Wirral Council
Statement of Accounts 2018/19

5 November 2019

WIRRAL

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Narrative Report from the Director of Finance and Investment

1. WIRRAL

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

Home to 321,238, Wirral has a relatively high older population and a relatively low proportion of people in their twenties and thirties compared to England and Wales as a whole. The older population (aged 65 years and above) are expected to increase at a faster rate than any other age group over the next decade.

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

The Statement of Accounts sets out the financial performance of the Council for the 2018/19 financial year and shows the year-end financial position at 31 March 2019.

The Narrative Report, whilst emphasising 2018/19, also covers the ability of the Council to provide sustainable services to meet the needs of local residents and sets out how Wirral works with its local partners to improve the prosperity of the area.

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

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

These strategies are all developed and agreed at a partnership level, with their focus and goals shared by all appropriate agencies in the public, private and third sectors.

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

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

The Wirral Plan priorities in 2018/19 have been:

People	Business	Environment
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.	*Wirral is a place where employers want to invest and businesses thrive.*	*Wirral has an attractive and sustainable environment, where good health and an excellent quality of life is enjoyed by everyone who lives here.*
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.	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	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

Narrative Report from the Director of Finance and Investment (continued)

The Wirral Plan achievements in 2018/19 have been:

People	Business	Environment
• The Employment rate for those aged 16-64 with a Work Limiting Disability increased in 2018 to its highest level since the Wirral Plan began (49%), up 11.5 percentage points. • 70.5% of Foundation stage children achieved a good level of development (GLD) which has surpassed a milestone (70%) that has been worked towards for the last 3 years. The progress in this area received favourable comment during the recent OfSted visit. • The Plan to establish a pre-birth Liaison meeting has been successfully delivered, to provide more effective early intervention and support for parents and children. • The promise to deliver a Sufficiency Strategy has been delivered and approved at cabinet. This will ensure a good supply of high quality accommodation and excellent aspirational care in the borough for children and young people who are looked after. • £45k worth of funding has been secured to reduce Parental Conflict by engaging partners and strategic leads and providing training to practitioners. This aims to reduce the negative impact of parental conflict on children.	• Since the start of the Wirral Plan 4,045 jobs have been created and safeguarded: 81% of 2020 target of 5,000 has been achieved • Employment rate continues on an upward trajectory with all-time high of 74.5% compared to 66.7% at the start of the Wirral Plan. • Wirral hotel occupancy increase from 77.75% to 80.6% in 2017 • 3,889sqm more Commercial Asset Space has become available for release since the start of the Wirral Plan. 39,600sqm is now available, compared to 5,711sqm in 2015-16 • Corporate emissions of Carbon Dioxide due to commercial use have reduced by 5,536 tonnes since Wirral Plan start, down to 26,463 tonnes from 31,999 tonnes in 2015/16 • £5.6m of capital receipts have been generated by 2018/19, compared to £1.28m at plan start • The number of people killed or seriously injured in road traffic collisions has improved by 29% since the start of the plan in 2014-15 and by 22% compared to last year	• Wirral received the Best Performer Award for Parks, Open Spaces and Horticulture at the 2018 National APSE • 2018 Imagine Wirral programme estimated economic impact of over £4million with over 600 volunteers during 2018. • 226 people helped to lose weight • The community connectors continue to thrive with numbers entering volunteering, education and employment increasing month by month. • A cumulative total of 370 affordable homes, which includes 209 Help to Buy units were completed by the end of quarter 4 • 30% reduction in reports of anti-social behaviour • Love Where You Live campaign has become fully established and well supported with a range of volunteer groups and individuals fully engaged.

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

The Council has continued during 2018/19 to work to increase investment in the area through the Wirral Growth Company, working in partnership with the urban regeneration company Muse. Further work will occur in 2019/20 on the advancement of a number of sites that will, it is planned, result in new commercial and residential developments.

Children's Services has recently been re-inspected by Ofsted. The outcome has been positive and the service is no longer judged to be inadequate. The full report is available to view on the Ofsted website:
https://files.api.ofsted.gov.uk/v1/file/50096454

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

Political Structure

Wirral Council is made up of 66 locally elected Councillors across 22 electoral wards. The political composition of the Council at the end of 2018/19 was:
Labour – 34 seats
Conservative – 21 seats
Liberal Democrats – 5 seats
Independent - 5
The Green Party – 1 seat

Council Structures and Operating Model

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

- **Strategy and Partnerships**: The Strategic Hub works to deliver outcomes, with overall accountability for the leadership, direction and effective delivery of the Wirral plan and related delivery strategies. This area includes intelligence, Wirral Together, Communication, Strategy and Public Health.

- **Business Management:** Enables the effective and efficient functioning of the Council and the services it commissions as well as supporting and leading organisational change. Business Management includes Change and Organisational Design, Governance and Assurance, Commercial Management, Merseyside Pension Fund, Finance and Investment, Customer Services and Digital.

- **Delivery Services:** provides high quality, affordable services within budget – using the most appropriate model. Delivery services include Community Services, Place Services, Safer Wirral Hub, Highways, Associated Services and Assets.

- **Economic and Housing Growth:** this area includes Regeneration and Inward Investment, Culture and Visitor Economy, Major Growth Projects and Housing Delivery.

- **Adult Care and Health:** The care and health function has responsibility for development of integrated services with health and other partners. It is also responsible for commissioning and contract management of those services. This includes Integrated Commissioning Programme and Health and Care Outcomes.

Narrative Report from the Director of Finance and Investment (continued)

- **Children's Services:** Delivers a wide range of specialist and targeted services for children in relation to social care, safeguarding, early help and prevention. During 2018/19, the following schools converted to Academies: Town Lane Infants, Portland Primary, Woodslee Primary, St Joseph's (Birkenhead) Catholic Primary, Christchurch CE Primary (Moreton) and Church Drive Primary.

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

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

3. REVIEW OF THE FINANCIAL YEAR

Revenue Expenditure and Income

Revenue expenditure and income generally relates to those items that are used within the year on the provision of services to the people of Wirral. Before the start of the financial year, the Council prepares its annual Budget, which sets out the income and expenditure required during the year to provide services. In March 2018 the Council agreed a net budget of £300.5 million for 2018/19. It included a package of financial proposals including the use of over £26 million one off funding to support the budget for the provision of services. The Budget was regularly reviewed and was revised upwards by £1.4 million during the year. The revised budget for 2018/19 was £301.9 million.

The net spend of the Council is met from a combination of Government Grants, the local taxpayer through Council Tax and other income. In 2018/19, the budget was supported by the Council Tax which for 2018/19 was increased by 5.99%, 3% of this being allocated to fund an increase in Adult Social Care, with the band D Council Tax charge increasing to £1,733.70.

5.99% Increase in Council Tax

Comparison of the Budget with the Out-turn

Throughout the year spend against the approved Budget was monitored and reported on a monthly basis to maintain an approach of robust financial management to ensure the maintenance of services. Since setting the budget in early 2018 the financial outlook remained challenging. In year action was taken in response to the ongoing financial pressures facing the Council as reported during the year via regular monitoring. Where a projected overspend was identified in year, the specific Directorate was required to develop mitigating actions and interventions to manage the pressure on their areas budget. At the end of 2018/19 the Revenue Out-turn showed an underspend of £0.6 million.

During the year the following major issues impacted upon the out-turn (information is shown on the following page):

Overview of 2018/19 Financial Performance by Directorate

Directorate	Reasons for variances from budget	2018/19 Budget £'000	2018/19 Outturn £'000	Variance £'000
Economic & Housing Growth	Local Plan and Wirral Growth Company pressures developed in year. Funded from the use of one-off funding and reserves.	25,557	25,557	-
Delivery Services	Overspend reflected the non-achievement of savings.	65,833	67,080	(1,247)
Strategy & Partnerships -	A number of variances have been managed within the directorate budget.	18,236	18,236	-
Adult Care & Health	Pressures on Adult Social Care have been contained through actions to managed demand related costs.	91,871	91,871	-
Children's Services	Pressures in Social Care have been managed through the phasing of staffing changes. Additional costs in relation to schools have been reserve funded.	89,571	89,571	-
Business Management	Significant savings on Treasury Management activities.	10,797	8,950	1,847
	Overall Underspend	**301,865**	**301,265**	**600**

The financial proposals contained in the 2018/19 budget, delivered by the Council during the year, tracked through financial monitoring, have partly offset the impact of continued reduction in government funding. At the end of the year the General Fund balances were slightly above the target level for the year of £10 million. The balances were supplemented in the year by the addition of earmarked reserves and collection fund surplus.

