI or SBI would produce unreliable information, therefore they are not separately identified 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. Because of 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 two 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.

Note 16 - Investment Properties

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

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

In 2019/20 the Council disposed of a number of investment properties including the sale of the ground lease at Marine Point, New Brighton, together with various industrial units at the Cleveland Street, Corporation Road, Priory and Tarran industrial estates.

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

31 March 2019		**31 March 2020**
£000	**Investment Property Income and Expenditure**	**£000**
(949)	Rental income from investment property	(888)
251	Direct operating expenses from investment property	770
(698)	**Net (gain)/loss**	**(118)**

The table below, summarises the movements in the value of investment properties over the year:

31 March 2019 Non-Current Restated £000	Investment Properties Movements in Year	31 March 2020 Non-Current £000
21,546	**Opening Balance**	**27,357**
	Additions:	
7,236	Subsequent expenditure	53
(1,629)	Disposals	(5,080)
204	Net gains/losses from fair value adjustments	2,870
	Transfers:	
0	to/from Property Plant and Equipment	(520)
27,357	**Balance at the end of the year**	**24,680**

The Council has not acquired any significant new Investment Properties during 2019/20.

Fair Value Hierarchy for Investment Properties

Details of the Council's Investment Properties and information about the Fair Value hierarchy as at 31st March 2020 are shown in the following table:

	2018/19				2019/20			
Recurring fair value measuring usage	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 March 2019 £000	Quoted Prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservabl e inputs (Level 3) £000	Fair value as at 31 March 2020 £000
Development Sites	0	2,060	0	2,060	0	59	0	59
General Buildings & Sites	0	20,859	0	20,859	0	20,489	0	20,489
Industrial Sites	0	4,438	0	4,438	0	4,132	0	4,132
Total	**0**	**27,357**	**0**	**27,357**	**0**	**24,680**	**0**	**24,680**

The Council measures its investments properties at Fair Value. The Fair Value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market for the asset or liability. The Council uses qualified internal property valuers to provide a valuation of its assets in line with the highest and best use definition.

All the Council's investments properties have been value assessed as Level 2 in the Fair Value hierarchy. The Fair Value has been determined using a market and income approach, which takes into account direct and indirect observable data from the market where there is no quoted prices. Information is obtained about similar assets, existing lease terms and rentals, research of market evidence including yields and rentals. Market conditions of similar assets actively purchased and sold within the market and from within the portfolio provide a level of oberserable inputs, leading to the properties being categorised as Level 2.

There has been no transfers between Levels 1, 2 or 3 during the year.

Fair value definitions:

- 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 o
- bservable 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.

Valuation Basis for Investment Properties

In estimating the fair value of the Council's Investment Properties, the highest and best use of the properties is deemed to be their current use. The Council's Investment Properties have been assessed as Level 2 (based on other significant observable inputs) on the fair value hierarchy for valuation purposes.

Valuation Uncertainty

The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value.

The current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation(s) is/are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.

Note 17 - Intangible Assets

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

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The major item of software relates to the Oracle financial system and has been assigned a 10 year life, which is fully amortised.

The gross carrying amount of intangible assets is amortised on a straight-line basis. The amortisation charged to revenue in 2019/20 was £0.384m (2018/19 £0.384m).

The movement on Intangible Asset balances during the year is shown in the table, below:

31 March 2019			31 March 2020	
Other Assets	**Restated Total**		**Other Assets**	**Total**
£000	**£000**		**£000**	**£000**
		Balance at start of year:		
4,378	4,378	Gross carrying amounts	4,378	4,378
(3,445)	(3,445)	Accumulated amortisation	(3,829)	(3,829)
933	**933**	**Net carrying amount at start of year**	**549**	**549**
		Additions:		
(384)	(384)	Amortisation - other adjustments	(384)	(384)
549	**549**	**Net carrying amount at end of year**	**165**	**165**
		Comprising:		
4,378	4,378	Gross carrying amounts	4,378	4,378
(3,829)	(3,829)	Accumulated amortisation	(4,213)	(4,213)
549	**549**	**Total**	**165**	**165**

The majority of intangible assets acquired in previous years are now fully amortised.

Further information relating to the carrying amounts, remaining amortisation periods and the types of expenditure represented within the Intangible assets balance is provided in the table, below:

	Carrying Amount		
	31st March 2019	**31st March 2020**	
Individually Material Assets	**£000**	**£000**	**Remaining Amortisation Period (Years)**
Integrated Childrens' Services System	50	50	0
Integrated IT System Adults Services	499	115	1
Total	**549**	**165**	**1**

Note 18 - Financial Instruments

Financial Instruments – Classifications

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

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial

assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

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

- long-term loans from the Public Works Loan Board and commercial lenders,
- short-term loans from other local authorities,
- Private Finance Initiative contracts and
- trade payables for goods and services received.

Financial Assets

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

1. Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:
    - cash in hand;
    - bank current and deposit accounts with Lloyds bank and Handelsbanken;
    - fixed term deposits;
    - loans to small companies;
    - lease receivables; and
    - trade receivables for goods and services provided.

2. Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category) comprising:
    - pooled bond fund managed by Columbia Threadneedle held as strategic investment.

3. Fair value through profit and loss (all other financial assets) comprising:
    - money market funds managed by external fund managers; and
    - pooled bond, equity and property funds managed by Payden, Royal London Asset Management, CCLA and Public Sector Social Investment fund managers.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

	Non-Current Financial Assets					
	Investments		Debtors		Total	Total
	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£000	£000	£000	£000	£000	£000
IFRS 9 Categories						
Amortised cost	1,550	0	35,255	30,356	**36,805**	30,356
Total financial assets	**1,550**	**0**	**35,255**	**30,356**	**36,805**	**30,356**

	Current Financial Assets							
	Investments		Debtors		Cash		Total	Total
	(restated) 31/03/2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£000	£000	£000	£000	£000	£000	£000	£000
IFRS 9 Categories								
Cash not falling into the following categories:								
Fair value through profit and loss	5,936	15,807	0	0	0	0	**5,936**	**15,807**
Amortised cost	4,073	16,455	26,186	24,136	8,285	15,014	**38,544**	**55,605**
Fair value through other comprehensive income - designated equity instruments	979	923	0	0	0	0	**979**	**923**
Fair value through other comprehensive income	0	0	0	0	20,836	39,509	**20,836**	**39,509**
Total financial assets	**10,988**	**33,185**	**26,186**	**24,136**	**29,121**	**54,523**	**66,295**	**111,844**
Non-financial assets								
Total	**10,988**	**33,185**	**26,186**	**24,136**	**29,121**	**54,523**	**66,295**	**111,844**

The following table shows the debtors, see Note 19, that are classified as financial instrument and non financial instruments.

	31 March 2019 £000	31 March 2020 £000
Financial instrument	26,186	24,136
Non Financial Instrument	31,469	62,601
Total	**57,655**	**86,737**

	Non-Current Financial Liabilities					
	Borrowings		PFI liabilities		Total	Total
	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£000	£000	£000	£000	£000	£000
Fair value through profit and loss						
Amortised cost	(164,541)	(162,340)	(39,556)	(36,865)	(204,097)	(199,205)
Total financial liabilities	**(164,541)**	**(162,340)**	**(39,556)**	**(36,865)**	**(204,097)**	**(199,205)**

	Current Financial Liabilities									
	Borrowings		Creditors		PFI Liability		Bank Overdraft		Total	Total
	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	(94,233)	(146,792)	0	0	(2,862)	(2,693)	0	0	(97,095)	(149,485)
Other	0	0	(45,720)	(44,259)	0	0	(2,375)	(851)	(48,095)	(45,110)
Total financial liabilities	**(94,233)**	**(146,792)**	**(45,720)**	**(44,259)**	**(2,862)**	**(2,693)**	**(2,375)**	**(851)**	**(145,190)**	**(194,595)**
Non-financial liabilities										
Total	**(94,233)**	**(146,792)**	**(45,720)**	**(44,259)**	**(2,862)**	**(2,693)**	**(2,375)**	**(851)**	**(145,190)**	**(194,595)**

The following table show the split of Creditors, see Note 23, by Financial and Non Financial Instruments.

	31 March 2019 £000	31 March 2020 £000
Financial instrument	(45,720)	(44,259)
Non Financial Instrument	(11,514)	(24,736)
Total	**(57,234)**	**(68,995)**

Income, Expense, Gains and Losses	**31/03/2019 (Restated)**		**31 March 2020**	
	Surplus or deficit on the provision of services	**Other comprehensive Income and Expenditure**	**Surplus or Deficit on the provision of services**	**Other comprehensive Income and Expenditure**
Net gains/losses on:	**£000**	**£000**	**£000**	**£000**
• financial assets measured at fair value through profit or loss	0	(111)	0	(80)
• financial assets measured at amortised cost	0	(167)	0	(132)
• investments in equity instruments designated at fair value through other comprehensive income	0	(21)	0	29
• financial liabilities measured at amortised cost	13,113	0	13,578	0
Total net gains/losses	**13,113**	**(299)**	**13,578**	**(183)**
Interest revenue:				
• financial assets measured at amortised cost	(167)	0	(132)	0
• other financial assets measured at fair value through other comprehensive income	(213)	0	(234)	0
Total interest revenue	**(380)**	**0**	**(366)**	**0**
Other Income	**(231)**	**0**	**(202)**	**0**

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

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

	31 March 2019 £000	31 March 2020 £000
Columbia Threadneedle Investments	978	923
Total	**978**	**923**

Note 18a - Financial Instruments – Fair Value

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.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2020, 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 Council loans.

• The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' 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 values of financial guarantees have been estimated based on the likelihood of the guarantees being called and the likely payments to be made.

• The fair values 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 the 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 given the low and stable interest rate environment.

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 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.

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 includes 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.

Financial Assets Measured at Fair Value

Recurring Fair Value Measurements - Available for sale:	31 March 2019	31 March 2020
	£000	£000
FA Measured at Fair Value - **Money Market Funds**	20,836	39,509
FA Measured at Fair Value - **Externally Managed Funds**	6,915	16,729
Balance 31 March	**27,751**	**56,238**

Reconciliation of Fair Value Measurements for Financial Assets Carried at Fair Values Categorised within Level 3 of the Fair Value Hierarchy for Financial Assets

	31 March 2020		
	Unquoted Shares £000	**Public Sector Social Impact £000**	**Total £000**
Opening Balance	0	0	0
Reclassifications in to Financial Instruments at Level 3	0	0	0
Reclassifications out of Financial Instruments at Level 3	0	0	0
Transfers into Level 3	0	0	0
Transfers out of Level 3	0	0	0
Total gains or losses for the period:			0
- Included in the Surplus or Deficit on the Provision of Services	0	0	0
- Included in Other Comprehensive Income and Expenditure	0	0	0
Additions	0	9,967	9,967
Disposals			0
Balance 31 March	**0**	**9,967**	**9,967**

	31 March 2019		
	Unquoted Shares £000	**Other £000**	**Total £000**
Opening Balance	0	0	0
Reclassifications in to Financial Instruments at Level 3	0	0	0
Reclassifications out of Financial Instruments at Level 3	0	0	0
Transfers into Level 3	0	0	0
Transfers out of Level 3	0	0	0
Total gains or losses for the period:			
- Included in the Surplus or Deficit on the Provision of Services	0	0	0
- Included in Other Comprehensive Income and Expenditure	0	0	0
Additions	0	0	0
Disposals	0	0	
Balance 31 March	**0**	**0**	**0**

The fair value of financial assets and financial liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

Financial Liabilities

	31 March 2019		31 March 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities held at Amortised Cost	(168,736)	(308,047)	(166,587)	(313,911)
PFI and finance lease liabilities	(42,418)	(47,073)	(39,558)	(41,757)
Total	**(211,154)**	**(355,120)**	**(206,145)**	**(355,668)**

Financial Assets

	31 March 2019		31 March 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Loans and Receivables (2019) Amortised Cost (2020)	13,891	13,891	31,468	31,468
Long-Term Debtors	35,255	35,255	30,356	30,356
Total	**49,146**	**49,146**	**61,824**	**61,824**

Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value

	31 March 2020			
Recurring fair value measurements using:	**Quoted prices in active markets for identical assets**	**Other significant observable inputs**	**Significant unobservable inputs**	**Total**
Financial Liabilities	**(Level 1) £000**	**(Level 2) £000**	**(Level 3) £000**	**£000**
Financial Liabilities held at amortised cost:				
Loans/Borrowings	0	(313,911)	0	**(313,911)**
PFI and finance lease liabilities	0	(41,757)	0	**(41,757)**
Total	**0**	**(355,668)**	**0**	**(355,668)**
Financial Assets				
Amortised Cost:				
Other loans and receivables	0	61,824	0	61,824
Total	**0**	**61,824**	**0**	**61,824**

	31 March 2019			
Recurring fair value measurements using:	**Quoted prices in active markets for identical assets**	**Other significant observable inputs**	**Significant unobservable inputs**	**Total**
Financial Liabilities	**(Level 1) £000**	**(Level 2) £000**	**(Level 3) £000**	**£000**
Financial Liabilities held at amortised cost:				
Loans/Borrowings	0	(308,047)	0	**(308,047)**
PFI and finance lease liabilities	0	(47,073)	0	**(47,073)**
Total	**0**	**(355,120)**	**0**	**(355,120)**
Financial Assets				
Loans and Receivables:				
Other loans and receivables	0	49,146	0	49,146
Total	**0**	**49,146**	**0**	**49,146**

Financial liabilities

The borrowings held by the authority consist of different types of loan, including the following categories of longer term borrowing:

Lender Offer Borrower Option (LOBO)

The fair value (£202.8m) is higher than the carrying amount (£102.3m) because the Council's Lender Offer Borrower Option portfolio includes a number of fixed rate loans where the interest payable is higher than the rates available for similar loans at the balance sheet date.

Public Works Loan Board (PWLB)

The fair value (£22.8m) is greater than the carrying amount (£19.2m) because the Council's Public Works Loan Board portfolio includes a number of fixed rate loans where interest payable is greater than the rates available for similar loans at the balance sheet date.

Market Long Term Loans

The fair value (£88.3m) is higher than the carrying amount (£45.1m) because the Council's Market Long Term loan has an interest rate payable that is higher than the rates available for a similar loan at the balance sheet date.

Private Finance Initiatives (PFI)

The fair value (£41.8m) is higher because the implicit interest rate on the Councils PFI contracts is higher than current long-term interest rates. PFI rates also include an element to cover the risks around construction, which is no longer present.

Note 19 - Debtors

		Restated 2018/19				**2019/20**
Gross Debtors £000	**Expected Losses £000**	**Net Debtors £000**		**Gross Debtors £000**	**Expected Losses £000**	**Net Debtors £000**
45,780	(19,594)	26,186	Trade Receivables	64,360	(18,677)	45,683
5,667	0	5,667	Prepayments	6,594	0	6,594
23,392	(14,849)	8,543	Local Taxation	25,495	(18,007)	7,488
17,326	(67)	17,259	Other Receivable Amounts	27,039	(67)	26,972
92,165	**(34,510)**	**57,655**	**Total**	**123,488**	**(36,751)**	**86,737**

Note 20 - Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) is analysed by age as follows:

2018/19 £000		2019/20 £000
3,170	Less than one year	3,417
1,854	One to two years	2,056
1,279	Two to three years	1,438
936	Three to four years	1,055
440	Four to five years	580
864	Five + years	1,030
8,543	**Total**	**9,576**

Note 21 - Cash and Cash Equivalents

The net balance of Cash and Cash Equivalents at the Balance Sheet date is shown in the table below:

Restated 2018/19 £000		2019/20 £000
0	Cash and Bank balances	4,818
29,105	Short Term Investments	54,523
(2,250)	Bank Overdraft	(5,669)
26,855	**Total Cash and Cash Equivalents**	**53,672**

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 2018/19 bank overdraft value has been restated to remove £0.125m of Trust Funds, which have been reclassified as creditor.

Note 22 - Assets Held for Sale

Current 31 March 2019 £000		Current 31 March 2020 £000
11,051	**Balance outstanding at start of year**	0
(11,051)	Assets sold	0
0	**Balance Outstanding year end**	**0**

Note 23 - Creditors

The comparative 2018/19 figure for 'other payables' has been restated to include Trust Fund balances previously classified as cash within the Cash and Cash Equivalents Note 21.

Restated 2018/19 £000		2019/20 £000
(45,720)	Trade payables	(43,890)
(11,514)	Other payables	(25,105)
(57,234)	**Total Creditors**	**(68,995)**

Note 24 - Provisions

The provisions figures shown in the Balance Sheet comprises of the following balances. The 2018/19 table has been restated to remove £47,906 for the Financial Instrument provision, and £19,407 for the Salary Sacrifice provision, which have moved to expected losses against certain investments due to IFRS9 and Salary Sacrifice debtors, respectively.

Total Provisions

2018/19 £000	Total Provision	2019/20 £000
(14,636)	Opening Balance	(14,686)
(2,599)	Increase in provision during year	(2,605)
2,549	Utilised during year	2,920
	Unused amounts reversed	346
(14,686)	**Closing Balance**	**(14,025)**

Current Provisions

2019/20	Severance Pay	Insurance Fund	NNDR Appeals	Carbon Reduction Commitment	Land Charges	Birkenhead Market TUPE	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance	(2,260)	(850)	(8,431)	(346)	(248)	(100)	(75)	(12,310)
Increase in provision during year	(1,452)	(150)	(135)	0	0	0	(17)	(1,754)
Utilised during year	2,558	0	262	0	0	100	0	2,920
Unused Amounts Reversed	0	0	0	346	0	0	0	346
Closing Balance	**(1,154)**	**(1,000)**	**(8,304)**	**0**	**(248)**	**0**	**(92)**	**(10,798)**

2018/19 (restated)	Severance Pay	Insurance Fund	NNDR Appeals	Carbon Reduction Commitment	Land Charges	Birkenhead Market TUPE	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance	(173)	(1,000)	(10,504)	(346)	(248)	0	(91)	(12,362)
Increase in provision during year	(2,260)	0	(106)	0	0	(100)	(31)	(2,497)
Utilised during year	173	150	2,179	0	0	0	47	2,549
Closing Balance	**(2,260)**	**(850)**	**(8,431)**	**(346)**	**(248)**	**(100)**	**(75)**	**(12,310)**

Provisions

Severance Pay

The Council has identified funding that will be required for staff reductions in financial year 2019/20 that will cost £1.153m and has therefore made provision for this liability.

Insurance Fund

This is 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 2019/20 but also any backdated amount relating to earlier years. This will include decisions made in future years regarding appeals which may affect the 2019/20 and earlier financial years business rates charges. The provision calculation is based upon data supplied by the Valuation Office at 31 March 2020 regarding outstanding and settled appeals.

Carbon Reduction Commitment

To fund carbon reduction payments to the Government which are paid in arrears, but which need to be reflected in the correct financial year. Payments relating to 2018/19 have been met from this provision in 2019/20.

Land Charges

For claims of searches carried out in previous years and 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 £0.25m.

Long Term Provisions

2019/20	Insurance Fund	Total
	£000	£000
Opening Balance	(2,376)	(2,376)
Increase in provision during year	(851)	(851)
Closing Balance	**(3,227)**	**(3,227)**

2018/19	Insurance Fund	Total
	£000	£000
Opening Balance	(2,274)	(2,274)
Increase in provision during year	(102)	(102)
Closing Balance	**(2,376)**	**(2,376)**

Note 25 - Usable Reserves

The Council holds a number of reserves, both revenue and capital for various reasons. They provide assurance to ensure financial stability, funding for future initiatives or investments, and allow balances to be earmarked to meet expected future cost pressures.

Balances on the General Fund (see Movement in Reserves Statement) and earmarked general fund reserves (see breakdown in the Transfers to/from Earmarked Reserves Note 9) are available for funding both capital and revenue expenditure. The amounts relating to balances held by schools are accounted for as Earmarked Reserves and are not included in the General Fund Balance. The Capital Receipts Reserve and Capital Grants Unapplied detailed in this note are held for capital purposes only. A number of minor restatements for 2018/19 have taken place to bring the tables below in line with the balance sheet.

Total Usable Reserve

31 March 2019 (restated) £000		31 March 2020 £000
(10,667)	General Fund Balance	(10,676)
(59,552)	Earmarked General Fund Reserves	(66,768)
(921)	Capital Receipts Reserve	(513)
(16,252)	Capital Grants Unapplied	(19,453)
(87,392)	**Balance 31 March**	**(97,410)**

Capital Receipts Reserve

The Capital Receipts Reserve contains the proceeds of fixed assets sales that are available to meet the future capital investment.

31 March 2019 (restated) £000		31 March 2020 £000
(1,670)	Balance 1 April	(921)
(13,435)	Capital Receipts in year	(7,874)
1	Capital Receipts Pooled	0
17	Transfer to revenue reserves to cover disposal costs	66
4,469	Capital Receipts transferred to Capital Adjustment Account to repay debt	4,469
14,339	Capital Receipts used for financing	8,312
(4,642)	Other movements	(4,565)
(921)	**Balance 31 March**	**(513)**

Capital Grants Unapplied

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

31 March 2019 (restated) £000		31 March 2020 £000
(14,389)	Balance 1 April	(16,252)
(9,986)	Capital grants recognised in year	(12,108)
8,123	Capital grants and contributions applied	8,907
(16,252)	**Balance 31 March**	**(19,453)**

Note 26 - Unusable Reserves

31 March 2019 £000		31 March 2020 £000
(244,326)	Revaluation Reserve	(264,439)
0	Available for Sale Financial Instruments Reserve	0
92	Financial Instruments Revaluation Reserve	211
(132,118)	Capital Adjustment Account	(113,324)
2,689	Financial Instruments Adjustment Account	2,577
550,593	Pension Reserve	472,389
(599)	Deferred Capital Receipts Reserve	(273)
(841)	Collection Fund Adjustment Account	(399)
3,220	Accumulated Absences Account	3,009
5	Pooled Investment Funds Adjustment Account	69
178,715	**Total**	**99,820**

Further information on each of the above reserves is below:

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.

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.

31 March 2019 £000		31 March 2020 £000
(220,912)	**Balance 1 April**	(244,326)
(49,248)	Upward revaluation of assets	(82,874)
6,520	Downward revaluation of assets and impairment losses not charged to the Surplus	36,325
(42,728)	**Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services**	**(46,549)**
4,485	Difference between fair value depreciation and historical cost depreciation	5,618
14,829	Accumulated gains on assets sold or scrapped	20,818
19,314	**Amount written off to the Capital Adjustment Account**	**26,436**
(244,326)	**Balance 31 March**	**(264,439)**

Financial Instrument Revaluation Reserve

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

31 March 2019 £000		31 March 2020 £000
15	**Balance 1 April**	92
77	Other movements	119
92	**Balance 31 March**	**211**

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.

31 March 2019 £000		31 March 2020 £000
(135,165)	**Balance 1 April**	(132,118)
25,307	Charges for depreciation and impairment of non-current assets	55,724
(6,590)	Revaluation losses on non-current assets	(28,815)
384	Amortisation of intangible assets	384
19,014	Revenue expenditure funded from capital under statute	15,085
4,469	Repayment of debt – Merseyside Residual Debt Fund	4,469
21,548	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	38,404
64,132	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	85,251
(19,314)	Adjusting Amounts written out of the Revaluation Reserve	(26,436)
44,818	**Net written out amount of the cost of non-current assets consumed in the year**	58,815
(14,339)	Use of Capital Receipts Reserve to finance new capital expenditure	(8,312)
(14,717)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(18,388)
(4,469)	Write-off Merseyside Residual Debt Fund receipt to long term debtors	(4,469)
(8,196)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(6,078)
(11)	Capital expenditure charged against the General Fund and HRA balances	0
(41,732)	**Capital financing applied in year:**	(37,247)
(204)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(2,870)
165	Public Sector Housing Loans	96
(132,118)	**Balance 31 March**	**(113,324)**

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 2020 the account had a balance of £2.577m (2018/19 £2.689m).

31 March 2019 £000		31 March 2020 £000
3,454	**Balance 1 April**	2,689
(765)	Downward revaluation of investments	(112)
(765)	**Total Changes in revaluation and impairment**	**(112)**
2,689	**Balance 31 March**	**2,577**

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

Due to an agreement to prepay a three year sum in relation to the historic pension deficit, starting in 17/18 (see Defined Benefit Pension Schemes Note 44 for details) the Pensions Reserve total shown below does not match the Pensions Liability in Note 44. This is because the liability was reduced by the whole sum of the prepayment in the first year and the reserve will be reduced as it is applied to the General Fund.

31 March 2019 £000		31 March 2020 £000
480,226	Balance 1 April	550,593
47,956	Remeasurements of the net defined benefit (liability)/asset	(98,467)
56,735	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	58,004
(34,324)	Employer's pensions contributions and direct payments to pensioners payable in the year	(37,741)
550,593	**Balance 31 March**	**472,389**

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 2020 the reserve had a balance of £0.273m (2018/19 £0.599m).

31 March 2019 £000		31 March 2020 £000
(2,660)	Balance 1 April	(599)
2,061	Other movements	326
(599)	**Balance 31 March**	(273)

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 2020, the account had a balance of £0.399m (2018/19 £0.841m), representing the Council’s share of the overall Collection Fund balance.

31 March 2019 £000		31 March 2020 £000
1,588	Balance 1 April	(841)
(2,429)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	442
(841)	**Balance 31 March**	**(399)**

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 debit balance of £3.009m at 31 March 2020 (2018/19 debit balance of £3.220m).

31 March 2019 £000		31 March 2020 £000
3,465	**Balance 1 April**	3,220
(3,465)	Settlement or cancellation of accrual made at the end of the preceding year	(3,220)
3,220	Amounts accrued at the end of the current year	3,009
(245)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory	(211)
3,220	**Balance 31 March**	**3,009**

Pooled Fund Adjustment Account

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

31 March 2019 £000		31 March 2020 £000
2	**Balance 1 April**	5
0	Changes in fair value of pooled investments	64
3	Other movements	0
5	**Balance 31 March**	**69**

Note 27 - Cash Flow Statement: Operating Activities

The cash flows for operating activities include the following items:

2018/19 £000		2019/20 £000
(611)	Interest received	(568)
13,113	Interest paid	13,578
12,502	**Total**	**13,010**

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements (2018/19 has been restated to reflect £0.125m of Trust Funds previously included as cash being reclassified as creditors), as well as correcting the movement in debtors to include both long-term and short-term debtors):

2018/19 (restated) £000		2019/20 £000
(21,466)	Depreciation	(24,424)
2,952	Impairment and downward valuations	(2,485)
(384)	Amortisation	(384)
0	(Increase)/decrease in impairment for bad debts	(175)
5,381	(Increase)/decrease in creditors	(11,761)
(8,961)	Increase/(decrease) in debtors	24,358
21	Increase/(decrease) in inventories	123
0	Increase/(decrease) in contract assets and liabilities	0
(22,410)	Movement in pension liability	(20,263)
(21,548)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(38,404)
365	Other non-cash movements charged to the surplus or deficit on provision of services	1,411
(66,050)	**Total**	**(72,004)**

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

2018/19 £000		2019/20 £000
6,494	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,874
16,580	Capital Grants credited to surplus or deficit on the provision of services	20,441
23,074	**Total**	**28,315**

Note 28 - Cash Flow Statement: Investing Activities

The cash flows for investing activities include the following items (2018/19 has been restated to correct the values relating to the purchase of and proceeds from short-term and long-term investments):

2018/19 (restated) £000		2019/20 £000
29,270	Purchase of property, plant and equipment, investment property and intangible assets	24,722
25,334	Purchase of short-term and long-term investments	79,950
149	Other payments for investing activities	171
(6,494)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,874)
(49,149)	Proceeds from short-term and long-term investments	(28,956)
(19,353)	Other receipts from investing activities	(4,775)
(20,243)	**Net cash flows from investing activities**	**63,238**

Note 29 - Cash Flow Statement: Financing Activities

The cash flows for financing activities include the following items:

2018/19 (restated) £000		2019/20 £000
(3,700)	Cash receipts of short-term and long-term borrowing	(51,500)
2,947	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	2,860
6,988	Repayments of short-term and long-term borrowing	(311)
9,255	Other payments for financing activities	442
15,490	**Net cash flows from financing activities**	**(48,509)**

Note 30 - Reconciliation of Liabilities Arising from Financing Activities

	01 April 2019	Financing cash flows	Non-cash Other non-cash changes	31 March 2020
	£000	£000	£000	£000
Long-term borrowings	(164,542)	0	2,202	(162,340)
Short-term borrowings	(94,233)	(50,287)	(2,272)	(146,792)
On balance sheet PFI liabilities	(42,418)	2,862	(2)	(39,558)
Total liabilities from financing activities	**(301,193)**	**(47,425)**	**(72)**	**(348,690)**

	01 April 2018	Financing cash flows	Non-cash Other non-cash changes	31 March 2019
	£000	£000	£000	£000
Long-term borrowings	(171,503)	0	6,961	(164,542)
Short-term borrowings	(95,296)	4,128	(3,065)	(94,233)
On balance sheet PFI liabilities	(45,365)	2,947	0	(42,418)
Total liabilities from financing activities	**(312,164)**	**7,075**	**3,896**	**(301,193)**

Analysis of PFI liability is detailed below:

	31 March 2019	31 March 2020
	£000	£000
On balance sheet PFI liabilities - Short Term	(39,556)	(36,865)
On balance sheet PFI liabilities - Long Term	(2,862)	(2,693)
Total PFI liabilities from financing activities	**(42,418)**	**(39,558)**

Note 31 - Trading Operations

The Council has currently one trading unit for Building Cleaning where the service manager is required to operate in a commercial environment. Trading accounts are maintained for such activities in order to record the income and expenditure for the service provided. Details are shown in the tables:

2018/19 £000	Trading Operations Total Income and Expenditure:	2019/20 £000
(654)	Income	(649)
730	Expenditure	717
76	**Net Deficit for Year**	**68**

2018/19 £000	Analysis of Inclusion in The Comprehensive Income and Expenditure Statement:	2019/20 £000
76	Net deficit on trading operations	68
76	**Net deficit included in Financing and Investment Income and Expenditure**	**68**

Note 32 - Agency Services

The Council collects income from a Business Rates levy in relation to the Birkenhead Business Improvement District (BID). The table below shows the amount of levy billed and the amount paid to the BID management company in 2019-20, with 2018/19 included for comparison.

2018/19 £000	Birkenhead Business Improvement District	2019/20 £000
(433)	Income	(434)
411	Expenditure	411
(22)	**Net Surplus on the Agency Arrangement**	**(23)**

Note 33 - Pooled Budgets

The Council has entered into a pooled budget arrangement in partnership with Wirral NHS Clinical Commissioning Group, under Section 75 of the Health Act 2006, for the commissioning and delivery of various integrated Care & Health functions. This pooled budget is hosted by the Council and commenced on 1st April 2015; it includes, but is not limited to, services funded by the Better Care Fund.

At the end of the year the fund has a deficit position of £2.5m. The financial challenges experienced by the NHS Wirral CCG (Clinical Commissioning Group) and Wirral Council continued throughout the year, despite integration. The fund ensures that integration of commissioning is used as an opportunity to transform the provision of services and to make more effective use of the resources available (making the most of the “Wirral Pound”). Greater effective and efficient integrated commissioning will drive the benefits both financially and in terms of increased health, and wellbeing of Wirral residents.

The pool incentivises the NHS and local government to work more closely together around people, placing their well-being as the focus of care and health services. Locally, the primary aims of the pooled 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

2018/19 £000	Revenue	2019/20 £000
	Funding provided to the pooled budget:	
(79,862)	Wirral Council	(85,355)
(48,136)	Wirral Clinical Commissioning Group	(51,801)
(127,998)	Total	(137,156)
	Expenditure met from the pooled budget:	
79,492	Wirral Council	103,856
48,731	Wirral Clinical Commissioning Group	35,829
128,223	Total	139,685
225	**Net deficit arising on the pooled budget during the year**	**2,529**
113	**Cost of the Council's share of the deficit on the pooled budget for the year**	**1,265**

2018/19 £000	Capital (Disabled Facilities grant and Social Care)	2019/20 £000
	Funding provided to the pooled budget:	
(3,858)	Wirral Council	(4,163)
(3,858)	Total	(4,163)
	Expenditure met from the pooled budget:	
3,858	Wirral Council	4,163
3,858	Total	4,163
0	**Net surplus arising on the pooled budget during the year**	**0**
0	**Cost of the Council's share of the deficit on the pooled budget for the year.**	**0**

Note 34 - Members' Allowances

During the year Members' allowances, including Employer's costs totaled £792k (2018/19 £792k) as set out in the table:

2018/19 £000		2019/20 £000
788	Allowances	788
4	Expenses	4
792	**Total Members' Allowances**	**792**

Note 35 - Officers' Remuneration

The following table shows the remuneration for senior officers per annum. The figures include salary costs, taxable travel costs and where posts are removed any redundancy payments:

2019/20	Employment Period	Notes	Salaries	Expenses Allowances	Compensation for Loss of Office	Pension Contribution	Total
			£	£	£	£	£
Chief Executive (Eric Robinson)	01/04/19 - 15/07/19	a)	69,728	56	0	8,085	77,869
Chief Executive (Paul Satoor)	16/07/19 - 31/03/20	b)	120,129	0	0	17,517	137,646
Assistant Chief Executive	01/04/19 -31/03/20	c)	120,054	0	0	33,964	154,018
Director for Strategy and Partnerships	01/04/19 - 18/04/19	d)	5,595	0	58,216	805	64,616
Director for Health and Wellbeing	01/04/19 - 31/03/20		85,768	281	0	12,277	98,326
Director for Finance and Investment (S151)	01/04/19 - 31/03/20		114,198	169	0	17,721	132,088
Director for Care and Health	01/04/19 - 31/03/20		120,564	834	0	18,654	140,052
Director for Children (Paul Boyce)	01/04/19 - 31/03/20		151,695	0	0	23,664	175,359
Director for Economic and Housing Growth	16/07/19 - 31/03/20	e)	75,744	0	0	11,814	87,558
Director for Delivery	01/04/19 - 31/03/20	f)	107,866	0	0	16,821	124,687
Director for Business Management (Paul Satoor)	01/04/19 - 15/07/19	g)	37,531	31	0	5,855	43,417
Director for Change and Organisation Design	01/04/19 - 07/02/20	h)	119,408	0	73,604	14,625	207,637
Director for Governance and Assurance	01/04/19 - 31/03/20		131,696	0	0	18,187	149,883
TOTAL			**1,259,976**	**1,371**	**131,820**	**199,989**	**1,593,156**

a) Left the organisation on 15/07/19
b) Chief Executive from 16/07/19
c) Assistant Chief Executive from 01/04/19
d) Left the organisation on 18/04/19
e) Director for Economic Housing and Growth from 16/07/19
f) Director for Delivery from 01/04/19
g) Covered the Director for Economic and Housing Growth post in addition to Director for Business Management, left the post on 15/07/19
h) Left the organisation on 07/02/20

2018/19	Employment Period	Notes	Salaries	Expenses Allowances	Compensation for Loss of Office	Pension Contribution	Total Restated
			£	£	£	£	£
Chief Executive (Eric Robinson)	01/04/18 - 31/03/19		175,874	176	0	25,665	201,715
Director for Strategy and Partnerships	01/04/18 - 31/03/19		109,700	0	0	15,855	125,555
Director for Delivery (Asst CEX)	01/04/18 - 31/03/19	a)	116,779	0	0	17,050	133,829
Director for Health and Wellbeing	01/04/18 - 31/03/19		82,708	407	0	11,930	95,045
Director for Finance and Investment	01/04/18 - 31/03/19		108,296	32	0	15,698	124,026
Director for Care and Health	01/04/18 - 31/03/19		116,779	0	0	17,050	133,829
Director for Children	01/04/18 - 31/03/19		143,750	0	0	20,988	164,738
Director for Economic and Housing Growth	25/06/18 - 13/12/18	b)	85,140	0	0	7,877	93,017
Director for Business Management	01/04/18 - 31/03/19	c)	126,162	0	0	18,403	144,565
Director for Change and Organisation Design	26/11/18 - 31/03/19	d)	25,505	0	0	15,855	41,360
Director for Governance and Assurance	01/04/18 - 31/03/19		108,155	0	0	15,744	123,899
Total Restated			**1,198,848**	**615**	**0**	**182,115**	**1,381,578**

The following two posts have been restated for the following reasons:

- Director for Change and Organisation Design post started on the 26/11/18, which had been omitted from the 2018/19 table
- Director for Strategy and Partnership, the leaving date has changed from 31/03/19 to 18/04/19

a) Director for Delivery (Assistant CEX) combined post ceased on 31/03/19
b) Left the organisation 13/12/18
c) Covered the Director for Economic and Housing Growth post in addition to the Director for Business Management from 13/12/18
d) Director for Change and Organisation Design from 26/11/18

The table below 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 or 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 are either accrued in year or reimbursed to the Pension Fund over a 5-year period.