As part of setting the budget for 2019/20 specific pressures have been recognised and further funding has been allocated to mitigate them. There remain on-going budget pressures and where these have been identified, and will be closely monitored where appropriate.

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

CAPITAL EXPENDITURE AND INCOME

Capital expenditure is different from revenue expenditure on day- to-day running cost of services. It is investment in services and the area (such as buildings, roads and land) that will provide benefits over more than one year. The capital programme, due to take place over several years to 2022 is over £125 million.

During the year the Capital Programme was subject to regular monitoring and review. This saw several schemes being re-profiled into 2018/19 and future years as a result of a review of the original project timescales, which needed to be replaced with revised ones as the projects progressed. In 2018/19 £48.5 million was spent on capital projects (2017/18 £46.8 million). The spending and how that spending was funded are shown in the tables:

Spend by Wirral Plan Theme	Actual Spend	Share
	£million	%
Adult Care and Health	0.8	2
Business Management	8.2	17
Children's Services	16.3	34
Delivery Services	12.9	26
Economic and Housing Growth	10.3	21
Total	48.5	100

Funding by Source	Actual Funding	Share
	£ million	%
Borrowing	19.4	40
Grants	14.8	30
Capital Receipts	14.3	30
Total	48.5	100

During the year there was expenditure on programmes for highways improvements (£6.4 million) and schools (£5.5 million). This was in addition to major investment on:

- The Strategic Asset Programme purchase of Birkenhead Market and the Vue Cinema.
- Housing improvements such as aids, adaptions and disabled facilities grants.
- IT improvements such as upgrading data storage systems and hardware.
- Council buildings refurbishments to ensure better occupancy and enable building release for sale.
- Improvements to school buildings including the provision of new primary places.
- Transformation of Children's social care through the use of the flexible use of capital receipts.

£6.4million on Highways Improvements

Summary of the Balance Sheet

The Balance Sheet at 31 March 2019 shows a net liability position of £91.3 million (2017/18 a net liability position of £34.2 million). The net worth of the Council, excluding the Pensions Liability is £448.1 million (2017/18 £423.1 million). The movement for 2018/19 is due to the increase in the Council's liability to pay future pensions. The negative net worth does not impact on the going concern basis upon which the accounts are prepared. This is because the liability for pensions will be deferred over a number of years. The Council has reviewed the Council's financial performance for 2018/19 and Budget for 2019/20 and considers that the Council may be viewed as a going concern.

The most significant item in the Balance Sheet is the requirement for the Council to recognise its estimated Pension Liability. This is valued using an actuarial valuation and can fluctuate dependent upon external factors. The 2018/19 Pension Liability is £539.4 million (2017/18 £457.3 million). This includes additional pension costs of £16.7m in 2018/19, reflecting the expected implications of a recent court ruling on age discrimination (see note 3). Details of the Pensions Liability can be found in note 44 and in the section on Retirement Benefits below.

March 2019

Non - Current Assets
Property, plant & equipment, heritage assets, investment property & intangibles
£686.7m

Long term investments
£1.6m

Long term debtors
£35.3m

Current Assets
Debtors & Cash
£95.6m

Current Liabilities
Short Term Creditors, Borrowing & Provisions
£163.7m

Non – Current Liabilities
Borrowing
£164.5m

Other long term liabilities
£578.9m

Provisions & capital grants
£3.2m

Net Liability Position
£91.3million

March 2018

Non - Current Assets
Property, plant & equipment, heritage assets, investment property & intangibles
£644.4m

Long term investments **£1.3m**

Long term debtors
£38m

Current Assets
Debtors, Assets held for sale, & cash
£126.3m

Current Liabilities
Short Term Creditors, Borrowing & Provisions
£170.3m

Non – Current Liabilities
Borrowing
£171.5m

Other long term liabilities
£499.7m

Provisions & capital grants
£2.6m

Net Liability Position
£34.2million

Property and Other Assets

The revaluation of property, plant and equipment now takes place with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the end of the financial year. In total the Council had an asset portfolio valued at £686.7 million at 31 March 2019 (2017/18 £644.4 million). A breakdown of the value of the asset portfolio is provided in notes 14 to 17 to the accounts and note 21 to the accounts.

Investments

Total investments, including cash and cash equivalents at 31 March 2019 were £12.5 million (2017/18 £27.7 million). This is made up of long term investments of £1.6 million and short term investments of £11.0 million. Throughout 2018/19, as in previous years, the over-riding approach was one of security and liquidity with reduced investment returns being the acceptable consequence of this approach. Further details are contained in note 18.

Debtors

Debtors are classified as long-term or short-term debtors and the balance at 31 March 2019 was £93.0 million (2017/18 £101.9 million). The long-term debt includes £26.8 million in respect of the former Merseyside County Council, which is managed by Wirral Council (2017/18 £31.3 million). A breakdown of the debtor balances can be found in notes 19 and 41 to the accounts.

Creditors

Creditors at 31 March 2019 were £57.1 million (2017/18 £62.6 million). A breakdown can be found in note 22 to the accounts.

Borrowing

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

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

At 31 March 2019 short-term borrowing totalled £94.2 million (2017/18 £95.3 million). The demand for borrowing has in part come from the capital programme as spend has been incurred in 2018/19. The Council has delayed new long term borrowing to minimise interest payments. As a result of this temporary borrowing has been utilised. At 31 March 2019 long-term borrowing totalled £164.5 million (2017/18 £171.5 million). This debt was with financial institutions and the Public Works Loans Board with repayments being spread over a range of maturity dates. This also includes the debt of the former Merseyside County Council which Wirral manages on behalf of the other local authorities and agencies within the former Merseyside County Council area.

Retirement Benefits

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

The majority of non-teaching staff who work for the Council are members of the Merseyside Pension Fund. This Fund is administered by Wirral Council on behalf of the Merseyside Councils as well as over 170 other employing organisations. The figures included in the Statement of Accounts are based on the latest full valuation of the scheme as at 31 March 2014 and the IAS 19 actuarial report as at 31 March 2019, presented by Mercers, the independent firm of actuaries who value the Fund.

The actuaries have estimated the Council’s underlying long-term commitment to pay retirement benefits to be £539.4 million at 31 March 2019 (2017/18 £457.3 million), which is an increase of £82.1 million. This change has primarily resulted from a change in actuarial assumptions on the Consumer Price Index (CPI) and pay inflation, but also includes £16.7m in relation to the recent court ruling on age discrimination (see note 3). This is expanded upon in the Merseyside Pension Fund Accounts contained within this Statement and the Merseyside Pension Fund Annual Report.

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

Balances and Reserves

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

The Council held Useable Reserves of £87.4 million at 31 March 2019 (2017/18 £95.8 million), consisting of Earmarked Reserves of £59.6 million (2017/18 £54.9 million), General Fund Balances of £10.7 million (2017/18 £24.9million), Capital Receipts of £0.9 million (2017/18 £1.7 million) and unapplied Capital Grants of £16.3 million (2017/18 £14.4 million). A breakdown of the Useable Reserves can be found in the Movement in Reserves Statement and note 24, with more details on the Earmarked Reserves found in note 10 to the accounts.

The Council also held a net credit balance in Unusable Reserves of £178.7 million at 31 March 2019 (2017/18 credit £130.0 million). These are kept to manage statutory accounting processes and do not provide any useable resources to the Council. Further information on the Unusable Reserves can be found in note 25 to the accounts.