Officer Remuneration

	Number of Employees	
	2018/19	**2019/20**
£50,001 to £55,000	67	109
£55,001 to £60,000	44	57
£60,001 to £65,000	46	42
£65,001 to £70,000	28	53
£70,001 to £75,000	9	12
£75,001 to £80,000	16	18
£80,001 to £85,000	9	6
£85,001 to £90,000	6	10
£90,001 to £95,000	5	3
£95,001 to £100,000	1	3
£100,001 to £105,000	1	2
£105,001 to £110,000	2	1
£110,001 to £115,000	2	1
£115,001 to £120,000	2	0
£120,001 to £125,000	0	3
£125,001 to £130,000	1	0
£130,001 to £135,000	1	1
£135,001 to £140,000	0	0
£140,001 to £145,000	1	0
£145,001 to £150,000	0	0
£150,001 to £155,000	0	1
£155,001 to £160,000	0	1
£160,001 to £165,000	0	0
£165,001 to £170,000	1	0
£170,001 to £175,000	0	0
£175,001 to £180,000	1	0
£180,001 to £185,000	0	0
£185,001 to £190,000	0	0
£190,001 to £195,000	0	1
Total	**243**	**324**

Exit Packages

The number of exit packages with total cost per band of compulsory and other redundancies are set out in the table below. These packages include pension contributions in respect of added years, ex-gratia payments and other departure costs.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£)	
	2018/19	2019/20	2018/19	2019/20	Restated 2018/19	2019/20	Restated 2018/19 £	2019/20 £
£0-£20,000	0	0	86	20	86	20	741,768	190,706
£20,001 - £40,000	0	0	26	15	26	15	768,220	463,698
£40,001 - £60,000	0	0	4	5	4	5	188,381	239,501
£60,001 - £80,000	0	0	1	1	1	1	60,021	73,604
£80,001 - £100,000	0	0	1	0	1	0	86,908	0
Total	**0**	**0**	**118**	**41**	**118**	**41**	**1,845,298**	**967,509**

The 2018/19 restatement relates to the Director for Strategy and Partnerships change of leaving date from 31/03/19 to 18/04/19.

Note 36 - External Audit Costs

The Council's auditors are Grant Thornton and the Council will incur audit fees of £155k relating to the external audit. The costs reported for 2019/20 include additional costs for 2018/19 of £9k and £23k for 19/20 as approved by the PSAA.

2018/19 £000		2019/20 £000
123	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	155
42	Fees payable in respect of other services provided by external auditors during the year	27
165	**Total**	**182**

The 2018/19 Fees payable in respect of other services provided by the external auditor during the year has been restated by £13k, for an online analysis tool to help improve the financial position of the Council.

Note 37 - Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced 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 2018. 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 2019/20 are as follows:

DSG Receivable for 2019/20	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for year before Academies recoupment			263,279
Academy figure recouped for year			(100,779)
Total DSG after academy recoupment			**162,500**
Plus: Brought forward from previous year			2,209
Less: Carry forward to following year (agreed in advance)			0
Agreed initial budgeted distribution in year	**28,751**	**135,958**	**164,709**
In year adjustments		(106)	(106)
Final budget distribution for year	**28,751**	**135,852**	**164,603**
Less: Actual central expenditure	(31,117)		(31,117)
Less: Actual ISB deployed to schools		(135,957)	(135,957)
Plus: Local Authority contribution for year	1,207		1,207
Carry forward to 2020/21	**(1,159)**	**(105)**	**(1,264)**

At 31st March 2020 the Dedicated Schools Grant reserve has a debit balance to the value of £1.264m which represents a deficit position to be carried forward into 2020-21. The deficit position is mainly due to additional pressure in the High needs block. This is the first year that the Council has experienced a deficit position in its Dedicated School Grant budget and is actively developing a plan to recoup the deficit.

Comparative table for 2018/19

DSG Receivable for 2018/19	Central Expenditure	Individual Schools Budget	Total (Restated)
	£000	£000	£000
Final DSG for year before Academies recoupment			257,851
Academy figure recouped for year			(89,347)
Total DSG after academy recoupment			**168,504**
Plus: Brought forward from previous year			2,286
Less: Carry forward to following year (agreed in advance)			0
Agreed initial budgeted distribution in year	**29,483**	**141,307**	**170,790**
In year adjustments	48		48
Final budget distribution for year	**29,531**	**141,307**	**170,838**
Less: Actual central expenditure	(28,514)		(28,514)
Less: Actual ISB deployed to schools		(141,307)	(141,307)
Plus: Local Authority contribution for year	1,192		1,192
Carry forward to 2019/20	**2,209**	**0**	**2,209**

Note 38 - Grant Income

The Council credited the following grants and contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20.

Restated 2018/19 £000	Credited to Taxation and Non-Specific Grant Income	2019/20 £000
	Revenue Grants:	
(5,471)	Schools Private Finance Initiative	(5,472)
(9,586)	Grant to Compensate for Changes to Business Rates	(11,925)
(1,520)	New Homes Bonus Grant	(764)
(1,125)	Adult Social Care Support Grant	(3,100)
(1,800)	Winter Pressures Grant	(1,800)
(1,571)	Independent Living Fund Grant	(1,523)
(543)	Local Council Tax Admin Support Grant	(513)
(253)	Local Reform and Community Voices	(258)
0	2020-21 Business Rates Relief S31	(13,357)
0	Covid-19 Support	(11,862)
(1,230)	Levy Account Surplus Grant	(273)
(606)	Other Revenue Grants (Less than £250K)	(567)
(23,705)	**Total Revenue Grants**	**(51,414)**
	Capital Grants:	
(6,195)	Local Transport Grant	(3,977)
(2,638)	School Condition	(2,469)
(949)	Sustainable Transport Enhance Programme	(518)
(4,058)	Disabled Facilities Grant	(4,163)
0	Basic Needs Grant	(1,677)
(1,058)	Formula Capital	(376)
(900)	Civilised Streets	(1,250)
0	Housing Infrastructure Fund / Heritage Lottery Fund	(567)
(340)	Land Drainage / Flood Protection	(930)
0	Key Route Network	(3,043)
0	Transport Advisory Group	(1,189)
(442)	Other Capital Grants (less than £250K)	(281)
(16,580)	**Total Capital Grants**	**(20,440)**
(40,285)	**Total credited to Taxation and Non-Specific Grant Income**	**(71,854)**

Grant Income Credited to Services

2018/19 £000		2019/20 £000
(168,616)	Dedicated Schools Grant	(162,500)
(104,656)	Housing Benefits	(96,426)
(29,079)	Public Health Grant	(28,311)
(13,056)	Pupil Premium	(12,234)
(5,143)	Improved Better Care Fund	(2,547)
(3,188)	16-19 Further Education	(1,521)
(1,239)	Housing Benefits Admin Grant	(1,148)
(3,228)	Universal Infant Free School Meals	(2,840)
(857)	Discretionary Housing Payments	(732)
(1,606)	PE and Sports Grant	(1,525)
(526)	Adult Safeguarded Learning	0
(552)	Youth Justice Board	(551)
(612)	Teachers Pay Grant	(1,327)
0	Teachers Pension Employers Contribution Grant	(2,546)
(2,398)	Wirral Ways to Work	(1,423)
(334,756)	**Total**	**(315,631)**

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; if these conditions remain unmet, this may require the monies or property to be returned. The balances at year-end are as follows:

2018/19 £000		2019/20 £000
(290)	Cluster of Empty Homes	(290)
(67)	Mulberry Properties	(67)
(473)	Basic Needs	0
(830)	**Total**	**(357)**

Note 39 - Related Parties

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. In this context, related parties include:

- Central Government
- Elected Members of the Council
- Senior Officers
- Other Public Bodies; and
- Entities controlled or significantly influenced by the Council

Central Government

Central Government has significant control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits).

Details of grants received from Government departments are set out in the analysis in the Grant Income Note 38.

Other Public Bodies

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

	Number of Representatives	**Precept / Levy 2018 / 2019** £000	**Precept / Levy 2019 / 2020** £000
Merseyside Police Authority	2	16,418	18,883
Merseyside Fire & Rescue Service	4	7,757	8,074
Merseyside Recycling and Waste Authority	2	16,100	17,182
Merseyside Port Health	7	33	30
Liverpool City Region Combined Authority	7	21,786	21,736

The Council has a pooled budget arrangement with Wirral Community NHS Trust for the provision of integrated community equipment services. Further details are contained in the Note 33 for Pooled Budgets.

The Council also acts as the administering authority to Merseyside Pension Fund and charged the Fund £3.8m for administration and investment management costs.

Entities controlled or significantly influenced by the Council

Alongside the individually significant relationships, the Council works with a range of bodies complementary to the Council's objectives. The contributions can be either a direct financial payment or a non-financial contribution to support the running of the body. The Council also commits staff time and support whilst working with its partners and, in certain cases, is represented at officer or member level in strategic decision making. On review of these payments, the Council does not feel that any undue influence has been exerted to these organisations as a result of the contributions made. The total direct financial contributions to such organisations for 2019/20 amounted to £12.4m, these are detailed below:

The Council has significant influence over Wirral Evolutions Limited through its ownership of 100% of the shares in the company. The Council purchased adult social care services to the value of £6.25m from the company in 2019/20 (£6.64m in 2018-19).

The Council also has significant influence over Edsential Community Interest Company through its ownership of 50% of the shares in the company and having two senior officers on the board (one resigned part way through the financial year). The Council purchased services from Edsential to the value of £4.8m in 2019/20 (£4.3m in 2018-19) The Council also guarantees the Merseyside Pension Fund element of Edsentials' pension liability, which equates to £1.053m.

The Council acts as a guarantor for a number of staff who work in various external bodies that have been admitted to the Merseyside Pension Fund. On cessation of the body's participation in the fund, any shortfalls are initially claimed from the admitted body. If they cannot be recovered from that source, the pension fund would look at the guarantee arrangements and draw down from bonds that are in place and, if still insufficient, from the guarantor. The Council acts as a guarantor for a number of bodies. The estimates unrecorded liability is not material at 31 March 2020 and has not been reflected in the 2019/20 Accounts.

Elected Members of the Council and Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of member's allowances paid in 2019-20 is shown in the Note 34. Members Allowances.

During 2019/20, works and services to the value of £8.3m were commissioned from companies and £1.4m charged to organisations in which Members and Officers had an interest. The year-end creditors balance owed to these companies is £1.4m. And the debtors balance owed from the companies is £0.3m.

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.

The following Members and Officers of the Council held interests in the following companies, which had transactions with the Council during 2019/20:

Organisation	Member/Officer
Tam O'Shanter Cottage Trust	Cllr Bruce Berry Cllr Gillian Wood
Friends of the Arno & Oxton Fields	Cllr Alan Brame
E F Callister Trust	Cllr Alan Brame
Wirral University Teaching Hospital	Cllr Michael Collins Cllr Kathy Hodson Cllr Irene Williams
Wirral Multi Cultural Organisation	Cllr Michael Collins Cllr Pat Cleary Cllr Stuart Kelly Cllr Brian Kenny
Greasby Community Association	Cllr Wendy Clements
Friends of Irby Library	Cllr Wendy Clements
Greasby Allotment Holders	Cllr Wendy Clements
Leasowe Play, Youth & Community Association	Cllr Karl Greaney Cllr Sharon Jones Cllr Anita Leech Cllr Ian Lewis
Wirral Play Council	Cllr Karl Greaney Cllr Cherry Povall
Wirral Development Trust	Cllr Karl Greaney
Local Government Association	Cllr Phil Gilchrist Cllr Pat Hackett Cllr Anita Leech Cllr Ian Lewis Cllr Julie McManus
Magenta Living	Cllr Steve Foulkes Cllr Jeff Green Cllr Stuart Whittingham
Gautby Road, Play & Community Centre	Cllr Elizabeth Grey Cllr Brian Kenny Cllr Julie McManus
New Brighton Community Association	Cllr Pat Hackett Cllr Tony Jones
North West Employers	Cllr Adrian Jones Cllr Tony Norbury
North Birkenhead Development Trust	Cllr Brian Kenny
Wallasey Village Library Friends	Cllr Ian Lewis
National Parking Adjudication Service (PATROL)	Cllr Julie McManus
Liscard Links	Cllr Sarah Spoor
Friends of Mayer Park	Cllr Christina Muspratt
Overton Community Centre	Cllr Jean Robinson
Friends of Birkenhead Park	Cllr Jerry Williams
Manchester Port Health Authority	Cllr Jerry Williams
Friends of Benty Hey Woods	Cllr Jerry Williams
Birkenhead Sixth Form College	Cllr Gillian Wood
CIPFA	Officer Shaer Halewood
Weightmans LLP	Officer Phillip McCourt
Wirral Chamber of Commerce	Officer Alan Evans

The following Members and Officers of the Council held interests in the following companies, which had transactions with the Council during 2019/20, in which the Council also has an interest:

Organisation	Member / Officer
Wirral Growth Company	Cllr Tony Jones Cllr Anita Leech Cllr Thomas Usher Officer David Armstrong Officer Daniel Kirwan Officer Paul Boyce
Edsential	Officer David Armstrong (resigned part way through year) Officer Simone White

In accordance with Section 117 of the Local Government and Finance Act 1972, all Senior Officers of the Council have been asked to declare any interests in other bodies with whom the Council may have dealings. No significant 'pecuniary interests' have been identified during 2019/20.

Interest in Companies

Following a review of the Council's relationships with various organisations in whom it has a stake hold, it has been determined that the activities of these entities are not material to be reported within a Group Statement of Accounts. Those organisations are:

- Edsential CIC, Joint Venture
- Wirral Growth Company Limited Liability Partnership, Joint Venture
- Wirral Evolutions Ltd, 100% control - Private Limited Company
- Wirral Holdings, 100% control - Private Limited Company

Note 40 - Capital Expenditure and Capital Financing

The Council's Capital Financing requirement has risen in years as capital costs of £40m with funding set aside of £37.245m. The overall Capital Financing requirement will be funded from a combination of future revenue contributions, capital receipts and external funding.

2018/19 £000		2019/20 £000
339,086	Opening Capital Financing Requirement	**345,788**
	Capital Investment:	
22,035	Property Plant and Equipment	24,669
7,235	Investment Property	53
19,084	Revenue Expenditure Funded from Capital Under Statute	15,085
149	Other Capital Expenditure	171
48,503	**Total Capital Spending**	**39,978**
	Sources of Finance:	
(14,339)	Capital receipts - Applied to Capital Expenditure	(8,312)
(4,469)	Capital receipts - Applied to MRDF	(4,469)
(14,786)	Government Grants and other contributions	(18,387)
	Sums set aside from revenue:	
(11)	- Direct revenue contributions	0
(8,196)	- Minimum revenue provision	(6,077)
(41,801)	**Total Sources of Finance**	**(37,245)**
345,788	**Closing Capital Financing Requirement**	**348,521**

Explanation of movements in year

2018/19 £000		2019/20 £000
6,702	Increase in underlying need to borrow (unsupported by government financial assistance)	2,768
6,702	**Increase/(decrease) in Capital Financing Requirement**	**2,768**

Note 41 - Leases

Authority as Lessor: Finance Leases

The Council has leased out the following properties on finance leases with the remaining terms shown in the table. During the year, the Council sold New Brighton, Marine Point.

Property	Lessee	Remaining Term
Wirral Country Park Caravan Site (Touring)	The Caravan Club Ltd	9 Years
Wirral Country Park Caravan Site (Static)	The Caravan Club Ltd	29 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 amounts shown in the following table.

The gross investment is made up of the following amounts:

31 March 2019 £000		31 March 2020 £000
	Finance lease debtor (net present value of minimum lease payments):	
4	- current	4
595	- non-current	269
10,681	Unearned finance income	273
11,280	**Gross investment in the lease**	**546**

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

Gross Investment in the Lease			Minimum Lease Payments	
31 March 2019 £000	31 March 2020 £000		31 March 2019 £000	31 March 2020 £000
136	19	Not later than one year	80	8
546	75	Later than one year and not later than five years	270	29
10,598	452	Later than five years	805	81
11,280	**546**	**Total**	**1,155**	**118**

Authority as Lessee: Operating Leases

The Council was committed at 31 March 2020 to making payments of £2.1m under operating leases. The future minimum lease payments due under non-cancellable leases in future years are as follows:

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

31 March 2019 £000		31 March 2020 £000
(717)	Not later than one year	(648)
(2,099)	Later than one year and not later than five years	(1,458)
9	Later than five years	0
(2,807)	**Total**	**(2,106)**

The expenditure charged to services in the CIES in the year in relation to these leases are:

31 March 2019 £000		31 March 2020 £000
(717)	Minimum lease payments	(648)
(717)	**Total**	**(648)**

Authority as Lessor: Operating Leases

The Council leases out elements of its property portfolio to various organisations as part of its dual aims of helping to generate economic activity in the area and in order to generate a return on assets held. These leases are all categorised as operating leases due to the fact the returns only reflect a small proportion of the asset's value or the nature of the lease agreements.

All income generated from these leases is reflected in the Comprehensive Income and Expenditure Statement as it becomes due, primarily on the Financing and Investment Income line of the Statement.

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

31 March 2019 £000		31 March 2020 £000
1,579	Not later than one year	1,456
4,107	Later than one year and not later than five years	3,210
5,940	Later than five years	5,377
11,626	**Total**	**10,043**

Note 42 - Service Concession Arrangements

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.

South Wirral High has adopted Foundation status. The Birkenhead Park School, Weatherhead High, Hilbre High, Wirral Grammar School, and Prenton High have adopted Academy status, while Bebington High School, which previously adopted Foundation status, converted to Academy status on 1st April 2019. The assets relating to the Academies are no longer reflected in the Balance Sheet.

Kingsway Academy closed in August 2018, and alternative uses of the site are currently being explored. The academy lease is still to be formally ended and therefore the asset is not reflected in the balance sheet until the Council formally takes back possession.

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:

Movement in PFI Assets

2019/20	**Leasowe Primary**	**South Wirral High**	**Bebington High**	**Total**
	£000	**£000**	**£000**	**£000**
Cost or Valuation				
at 1 April 2019	2,720	13,054	12,470	28,244
Additions	0	26	0	26
Revaluation increases/(decreases) recognised in the Revaluation Reserve	17	111	2,491	2,619
Derecognition – disposals	0	0	(14,961)	(14,961)
at 31 March 2020	**2,737**	**13,191**	**0**	**15,928**
Accumulated Depreciation and Impairment				
at 1 April 2019	(24)	(503)	(725)	(1,252)
Depreciation charge	(48)	(420)	(290)	(758)
Depreciation written out to the Revaluation Reserve	72	923	1,015	2,010
at 31 March 2020	**0**	**0**	**0**	**0**
Net Book Value:				
at 31 March 2020	**2,737**	**13,191**	**0**	**15,928**
at 1 April 2019	**2,697**	**12,550**	**11,745**	**26,992**

2018/19	Leasowe Primary	South Wirral High	Bebington High	Total
	£000	£000	£000	£000
Cost or Valuation				
at 1 April 2018	2,818	10,850	12,470	26,138
Additions	0	32	0	32
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(98)	2,172	0	2,074
at 31 March 2019	**2,720**	**13,054**	**12,470**	**28,244**
Accumulated Depreciation and Impairment				
at 1 April 2018	(24)	(376)	(385)	(785)
Depreciation charge	(48)	(382)	(340)	(770)
Depreciation written out to the Revaluation Reserve	48	255	0	303
at 31 March 2019	**(24)**	**(503)**	**(725)**	**(1,252)**
Net Book Value:				
at 31 March 2019	**2,696**	**12,551**	**11,745**	**26,992**
at 1 April 2018	**2,794**	**10,473**	**12,085**	**25,352**

Payments due under PFI Schemes

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

Payments due under PFI schemes

Reimbursement of Capital Expenditure	Payment for Services	Lease Liability	Interest	Lifecycle Costs	Total
	£000	£000	£000	£000	£000
Payable within one year	4,673	2,693	3,825	1,514	12,705
Payable within two to five years	20,245	12,115	16,601	5,709	54,670
Payable within six to ten years	29,396	19,772	25,246	4,014	78,428
Payable within eleven to fifteen years	8,915	4,978	6,180	605	20,678
Total	**63,229**	**39,558**	**51,852**	**11,842**	**166,481**

The unitary payment in 2019/20 is £12.458m (2018/19 £12.163m), allocated as follows:

2018/19 Total £000		2019/20 Total £000
4,450	Service Costs	4,570
3,994	Interest and Similar Charges	3,952
2,947	Lease Liability	1,074
772	Life Cycle Costs	2,862
12,163	**Total**	**12,458**

Liability

The value of the outstanding lease liability which reflects both the short and long term is shown in the table.