Net Assets

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

The Useable Reserves are regularly reviewed to assess whether they are adequate for the purpose intended and whether the sums involved are still required. At 31 March 2019 the major Useable reserves were in respect of the Business Rates Equalisation £8.7 million (2017/18 £10.3 million), School balances £8.9 million (2017/18 £10.2 million), which are ring-fenced for use by schools, the Insurance Fund £8.6 million (2016/17 £7.6 million).

5. CASH FLOW STATEMENT

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

6. COLLECTION FUND

This Fund is maintained separately from the Council's General Fund to specifically record income and expenditure associated with Council Tax and National Non Domestic Rates (Business Rates). The Council during 2018/19 was part of the Liverpool City Region 100% Business Rates Retention Pilot. This is an arrangement approved by the Ministry of Housing, Communities and Local Government (MHCLG) in 2017 and agreed by all Merseyside Councils in addition to Halton Council. Under the arrangement the Council has retained the Government's share of business rates, with certain grant payments such as Revenue Support Grant ceasing but being compensated for via the higher percentage of business rates retention. The aim of the pilot is to allow the retention of business rate growth and shadow the operation of the full retention scheme. Under the pilot rates income is collected and apportioned between Wirral Council (99%) and Merseyside Fire and Rescue Service (1%).

The Collection Fund had an in year surplus of £2.4 million for 2018/19 (£6.9 million deficit 2017/18). The accumulated year-end balance at 31 March 2019 was a surplus of £1 million (£1.4 million deficit 2017/18). More detail is contained in the Additional Statement - Collection Fund Income and Expenditure Account. A breakdown of the surplus is shown below:

	2018/19	2017/18
	£'000	£'000
Council Tax (Surplus)	(1.370)	(1,725)
NNDR (Surplus)/Deficit	321	3,101
Total	(1,049)	1,376

7. MERSEYSIDE PENSION FUND

The Fund is administered by Wirral Council and reported and audited separately but forms part of the Council's Statement of Accounts. Further information can be found within the Merseyside Pension Fund section of the Statement of Accounts, and also in the Merseyside Pension Fund Report and Accounts 2018/19.

8. ABOUT THE STATEMENT OF ACCOUNTS

The Statement of Accounts brings together the financial performance for the Council for the year and its financial standing as at the 31 March 2019. 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 2018/19 (the Code) supported by International Financial Reporting Standards (IFRS). There are no new accounting policies adopted in 2018/19 but accounting policies have been updated for two new accounting standards IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers). The Council reviews annually any interests in companies and other entities for any financial arrangements that may require the production of Group Accounts. In 2018/19 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 2018/19.
- **Statement of Responsibilities for the Statement of Accounts** details the responsibilities of the Council and of the Director of Finance and Investment (S151).
- **Independent Auditor's Report**, is the Council external Auditor's report to Members of Wirral Council including the conclusion of arrangements for securing Value for Money. This will be added post audit Statement of Accounts.

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

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 2019, 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.

Additional Financial Statements are included 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**, covering the financial position of the Merseyside Pension Fund, administered by Wirral Council, are also included in Section 5.

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

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

9 FUTURE DEVELOPMENTS

The Statement of Accounts provides information about the Council's expenditure and income for the year and the overall financial position at the end of the financial year. It is a key element in reporting how finances have been administered. The Council managed its performance and finances during 2018/19 with the progression of the Wirral Plan, the delivery of a number of savings and the budget.

The Council agreed its Budget for 2019/20 in March 2019. This has seen an increase in Council Tax levels from 1 April 2019 and includes a package of financial proposals including the use of one-off funding to support the budget for services. To address future financial challenges the Council agreed a Medium Term Financial and Resilience Strategy for the period up to 2023. The financial proposals in this Strategy aims to keep Wirral balancing it budget across the next four years and successfully planning for a financial resilience future. Its strategy is to focus the available funds on priority areas and balance budgets by 2022/23.

The strategy focuses on the improvement of Wirral residents' lives by investing in key public services. It also recognises the need to do three things across the period:

- Boosting economic growth and diversification, essential for creating the jobs and income we need to pay for services.
- Creating Wealth for the many
- Being More Efficient

Since austerity started in 2010, through the Medium Term Financial and Resilience Strategy (MTFRS), successive budgets and service reform and reconfiguration - millions has been taken out of directorate budgets. Every department is doing its bit by reprioritising, finding efficiencies, making sure the Council is working as well as it can for the areas long term future. As part of the reform programme lean techniques are being used to streamline services. The Council is also turning around the long-term underinvestment in our services to the vulnerable and we have transformed an outdated practices in Children's Services.

We have developed a budget which is balanced, sustainable and legal:

- ✓ We are making no compulsory redundancies
- ✓ We have absorbed huge cuts to our funding without closing services
- ✓ We have secured major investment in services for vulnerable children and families
- ✓ We challenge every pound which we spend, to make sure it's delivering the best value.

There remains a funding gap between planned spend and funding for future years. The Council continues to face financial constraints and pressures. The medium term financial planning period to 2023 will see continued grant funding reductions and increasing financial pressures. As part of a current pilot scheme, the Council has full responsibility for the raising and collection of income generated locally and used to fund the services accessed by Wirral residents. Going forward the expectation is that this will continue. The Council is continuing work commenced in 2018/19 to establish a sustainable and robust financial position for the period 2019/20 to 2022/23. Work is on-going to look at changing needs such as demands for services and rising costs, new ways to working, the latest financial projections and external funding announcements to ensure that the forecasts remain robust and sustainable over the longer term.

Alongside the development of longer term, strategic financial planning, financial business partnering will be further improved to provide support to services and assist with transforming services.

The development in the Finance and Investment Division of this approach will support services and embedded strong and robust financial management in all parts of the Council. It will also involve staff being involved in the development and implementation of future financial proposals as well as concentrating on the delivery of in year financial performance.

The Medium Term Financial Resilience Strategy (MTFRS) recognises that risk is an inherent part of all the Councils operations.

Risks come from both the external environment in which Wirral operates and internally from the changes that are necessary to implement the Wirral plan and the MTFRS.

The management of risks is part of the overall governance framework that ensures that risk is managed in a consistent and clear way. The Council has in place a Corporate Risk Register that holds in one location all the major risks that must be addressed so that the Council can successfully implement the themes and pledges. A key risk that the register details is Financial Resilience. It provides details of the existing and additional controls in place to mitigate this risk. The register is subject to review on a regular basis by the Senior Leadership Team to ensure that there is awareness of risks as well as the identification of mitigating actions following assessment.

There is within the Council an understanding of the on-going challenges that Wirral faces. The plan is to continue the work to ensure that progress continues in 2019/20 and future years, in a continually challenging financial world for local government. As a Council, through the Wirral Plan and the MTFRS further actions are planned to meet the demands and requirements of local residents and our partners.

Shaer Halewood
Director of Finance & Investment (S151)
5 November 2019

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:-

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

The Director of Finance and Investment (S151) Responsibilities

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

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

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

The Chief Financial Officer has also:

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

Certification of the Accounts

I certify that the Statement of Accounts presents a true and fair view of the financial position of Wirral Council at 31 March 2019 and its income and expenditure for the year then ended.

Shaer Halewood

Director of Finance & Investment (S151)

5 November 2019

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 2019 which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement the Balance Sheet, the Cash Flow Statement, the Collection Fund Income and Expenditure, and all notes to the financial statements, including the significant accounting policies. The notes to the accounts include the Notes to the Collection Fund and Income and Expenditure Account. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; 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.

Conclusions relating to going concern

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

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

Other information

The Director of Finance and Investment 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 and our auditor's report on the pension fund statements. 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.

Independent Auditor's Report

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

- we 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 Finance and Investment and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 20, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Investment. The Director of Finance and Investment 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as Director of Finance and Investment determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Investment 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.

Independent Auditor’s Report

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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.

Independent Auditor’s Report

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 2019. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority’s arrangement for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2019 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our consideration of objections brought to our attention by local authority electors. We are satisfied that this matter 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 2019.

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.

Robin Baker

Robin Baker, Key Audit Partner

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

Liverpool

29 November 2019

ANNUAL GOVERNANCE STATEMENT

2018 - 2019

WIRRAL

Annual Governance Statement 2018/19

INTRODUCTION

Local authorities are required by statute to review their governance arrangements at least once per year.

Throughout the last year, Wirral Borough Council has continued with its strategy to improve upon the manner in which it discharges its governance responsibilities.

This statement explains how the Council has complied with its Code of Corporate Governance and continues to build upon the work of previous years, constantly improving, as a Council, that is learning, maturing and delivering for its constituents.

Scope of Responsibility

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

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

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

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

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

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

The Council also fulfils a governance role in relation to the businesses that it wholly or jointly owns:

- Edsential - a Community Interest Company jointly owned by Cheshire West and Chester Council and Wirral Council to provide services to the Education sector: https://edsential.com/. The Council owns 50% of the shares in the company and provides governance oversight via a joint shareholder board with Cheshire West and Cheshire Council.
- Wirral Evolutions Ltd - a Council owned company, which delivers adult social care services: http://www.wirralevolutions.org/. The company shareholder board provides governance oversight. The board membership includes a Council Cabinet member to make strategic decisions on the behalf of the Council. Operational decisions are taken by the company board of directors.
- Wirral Growth Company - a limited liability partnership between the Council and Muse Developments Limited. The Council and Muse Developments Limited are equal partners in this venture and are jointly responsible for making all decisions. The partnership was created to promote the economic regeneration of the Borough.

What is Corporate Governance?

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

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

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

The purpose of the Governance Framework

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

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

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

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

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

This statement builds upon those of previous years. Many of the key governance mechanisms remain in place and are referred to in previous

statements, as well as in the Council's Code of Corporate Governance. These are available on the Council's website: www.wirral.gov.uk . This statement therefore describes the key changes and developments within the Council's governance framework during 2018-19 and up to the date of the approval of the annual statement of accounts .

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

Council	Cabinet	Audit &Risk Management Committee	Overview and Scrutiny Committees	Corporate Governance	Risk Management	Audit
• Approve Constitution including Codes of Conduct • Approve the Wirral Plan Approve budget and policy framework "Holds cabinet to account" • Hold decision making meetings in public	• Set priorities in line with the Council's vision and recommend budget proposals to underpin delivery • Deliver financial performance within the budget and policy framework set by Council. • Hold decision making meetings in public	• Scrutinise and approve Financial Statements on behalf of the Council • Review Contract & Procurement Procedure Rules • Review and scrutinise governance arrangements, including internal and external audit updates / reports, and the management of risk • Holds meetings in public	• Provide a critical friend to challenge Cabinet as well as external authorities and agencies • Reflect the voice and concerns of the public and its communities • Holds meetings in public	• Review performance management and projects against milestones, resource allocation, risks and performance. • The Corporate Governance Group has responsibility for overseeing the annual review of the governance framework and the preparation of the annual governance statement • Corporate oversight by Council's additional governance boards; including Investment & Change Board • The Corporate management team including the role of its three statutory officers: the Head of Paid Service (Chief Executive), the Monitoring Officer and the Chief Financial Officer	• Review risk registers for corporate, operational and project risks • Corporate risks reviewed by the Senior Leadership Team and Audit & Risk Management Committee	• Set the internal audit strategy to meet the Council's overall strategic direction and provide assurance on risk management, governance and internal control arrangements • Undertake annual programme of internal audits, present progress reports including recommendations for improvement in systems and control • External Audit review and report on the Council's financial statements and vfm conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

REVIEW OF EFFECTIVENESS

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

The review of effectiveness is informed by the work of the Chief Officers and senior managers within the Council who have responsibility for the development and maintenance of the governance environment. Their feedback and comments provided in Governance Assurance returns and meetings are an essential part of this review. It is also informed by the work of Internal Audit, the Chief Internal Auditor's Annual Report, together with findings and reports issued by the external auditor and other review agencies and inspectorates.

The Council aims to achieve good standards of governance by adhering to the seven core principles below, which form the basis of the Council's Code of Corporate Governance.

Reproduced from 'Delivering Good Governance in Local Government Framework 2014' published by CIPFA/IFAC

The results of the annual review of the effectiveness of the key elements of the Council's governance processes during 2018-19 are set out in the table below, demonstrating how the Council has complied with the seven principles set out in the CIPFA/SOLACE Framework during 2018-19.

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2018-19
A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.	Key elements of the Council's governance arrangements, as detailed in the Council's Code of Corporate Governance, include: • The Wirral Plan sets out the Council's key priorities; • The Constitution details how the Council operates, how decisions are made, and the procedures that are to be followed to ensure that arrangements are efficient, transparent and are available for constituent scrutiny as required; • Codes of Conduct define the standards of behaviour for Members and officers; • Arrangements to apply the set of standards (the Nolan principles) of conduct and behaviours expected of Members with constitutional oversight; • Relevant policies in operation include declarations of conflict of interest, declaration of gifts and hospitality, Dignity at Work and Whistleblowing; • An Anti-Fraud and Corruption policy and strategy, Anti-Bribery policy, Anti-Money Laundering policy and Fraud response plan demonstrate the Council's stance against fraud; • Monitoring Officer provisions, including the review of reports by Legal qualified officers and the record of legal advice provided, ensure the lawfulness of decisions taken by the Cabinet, Council and officers. Improvements in the year included completion rates for performance appraisals; with a focus in 2019-20 to strengthen arrangements for improving the quality of appraisals and helping to embed organisational priorities and values. There is a recognition that there are instances where there is a need to formalise governance arrangements with some 'Friends/ Voluntary' organisations.

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2018-19
B. Ensuring openness and comprehensive stakeholder engagement.	Key Elements of the Council's Governance Arrangements include: • All Committee meetings are held in public, unless prevented by legislation. From September 2018 all Council Committee meetings have been webcast. Minutes, reports and webcast recordings are available on the Council's website; • The Wirral Plan, pledge strategies, pledge action plans (updated May 18), and quarterly performance and update reports are available on the Council's website; • The Wirral Partnership Delivery Group is chaired by the Council's Chief Executive and includes the Chief Executives of key partners, including the Clinical Commissioning Group, Provider Trusts and the Chamber of Commerce, and 3rd sector representatives. This group, together with the Partnership Summit and Partnership Framework ensure ongoing engagement and commitment of relevant partners; • All pledge steering groups are partnership based; • An innovative approach to neighbourhood working designed around Wirral's four constituency areas; Birkenhead, Wallasey, Wirral South, Wirral West; • Utilising the Wirral View publication and associated websites to communicate and share information with constituents and stakeholders; • Budget papers, in-year financial monitoring reports and the Council's Medium Term Financial Strategy are published on the Council's website. Additional arrangements to support setting the 2019-20 budget included a public consultation exercise to provide constituents with an opportunity to engage in budget proposals and influence decision making; • Public consultation exercises; those conducted during 2018/19 included an on-line survey seeking comments on the planned 2030 vision for the Wirral Partnership and consultation upon the development of the Local Plan; • Equality Impact Assessments are undertaken and embedded in all Council decision making; • Relevant Council policies and strategies include an Engagement & Stakeholder Relations Strategy, a Corporate Equality and Cohesion strategy and Freedom of Information compliance publication.

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2018-19
C. Defining outcomes in terms of sustainable economic, social and environmental benefits.	Key Elements of the Council's Governance Arrangements include: • The Wirral Plan, pledge strategies action plans, and quarterly performance reports outline the Council's vision, priorities and performance against planned outcomes; thus providing an effective framework for close working with partners and stakeholders (Wirral Plan performance). • An established corporate performance management framework. This has been further developed and from 19/20 all departments and major teams are developing business / service plans; • Regular revenue and capital monitoring reports, and effective medium term financial planning ensure that the Council retains its commitment to stability, utilising available resources, whilst monitoring savings and income plans; • Council reports to support major decisions outline key implications, including economic, social, environmental, (where applicable); • Continued commitment to developing commercial opportunities. • Improvements in year have included the above Council-wide approach to service and business planning, which incorporates a range of performance measures.