In calculating the future unitary payments to the end of the contract from 2016-17 onward the most up to date information available has been used. This gives a more accurate estimate of the total outstanding liability. 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.

2018/19 Total £000		**2019/20 Total £000**
45,365	Balance outstanding at start of year	42,418
(2,947)	Payments during the year	(2,860)
42,418	**Balance outstanding at year-end**	**39,558**

Note 43 - Pension Schemes Accounted for as Defined Contribution Schemes

Teachers

Teachers employed by the Council 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 Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the DfE uses a national fund as the basis for calculating the employer's contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. In 2019/20, the Council paid £12.62m (2018/19: £9.74m) to Teachers' Pensions in respect of teachers' retirement benefits. 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 £13.6m. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. The Council is not liable to the Scheme for any other entities' obligations under the plan.

Public Health

When Public Health staff transferred from Wirral primary care trust (PCT) in April 2013 on the abolition of the Primary Care Trusts (PCTs) nationally, they retained access to the NHS Pension Scheme. The Scheme provides specified benefits upon retirement towards which the Council makes contributions based on a percentage of members' salaries. The Scheme is administered by the NHS Business Services Authority on behalf of the Department of Health in England and Wales. The Scheme is a multi-employer defined benefit scheme. The Scheme is unfunded and the Department of Health uses a notional fund as the basis for setting employer contribution rates. Valuations of the fund are undertaken every four years. The Scheme has over 1.3m active members employed in a wide variety of organisations. A small number of staff (41) transferred from the Wirral PCT and consequently the Council is unable to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the NHS Pension Scheme during the year ending 31 March 2020, the Council's own contributions are negligible. In 2019/20 the Council paid £0.159m (2018/19: £0.181m) to the NHS Pension Scheme in respect of the retirement benefits of public health staff. There were no contributions remaining payable at the year-end. Contributions due to be paid in the next financial year are estimated to be £0.147m. The Council is not liable to the Scheme for any other entities' obligations under the plan.

Note 44 - Defined Benefit Pension Scheme

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 the following post-employment schemes:

The Local Government Pension Scheme (LGPS)

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.

Arrangements for the award of discretionary post-retirement benefits upon early retirement, 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.

Unfunded Teachers' Scheme

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme referred to in Note 43 Pension Schemes Accounted for as Defined Contribution Schemes. These costs are accounted for on a defined benefit basis and the Council is not liable to the Scheme for any other entities' obligations under the plan.

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 transactions shown in the table below have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year:

2018/19 Local Government Pension	2018/19 Discretionary Benefits	2018/19 Unfunded Teachers' Scheme	2018/19 Total		2019/20 Local Government Pension	2019/20 Discretionary Benefits	2019/20 Unfunded Teachers' Scheme	2019/20 Total
£000	£000	£000	£000		£000	£000	£000	£000
Comprehensive Income and Expenditure Statement								
Cost of Services								
				Service cost comprising:				
34,028	0	0	34,028	Current service cost	39,364	0	0	39,364
12,908	0	0	12,908	Past service cost	4,484	0	0	4,484
0	0	0	0	(Gain) / loss from curtailments	742	0	0	742
(2,291)	0	0	(2,291)	(Gain) / loss from settlements and / or transfers	207	0	0	207
0	0	0	0	Administration expenses	0	0	0	0
0	0	0	0	Other Operating Expenditure:	0	0	0	0
538	0	0	538	Administration expenses	575	0	0	575
0	0	0	0	Financing and Investment Income and Expenditure	0	0	0	0
9,840	1,013	699	11,552	Net interest expense	11,080	929	623	12,632
55,023	**1,013**	**699**	**56,735**	**Total charged to Surplus and Deficit on Provision of Services**	**56,452**	**929**	**623**	**58,004**

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

Local Government Pension Scheme	Discretionary Benefits	Unfunded Teachers' Scheme	Total		Local Government Pension Scheme	Discretionary Benefits	Unfunded Teachers' Scheme	Total
£000	£000	£000	£000		£000	£000	£000	£000
				Re-measurement of the net defined benefit liability				
(35,223)	0	0	(35,223)	Return on plan assets (excluding the amount included in the net interest expense)	32,887	0	0	32,887
0	0	0	0	Actuarial gains and losses - experience	4,113	(4,310)	444	247
0	0	0	0	Actuarial gains and losses arising on changes in demographic assumptions	(95,200)	(1,707)	(2,040)	(98,947)
80,931	1,338	910	83,179	Actuarial gains and losses arising on changes in financial assumptions	(31,836)	(413)	(405)	(32,654)
45,708	**1,338**	**910**	**47,956**	**Total charged to Other Comprehensive Income and Expenditure Statement**	**(90,036)**	**(6,430)**	**(2,001)**	**(98,467)**
100,731	**2,351**	**1,609**	**104,691**	**Total charged to the Comprehensive Income and Expenditure Statement**	**(33,584)**	**(5,501)**	**(1,378)**	**(40,463)**

Pension 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 set out in the table above and below, which includes estimates for McCloud. The total liability at 31 March 2020 is £472.4m (£539.4m 2018/19).

2018/19 Local Government Pension	2018/19 Discretionary Benefits	2018/19 Unfunded Teachers' Scheme	2018/19 Total		2019/20 Local Government Pension	2019/20 Discretionary Benefits	2019/20 Unfunded Teachers' Scheme	2019/20 Total
Movement in Reserves Statement								
£000	**£000**	**£000**	**£000**		**£000**	**£000**	**£000**	**£000**
(55,023)	(1,013)	(699)	(56,735)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(56,452)	(929)	(623)	(58,004)
17,454	2,630	2,558	22,642	Employers' contributions payable to scheme	21,418	2,599	2,512	26,529

2018/19 Local Government Pension Scheme £000	2018/19 Discretionary Benefits £000	2018/19 Unfunded Teachers' Scheme £000	2018/19 Total £000	Pensions Assets and Liabilities Recognised in the Balance Sheet	2019/20 Local Government Pension Scheme £000	2019/20 Discretionary Benefits £000	2019/20 Unfunded Teachers' Scheme £000	2019/20 Total £000
(1,635,141)	(40,013)	(27,212)	(1,702,366)	Present value of the defined obligation	(1,553,095)	(31,913)	(23,322)	(1,608,330)
1,162,985	0	0	1,162,985	Fair value of plan assets	1,135,941	0	0	1,135,941
(472,156)	**(40,013)**	**(27,212)**	**(539,381)**	**Net (liability) / asset arising from the defined benefit**	**(417,154)**	**(31,913)**	**(23,322)**	**(472,389)**

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

2018/19 Local Government Pension Scheme £000	2018/19 Discretionary Benefits £000	2018/19 Unfunded Teachers' Scheme £000	2018/19 Total £000	Movement in the Value of Scheme Assets	2019/20 Local Government Pension Scheme £000	2019/20 Discretionary Benefits £000	2019/20 Unfunded Teachers' Scheme £000	2019/20 Total £000
1,121,683	0	0	1,121,683	Opening fair value of scheme assets	1,162,985	0	0	1,162,985
28,869	0	0	28,869	Interest income	27,615	0	0	27,615
				Re-measurement gain / (loss):				
34,371	0	0	34,371	- The return on plan assets, excluding the amount included in the net interest expense	(32,887)	0	0	(32,887)
17,454	2,630	2,558	22,642	Contributions from employer	21,418	2,599	2,512	26,529
6,760	0	0	6,760	Contributions from employees into the scheme	7,279	0	0	7,279
(45,614)	(2,630)	(2,558)	(50,802)	Benefits / transfers paid	(46,608)	(2,599)	(2,512)	(51,719)
(538)	0	0	(538)	Administration expenses	(575)	0	0	(575)
0	0	0	0	Assets Extinguished on Settlement	(3,286)	0	0	(3,286)
1,162,985	**0**	**0**	**1,162,985**	**Closing value of scheme assets**	**1,135,941**	**0**	**0**	**1,135,941**

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

2018/19 Local Government Pension Scheme £000	2018/19 Discretionary Benefits £000	2018/19 Unfunded Teachers' Scheme £000	2018/19 Total £000	Movements in the Fair Value of Scheme Liabilities	2019/20 Local Government Pension Scheme £000	2019/20 Discretionary Benefits £000	2019/20 Unfunded Teachers' Scheme £000	2019/20 Total £000
(1,510,562)	(40,292)	(28,161)	(1,579,015)	Opening balance at 1 April	(1,635,141)	(40,013)	(27,212)	(1,702,366)
(34,028)	0	0	(34,028)	Current service cost	(39,364)	0	0	(39,364)
(38,709)	(1,013)	(699)	(40,421)	Interest cost	(38,695)	(929)	(623)	(40,247)
(6,760)	0	0	(6,760)	Contributions from scheme participants	(7,279)	0	0	(7,279)
0	0	0	0	**Re-measurement gains and losses:**	0	0	0	0
0	0	0	0	- Actuarial gains / (losses) - experience	(4,113)	4,310	(444)	(247)
0	0	0	0	- Actuarial gains / (losses) from changes in demographic	95,200	1,707	2,040	98,947
(80,931)	(1,338)	(910)	(83,179)	- Actuarial gains / (losses) from changes in financial	31,836	413	405	32,654
(11,093)	0	0	(11,093)	Past service cost	(4,484)	0	0	(4,484)
(1,815)	0	0	(1,815)	Gains / (losses) on curtailments	(742)	0	0	(742)
45,614	2,630	2,558	50,802	Benefits / transfers paid	46,608	2,599	2,512	51,719
3,143	0	0	3,143	Liabilities extinguished on settlements	3,079	0	0	3,079
(1,635,141)	**(40,013)**	**(27,212)**	**(1,702,366)**	**Balance as at 31 March**	**(1,553,095)**	**(31,913)**	**(23,322)**	**(1,608,330)**

LGPS Pension Scheme Assets Comprised of:

2018/19 Quoted £000	Unquoted £000	Total £000		2019/20 Quoted £000	Unquoted £000	Total £000
33,888	**0**	**33,888**	**Cash and cash equivalents**	**17,500**	**0**	**17,500**
			Equities			
178,527	30,713	**209,240**	UK	155,923	23,259	**179,182**
242,879	118,986	**361,865**	Global	257,946	113,309	**371,255**
421,406	**149,699**	**571,105**	**Subtotal Equities**	**413,869**	**136,568**	**550,437**
			Bonds			
42,158	0	**42,158**	UK Government	20,019	0	**20,019**
50,121	0	**50,121**	UK Corporate	50,455	0	**50,455**
92,172	0	**92,172**	UK Index Linked	87,793	0	**87,793**
184,451	**0**	**184,451**	**Subtotal Bonds**	**158,267**	**0**	**158,267**
			Property			
0	70,991	**70,991**	UK Direct Property	0	67,402	**67,402**
2,302	21,190	**23,492**	UK Property Managed	2,992	19,854	**22,846**
0	16,547	**16,547**	Global Property Managed	0	30,189	**30,189**
2,302	**108,728**	**111,030**	**Subtotal Property**	**2,992**	**117,445**	**120,437**
			Alternatives			
2	36,939	**36,941**	UK Private Equity	139	14,563	**14,702**
0	41,235	**41,235**	Global Private Equity	0	75,036	**75,036**
1,009	4,760	**5,769**	UK Other Alterbatives	2,812	18,340	**21,152**
0	29,404	**29,404**	Global Other Alternatives	4,646	30,933	**35,579**
2,019	42,893	**44,912**	UK Infrastructure	2,117	43,932	**46,049**
0	28,365	**28,365**	Global Infrastructure		37,448	**37,448**
10,715	35,679	**46,394**	UK Opportunistic Credit	3,110	27,633	**30,743**
10,104	19,387	**29,491**	Global Opportunistic Credit	1,077	27,514	**28,591**
23,849	**238,662**	**262,511**	**Subtotal Alternatives**	**13,901**	**275,399**	**289,300**
665,896	**497,089**	**1,162,985**	**Total Assets**	**606,529**	**529,412**	**1,135,941**

Significant Assumptions by the Actuary have been:

2018/19	Local Government Pension Scheme	2019/20
Mortality assumptions		
Longevity at retirement for current pensioners		
22.2	Men	20.9
25.0	Women	24.0
Longevity at retirement for future pensioners		
25.2	Men	22.5
27.9	Women	25.9
Other assumptions		
2.2%	Rate of inflation	2.1%
3.7%	Rate of increase in salaries	3.6%
2.3%	Rate of increase in pensions	2.2%
2.4%	Rate for discounting scheme liabilities	2.4%

2018/19	Teachers' Unfunded	2019/20
Mortality assumptions		
Longevity at retirement for current pensioners aged 75		
13.3	Men	12.5
15.8	Women	14.9
Longevity at retirement for current pensioners aged 65		
22.1	Men	20.9
25.1	Women	24.0
Other assumptions		
2.3%	Rate of inflation	2.1%
2.3%	Rate of increase in pensions	2.2%
2.4%	Rate for discounting scheme liabilities	2.4%

Increase by 0.1%	LGPS £000	Teachers' Unfunded £000
Longevity	44,116	1,167
Rate of inflation	25,068	171
Rate of increase in salaries	3,274	
Rate of increase in pensions	0	
Rate for discounting scheme liabilities	(24,677)	(170)

Note 45 - Trust Funds

The Council acts as the trustee for a number of trust funds. These do not represent assets of the Council and have not been included in the Council's Balance Sheet. The EF Callister trust promotes youth development, the Stitt Scholarship exists to promote educational achievement.

2019/20

Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
EF Callister	0	0	373	0
Stitt Scholarship	0	0	0	0
Criminal Injuries	0	0	6	0
Other	0	0	82	0
Total	**0**	**0**	**461**	**0**

2018/19

Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
EF Callister	0	0	373	0
Stitt Scholarship	0	0	38	0
Criminal Injuries	0	0	6	0
Other	(1)	0	80	0
Total	**(1)**	**0**	**497**	**0**

Note 46 - Contingent Liabilities

The Council has made a provision for National Non-Domestic Rates (Business Rates) appeals based upon its best estimate of the actual liability in known appeals as at 31 March 2020. 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.

Note 47 - Nature and Extent of Risks Arising from Financial Instruments

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

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

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, 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 treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit is placed on the amount of money that can be invested with a single counterparty (other than the UK government). The Council also sets a total group investment limit for institutions that are part of the same banking group. No more than 75% in total can be invested for a period longer than one year.

The table below summarises the credit risk exposures of the Council's investment portfolio as at 31 March 2020 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:

	Maturity of Investment						
Credit Rating *	**Cash Equivalent**	**Short Term Investment**	**3-6 Months**	**6-12 Months**	**Long Term Investment**	**Balance Invested as at 31.03.19**	**Balance Invested as at 31.03.20**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
AAA	39,500	0	0	0	0	20,828	39,500
AA-	5,000	5,000	0	0	0	7,278	10,000
AA	0	10,450	0	0	0	0	10,450
A+	10,000	0	0	0	0	5,000	10,000
Unrated Subsidiaries + Corporate	0	975	0	0	0	1,550	975
Total	**54,500**	**16,425**	**0**	**0**	**0**	**34,655**	**70,925**
Credit risk not applicable*	17,000	0			0	**7,000**	**17,000**
Total Investments	**71,500**	**16,425**	**0**	**0**	**0**	**41,655**	**87,925**

* Credit rating is the lowest common denominator equivalent derived from the rating allocated by the Agencies Fitch, Standard & Poors and Moody's

Credit Risk - Debtors	**31 March 2020**
	£000
Less than three months	6,084
Three to six months	1,127
Six months to one year	1,950
More than one year	(714)
Total	**8,447**

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 2020 was as follows:

Liquidity Risk	31 March 2019	31 March 2020
	£000	£000
Less than one year	94,233	146,692
Between one and two years	3,615	837
Between two and five years	5,650	11,918
More Than 5 Years	6,716	1,418
More Than 10 years	148,560	148,266
Total	**258,774**	**309,131**

Trade Receivables

Trade receivables are also subject to non-payment and are reviewed for impairment. By adjusting for impairment, the credit risk is recognised in the accounts:

31 March 2019		31 March 2020
£000		£000
45,780	Gross Receivables	64,360
(19,594)	Impairment	(18,677)
26,186	**Total**	**45,683**

Market Risk

Interest Rate Risk:

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

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

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be (shown in the table below):

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

The Council has £107.5m (2019: £107.5m) of "Lender's option, borrower's option" (LOBO) loans with maturity dates between 2021 and 2065 where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. In the current low interest rate environment, the likelihood of the lender increasing the rate is low; however, the likelihood will increase in later years should market interest rates rise.

Market Risk - Interest Rate Risk	**31/03/2019 (Restated)**	**31 March 2020**
	£000	**£000**
Increase in interest payable on variable rate borrowings	633	835
Increase in interest receivable on variable rate investments	(274)	(366)
Decrease in fair value of investments held at FVPL	51	78
Impact on Surplus or Deficit on the Provision of Services	**410**	**547**
Share of overall impact debited to the HRA		
Decrease in fair value of fixed rate investment assets	27	0
Impact on Other Comprehensive Income and Expenditure	**437**	**547**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(45,959)	(47,042)
Decrease in fair value of loans and investments at amortised cost	3	5

Market Risk: Price risk

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

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £10m per fund. A 5% fall in commercial property prices at 31st March 2020 would result in a £0.04m (2019: £0.05m) charge to Other Comprehensive Income (OCI), unless the Fair Value Through Profit and Loss (FVTPL) option is taken, where any gain or loss is transferred to the Pooled Investment Funds Adjustment Account until the investment is disposed or the cessation of the election in 2022/23. The Council has taken the election to recognise any gains or losses on the investment as FVTPL.

Market Risk: 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.

Note 48 - Restatement of 2018/19 Cost of Services

Reclassification of 2018/19 Cost of Services in the Comprehensive Income and Expenditure Statement

During 2019/20, the Council restructured its Directorates. To enable comparison between 2018/19 and 2019/20, all 2018/19 expenditure and income by cost of service has been restated in the Comprehensive Income and Expenditure Statement - as shown within the Core Financial Statements section of these accounts.

The table below shows how this information was originally presented in the 2018/19 Comprehensive Income and Expenditure Statement and the table below shows how this maps to the Directorate structure applied in 2019/20:

Original 2018/19 Comprehensive Income and Expenditure Statement cost of services

	2018/19		
	Expenditure	**Income**	**Net**
	£000	**£000**	**£000**
Adult Care & Health	146,229	(52,387)	93,842
Business Management	132,435	(100,671)	31,764
Children's Services	323,704	(243,044)	80,660
Delivery Services	107,530	(30,665)	76,865
Economic & Housing Growth	8,346	(3,974)	4,372
Strategy & Partnerships	27,146	(31,116)	(3,970)
Cost of Services	**745,390**	**(461,857)**	**283,533**

Restated Structure split by original directorate

This table shows the two years Cost of Service, original directorates and restructured, this also includes £1.8m of Winter Pressures grant moved from Taxation and Non specific grant income to Cost of Service.

		2018/19		
		Expenditure £000	**Income £000**	**Net £000**
Revised Structure	**Original 2018/19 Split**			
Economic & Housing Growth	Economic & Housing Growth	7,797	(3,974)	3,823
	Strategy & Partnerships	277	0	277
	Delivery Services	12,539	(1,457)	11,082
Economic & Housing Growth Total		**20,613**	**(5,431)**	**15,182**
Business Management	Economic & Housing Growth	549	0	549
	Business Management	132,438	(100,671)	31,767
	Strategy & Partnerships	2,243	(72)	2,171
	Delivery Services	543	0	543
Business Management Total		**135,773**	**(100,743)**	**35,030**
Delivery Services	Delivery Services	87,498	(27,233)	60,265
Delivery Services Total		**87,498**	**(27,233)**	**60,265**
Childrens Services	Delivery Services	6,951	(1,975)	4,976
	Childrens Services	323,703	(243,045)	80,658
	Send Grant Adjustment	0	(58)	(58)
Childrens Services Total		**330,654**	**(245,078)**	**85,576**
Adult Care & Health	Business Management	(3)	0	(3)
	Strategy & Partnerships	24,627	(31,044)	(6,417)
	Adult Care & Health	146,229	(52,387)	93,842
	Winter Fuel Grant Adjustment	0	1,800	1,800
Adult Care & Health Total		**170,853**	**(81,631)**	**89,222**
	Total	**745,391**	**(460,116)**	**285,275**

Fully revised 2018/19 CIES

	2018/19 Expenditure £000	Income £000	Net £000
Economic & Housing Growth	20,613	(5,431)	15,182
Business Management	135,773	(100,743)	35,030
Covid-19	0	0	0
Delivery Services	87,498	(27,233)	60,265
Childrens Services	330,654	(245,078)	85,576
Adult Care & Health	170,853	(81,631)	89,222
Cost of Services	**745,391**	**(460,116)**	**285,275**
Other Operating Expenditure	38,699	(582)	38,117
Financing and Investment Income and Exp	33,430	(1,498)	31,932
Surplus or Deficit on Discontinued Operatic	0	0	0
Taxation and Non Specific Grant Income	0	(305,477)	(305,477)
Surplus or Deficit on Provision of Service	**817,520**	**(767,673)**	**49,847**
Surplus or deficit on revaluation of Property, Plant and Equipment		(42,728)	(42,728)
Impairment losses on non-current assets charged to the Revaluation Reserve			
Surplus or deficit on revaluation of available for sale financial assets and financial instruments at fair value through other comprehensive income and expenditure		2,042	2,042
Remeasurement of the net defined benefit liability / asset		47,956	47,956
Other Comprehensive Income and Expenditure		**7,270**	**7,270**
Total Comprehensive Income and Exper	**817,520**	**(760,403)**	**57,117**

Additional Financial Statements

Collection Fund Statement

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

2018/19				2019/20		
Business Rates	Council Tax	Total	Collection Fund	Business Rates	Council Tax	Total
£000	£000	£000		£000	£000	£000
			INCOME:			
0	(164,881)	(164,881)	Council Tax Receivable	0	(175,038)	(175,038)
(72,448)	0	(72,448)	Business Rates Receivable	(71,829)	0	(71,829)
(72,448)	**(164,881)**	**(237,329)**	**Total amounts to be credited**	**(71,829)**	**(175,038)**	**(246,867)**
			EXPENDITURE:			
(1,975)	1,700	(275)	**Apportionment of Previous Year Surplus/Deficit:**	69	590	659
71,425	159,946	231,371	**Precepts, demands and shares:**	70,180	170,468	240,648
			Charges to Collection Fund:			
761	1,795	2,556	Write-offs of uncollectable amounts	222	1,337	1,559
(1)	1,795	1,794	Increase/(decrease) in allowance for impairment	717	3,199	3,916
(2,094)	0	(2,094)	Increase/(decrease) in allowance for appeals	(128)	0	(128)
1,219	0	1,219	Transitional Protection Payments Payable	403	0	403
333	0	333	Charge to General Fund for allowable collection costs for non-domestic rates	328	0	328
			Other transfers to General Fund in accordance with non-domestic rates regulations			
0	0	0	Enterprise Zone Growth	3	0	3
69,668	**165,236**	**234,904**	**Total amounts to be debited**	**71,794**	**175,594**	**247,388**
(2,780)	**355**	**(2,425)**	**(Surplus)/Deficit arising during the year**	**(35)**	**556**	**521**
3,101	**(1,725)**	**1,376**	**Opening (Surplus)/Deficit b/f**	**321**	**(1,370)**	**(1,049)**
321	**(1,370)**	**(1,049)**	**Closing (Surplus)/Deficit c/f**	**286**	**(814)**	**(528)**

Notes to the Collection Fund

Note 1 - Council Tax Income

The Council is responsible for collecting council tax from its residents on behalf of itself, Police & Crime Commissioner for Merseyside, Merseyside Fire & Rescue Service, and Liverpool City Region. At the time of setting council tax for 2019/20, the tax base was estimated as 93,497.8 band D equivalent properties. The table below shows the number of band D equivalent properties in each valuation band, with 2018/19 included for comparison.

2019/20

Band	Valuation band limits	Calculated no of dwellings	Ratio to band D	Equated No of dwellings	Council Tax payable
	£	No		No	£
Disabled A	1/9th of Band A	76.5	5/9	42.5	
A	Upto and including - 40,000	35,557.0	6/9	23,704.7	1,215.49
B	40,001 - 52,000	24,996.0	7/9	19,441.3	1,418.07
C	52,001 - 68,000	23,276.4	8/9	20,690.1	1,620.65
D	68,001 - 88,000	11,855.2	9/9	11,855.2	1,823.23
E	88,001 - 120,000	7,461.0	11/9	9,119.0	2,228.38
F	120,001 - 160,000	3,974.9	13/9	5,741.5	2,633.54
G	160,001 - 320,000	3,054.5	15/9	5,090.8	3,038.72
H	More than - 320,001	228.3	18/9	456.6	3,646.46
			Adjustment	97.25%	
			Council tax base	93,497.8	

2018/19

Band	Valuation band limits £	Calculated no of dwellings No	Ratio to band D	Equated No of dwellings No	Council Tax payable £
Disabled A	1/9th of Band A	79.2	5/9	44.0	
A	Upto and including - 40,000	34,893.8	6/9	23,262.5	1,155.82
B	40,001 - 52,000	24,934.5	7/9	19,393.5	1,348.45
C	52,001 - 68,000	23,211.1	8/9	20,632.1	1,541.09
D	68,001 - 88,000	11,878.6	9/9	11,878.6	1,733.72
E	88,001 - 120,000	7,464.0	11/9	9,122.7	2,118.98
F	120,001 - 160,000	3,953.0	13/9	5,709.9	2,504.26
G	160,001 - 320,000	2,918.2	15/9	4,863.6	2,889.54
H	More than - 320,001	224.0	18/9	448.0	3,467.44
			Adjustment	96.75%	
			Council tax base	92,255.9	

Note 2 - Non-Domestic Rates

The Council is responsible for collecting non-domestic rates from businesses located within its area on behalf of itself and Merseyside Fire and Rescue Service. The total rateable value of all business properties within the Council's area as at 31 March 2020 is £191.5m (£191.3m as at 31 March 2019). The business rates paid by a business for a property within the Council area equate to the rateable value multiplied by a rate set by central government (the multiplier). The multiplier charged is based on the rateable value of the property as follows:

Rateable Value	2019/20 multiplier (pence)	2018/19 multiplier (pence)
Up to £51,000	49.1	48.0
Over £51,000	50.4	49.3

Glossary

Glossary

Accruals

Income is recognised when it is earned rather than when it is received. Expenditure is recognised when goods or services are received rather than when the payment is made.

Actuarial Gains and Losses

Actuaries assess financial and non-financial information provided to project levels of future pension fund requirements. Changes in actuarial deficits or surpluses arise because:

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

Balances

The balances are to provide funding for unanticipated expenditure and / or expenditure that is of an unforeseen nature. The level is determined having regard to the strategic, operational and financial risks and uncertainties faced by the Council.

Budget

The budget is a statement of the spending plans for the financial year.

Capital Expenditure

Expenditure on the acquisition of an asset or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

Capital Receipts

Income received from the disposal of land and other capital assets, and from the repayment of grants and loans to the Council.

Chartered Institute of Public Finance and Accountancy (CIPFA)

This institute is the leading professional accountancy body for public services and produces the Code of Practice that must be followed in preparing the Council’s financial statements.

Collection Fund

A fund administered by the Council to record all income collected from local taxpayers and business ratepayers and shows how this is passed on to other public authorities.

Community Assets

These are fixed assets which the Council intends to hold in perpetuity which have no determinable finite useful like and may have restrictions on their disposal, e.g. Parks.

Council Tax

This is the main source of taxation for the Council. It is levied on households within the area and the proceeds are paid into the Collection Fund for distribution to precepting authorities and for use by the Council's General Fund.

Creditors

Amounts owed by the Council for works undertaken, goods received or services provided for which payment had not been made at the date of the Balance Sheet.

Current Service Costs (Pensions)

For a defined benefit scheme, the value of the pension benefits earned by active employees in the period, net of contributions paid by employees in respect of those benefits. The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period i.e. the ultimate pension benefits eared by employees in the current year.

Curtailment (Pensions)

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces the number of employees the accrual of defined benefits for some or all of their future service.

Debtors

Amounts owed to the Council that had not been received at the date of the Balance Sheet.

Defined Benefits Scheme

A pension, or other retirement benefit scheme, where the scheme's rules define the benefits payable independently of the contributions paid into the scheme. The benefits paid from the scheme are not directly related to the investments within the scheme. The scheme may be funded or unfunded.

Defined Contributions Scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions, as an amount or as a % of pay, and has no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation

A charge that represents the extent to which an asset has been worn-out or used or otherwise reduced the useful economic life of a fixed asset during the year.

Expected Rate of Return on Pensions Assets

For the Pension Fund the average rate of return, including both income and changes in fair value net of scheme expenses, expected over the remaining life of the asset.

Expenditure

Amounts paid by the Council for works undertaken, goods received or services provided, which is deemed to have been spent when the works, goods or services have been received.

FVOCI

Fair value other comprehensive income.

General Fund

The main revenue fund of the Council and includes the net costs of all services financed by local taxpayers and Government grants. It is the day to day spending on services.

Government Grants

Specific assistance by Government and similar bodies in the form of cash. For specific grants to a particular service there is expected to be compliance with certain conditions relating to the activities of the Council but many grants are 'general' and used to help pay for the net cost of Council services generally.

Heritage Assets

These are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained for the contribution to knowledge and culture. This includes Civil Regalia, works of art and historic buildings.

Impairment

A reduction in the value of a fixed asset below the amount brought forward in the Balance Sheet. Reductions include items such as a significant decline in a fixed asset's market value.

Income

Amounts due to the Council for goods supplied or services provided with the income deemed to have been earned once the goods or services have been supplied.

Infrastructure Assets

These are assets which generally cannot be sold and from which benefit can be obtained only from the continued use of the asset e.g. highways and bridges.

Intangible Assets

These are assets which do not have physical substance but are identifiable and controlled by the Council and include items such as software and licenses.

International Financial Reporting Standards (IFRS)

The Standards dictate specific accounting treatments. They must be applied to all financial statements in order to provide a true and fair view of the financial position, and a standardised method of comparison with others.

Investment Properties

Properties held solely to earn rentals or for capital appreciation, and not used to provide services or for administrative purposes.

Leases

Leasing costs are the rental for the use of an asset for a specified period of time. There are two different types of lease. Finance leases transfer substantially the risks and rewards of ownership of a fixed asset to the lessee. Operating leases are where the balance of risks and rewards remains with the lessor who retains the asset e.g. computer equipment.

Medium Term Financial Strategy (MTFS)

The Council's medium-term financial plan.

Minimum Revenue Provision (MRP)

This is the minimum amount that the Council is required to charge to the revenue account each year to provide for the repayment of debt.

National Non-Domestic Rates (NNDR also known as Business Rates)

A levy on business property based on national rate in the £ applied to the rateable value of the premises. The Government determines the national rate and the Rates are collected by the Council and accounted for within the collection fund. The Council draws down from this an amount specified at the start of the year.

Net Book Value

A levy on business property based on national rate in the £ applied to the rateable value of the premises. The Government determines the national rate and the Rates are collected by the Council and accounted for within the collection fund. The Council draws down from this an amount specified at the start of the year.

Net Expenditure

Gross expenditure less specific service income but before the deduction of non-ring-fenced government grants and local taxation.

OCIE

Other comprehensive Income and Expenditure.

Precept

The amount the Council is required to raise from Council Tax on behalf of other authorities namely the Merseyside Recycling & Waste Authority and the Liverpool Combined Authority. It is collected and distributed on behalf of precepting authorities by the Council. These transactions are accounted for within the Collection Fund.

Prior Year Adjustments

These are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Property, Plant and Equipment

Assets that yield benefits to the Council and the services provided for a period of more than one year e.g. buildings, land and vehicles.

Provisions

Amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and / or timing of such costs is uncertain.

Public Works Loans Board (PWLB)

A Central Government body which is the main provider of loans to local authorities to fund capital expenditure.

Reserves

These are amounts held to meet specific, known or predicted future expenditure.

Revenue Expenditure

This is spending on the day-to-day running costs of providing services and is primarily employee costs, general running expenses and capital financing costs.

Revenue Expenditure Funded from Capital under Statue (REFCUS)

This represents items of capital expenditure where no asset exists and the cost is allowed by statute to be charged as revenue expenditure to the Consolidated Income & Expenditure Statement.

Scheme Liabilities

These are the liabilities of the Pension Fund for outgoings in the future and reflect the benefits that the employer is committed to provide for service up to a set date.

Unfunded Defined Benefit Scheme

An employer managed retirement plan that uses the employer's current income to fund pension payments as they become necessary. This is in contrast to a funded pension scheme where an employer sets aside funds systematically and in advance to cover any pension plan expenses such as payment to retirees and their beneficiaries.

Unsupported (Prudential) Borrowing

This is borrowing for which no support is given by Central Government. The Council is permitted to undertake unsupported borrowing but has to ensure that the borrowing costs are affordable and be met from the revenue budget.

Useful Life

This is the period over which the Council will derive benefit from the use of an asset.

Merseyside Pension Fund Accounts

Independent auditor's report to the members of Wirral Metropolitan Borough Council on the pension fund financial statements of Merseyside Pension Fund

Opinion

We have audited the financial statements of Merseyside Pension Fund (the 'pension fund') administered by Wirral Metropolitan Borough Council (the 'Authority') for the year ended 31 March 2020 which comprise the Fund Account, the Net Assets Statement and Notes to the Merseyside Pension Fund Accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

Our audit of the pension fund financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Director of Resources and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment.
Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response

to these uncertainties. However, no audit should be expected to predict the unknowable factors or all possible future implications for a fund associated with these particular events.

Conclusions relating to going concern

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

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

In our evaluation of the Director of Resources (S151 Officer)' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 that the pension fund financial statements shall be prepared on a going concern basis, we considered the risks associated with the fund's operating model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the fund's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the fund will continue in operation.

Emphasis of Matter - effects of Covid-19 on the valuation of property investments

We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the pension fund's property investments as at 31 March 2020. As, disclosed in Note 5 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in the pension fund's property valuation reports. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit of the pension fund’s financial statements and our knowledge of the pension fund the other information published together with the pension fund’s financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the pension fund’s financial statements.

Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority, the Director of Resources (S151 Officer) and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Resources. The Director of Resources (S151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the pension fund's 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 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund's financial statements, the Director of Resources (S151 Officer) is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the pension fund will no longer be provided.

The Audit & Risk Management Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process. In this authority the Pensions Committee is charged with assisting it in meeting these responsibilities.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Grant Patterson

Grant Patterson, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

18 January 2021

MERSEYSIDE PENSION FUND ACCOUNTS

2019/20 £000	FUND ACCOUNT - For the year ended 31 March 2020	Note	2018/19 £000
	Dealing with members, employers and others directly involved in the fund:		
247,526	Contributions Receivable	7	210,577
18,152	Transfers In	8	11,797
265,678			222,374
(352,107)	Benefits Payable	9	(340,698)
(18,039)	Payments to and on account of Leavers	10	(19,035)
(370,146)			(359,733)
(104,468)	**Net additions/(withdrawals) from dealing with members**		**(137,359)**
(47,569)	Management Expenses	11	(44,434)
(152,037)	**Net additions/(withdrawals) including Fund Management Expenses**		**(181,793)**
	Return on Investments:		
214,882	Investment Income		220,626
(301,967)	Profit and Losses on Disposal of Investments and Change in Market Value of Investments		284,842
(4,864)	Taxes on Income		(4,378)
(91,949)	**Net Return on Investments**		**501,090**
(243,986)	Net Increase/(Decrease) in the Fund during the year		319,297
8,882,738	Net Assets of the Fund at the start of the year		8,563,441
8,638,752	**Net Assets of the Fund at the end of the year**		**8,882,738**

2019/20 £000	NET ASSETS STATEMENT - For the year ended 31 March 2020	Note	2018/19 Restated £000
	Investment Assets	13	
2,483,568	Equities		2,795,439
696,229	Bonds		665,610
4,432,443	Pooled Investment Vehicles		4,621,558
171,194	Derivative Contracts		-
471,925	Direct Property		521,750
86,076	Loans		73,947
105,010	Short Term Cash Deposits		86,098
181,507	Other Investment Balances		104,196
8,627,952			**8,868,598**
(21,063)	**Investment Liabilities**	18	**(8,445)**
8,606,889	**Total Net Investment Assets**		**8,860,153**
6,337	Long Term Assets	19	4,146
41,621	Current Assets	20	35,413
(16,095)	Current Liabilities	20	(16,974)
8,638,752	**Net Assets of the Fund as at 31 March**		**8,882,738**

Notes to the Merseyside Pension Fund Accounts

Note 1 Description of the Fund

Merseyside Pension Fund (MPF/the Fund) is part of the Local Government Pension Scheme (LGPS) and Wirral Council is the Administering Authority. Wirral Council is the reporting entity for this pension fund.