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2018-19
D. Determining the interventions necessary to optimize the achievement of the intended outcomes.	Key Elements of the Council's Governance Arrangements include: • The arrangements for joint strategic needs assessment across services, including factors such as economy, skills and business, help ensure the right insight and evidence is available to make evidence-based decisions and set strategic priorities; • The partnership approach to needs assessment, led by the over-arching Wirral Partnership Delivery Group, includes listening to the local voice of residents, service users and Members through various forms of consultation and communication; • All significant change programmes have evidence-based business cases to support the delivery of programmed work; • Council reports and underlying business cases outline options considered, risk assessments, and financial, legal, resource and equality implications; • Robust arrangements exist for reporting, monitoring and review of programme, pledge and service performance to support the delivery of impact and outcomes; • Optimising partnership approaches including integration to derive best value. A recent example includes work with the Centre for Local Economic Strategies (CLES) to engage with local people and businesses to help support the development of the economy priority deal and promote wealth creation within the Borough; • An ambitious programme for service review and change helps ensures effective use of transformational and programme management expertise and capacity; • Effective budget planning processes underpinned by the Medium Term Financial strategy

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2018-19
D. Determining the interventions necessary to optimize the achievement of the intended outcomes.	Improvements in the year have included : • Progress with taking forward ambitious plans for regeneration and economic growth in Wirral, including entering into a Joint Venture with Muse (the Wirral Growth Company) and advancing plans for some of the major developments that comprise the Wirral Waters One joint venture with Peel Holdings; • A Governance Review undertaken in 2018 has led to an improved governance structure for scrutiny, corporate oversight and corporate decision-making. Improvements have included the introduction of an Investment & Change Board, Call-Over Board, Corporate Savings Governance Board and Commercial Board. This has led to improved accountability management, greater transparency, including earlier sight of key issues at chief officer level, clear visibility of decision making and an improved framework for decision making with improved pre-scrutiny processes for new business proposals. Other improvements have included improved levels of Member engagement (including pre-Committee briefings and pre-Cabinet cross party dialogue), examples of member-led processes (including MTFS), and examples of cross-party scrutiny (including during the Wirral Growth Company project.); • The establishment of the Joint Strategic Commissioning Board as a formal committee of the Council, with formalised governance arrangements for joint commissioning with Health. Current initiatives include work to finalise the Council's ICT strategy, and a project to implement a new Enterprise Resource Planning system (ERP). It is recognised that implementation of the new ERP system is key corporate project that will help support wider organisational change.

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2018-19
E. Developing the entity's capacity including the capability of its leadership and the individuals within it.	Key Elements of the Council's Governance arrangements include: • Regular and transparent oversight of delivery and performance, through insightful reports including a quarterly performance and update report for Wirral Plan Pledges and regular Corporate Operational Health report to SLT; • Closer working relationships with business partners and stakeholders to improve delivery of key Council strategies; • The constitution clearly sets out roles and responsibilities of Members and Officers, including executive and non-executive functions and the scrutiny function; • A comprehensive Member development programme; • An ongoing senior leadership development programme, including SLT away-days; • The provision of appropriate training and personal development opportunities for staff linked to the Council's corporate performance appraisal process; • The Council's graduate and apprentice recruitment programmes. • Improvements in year have included: • A new SLT model, bringing improved levels of commercial acumen, communication, teamwork and leadership; • Acknowledgement that the Council has needed to change its approach to adapt to its continually changing environment by promoting a "learning culture" throughout the organisation; • The launch of a new People Strategy which will guide how the Council develops and supports employees, with the five key strands of attracting and retaining talent, strong and visible leadership, values behaviours and performance, embracing change, and workplace wellbeing, and a central theme of getting the basics right. • There is a recognition that the changing political environment requires an additional focus to ensure effective working relationships between members and officers, including the need for further development initiatives for members and officers to better understand the processes and procedures that underpin the organisation.

Principle	Assessment of the effectiveness of the key elements of the Council’s Governance processes during 2018-19
F. Managing risk and performance through robust internal control and strong public financial management.	Key Elements of the Council’s Governance arrangements include: • An effective ARMC in place, as confirmed by the Committee’s self-assessment. The ARMC receives, approves and monitors the delivery of Audit Plans and monitors the effectiveness of risk management arrangements, including regular updates of the corporate risk register. The Chair produces an Annual Report that demonstrates the value added by Committee over the year; • Regular review of activity and performance as part of the Performance Management Framework; • Rigorous and transparent decision-making processes in place, with the publication of agendas ,minutes and the webcasting of meetings; • Financial management is a key element of the structure and processes that comprise the Council’s governance arrangements; with key aspects including financial regulations, budget and policy framework procedure rules, monthly revenue and capital monitoring, quarterly reporting to Members, and periodic updates to the medium term financial strategy; • Effective scrutiny arrangements; • An Internal Audit function that complies with Public Sector Internal Audit Standards for Local Government with an audit programme that reflects corporate risks, plan and update reports to ARMC, bi-monthly activity reports to SLT and ARMC Members and the annual report and opinion prepared by the Chief Internal Auditor; • An annual programme of proactive and reactive internal audit work.

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2018-19
F. Managing risk and performance through robust internal control and strong public financial management.	Improvements in the year have included : • The Council is strengthening the governance around managing change, an increasingly key element of the organisation's current strategy. Improvements have included ensuring all key projects are now managed within the Programme Management Office (PMO) framework; with all projects to report to one of five programme boards which each report to the Investment & Change Board, in its overall 'gatekeeper' role. The Council is also undertaking a programme of service reviews, which are helping to bring together all aspects of change in the Council; • Improved arrangements for risk management included establishing a Task and Finish group, whose role was to identify and oversee the implementation of improvements, and a network of officers across the organisation charged with supporting the embedding of the Council's revised risk management arrangements. Initiatives included training in risk management principles and good practice for SLT, departmental leads and members. Outcomes included an updated corporate risk register and good progress with embedding effective risk management arrangements at departmental, PMO and at programme / project level; • Achievements in Information Governance during 18/19 included obtaining approval for DSPT improvement plan which allows data sharing with the NHS (with work to complete providing outstanding mandatory evidence requirements in progress), applying for and being awarded funding for cyber security training and ensuring success rates for FOI completion statistics remain high despite increasing requests; • A review is underway to introduce an improved control process for managing the programme for policy reviews. • Ongoing initiatives to further strengthen corporate governance arrangements include: • Further work planned to embed the development of the corporate risk management processes, including the monthly review of Corporate Risk Register at SLT. It is recognised there is scope to enhance the formal and routine use of risk management to inform strategic planning and manage services and delivery. There is also work planned for later in 19/20 to define the Council's current appetite and capacity for key risks; • A range of measures planned to further develop the Council's Information Governance arrangements, including strengthening the support given for the Council's information asset owners, with comprehensive training currently being arranged for all information asset owners / administrators and plans for the SIRO to receive a quarterly security report, and plans to develop an Information Governance risk register; • Scope to further develop performance data including using such data to assist early identification of key issues and risks and utilising Central Government monitoring and KPIs to drive performance data.

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2018-19
G. Implementing good practices in transparency, reporting and audit to deliver effective accountability	Key Elements of the Council's Governance arrangements include: • Public access to meetings and minutes and webcasting of Council meetings; • Adhering to all access to information statutory requirements and being committed to meeting the standards set out in the Transparency Code; • Publicising a robust complaints process and responding effectively to complaints, e.g. in statutory areas; • Accurate and reliable public reporting on performance (Wirral Plan), stewardship of resources (Statement of Accounts, in-year financial reporting and the Medium Term Financial Strategy), and compliance with the Governance Framework (AGS), • Internal Audit arrangements that comply with Public Sector Internal Audit Standards, including regular reporting of progress with the plan to ARMC. Improvements in year have included the commencement of webcasting of meetings.