The overall responsibility for the management of the Fund rests with the Pensions Committee, which for 2019/20 included nine councillors from Wirral Council, the Administering Authority and one councillor from each of the four other Merseyside Borough Councils. Representatives of trade unions also attend. The more detailed consideration of investment strategy and asset allocation of the Fund's portfolios is considered by the Investment Monitoring Working Party, which includes two external advisers and a consultant. The more detailed consideration of governance and risk issues is considered by the Governance and Risk Working Party.

In 2015/16 a local Pensions Board was introduced in accordance with the Public Service Pensions legislation and regulations. The Board's aim is to assist the Administrating 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 2019/20 and the underlying statutory powers underpinning the Scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

A) General

The Scheme is governed by the Public Services Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Fund is a contributory defined benefit pension scheme administrated 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 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 207 employer organisations within Merseyside Pension Fund including Wirral Council itself. The Fund has 139,960 members as detailed below:

31 March 2020		31 March 2019
207	**Number of Employers with Active Members**	**208**
46,745	Number of Employees in Scheme	46,726
46,435	Number of Pensioners	45,038
6,595	Number of Dependants	6,547
40,185	Number of Deferred Pensioners	40,259
139,960	**Total Number of Members in the Scheme**	**138,570**

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 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump sum	Automatic lump sum of 3 x 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 1/49th.

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: Merseyside Pension Fund Website

Note 2 Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2019/20 financial year and its position at year end as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 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.

Restatements for 2018/19 are a change in presentation only, the requirements of the code were previously met, but now additional information is being provided.

The accounts have been prepared on a going concern basis.

Note 3 Summary of Significant Accounting Policies

The financial statements have been prepared on an accruals basis, unless otherwise stated.

Contributions and Benefits

Contributions are accounted for on an accruals basis. Contributions are made by active members of the Fund in accordance with LGPS Regulations and employers' contributions are based on triennial actuarial valuations.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the Scheme actuary or on receipt if earlier than the due date.

Employers' pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Benefits payable represent the benefits paid during the financial year and include an estimated accrual for lump-sum benefits outstanding as at the year end. Benefits payable includes interest on late payment. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Estimates for post year end outstanding items have been used for payments of retirement grants and death grants:

- Retirement grants due for payment, but not paid by 31 March: using actual figures as far as possible, and assuming maximum commutation to be taken, where the knowledge of the individual member's choice is still outstanding

- Death grants due for payment, but not paid by 31 March: for example, awaiting Probate.
-

Transfers to and from Other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Management Expenses

The Fund discloses its management expenses analysed into three categories: administration costs, investment management costs and oversight and governance costs, in accordance with CIPFA "Accounting for Local Government Management Costs".

Administration Costs

All administration expenses are accounted for on an accruals basis. All staff costs of the pension’s administration team are charged direct to the Fund. Associated management and other overheads are apportioned to the Fund in accordance with Council Policy.

Investment Management Costs

All investment expenses are accounted for on an accrual basis.

Fees of the external Investment Managers and Custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market values of the investments under their management and therefore increase or reduce as the value of these investments change.

Costs in respect of the internal investment team are classified as investment expenses.

Estimates for post year end outstanding items have been used for external Investment Management fees, using the Fund's valuations as at 31 March.

In accordance with CIPFA "Accounting for Local Government Management Costs" guidance, transaction costs and property related expenses are shown under investment expenses.

For certain unquoted investments including Private Equity, Hedge Funds, Opportunities and Infrastructure, the Fund do not charge costs for these to the Fund Account because the Fund Manager costs are not charged directly to the Fund. They are instead deducted from the value of the Fund's holding in that investment or from investment income paid to the Fund. If the Fund has been charged directly for Fund Manager costs, they are shown as external private market fees and expenses.

Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with oversight and governance are charged direct to the Fund. Associated management and other overheads are apportioned to the Fund in accordance with Council Policy.

The cost of obtaining investment advice from external consultants is included in governance and oversight expenses.

Investment Income

Income from Equities is accounted for when the related investment is quoted ex-dividend. Income from Bonds, Pooled Investment Vehicles and interest on Loans and 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 recognised on a straight-line basis over the term of the lease. Rent is accounted for in the period it relates to 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

All financial assets, apart from loans, are included in the Net Asset Statement on a fair value basis as at the reporting date. Loans are included in the Net Asset Statement on an amortised cost basis. 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 had the securities 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 2020 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). This valuation has been prepared in accordance with the RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2020 together, where applicable, with the UK National Supplement effective 14 January 2019, together the "Red Book''. The valuations were arrived at predominantly by reference to market evidence for comparable property
- 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 Contribution

The Committee holds assets invested separately from the main Fund. In accordance with regulation 4 (1) (b) of the Pensions Schemes (Management and Investment of Funds) Regulations 2016, these assets are excluded from the Pension Fund accounts.

The Scheme providers are Utmost Life (transferred from Equitable Life 1 January 2020), 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.

Note 4 Critical Judgements in Applying Accounting Policies

The Fund has not applied any critical judgements.

Note 5 Estimation & Uncertainty

The outbreak of COVID-19, declared by the World Health Organisation as a 'Global Pandemic' on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries and market activity has been impacted in many sectors.

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 2020 was £4,289 million (£4,221 million at 31 March 2019).

Private Equity investments are valued at fair value in accordance with International Private Equity and British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. The IPEV Board issued additional guidance as at 31 March 2020 given the magnitude of the COVID19 crisis, accompanied by the significant uncertainty.

Hedge Funds are valued at the sum of the fair values provided by the Administrators of the underlying Funds plus adjustments that the Hedge Fund Directors or Independent Administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

Direct property and pooled property funds use valuation techniques to determine the carrying amount. Where possible these valuations are based on observable data, but where this is not possible management uses the best available data.

For 2019/20 there is additional uncertainty regarding the valuations of illiquid assets, due to the uncertainties in the financial markets and the time it will take to fully realise the impact of COVID-19 on such assets. There is an increased level of risk that the estimated valuations may be mis-stated. The valuations have been updated based upon the available information as at 31 March 2020 and maybe subject to variations as further information becomes available. Note 14 sets out a sensitivity analysis of such assets valued at level 3.

For 2019/20, also due to COVID-19, the property valuation has been reported on the basis of 'material valuation uncertainty' as per VPS3 and VPGA10 of the RICS Red Book Global and stated consequently, less certainty, and a higher degree of caution should be attached to their valuation than normally would be the case. The value of direct property as at 31 March 2020 is reported as £471.9 million, using the potential variance of 10% (provided by the Fund's investment consultants for note 14), there is a risk that these investments may be misstated in the accounts by up to £47 million.

Note 6 Events after the Reporting Date

There have been no events since 31 March 2020, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

Non-Adjusting Event - COVID-19

There have been a number of material factors which make it difficult to quantify what the outcome could be on financial markets. How long will the pandemic last? How many waves will there be? How deep will its economic impacts be?

There has been unprecedented government support through stimulus policies including support via the furlough scheme, central banks have reacted by immediately reducing the base rate and have embarked on substantial asset purchase programs.

Both the short and long-term implications of the shut down and the affect it will have on companies remain uncertain and longer-term performance will ultimately be impacted by how long the recovery takes.

As a result of COVID-19, the future investment values may be more volatile, at least over the short to medium term, until a vaccine or other successful cure is found for COVID-19. However, to date, although there has been significant variation to individual fund values (both upwards and downwards), as at the end of November 2020 the investments are valued overall at a higher value than they were at 31 March 2020 (as reported in these financial statements).

With regards to the Fund's level 3 investments, these are well diversified between sectors and also vintage year (year in which first influx of investment capital is delivered to a project or company) meaning that there will be a wide dispersion between the potential valuation effects. Some of the underlying level 3 investment assets could have seen positive uplifts to their valuations (e.g. broadband/telecommunications infrastructure providers), as well as those which will have seen negative (e.g. transport sectors due to short-term demand shocks).

Note 7 Contributions Receivable

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 2020. Employee contributions are matched by employers' contributions which are based on triennial actuarial valuations. The 2019/20 contributions above were calculated at the valuation dated 31 March 2016. The 2016 actuarial valuation calculated the average primary employer contribution of rate of 15.4% (2013 13.3%).

"Pension Strain" represents the cost to employers when their employees retire early to compensate the Fund for the reduction in contribution income and the early payment of benefits. Payments to the Fund for such costs are made over agreed periods. An accrual has been made for agreed future payments to the Fund.

"Deficit Funding" includes payments by employers for past service deficit and additional payments by employers to reduce a deficit. During 2019/20 the Fund has received additional and upfront payments, totalling £22.4 million, (in 2018/19 £2.2 million, in 2017/18 a number of employers opted to pay their three years deficit as a lump sum payment in year 1, totaling £141.2 million).

The Fund does reserve the right to levy interest charges on late receipt of contributions from employers. In 2019/20 no such charges were levied.

2019/20 £000	Contributions Receivable	2018/19 £000
	Employers	
137,903	Normal	127,865
9,726	Pension Strain	9,274
41,501	Deficit Funding	18,016
189,130	**Total Employers**	**155,155**
	Employees	
58,396	Normal	55,422
247,526		**210,577**
	Relating to:	
27,826	Administering Authority	24,581
175,241	Statutory Bodies	160,776
44,459	Admission Bodies	25,220
247,526		**210,577**

Note 8 Transfers In

2019/20 £000	Transfers In	2018/19 £000
18,152	Individual transfers	11,797
18,152		**11,797**

There were no group transfers to the Fund during 2019/20.

Note 9 Benefits Payable

2019/20 £000	Benefits payable	2018/19 £000
278,801	Pensions	265,886
66,288	Lump Sum Retiring Allowances	66,173
7,018	Lump Sum Death Benefits	8,639
352,107		**340,698**
	Relating to:	
48,313	Administering Authority	46,919
246,651	Statutory Bodies	240,601
57,143	Admission Bodies	53,178
352,107		**340,698**

Note 10 Payments to and on account of Leavers

2019/20 £000	Payments to and on account of Leavers	2018/19 £000
568	Refunds to Members Leaving Service	538
-	Payment for Members Joining State Scheme	8
(239)	Income for Members from State Scheme	-
-	Group Transfers to Other Schemes	-
17,710	Individual Transfers to Other Schemes	18,489
18,039		**19,035**

There were no group transfers out of the Fund during 2019/20.

Note 11 Management Expenses

2019/20 £000	Management Expenses	2018/19 £000
3,022	Administration Costs	2,778
42,442	Investment Management Costs	39,708
2,552	Oversight and Governance Costs	2,269
(447)	Other Income	(321)
47,569		**44,434**

Note 11a Administration Costs

2019/20	Administration Costs	2018/19
£000		**£000**
2,075	Employee Costs	1,867
667	IT Costs	616
248	General Costs	255
32	Other Costs	40
3,022		**2,778**

Note 11b Investment Management Costs

2019/20	Investment Management Costs	2018/19 Restated*
£000		**£000**
11,592	External Investment Management Fees	10,661
1,826	External Investment Management Performance Fee:	544
17,214	External Private Market Fees and Expenses	16,991
684	External Services	799
774	Internal Investment Management Fees	713
6,259	Property Related Expenses	6,334
4,093	Transaction Costs	3,666
42,442		**39,708**

*2018/19 has been restated to show separately fees and expenses paid for private market assets, this was previously included within external investment management fees.

Note 11c Oversight & Governance Costs

Actuarial fees included within External Services below (note 11c) are shown gross of any fees that have been recharged to employers. Included within Other Income for 2019/20 is £374,145 relating to recharged Actuarial fees (2018/19 £259,917).

The External Audit fee for 2019/20 is £34,049, additional fees of £2,000 are in relation to work for 2018/19 and an additional £9,800 relates to services in respect of IAS19 assurances for admitted body auditors, which are recharged to those admitted bodies.

2019/20	Oversight & Governance Costs	2018/19
£000		£000
585	Employee Costs	520
1,405	External Services	1,179
49	Internal Audit	49
46	External Audit	31
467	Other Costs	490
2,552		**2,269**

Note 12 Investment Income

Rental income is shown gross of any property related expenses, with related expenses shown under investment expenses (note 11b).

Interest on loans has been accrued up to 31 March 2020, interest on loans for 2018/19 is interest received during the period (previously shown within income from pooled investment vehicles).

Investment income figures are shown gross of tax. Included in these figures is recoverable taxation of £9.0 million (2018/19 £6.3 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, repayments received in 2019/20 £nil (2018/19 £20,981).

2019/20	Investment Income	2018/19 Restated
£000		£000
101,798	Dividends from Equities	99,895
4,664	Income from Bonds	69
43,827	Income from Pooled Investment Vehicles	49,798
30,938	Rents from Properties	30,512
1,208	Interest on Short Term Cash Deposits	712
16,183	Income from Private Equity	33,877
14,793	Interest from Loans	4,814
1,471	Other	949
214,882		**220,626**
(4,864)	Irrecoverable Withholding Tax	(4,378)
210,018		**216,248**

Note 12a Property Income

No contingent rents have been recognised as income during the period.

2019/20 £000	Property Income	2018/19 £000
30,938	Rental Income	30,512
(6,259)	Direct Operating Expenses	(6,334)
24,679	**Net Rent from properties**	**24,178**

Note 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:

2019/20 £000	Age Profile of Lease Income	2018/19 £000
4,584	No later than one year	5,195
5,147	Between one and five years	11,208
14,386	Later than five years	11,635
24,117	**Total**	**28,038**

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.

Note 13 Investments

2019/20	Market Value at 31 March 2019 £000	Purchases at Cost & Derivative Payments £000	Sale Proceeds & Derivative Receipts £000	Change in Market Value ** £000	Market Value at 31 March 2020 £000
Equities	2,795,439	1,252,204	(1,124,083)	(439,992)	2,483,568
Bonds	665,610	50,749	(31,827)	11,697	696,229
Pooled Investment Vehicles	4,621,558	625,588	(752,749)	(61,954)	4,432,443
Derivative Contracts	-	725,413	(781,934)	227,715	171,194
Direct Property	521,750	21,943	(35,483)	(36,285)	471,925
Loans	73,947	45,252	(33,123)	-	86,076
	8,678,304	**2,721,149**	**(2,759,199)**	**(298,819)**	**8,341,435**
Short term cash deposits	86,098				105,010
Other investment balances	104,196			(3,148)	181,507
	8,868,598			**(301,967)**	**8,627,952**

2018/19 Restated*	Market Value at 31 March 2018 £000	Purchases at Cost & Derivative Payments £000	Sale Proceeds & Derivative Receipts £000	Change in Market Value ** £000	Market Value at 31 March 2019 £000
Equities	2,768,408	1,635,758	(1,634,730)	26,003	2,795,439
Bonds	-	689,963	-	(24,353)	665,610
Pooled Investment Vehicles	5,030,518	1,028,347	(1,721,615)	284,308	4,621,558
Derivative Contracts	218	613,961	(614,344)	165	-
Direct Property	519,750	3,636	-	(1,636)	521,750
Loans	43,961	48,832	(18,846)	-	73,947
	8,362,855	**4,020,497**	**(3,989,535)**	**284,487**	**8,678,304**
Short term cash deposits	53,226				86,098
Other investment balances	99,613			355	104,196
	8,515,694			**284,842**	**8,868,598**

Direct transaction costs are shown under investment management costs in note 11b, in accordance with CIPFA guidance. Indirect costs are incurred through the bid-offer spread on investments in pooled vehicles. The amount of indirect costs is not provided directly to the Fund.

*2018/19 has been restated to show loans, these were previously shown under pooled investment vehicles.

**Note: The change in market value of investments during the year comprises all realised and unrealised appreciation and depreciation.

Note 13a Analysis of Investments

2019/20 £000		2018/19 £000
	Equities (segregated holdings)	**Restated**
1,014,305	UK Quoted	1,150,144
1,469,263	Overseas Quoted	1,645,295
2,483,568		**2,795,439**
	Bonds	
679,699	UK Public Sector Quoted	**665,610**
400	UK Corporate Quoted	**-**
16,130	Overseas Corporate Quoted	**-**
696,229		**665,610**
	Pooled Investment Vehicles	
	UK Managed Funds:	
75,913	Equities	138,487
108,663	Private Equity	286,359
172,358	Hedge Funds	41,772
384,588	Corporate Bonds	354,726
299,982	Infrastructure	353,669
216,442	Opportunities	323,557
	Overseas Managed Funds:	
564,600	Equities	494,233
518,898	Private Equity	279,333
102,410	Hedge Funds	221,975
62,884	Corporate Bonds	-
251,592	Infrastructure	192,604
68,655	Opportunities	209,989
	UK Unit Trusts:	
72,111	Property	116,426
	Overseas Unit Trusts:	
214,805	Property	124,120
1,318,542	**Other Unitised Funds**	1,484,308
4,432,443		**4,621,558**
171,194	**Derivative Contracts**	**-**
	UK Properties	
345,825	Freehold	387,820
126,100	Leasehold	133,930
471,925		**521,750**
521,750	*Balance at 1 April*	*519,750*
21,943	*Additions*	*3,636*
(35,483)	*Disposals*	*-*
11,583	*Net gain/(loss) on fair value*	*-*
(47,868)	*Other changes in fair value*	*(1,636)*
471,925	*Balance at 31 March*	*521,750*
86,076	**Loans**	**73,947**
105,010	**Short term cash deposits**	**86,098**
	Other investment balances	
55,729	Outstanding Trades	7,439
22,589	Outstanding Dividends Entitlements and Recoverable Withholding Tax	22,275
103,189	Cash Deposits	74,482
181,507		**104,196**
8,627,952	**Total Investments**	**8,868,598**

As at 31 March 2020 there were no restrictions on the realisability of investment property or of the remittance of income or proceeds of disposal and the fund is not under any contractual obligations to purchase, construct or develop any of these properties.

Note 13b Analysis of Derivatives

Forward Currency Contracts

The Fund's forward currency contracts are exchange traded and are used by a number of our external Investment Managers to hedge exposures to foreign currency back into sterling.