Key area for improvement	Action taken to address the issue
Action required to address issues raised in the Improvement Notice issued by the Secretary of State for Education (30th September 2016)	The Wirral Improvement Board has continued to have oversight of the Improvement Plan for Children's Services. Activity to address the issues raised in the Ofsted Improvement Notice has been centred around a number of key work-streams. A summary of some of the activity carried out within each work-stream is highlighted below: Practice Improvement: The roll out of the Supporting Families, Enhancing Futures model has ensured that the daily lived experience of children and young people is fully captured in practice and used to inform decision-making. Service improvements, investment in training and development and consistent and regular audit by Children's Services have all been significant developments in this area. Workforce Stability: Activity to reduce the number of agency staff has been successful with a significant reduction in agency workers and an increase in permanent workers who are committed to work at Wirral Council. Delivery model: The establishment of the Regional Adoption Agency has brought about a more co-ordinated and joined up approach to adoption. Enablers of change: Accommodation enhancements and the implementation of mobile working as well as equipping staff with right technology has enabled frontline staff to work more effectively with children and greatly improved management oversight and communication. Quarterly monitoring visits have continued to assess progress with findings reported. Their findings can be summarised as: March 2018 Monitoring visit found that improvements had been made in access to services for those children needing support and protection; including the new integrated front-door as a point of entry for all contacts to children's social care. May 2018 Report noted that progress had been made in improving services for children and young people who needed to be looked after, including those at risk of exploitation and those on the edge of care. September 2018 Inspectors found evidence of progress in relation to the local authority's response to children who need protection through a child protection plan. Children tracked had received timely assessments of need and were in receipt of appropriate services and thresholds were appropriate. December 2018 The Monitoring visit found that the local Council was making progress in improving social work support and services for children in care and care leavers. In addition to this, service and thematic audits, performance management information and DfE reports all evidence progress in improvements in specific areas as outlined in the 2016 Inspection report.

SIGNIFICANT GOVERNANCE ISSUES

- In preparing this statement, the criteria used for ‘significant governance’ are issues which:
- Significantly undermine or threaten the achievement of a core organisational objective.
- Represent a significant failure to meet the principles (and sub-principles) of good governance (as detailed in the Code of Corporate Governance).
- Have resulted in significant public interest or have seriously damaged reputation.
- Are of significant concern to an inspector, external audit or regulator.
- Have been recommended by the head of internal audit or one of the statutory officers to be included.
- Require significant organisational and corporate cooperation to address it.

The review of the effectiveness of the Council's governance framework has identified the following significant issues that will need to be addressed or continue to be addressed during 2019/20:

Issue	Action proposed during 2019/20	Lead Officer
Ofsted - Action required to address issues raised in the Improvement Notice issued by the Secretary of State for Education (30th September 2016) (Corporate Risk 9) (SGI Criteria 1,3,4,6)	The Improvement Board meets monthly to monitor progress and developments in children's social care. The Children and Families Scrutiny Committee will also continue to play a role in providing challenge and monitoring improvement activity. The work-streams outlined in the Improvement Plan will continue to guide and direct actions to continue to address the issues raised. For 2019/20, this will include: Practice Improvement: Delivering a robust contextual safeguarding model will broaden the parameters of safeguarding and address the wider influences that can protect families, children and young people. Workforce Stability: A continued focus on the 'grow your own' approach to shape social workers and practitioners in providing quality support for children and retaining staff on Wirral. Delivery model: Opportunities for strengthening and re-shaping services around the needs of children will continue to be explored. Enablers of change: A commitment to and culture of continuous reflection, evaluation and improvement will be embedded.	Paul Boyce, Corporate Director for Children Services
The Council continues to face significant financial challenges. Uncertainty over the level of future funding and increased demand pressures mean the Council's ability to deliver future essential services depends on effective delivery of key actions to ensure financial resilience; including delivery of savings plans and planned actions to increase income. (Corporate Risk 1) (SGI Criteria 1,4,6)	The Medium-Term Financial Strategy agreed at Full Council on 4 March 2019 presented a balanced four-year financial plan and included proposals to address the £45m budget gap in 2019/20. This plan will be subject to change for a number of reasons e.g. changes to government funding, new growth items, unavoidable or unforeseen pressures etc. Setting the annual budget is now an ongoing process with proposals for growth, savings, income etc, being addressed in-year rather than at a specified budget setting period. This will enable ongoing scrutiny and challenge of the MTFS which will be reported to Cabinet every quarter with the in-year budget monitoring from 2019/20. The Financial Resilience Plan reported to ARMC on an annual basis details an action plan to ensure financial sustainability. The financial situation is assessed on a monthly basis to ensure that any mitigating actions can be assessed and recommended to the Cabinet to address unforeseen pressures early so as to minimise the impact on service delivery.	Shaer Halewood, Director of Finance & Investment

Issue	Action proposed during 2019/20	Lead Officer
The Council, through the Wirral Growth Company, has ambitious plans for development and regeneration. If the WGC were to fail to deliver anticipated benefits, it would undermine the Council budgetary position, economic growth aspirations and public and investor confidence in the Authority. (Corporate Risk 10) (SGI Criteria 1,6)	The Partnership Agreement (PA) for the Joint Venture (JV) with Muse was signed in March 2019. The JV PA is underpinned by a suite of robust corporate legal documentation. The first JV Board meeting took place in April 2019 and will take place on a quarterly basis. The Council and Muse are in the process of developing a Partnership Business Plan (PBP). A first draft PBP will be presented to the JV Board in September 2019. The PBP will be underpinned by draft indicative Site Development Plans (SDPs) for the priority areas which will be included in the first Y1-3 Business Plan. The PBP will be updated annually and agreed at both the JV and Shareholder board(s).	Paul Satoor, Corporate Director for Business Management
The Secretary of State has issued a Direction for the Council to produce an Action Plan for the Delivery of the Local Plan. If the Council fails to deliver agreed requirements for the consultation, publication and implementation of the Local Plan it could result in intervention, a loss of control over future development and missed opportunities to promote economic growth. The Secretary of State has also threatened intervention in respect of the Council not meeting statutory timescales for planning decisions. (Corporate Risk 5) (SGI Criteria 3,4)	The action plan was completed and submitted to MHCLG on 5th April 2019 to meet the deadline of 8th April 2019. Positive dialogue has taken place directly with MHCLG officials and such dialogue will continue a monthly basis. A revised date of submission to November 2020 from January 2020 was presented. The Council has yet to receive formal clarification as to whether the timeline has been accepted by the Secretary of State . The Council must continue to deliver the action plan over the coming months and any slippage/ delays could result in intervention. Performance in completing planning decisions within statutory timescales has improved in quarter four of 2018/19 following the additional staffing resources which have been applied. This will continue to be a focus for attention in 2019/20 to ensure statutory timescales for decisions are complied with.	Paul Satoor, Corporate Director for Business Management

Issue	Action proposed during 2019/20	Lead Officer
Following a very serious tragic incident in November 2016 involving a section of tree falling on to a vehicle on the highway from Arrowe Park, which resulted in the injury to the driver and her unborn child who sadly died shortly after birth, a full review of the council's systems and processes for the inspection and maintenance of trees on its land and highways has been carried out. (Corporate Risk D) (SGI Criteria 3,4)	This has been a significant review both in time and resource and continues today . The review highlighted that there were different systems in place dependent upon whether a tree was located on the highway, in a park/ open space, on another property owned by the council including leased land and buildings and school sites From this position the Council committed £1.125 million in order to carry out full tree inspection and maintenance programme across its estate commencing with those sites of the highest risk adjacent to the highway. Further to this, additional expertise has been recruited and external professional support has been used to carry out surveys and maintenance to all trees on highways and in parks/open spaces. The priority sites are now complete and there is an ongoing programme for the remaining works. The council has also contracted The Environmental Partnership (TEP) to produce a tree risk management strategy. This sets out a framework and process for the management and maintenance of trees on all council land. There is further work to be completed in putting this risk management strategy and processes into place and in respect of such activity as leased sites and schools where responsibilities are extended as part of leasing arrangements or through the type of school and the relevant Governing Body responsibilities. This is currently being implemented.	David Armstrong, Corporate Director Delivery Services (Assistant Chief Executive)

CERTIFICATION

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

Signed:

Paul Satoor, Chief Executive (from 15 July 2019)

Date: 5 November 2019

Signed:

Councillor Pat Hackett, Leader of the Council

Date: 5 November 2019

2
Core Financial Statements

Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The figures for 2017/18 have been restated and re-presented to be in line with the Directorate format adopted by the Council for monitoring financial performance during 2018/19. (See note 49).

2018/19					2017/18 Restated		
Expenditure £'000	**Income** £'000	**Net** £'000		*Note*	**Expenditure** £'000	**Income** £'000	**Net** £'000
146,229	52,387	93,842	Adult Care & Health		139,656	56,987	82,669
132,435	100,671	31,764	Business Managment		140,026	114,688	25,338
323,704	243,044	80,660	Childrens Services		298,498	225,963	72,535
107,530	30,665	76,865	Delivery Services		104,312	35,592	68,720
8,346	3,974	4,372	Economic & Housing Growth		6,136	3,782	2,354
27,146	31,116	(3,970)	Strategy & Partnerships		32,847	32,873	(26)
745,390	**461,857**	**283,533**	**Cost of Services**		**721,475**	**469,885**	**251,590**
46,806	-	46,806	Other Operating Expenditure	*11*	64,840	-	64,840
25,645	2,402	23,243	Financing and Investment Income and Expenditure	*12*	25,394	2,586	22,808
-	303,735	(303,735)	Taxation and Non-Specific Grant Income and Expenditure	*13*	-	283,349	(283,349)
817,841	**767,994**	**49,847**	**(Surplus)/Deficit on Provision of Services**		**811,709**	**755,820**	**55,889**
		(42,728)	(Surplus)/Deficit on Revaluation of Property, Plant and Equipment				(9,319)
		2,042	(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets				35
		47,956	Remeasurement of the Net Defined Benefit Liability/(Asset)				(61,113)
		7,270	**Other Comprehensive Income and Expenditure**				**(70,397)**
		57,117	**Total Comprehensive Income and Expenditure (Surplus)/Deficit**				**(14,508)**

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into ‘useable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to, or from, Earmarked Reserves undertaken by the Council.

	Note	General Fund Balance	Earmarked General Fund Reserves	Total General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Useable Reserves	Total Unusable Reserves	Total Council Reserves
		£'000	£'000	**£'000**	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2018		**24,856**	**54,862**	**79,718**	**1,672**	**14,388**	**95,778**	**(129,985)**	**(34,207)**
Total Comprehensive Income and Expenditure Surplus/(Deficit)		(49,847)	-	**(49,847)**	-	-	**(49,847)**	**(7,270)**	**(57,117)**
Adjustments between Accounting Basis & Funding Basis under Regulations	*8*	40,347	-	**40,347**	(749)	1,863	**41,461**	**(41,461)**	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves		**(9,500)**	**-**	**(9,500)**	**(749)**	**1,863**	**(8,386)**	**(48,731)**	**(57,117)**
Transfers to/(from) Earmarked Reserves	*10*	(4,688)	4,688	**-**	-	-	**-**	**-**	**-**
Increase/Decrease in Year		**(14,188)**	**4,688**	**(9,500)**	**(749)**	**1,863**	**(8,386)**	**(48,731)**	**(57,117)**
Balance as at 31 March 2019		**10,668**	**59,552**	**70,220**	**923**	**16,251**	**87,394**	**(178,717)**	**(91,325)**
Balance as at 31 March 2017		**25,723**	**55,064**	**80,787**	**5,558**	**14,919**	**101,264**	**(149,978)**	**(48,714)**
Total Comprehensive Income and Expenditure Surplus/(Deficit)		(55,889)	-	**(55,889)**	-	-	**(55,889)**	**70,397**	**14,508**
Adjustments between accounting basis & funding basis under regulations	*8*	54,820	-	**54,820**	(3,886)	(531)	**50,403**	**(50,403)**	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves		**(1,069)**	**-**	**(1,069)**	**(3,886)**	**(531)**	**(5,486)**	**19,994**	**14,508**
Transfers to/(from) Earmarked Reserves	*10*	202	(202)	**-**	-	-	**-**	**-**	**-**
Increase/Decrease in Year		**(867)**	**(202)**	**(1,069)**	**(3,886)**	**(531)**	**(5,486)**	**19,994**	**14,508**
Balance as at 31 March 2018		**24,856**	**54,862**	**79,718**	**1,672**	**14,388**	**95,778**	**(129,985)**	**(34,207)**

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 - useable and Unusable reserves. useable 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'.

31st March 2019 £'000		*Notes*	**31st March 2018** £'000
644,487	Property, Plant & Equipment	*14*	607,652
14,308	Heritage Assets	*15*	14,308
27,356	Investment Property	*16*	21,546
548	Intangible Assets	*17*	932
1,550	Long Term Investments	*18*	1,250
35,255	Long Term Debtors	*41*	38,028
723,504	**Long Term Assets**		**683,716**
10,988	Short Term Investments	*18*	26,465
-	Assets held for sale	*21*	11,051
134	Inventories		112
57,725	Short Term Debtors	*19*	63,913
26,730	Cash and Cash Equivalents	*20*	24,737
95,577	**Current Assets**		**126,278**
94,233	Short Term Borrowing	*18*	95,297
57,110	Short Term Creditors	*22*	62,616
-	Short Term Deferred Credits		5
12,377	Provisions	*23*	12,381
163,720	**Current Liabilities**		**170,299**

(Table continues on the following page)

Balance Sheet (continued)

(Table continued from previous page)

31st March 2019		*Notes*	**31st March 2018**
£'000			£'000
2,376	Provisions	*23*	2,275
164,542	Long Term Borrowing	*18*	171,503
578,937	Other Long Term Liabilities	*42*	499,750
830	Capital Grants received in advance	*36*	373
746,685	**Long Term Liabilities**		**673,901**
(91,324)	**Net Assets/(Liabilities)**		**(34,206)**
87,393	Useable Reserves	*24*	95,779
(178,717)	Unusable Reserves	*25*	(129,985)
(91,324)	**Total Reserves**		**(34,206)**

Shaer Halewood

Director of Finance and Investment (S151)

5 November 2019

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			**2017/18**
£'000		*Note*	£'000
49,847	**Net (Surplus) / Deficit on the Provision of Services**		**55,889**
(63,321)	Adjust Net (Surplus) / Deficit on the Provision of Services for Non Cash Movements	*26*	(57,830)
23,074	Adjust for items in the Net (Surplus) / Deficit on the Provision of Services that are Investing or Financing Activities	*26*	20,035
9,600	**Net Cash Flows from Operating Activities**		**18,094**
(27,082)	Net Cash Flows from Investing Activities	*27*	4,481
15,489	Net Cash Flow from Financing Activities	*28*	(23,361)
(1,993)	**Net (Increase)/Decrease in Cash and Cash Equivalents**		**(786)**
(24,737)	Cash and Cash Equivalents at the beginning of the Reporting Period		(23,951)
(26,730)	**Cash and Cash Equivalents at the end of the Reporting Period**		**(24,737)**

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Notes to the Core Financial Statements

Note 1 Accounting Policies

GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to produce an Annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices, under section 21 of the Local Government Act 2003, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

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

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

Qualitative characteristics of financial information:	**Revenue accounting concepts:**
• Understandability • Relevance • Reliability • Comparability	• Accruals • Going concern • Primacy of legislative requirements

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

Note 1 Accounting Policies

Changes to Accounting Policies

There are no new accounting policies adopted in 2018/19. The existing accounting policies have been updated to reflect the changes required by the Code the most significant being the adoption of two new accounting standards IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers):

IFRS 9 Financial Instruments

IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement. It made changes to previous guidance on the classification and measurement of financial assets and introduced an 'expected credit loss' model for impairment of financial assets. The Authority's trade receivables and investments in financial assets classed as held to maturity (unless classed as fair value through profit and loss) have been assessed for impairment by applying the expected credit loss model. The reclassification changes have not had a material impact upon the financial statements because the majority of the financial assets have retained the same measurement bases. With respect to trade receivables, the Authority already makes a provision for doubtful debts on its service assets.