Settlement Date	Currency bought	Currency sold	Asset	Liability
	'000	**'000**	**£000**	**£000**
Up to one month	**GBP 15,027**	**EUR 16,536**	**389**	
Up to one month	**EUR 6,949**	**GBP 6,211**		**(60)**
Up to one month	**SGD 331**	**GBP 189**		**(1)**
Up to three month	**GBP 182,415**	**EUR 200,000**	**5,126**	
Up to three month	**GBP 169,991**	**USD 200,000**	**8,924**	
			14,439	**(61)**
Net Forward Currency Contracts at 31 March 2020				**14,378**
Prior Year Comparative				
Open Forward Currency Contracts at 31 March 2019			-	(91)
Net Forward Currency Contracts at 31 March 2019				**(91)**

Purchased/Written Options

Options are contracts between two parties that gives the purchaser the right, but not the obligation to either buy (call) or sell (put) at a price at a specific date. The purchaser pays immediately, a non-returnable premium (price) to secure the option. To minimise the risk of loss of value through adverse equity price movements, during 2019/20 the Fund bought a number of equity option contracts that protect it from falls in value in its main investment markets, principally the UK, USA and Europe.

As at 31 March 2020, the Fund held cash collateral of £111.3 million to mitigate the risk of loss and credit risk. As the Fund has an obligation to return the collateral, it is excluded from the Fund valuation.

Underlying Option Contract	Expires	Put/Call	Notional Holding £'000	Market Value 31 March 2020 £'000
Assets				
Overseas equity purchased	One to three months	Put	306	**214,158**
Overseas equity purchased	Over three months	Put	36	**9,452**
Overseas equity purchased	Over three months	Put	72	**6,227**
Total Assets				**229,837**
Liabilities				
Overseas equity written	One to three months	Put	(356)	**(62,832)**
Overseas equity written	One to three months	Call	(307)	**(3,724)**
Overseas equity written	Over three months	Call	(36)	**(12,309)**
Total Liabilities				**(78,865)**
Net Purchased/Written Options				**150,972**

There were no purchased or written options as at 31 March 2019.

Swaps

A swap is an over the counter contractual obligation to exchange cash flows, the amount of which is determined by reference to an underlying asset, index, instrument or notional amount, according to terms which are agreed at the outset of the swap. MPF uses swaps to raise or lower the Fund's exposure in certain regions, to manage risks.

Type	Expires	Notional Holding £'000	Market Value 31/3/20 £'000
Assets			
Total Return Swaps	Up to one year	6,999	**878**
Total Return Swaps	Up to one year	123,000	**5,252**
Total Assets			**6,130**
Liabilities			
Total Return Swaps	Up to one year	6,000	**-287**
Total Liabilities			**-287**
Net Swaps			**5,843**

As at 31 March 2020, the Fund held cash and non-cash collateral of £223.6 million to mitigate the risk of loss and credit risk. As the Fund has an obligation to return the collateral, it is excluded from the Fund valuation.

Note 13c Summary of Manager's Portfolio Values at 31 March 2020

2019/20 £million	2019/20 %		2018/19 £million	2018/19 %
		Externally Managed		
225	*2.6*	JP Morgan (European equities)	260	*2.9*
344	*4.0*	Nomura (Japan)	353	*4.0*
385	*4.5*	Schroders (fixed income)	355	*4.0*
391	*4.5*	Legal & General (fixed income)	382	*4.3*
274	*3.2*	Unigestion (European equities and pooled Emerging Markets)	337	*3.8*
145	*1.7*	M&G (global emerging markets)	188	*2.1*
211	*2.4*	TT International (UK equities)	249	*2.8*
243	*2.8*	Blackrock (UK equities)	272	*3.1*
129	*1.5*	Blackrock (Pacific Rim)	158	*1.8*
-	-	Blackrock (QIF)	91	*1.0*
244	*2.8*	Newton (UK equities)	281	*3.2*
169	*2.0*	Amundi (global emerging markets)	187	*2.1*
130	*1.5*	Maple-Brown Abbot (Pacific Rim equities)	177	*2.0*
929	*10.8*	State Street Global Advisor (Passive Manager)	1,104	*12.3*
892	*10.3*	State Street Global Advisor (Bonds Manager)	666	*7.5*
1	-	Blackrock Transition Manager	1	-
4,712	**54.6**	**Total Externally Managed**	**5,061**	**56.9**
		Internally Managed		
439	*5.1*	UK equities	450	*5.1*
228	*2.6*	European equities	247	*2.8*
472	*5.5*	Property (direct)	522	*5.9*
371	*4.3*	Property (indirect)	316	*3.6*
628	*7.3*	Private equity	566	*6.4*
411	*4.8*	Hedge funds	264	*3.0*
585	*6.8*	Infrastructure	546	*6.2*
415	*4.8*	Opportunities	580	*6.5*
184	*2.1*	Global Equities Internal Factor	201	*2.3*
183	*2.1*	Short term deposits & other investments	116	*1.3*
3,916	**45.4**	**Total Internally Managed**	**3,808**	**43.1**
8,628	**100.0**	**Total**	**8,869**	**100.0**

As at 31 March 2020 no single investment represented more than 5% of the net assets available for benefits.

Note 13d Stock Lending

As at 31 March 2020, £543.9 million of stock was on loan to market makers, which was covered by cash and non-cash collateral, totalling £588.9 million. Collateral is marked to market, and adjusted daily. Income from Stock Lending amounted to £751,064 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.

Note 14 Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below.

There has been no change in the valuation techniques used during the year.

All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Note 14 Fair Value – Basis of Valuation (continued)

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Derivatives - futures and options	Level 1	Published exchange prices at year end	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Unquoted bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Derivatives - forward currency contracts	Level 2	Market forward exchange rates at the year end	Not required	Not required
Pooled investments - overseas unit trusts and property funds	Level 2	Closed bid price where bid and offer prices are published - closing single price where single price is published. Valuation for property funds are provided by fund managers and where available closing bid prices are used.	NAV - based pricing set on a forward pricing basis	Not required

Note 14 Fair Value – Basis of Valuation (continued)

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market Quoted Investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted Bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Derivatives - Futures and Options	Level 1	Published exchange prices at the year-end	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Unquoted Bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Derivatives - Forward Currency Contracts	Level 2	Market forward exchange rates at the year end	Not required	Not required
Derivatives - OTC Options	Level 2	Option pricing models	Not required	Not required
Pooled investment - overseas unit trusts and property funds	Level 2	Closed bid price where bid and offer prices are published - closing single price where single price is published. Valuation for property funds are provided by fund managers and where available closing bid prices are used.	NAV - based pricing set on a forward pricing basis	Not required
Direct Property	Level 3	Valued at fair value at the year-end using independent external Valuers in accordance with FRS 13, SSAP 19 and the Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standards (the "RICS Red Book").	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength of existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices
Unquoted Equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines or equivalent	EBITDA multiple, revenue multiple, discount for lack of marketability, control premium	Material events occurring between the date of the financial statements provided and MPF's own reporting date, changes to expected cashflows, differences between audited and unaudited accounts.
Pooled Investments - Hedge Funds and Infrastructure	Level 3	The funds are valued in accordance with International Financial Reporting Standards (IFRS). The valuation basis, determined by the relevant Fund Manager, may be any of quoted market prices, broker or dealer quotations, transaction price, third party transaction price, industry multiples and public comparables, transitions in similar techniques, third party independent appraisals or pricing models.	NAV - based pricing set on a forward pricing basis	Material events occurring between the date of the financial statements provided and MPF's own reporting date, changes to expected cashflows, differences between audited and unaudited accounts.

Note 14 Fair Value – Basis of Valuation (continued)

Sensitivity of assets valued at level 3

The table below sets out the assets classified as level 3 assets. The Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges (as provided by the Fund's investment consultants), and has set out below the consequent potential impact on the closing value of investments held at 31 March 2020. There are various factors that affect the complexity of valuation and the realisable value of assets and certain asset specific issues may lead to realisable valuations falling outside the stated range.

Level 3 Assets	Value at 31 March 2020 £000	Potential variance %	Value on increase £000	Value on decrease £000
Property	635,056	10.0	698,562	571,550
Unquoted UK equity	82,668	15.0	95,068	70,268
Unquoted overseas equity	9,330	15.0	10,730	7,931
Hedge funds	209,528	10.0	230,481	188,575
Infrastructure	565,189	15.0	649,967	480,411
Private equity	1,031,773	15.0	1,186,539	877,007
Total	**2,533,544**			

Note 14a Fair Value Hierarchy

Assets valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values.

For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in "Practical Guidance on Investment Disclosures (PRAG/Investment Association 2016)".

Level 1

Assets at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the market quotation of the relevant stock exchange.

Level 2

Assets at level 2 are those where quoted market prices are not available, for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Assets at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such investments would include unquoted equity investments and Hedge Fund of Funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in Private Equity are based on valuations provided by the general partners to the Private Equity funds in which Merseyside Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of the investment in Hedge Funds are based on the net asset value provided by the Fund Manager. Assurances over the valuation are gained from the independent audit of the value.

The following table provides an analysis of the financial assets of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable:

Values at 31 March 2020	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets				
Financial Assets at Fair Value through Profit and Loss	4,052,916	1,668,899	2,061,619	**7,783,434**
Non-Financial Assets at Fair Value through Profit and Loss	-	-	471,925	**471,925**
Financial Liabilities at Fair Value through Profit and Loss	-	-	-	**-**
Net Investment Assets	**4,052,916**	**1,668,899**	**2,533,544**	**8,255,359**

Values at 31 March 2019 *	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets				
Financial Assets at Fair Value through Profit and Loss	4,457,295	1,769,887	1,855,425	**8,082,607**
Non-Financial Assets at Fair Value through Profit and Loss	-	-	521,750	**521,750**
Financial Liabilities at Fair Value through Profit and Loss	**-**	(91)	**-**	**(91)**
Net Investment Assets	**4,457,295**	**1,769,796**	**2,377,175**	**8,604,266**

*The financial assets at fair value through profit and loss values as at 31 March 2019 have been restated, £74 million related to loans and have been removed from the table.

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

2019/20 £000		2018/19* £000
2,377,175	**Opening balance**	**2,191,484**
458,262	Acquisitions	329,127
(274,441)	Disposal proceeds	(217,316)
-	Transfer into Level 3	-
	Total gain/(losses) included in the fund account:	
83,618	On assets sold	(7,717)
(111,070)	On assets held at year end	81,597
2,533,544	**Closing balance**	**2,377,175**

* The information for 2018/19 has been restated.

Note 15 Financial Instruments

Note 15a Classification of Financial Instruments

Financial Assets & Liabilities at 31 March 2020	Assets at amortised cost £000	Liabilities at amortised cost £000	Fair value through profit and loss £000	Total £000
Financial Assets				
Equities			2,483,568	2,483,568
Bonds			696,229	696,229
Pooled Investment Vehicles			4,432,443	4,432,443
Derivatives			171,194	171,194
Loans	86,076			86,076
Cash Deposits	105,010			105,010
Other Investment Balances	181,507			181,507
Long Term and Current Assets	47,958			47,958
Total Financial Assets	**420,551**	**-**	**7,783,434**	**8,203,985**
Financial Liabilities				
Derivatives				-
Other Investment Balances		(21,063)		(21,063)
Current Liabilities		(16,095)		(16,095)
Total Financial Liabilities	**-**	**(37,158)**	**-**	**(37,158)**
Total Net Assets	**420,551**	**(37,158)**	**7,783,434**	**8,166,827**

Financial Assets & Liabilities at 31 March 2019 Restated	Assets at amortised cost £000	Liabilities at amortised cost £000	Fair value through profit and loss £000	Total £000
Financial Assets				
Equities	-	-	2,795,439	2,795,439
Bonds	-	-	665,610	665,610
Pooled Investment Vehicles	-	-	4,621,558	4,621,558
Derivatives	-	-	-	-
Loans	73,947			73,947
Cash Deposits	86,098	-	-	86,098
Other Investment Balances	104,196	-	-	104,196
Long Term and Current Assets	39,559	-	-	39,559
Total Financial Assets	**303,800**	**-**	**8,082,607**	**8,386,407**
Financial Liabilities				
Derivatives			(91)	(91)
Other Investment Balances	-	(8,354)	-	(8,354)
Current Liabilities	-	(16,974)	-	(16,974)
Total Financial Liabilities	**-**	**(25,328)**	**(91)**	**(25,419)**
Total Net Assets	**303,800**	**(25,328)**	**8,082,516**	**8,360,988**

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 table above analyses the carrying amounts of financial assets and liabilities by category and net asset statement heading.

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 this note, although not all are classified as financial instruments, the amounts that are not financial instruments are considered immaterial.

Note 15b Net Gains & Losses on Financial Instruments

2019/20 £000	Net Gains and Losses on Financial Instruments	2018/19 £000
	Financial Assets	
(262,534)	Fair Value through Profit and Loss	286,123
(262,534)	**Total Financial Assets**	**286,123**
-	**Financial Liabilities**	-
-	**Total Financial Liabilities**	**-**
(262,534)	**Net gains and losses on Financial Instruments**	**286,123**

Note 15c Fair Value of Financial Instruments

There is no material difference between the carrying value and fair value of financial instruments. The majority of financial instruments are held at fair value and for those which aren't their amortised cost is considered to be equivalent to an approximation of fair value.

Note 16 Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

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

Over the long term, the Fund's objective is to set policies that will seek to ensure that investment returns achieved will at least match the assumptions underlying the actuarial valuation and therefore be appropriate to the liabilities of the Fund.

Having regard to its liability profile, the Fund has determined that adopting a bespoke benchmark should best enable it to implement an effective investment strategy. This strategic benchmark is reviewed every three years, at a minimum, at the time of the actuarial valuation, but will be reviewed as required particularly if there have been significant changes in the underlying liability profile or the investment environment.

Note 16 Nature and Extent of Risks Arising from Financial Instruments (continued)

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 use of equity downside protection strategies
- 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.

Note 16a Market Risk

The Fund is aware that its key risk is market risk i.e. the unpredictability of market performance in the future. The general practice to quantify these risks is to measure the volatility of historical performance. The tables below show the Fund's exposure to asset classes and their reasonable predicted variance (as provided by the Fund's investment consultants) and the resulting potential changes in net assets available to pay pensions. The figures provided are a forward-looking assumption of future volatility based on analysis of previous performance and probability.

2019/20	Value at 31 March 2020 £million	Potential Variance %	Value on increase £million	Value on decrease £million
UK Equities (all equities including pooled vehicles)	1,240	*19.0*	1,475	1,004
US Equities	427	*21.0*	516	337
Canadian Equities	9	*24.0*	11	7
European Equities	759	*22.5*	929	588
Japanese Equities	368	*20.5*	443	292
Emerging Markets Equities inc Pac Rim	691	*28.0*	884	497
Global Equities (all equities including pooled vehicles)	557	*19.5*	666	448
UK Fixed Income Pooled Vehicles	837	*11.0*	929	745
UK Index Linked Gilts	680	*9.0*	741	619
Corporate Bonds	17	*9.0*	18	15
Pooled Property	287	*12.5*	323	251
Private Equity	628	*28.5*	806	449
Hedge Funds	275	*9.0*	299	250
Infrastructure	552	*18.5*	654	450
Other Alternative Assets	285	*9.5*	312	258
Loans, Short Term Deposits & Other Investment Balances	555	-	555	555
Total	**8,167**			

2018/19	Value at 31 March 2019 Restated £million	Potential Variance %	Value on increase £million	Value on decrease £million
UK Equities (all equities including pooled vehicles)	1,496	*19.0*	1,780	1,211
US Equities	569	*21.0*	689	450
Canadian Equities	9	24.0	11	7
European Equities	841	*22.5*	1,030	652
Japanese Equities	379	*20.5*	456	301
Emerging Markets Equities inc Pac Rim	876	*28.0*	1,121	630
Global Equities (all equities including pooled vehicles)	428	*19.5*	512	345
UK Fixed Income Pooled Vehicles	735	*11.0*	816	655
UK Bonds	666	*9.0*	726	606
Pooled Property*	260	*12.5*	293	228
Private Equity	566	*27.5*	721	410
Hedge Funds	264	*9.5*	289	239
Infrastructure	546	*18.5*	647	445
Other Alternative Assets*	448	*14.1*	511	385
Loans, Short Term Deposits & Other Investment Balances*	278	-	278	278
Total	**8,361**			

*2018/19 values have been restated to reclassify loans.

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent that the fair value on future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Currency Risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency on any cash balances and investment assets not denominated in UK sterling.

Note 16b Credit Risk

Credit risk represents that the counterparty to a financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

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 2020, was £105.0 million (31 March 2019 86.1 million). This was held on instant access accounts with the following institutions:

2019/20	**Rating (S & P)**		**2018/19**
£000			**£000**
41,078	Lloyds Bank	Long A Short A-1	22,717
63,932	Northern Trust	AAAm	28,381
-	Invesco	AAAm	15,000
-	Svenska Handelsbanken	Long AA- Short A-1+	20,000
105,010	**Total**		**86,098**

Note 16c 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. The earlier sections have dealt with the longer-term risks associated with market volatility.

The Fund always ensures it has adequate cash resources to meet its commitments. The Fund has a cash balance at 31 March of £105 million. The Fund has £5,841 million in assets which could be realised in under 7 days' notice, £780 million in assets which could be realised in under 90 days' notice and £1,546 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 2019/20 in its dealing with members of £104 million and management expenses of £48 million, this is offset by investment income of £215 million.

Refinancing Risk

Refinancing risk represents the risk that the Fund will need to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

Note 16d Outlook for Real Investment Returns

The expectation of future real investment returns can affect the Fund’s liabilities as they may impact on the discount rate used by the actuary to discount the liabilities; the Fund’s actuary has calculated that the Fund has sensitivity to this discount rate of 17% per 1% change in real investment returns. The Fund considers both the liabilities and assets together and assesses the funding ratio and the implications for investment strategy on a quarterly basis at the IMWP.

Note 17 Funding Arrangements

In line with The Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. The next valuation will take place as at 31 March 2022.

The most recent Triennial Valuation by the actuary was as at 31 March 2019, when the funding level was 101% of projected actuarial liabilities (2016 85%). 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 that for the majority of the statutory employers, the recovery period is 16 years, taking account of all the employer specific factors, the implied average period across the Fund is 13 years.

The funding method adopted is the projected unit method, which implicitly allows for new entrants replacing leavers.

The key elements of the funding policy are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due
- Enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, scheduled, designating and admitted bodies, while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes
- Maximise the returns from investments within reasonable risk parameters taking into account the above aims.

Summary of Key Whole Fund Assumptions used for calculating Funding Target	**31 March 2019**
Long Term Yields	% p.a.
Market Implied RPI Inflation	3.40
Solvency Funding Target Financial Assumptions	
Investment Return (Higher Risk Bucket)	4.15
CPI Price Inflation	2.40
Short-Term Salary Increases	Varies by employer
Long-Term Salary Increases	3.90
Pension Increases/Indexation of CARE Benefits	2.40
Future Service Accrual Financial Assumptions	
Investment Return/Discount Rate (Higher Risk Bucket)	4.65
CPI Price Inflation	2.40
Short-Term Salary Increases	Varies by employer
Long-Term Salary Increases	3.90
Pension Increases/Indexation of CARE Benefits	2.40

Note 18 Investment Liabilities

2019/20 £000	**Investment Liabilities**	**2018/19 £000**
-	Derivative Contracts	91
21,063	Amounts due to Stockbrokers	8,354
21,063	**Total**	**8,445**

Note 19 Long Term Assets

2019/20 £000	Long Term Assets	2018/19 £000
6,337	Assets due in more than one year	4,146
6,337	**Total**	**4,146**

Assets due in more than one year include future payments of pension strain and accrued loan interest.

Note 20 Current Assets & Liabilities

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

"Provision for Credit Losses" relates to general debtors and property rental income and is based on an assessment of all individual debts as at 31 March 2020.

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-imbursement.

2019/20 £000	Current Assets & Liabilities	2018/19 £000
	Assets	
17,666	Contributions due	17,270
-	Amounts due from external managers	417
7,431	Accrued and outstanding investment income	344
15,402	Sundries	14,192
(90)	Provision for credit losses	(157)
1,212	Cash at bank	3,347
41,621	**Current Assets**	**35,413**
	Liabilities	
-	Amounts due to external managers	165
3,222	Retirement grants due	2,177
511	Provisions	494
12,362	Miscellaneous	14,138
16,095	**Current Liabilities**	**16,974**
25,526	**Net Current Assets**	**18,439**

Note 21 Contractual Commitments

Commitments for investments amounted to £1,154 million as at 31 March 2020. (2018/19 £1,064 million). These commitments relate to Private Equity £580.80 million, Infrastructure £229.52 million, Opportunistic Credit £87.21 million, Indirect Property £229.76 million and Other Alternatives (£26.93 million). As some of these funds are denominated in foreign currencies, the commitment in sterling is subject to change due to currency fluctuations.

Note 22 Contingent Assets

When determining the appropriate Fund policy for employers, the different participating characteristics as either a contractor or community body or whether a guarantor of sufficient financial standing agrees to support the pension obligations is taken into consideration when setting the fiduciary strategy.

It is the policy to actively seek mechanisms to strengthen employer covenants by engaging "contingent assets" in the form of bonds/indemnity insurance, local authority guarantors, parent company guarantors or charge on assets to mitigate the risk of employers exiting the Fund leaving unrecoverable debt.

These financial undertakings are drawn in favour of Wirral Council, as the Administrating Authority of Merseyside Pension Fund and payment will only be triggered in the event of employer default.

Note 23 Related Party Transactions

There are three groups of related parties: transactions between Wirral Council (as Administering Authority) and the Fund, between employers within the Fund and the Fund, and between Members and Senior Officers and the Fund.

Management expenses include charges by Wirral Council in providing services in its role as Administering Authority to the Fund, which amount to £4.0 million. (2018/19 £3.7 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 £8.9 million (2018/19 £10.3 million) and a creditor of £337,020 as at 31 March 2020 (2018/19 £341,033).

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 2020 payroll are included within the debtors figure in note 20.

A specific declaration has been received from Pension Committee Members, Pension Board Members and principal officers regarding membership of, and transactions with, such persons or their related parties. A number of Members act as Councillors or Board members of particular Scheme employers, listed below, who maintain a conventional employer relationship with the Fund:

Liverpool City Council, Knowsley Council, Sefton Council and St Helens Borough Council, Wirral Council, Knowsley Youth Mutual, Whiston Town Council, Rainhill

Parish Council, One Vision Housing, CDS Housing, Greater Hornby Homes and Wirral Partnership Homes (also known as Magenta Living). The value of the transactions with each of these related parties, namely the routine monthly payments to the Fund of employers' and employees' contributions, is determined by the LGPS Regulations, and as such, no related party transactions have been declared.

Peter Wallach, Director of Pensions acts in an un-remunerated board advisory capacity on five investment bodies in which the Fund has an interest, Eclipse (£11.5 million), Aberdeen Standard Secondary Opportunities Funds (£14.8 million), BMO Asset Management (£22.4 million), GLIL (£119.1 million) and NPEP (£21.0million).

Linda Desforges, Senior Portfolio Manager acts in an un-remunerated board advisory capacity on eleven investment bodies in which the Fund has an interest, Aberdeen Standard Secondary Opportunities Funds (£14.8 million), BBH Capital (£14.5 million), TEO Plc (£16.1 million), GCM Grosvenor Co-Investment Fund (£8.2 million), BMO Asset Management (£22.4 million), Capital Dynamics (£239.9 million), Key Capital Partners (£1.7million), Palatine (£17.2 million), Shard Credit (£8.5 million), Silver Street Capital (£7.5 million) and HarbourVest Co-investment Fund V part of NPEP.

Susannah Friar, Property Manager acts in an un-remunerated board advisory capacity on fourteen investment bodies in which the Fund has an interest, Partners Group Real Estate Asia Pacific 2011 (£4.0 million), Bridges Property Alternatives IV (£1.2 million), Century Bridge China Real Estate Fund II (£8.0 million), Phoenix Asia Secured Debt Fund (£5.3 million), Alma Property Partners (£10.4 million), Barwood Property (£11.7 million), Chenavari Real Estate Fund III (£9.4 million), Newcore Strategic Situations IV (£11.7 million), Hearthstone Residential Fund I (£15.0 million), European Student Housing Fund II (£12.8 million), Locust Point Private Credit Fund (£7.5 million), Barwood Regional Growth IV (£2.0 million), Alma Property Partners II (£3.2 million) and Deautsche Finance International Fund I (£6.9million).

Adil Manzoor Portfolio Manager, acts in an un-remunerated board advisory capacity on nine investment bodies in which the Fund has an interest, Standard Life Infrastructure Fund I (£11.5 million), Blackrock GRP Fund I (£15.0 million) and AMP GIF II (£11.2 million), Virtus (£29.2 million), Impax New Energy Investors III LP (£3.2 million), AMP GIF I (£39.4 million), P3P Hoddesdon LP (£6.3 million), P3P NI LP (£16.7 million) and MEIF6 (£3.3 million).

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

Key Management Personnel

The Fund's senior management during 2019/20 was comprised of six individuals: the Director of Pensions, the Head of Pensions Administration, Senior Portfolio Managers (x3) and Head of Finance & Risk, the remuneration paid to the senior management during 2019/20 was £418,149 (2018/19 £402,649). In addition, employer contributions of £64,481 (2018/19 £58,063) was also met from the Fund and charged to the Fund Account.

Note 24 Additional Voluntary Contribution Investments

2019/20 £000	Additional Voluntary Contribution (AVC) Investments	2018/19 £000
	The aggregate amount of AVC investments is as follows :	
2,003	Utmost Life	1,985
5,061	Standard Life	5,286
9,312	Prudential	8,739
16,376		**16,010**
	Changes during the year were as follows:	
5,134	Contributions	3,394
4,531	Repayments	3,685
(237)	Change in market values	386

The Equitable Life Scheme transferred to Utmost Life on 1 January 2020.

Scheme Employers with Active Members as at 31 March 2020

Scheduled Bodies

Academy of St Francis of Assisi

Bellerive FCJ Catholic College

Billinge Chapel End Parish Council

Birkdale High School (Academy)

Birkenhead High School Academy

Birkenhead Sixth Form College (Academy)

Bishop Martin CE Primary

Blacklow Brow School (Academy)

Blue Coat School (Academy)

Carmel College

Calday Grange Grammar School (Academy)

Chesterfield High School (Academy)

Chief Constable

Childwall Sports and Science Academy

Christ Church Moreton Primary (Academy)

Church Drive Primary

Church Town Primary (Academy)

Co-op Academy Bebington

Co-op Academy Portland

Co-op Academy Woodslee

Cronton C of E Primary (Academy)

Cronton Parish Council

Croxteth Community Primary School (Academy)

De la Salle Academy

Deyes High School (Academy)

Eccleston Parish Council

Edsential SLE

Egremont Primary School (Academy)

Everton Free School (Academy)

Finch Woods Academy

Formby High School (Academy)

Garston C of E Primary School (Academy)

Great Meols Primary School (Academy)

Greenbank High School (Academy)

Halewood Academy Centre for Learning

Halewood C of E Primary (Academy)

Halewood Town Council

Halsnead Primary School (Academy)

Harmonize (Academy)

Hawthornes Free School

Heygreen Community Primary (Academy)

Hilbre High School (Academy)

Hillside High School (Academy)

Holy Trinity CE Primary (Academy)

Hope Academy

Hugh Baird College

Huyton with Roby CE Primary (Academy)

Kings Leadership Academy (Liverpool)

Kirkby High School

Knowsley Lane Primary School (Academy)

Knowsley M.B.C.

Knowsley Town Council

LDST – Liverpool Diocesan Schools Trust (Academy)

Litherland High School (Academy)

Litherland Moss Primary (Academy)

Liverpool City Council

Liverpool City Region Combined Authority (LCRCA)

Liverpool College (Academy)

Liverpool John Moores University

Liverpool Life Science UTC (Academy)

Liverpool Street Scene Services Ltd

Lord Derby Academy

Maghull High School (Academy)

Maghull Town Council

Merseyside Fire & Rescue Authority

Merseyside Passenger Transport Executive (MPTE)

Merseyside Recycling and Waste Authority

New Park Primary (Academy)

North Liverpool Academy

Nutgrove Methodist Aided Primary

Office of the Police and Crime Commissioner for Merseyside (OPCCM)

Oldershaw Academy

Our Lady of Pity RC Primary School (Academy)

Parish CE Primary (Academy)

Park View Academy

Poulton Lancelyn Primary School (Academy)

Prenton High School for Girls (Academy)

Prescot Town Council

Rainford High School (Academy)

Rainford Parish Council

Rainhill Parish Council

Rainhill High School (Academy)

Rainhill St Anns CE Primary School (Academy)

Range High School (Academy)

Roscoe Primary (Academy)

School Improvement Liverpool Ltd

Sefton M.B.C.

Shared Education Services Ltd

Shoreside Primary School

Southport College

St Andrew’s CE Primary (Academy)

St. Anselms College (Academy)

St. Edwards College (Academy)

St. Francis Xavier's College (Academy)

St Gabriel’s CE Primary

St. Helens College

St. Helens M.B.C.

St James’ Primary School (Academy)

St John Plessington Catholic College

St Joseph’s Primary (Academy)

St Margaret Church of England Academy

St Mary & St Thomas CE Primary School (Academy)

St Marys Catholic College

St Michael's C of E High School (Academy)

St Silas C of E Primary School (Academy)

St Thomas C of E Primary (Academy)

Stanley High School (Academy)

Stanton Road Primary School

Studio @ Deyes Academy

Sylvester Primary Academy

The ACC Liverpool Group Ltd

The Academy of St Nicholas

The Beacon C E Primary School (Academy)

The Belvedere Academy

The Birkenhead Park School

The City of Liverpool College

The Prescot School (Academy)

The Studio (Academy)

The Sutton Academy

Town Lane Infant School (Academy)

Townfield Primary School (Academy)

Upton Hall School (Academy)

Weatherhead High School (Academy)

West Derby School (Academy)

West Kirby Grammar School (Academy)

Whiston Town Council

Whiston Willis Primary (Academy)

Willow Tree Primary

Wirral Council

Wirral Evolutions

Wirral Grammar School for Boys (Academy)

Wirral Grammar School for Girls (Academy)

Wirral Metropolitan College

Woodchurch High School (Academy)

Yew Tree Primary Academy

Admission Bodies

Absolutely Catering (Longmoor)

Absolutely Catering (St Oswald's)

Addaction (Sefton)

Age Concern – Liverpool

Agilisys Limited

Agilisys Ltd (Sefton)

Arriva North West

Association of Police Authorities

Balfour Beatty PFI SEN School

Balfour Beatty Workplace

Berrybridge Housing Ltd

Birkenhead School (2002)

Bouygues E & S FM UK Ltd

Care Quality Commission

Castlerock Recruitment Group Ltd

Caterlink Ltd

Catholic Children's Society

CDS Housing

Change Grow Live

Citizens Advice Liverpool

City Heath Care (St Helens)

Cobalt Housing Ltd

Commutual

Compass Contract Services (UK)

Compass (Scolarest) Liverpool Schools

Compass (Scolarest) Wirral Schools

CWP (NHS)

Dolce Ltd

Friends of Birkenhead Council Kennels

Fun 4 Kidz

Glenvale Transport Ltd/Stagecoach

Graysons Education

Greater Hornby Homes

Greater Merseyside Connexions

Hochtief Liverpool Schools

Hochtief Wirral Schools

Interserve (Facilities Management) Ltd

Kingswood Colomendy Ltd.

Knowsley Youth Mutual

L&T FM (Chroda)

Lee Valley Housing Association Ltd

Liverpool Hope University

Local Government Association

Mellors Catering – Birkdale

Mellors Catering – St Anns

Mellors Catering – St Mary & St Thomas

Mellors Catering - St Paul & St Timothy

Merseyside Lieutenancy

North Huyton Communities Future

Orian Solutions

Partners Credit Union

Port Sunlight Village Trust

Sanctuary Home Care Ltd

Sefton New Directions Ltd.

Siemens Mobility Ltd

South Liverpool Housing Ltd

Southern Electric Co Ltd

Tarmac Trading Ltd

Taylor Shaw (Great Meols)

Taylor Shaw (Hugh Baird)

Taylor Shaw (Raeburn)

Taylor Shaw (Range)

Taylor Shaw (St Andrews)

Torus 62 Ltd

Veolia ES Merseyside & Halton

Volair Ltd

WCFT (NHS)

Welsh Local Government Association

WIRED

Wirral Autistic Society (Autism Together)

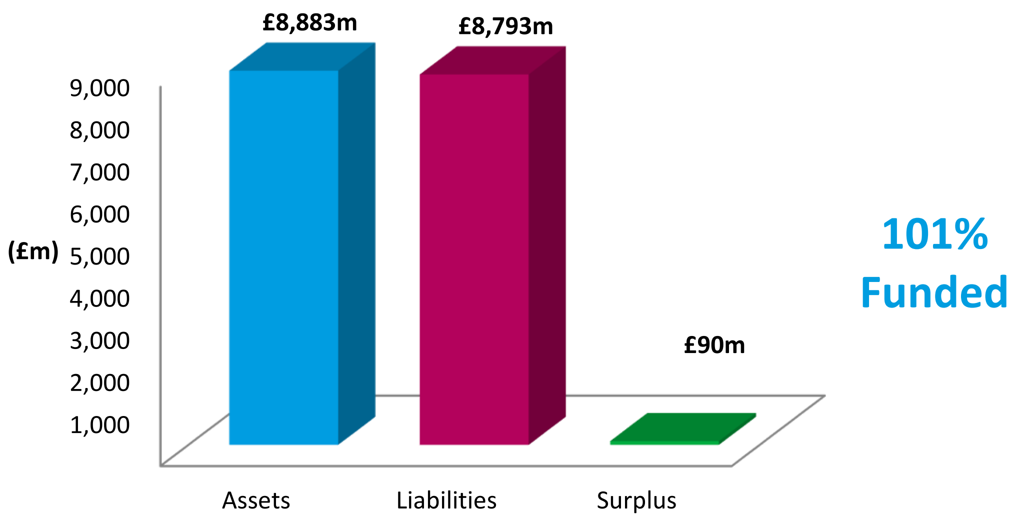
Wirral Partnership Homes (Magenta)

MERSEYSIDE PENSION FUND
ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2020 - 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 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

On the basis of the assumptions adopted, the Fund’s assets of £8,883 million represented 101% of the Fund’s past service liabilities of £8,793 million (the “Solvency Funding Target”) at the valuation date. The surplus at the valuation was therefore £90 million.



The valuation also showed that a Primary contribution rate of 17.2% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. Equally, where there is a surplus it is usually appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average recovery period adopted is 13 years, and the total initial recovery payment (the “Secondary rate” for 2020-2023) is an addition of approximately £0.2m per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2020.

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 Solvency Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	4.15% per annum	4.65% per annum
Rate of pay increases (long term)*	3.9% per annum	3.9% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.4% per annum	2.4% per annum

* allowance was also made for short-term public sector pay restraint over a 4 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2022. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2023.

The McCloud Judgment

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government announced in 2019 that this needs to be remedied for all public sector schemes including the LGPS. This is likely to result in increased costs for some employers. This remedy is not yet agreed but guidance issued requires that each Fund sets out its policy on addressing the implications.

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment. However, at the overall Fund level we estimate that the cost of the judgment could be an increase in past service liabilities of broadly £65million and an increase in the Primary Contribution rate of 1.0% of Pensionable Pay per annum. To the extent that employers have opted to pay additional contribution over 2020/23 in relation to the McCloud judgment, these emerge in the Secondary Contribution Rate figures quoted above.

Impact of Covid 19

The valuation results and employer contributions above were assessed as at 31 March 2019. In 2020 we have so far seen significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Our view is that employer contributions should not be revisited but the position should be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

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 2020 (the 31 March 2019 assumptions are included for comparison):

	31 March 2019	31 March 2020
Rate of return on investments (discount rate)	2.4% per annum	2.4% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.2% per annum	2.1% per annum
Rate of pay increases*	3.7% per annum	3.6% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.3% per annum	2.2% per annum

* This is the long-term assumption. An allowance corresponding to that made at the latest formal actuarial valuation for short-term public sector pay restraint was also included.

The demographic assumptions are the same as those used for funding purposes, with the 31 March 2020 assumptions being updated to reflect the assumptions adopted for the 2019 actuarial valuation. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

Corporate bond yields were similar at the start and end of year resulting in the same discount rate of 2.4% p.a. being used for IAS 26 purposes at the year-end as for last year. The expected long-term rate of CPI inflation decreased during the year, from 2.2% p.a. to 2.1%, which served to decrease the liabilities slightly over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2019 was estimated as £12,265 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£294 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£64 million (this includes any increase in liabilities arising as a result of early retirements/augmentations and the potential impact of GMP Indexation – see comments elsewhere in this statement). There was also a decrease in liabilities of £860 million due to "actuarial gains" (i.e the effects of the *changes in the actuarial assumptions used, referred to above, and the incorporation of the 31 March 2019 actuarial valuation results into the IAS26 figures).*

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2020 is therefore £11,763 million.

GMP Indexation

At present, the public service schemes are required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government may well extend this at some point in the future to include members reaching State Pension Age from 6 April 2021 onwards, which would give rise to a further cost to the LGPS and its employers. If the Fund were required to index-link GMP benefits in respect of those members who reach their State Pension Age after April 2021, then this would increase the Fund liabilities by about £41 million on IAS26 assumptions, and we have included this amount within the final IAS26 liability figure above.

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