The standard also contains new requirements on the application of hedge accounting (which will have no impact on the Authority as local authorities are not permitted to use hedge accounting).

IFRS 15 Revenue from Contracts with Customers

This standard introduced new methodology for determining when income from providing goods and services is to be recognised in the Comprehensive Income and Expenditure Statement and replaced IAS 18 Revenue and IAS 11 Construction Contracts. The standard introduced the concept of contracting assets and liabilities to account for timing differences between the obligation to deliver goods or services with the unconditional right to receive payment by way of a five step model framework for revenue recognition. As the Authority has relatively predictable income streams the impact has been minimal.

Note 1 Accounting Policies (continued)

Income and Expenditure Recognition

Income and expenditure are recognised in the Comprehensive Income & Expenditure Statement in the financial year in which goods and services are provided or received. 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.

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

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

Interest receivable on investments and payable on borrowings is accounted for as Financing and Investment Income and Expenditure, within the Comprehensive Income and Expenditure Account, based on the effective interest rate for the relevant financial instrument rather than the cash flows set out by contract.

Capital Receipts

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

Useable receipts are initially credited to Other Operating Expenditure within the Comprehensive Income and Expenditure Statement, offset by an equivalent movement in reserves to transfer the income to the Capital Receipts Unapplied Reserve. Reserved receipts are credited to the Capital Adjustment Account to reduce the Council's Capital Financing Requirement. Receipts under £10,000 in value remain as credits within the General Fund.

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

Carbon Reduction Commitment (CRC) Energy Efficiency Scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in the fourth year of its second phase, which ends on 31 March 2019. The Scheme effectively leverages a 'carbon tax' for each tonne of carbon dioxide emitted, and the Council retrospectively purchases carbon dioxide allowances, at a fixed price, to cover its actual carbon dioxide emissions.

The Council's CRC liability is measured as the best estimate of expenditure required to meet this obligation, on the basis of the current market price for the number of allowances required to meet the expected liability at the reporting date. The cost to the Council is recognised in the Comprehensive Income and Expenditure Statement, apportioned to services on the basis of their energy consumption.

Cash and Cash Equivalents

Cash includes all balances, including overdrafts and all deposit accounts, held by the Council with financial institutions, and which are accessible without notice.

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

Contingent Assets and Liabilities

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed by way of notes to the accounts. The notes explain the nature of the asset or liability and an estimate of the potential financial impact. Contingent assets and liabilities will only be confirmed by the occurrence or otherwise of uncertain future events, not wholly within the control of the Council.

Debt Redemption through the Minimum Revenue Provision (MRP)

The Council is required to make provision for the repayment of an element of the accumulated General Fund capital expenditure, financed by borrowing, through a revenue charge, in accordance with the Minimum Revenue Provision (MRP) requirements.

Under regulations issued by the Ministry of Housing, Communities and Local Government (MHCLG) the Council has approved an MRP Statement. Detailed rules place a single duty to charge an amount of MRP which the Council considers ‘prudent’.

The Council approved the following MRP policy for the 2018/19 financial year:

(a) For capital expenditure incurred before 1st April 2008, and for supported capital expenditure incurred on or after that date, MRP will be determined by charging the expenditure based on the expected useful life of the relevant assets using an annuity method, (Option 3 in England and Wales). The annuity rate used in determining the charge is 2%, equal to the Bank of England’s Monetary Policy Committee’s rate of inflation target.

(b) For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset or as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the expenditure has been incurred.

(c) For assets acquired by finance leases or the Private Finance Initiative and for the transferred debt from Merseyside County Council, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

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

EMPLOYEE BENEFITS

Benefits payable during employment

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

Termination benefits

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

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

The liability for termination benefits is charged on an accrual basis to the Comprehensive Income and Expenditure Statement 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.

Post-employment benefits

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

- The Teachers' Pension Scheme, which is a defined benefit scheme administered by Capita on behalf of the Department for Education. The arrangements for this scheme mean that liabilities for these benefits cannot be identified by the Council. The scheme is therefore accounted for as a defined contribution scheme and therefore no liability for future payments of benefits is recognised in the Balance Sheet. The Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pensions Scheme in the year. The pension cost charged to the accounts is the contribution rate set on the basis of a notional fund.
- The NHS Pension Scheme, which is an unfunded defined benefit scheme that covers NHS employers, general practices and other bodies allowed under the direction of the Secretary of State for England and Wales. This scheme covers staff transferred to the employment of the Council following the transfer of public health services on 1 April 2013. It is not possible for the Council to identify its share of the underlying scheme liabilities. The scheme is therefore accounted for as a defined contribution scheme, and therefore no liability for future payments of benefits is recognised in the Balance Sheet.
- The Local Government Pension Scheme administered by the Merseyside Pension Fund for all other employees. From 1 October 1987 the Council has administered this Fund on behalf of all scheduled and admitted bodies. This operates as a defined benefit scheme and the liabilities of the Merseyside Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit method. This method is based on an assessment of the future payments that will be made to members in relation to future retirement benefits earned to date - using assumptions about mortality rates, employee turnover. and projected earnings for current members.

Further information on the specific accounting policies for the Local Government Pension Scheme is included in the Merseyside Pension Fund Accounts section of this document.

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 Local Government Pension Scheme.

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 the price quoted to sellers in the market (the bid price);
- Unquoted securities - professional estimate;
- Unitised securities – the average of the price quoted to sellers (the 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 seven components: -

(i) Current service cost - the increase in liabilities as a result of years of service earned in the financial year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

(ii) Past service gains - the increase in liabilities arising from current year decisions where the effect relates to years of service earned in earlier years, which is debited to Non-Distributed Costs within the Comprehensive Income and Expenditure Statement.

(iii) Net interest on the net defined benefit liability – i.e. the net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments.

(iv) Administration costs, which are charged to the Other Operating Expenditure line within the Comprehensive Income and Expenditure Statement.

Gains/losses on curtailments - the results of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees, debited or credited to Non-Distributed Costs within the Comprehensive Income and Expenditure Statement.

Contributions paid to Merseyside Pension Fund – employer's contributions paid by the Council to the Pension Fund.

Re-measurement - comprising items charged as Other Comprehensive Income and Expenditure:

- The return on plan assets charged to the Pensions Reserve, excluding amounts in net interest on the net defined benefit liability; and
- Actuarial gains and losses – changes in the net pension liability that arises because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.

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

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

Events after the Balance Sheet date

Consideration is given to any material events occurring after the Balance Sheet date, but prior to the Statement of Accounts being authorised for issue.

If a material event provides further evidence of conditions that existed at the Balance Sheet date, the Statement of Accounts is adjusted to reflect its impact.

If a material event provides evidence of an event that did not arise until after the Balance Sheet date, no adjustment is made. However, where an event would have a material effect on the Statement of Accounts then disclosure is made in the notes to the accounts of the nature of the event and either its estimated financial effect or a statement that such an estimate cannot be made reliably.

Fair Value

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

Fair Value is the price that would be received to sell an asset or paid to transfer a liability. A fair value assessment assumes that the transaction to sell the asset or transfer the liability occurs either:

- In the principal market for the asset or liability, or

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

The Council uses appropriate valuation techniques for each circumstance. This takes account of three levels of categories from inputs to valuations for fair value assets:

Level 1 – Quoted prices.

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

Level 3 – Unobservable inputs for the assets or liability.

FINANCIAL INSTRUMENTS

Recognition and Measurement

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

Initial Recognition

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

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

Initial Measurement

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

Financial Assets

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

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council’s business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument)

Financial Assets Measured at Amortised Cost

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

Any gains and losses that arise on de-recognition of assets are credited/debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement surplus or deficit on the provision of services.

Expected Credit Loss Model

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

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

The most significant arrears that require impairment relate to Council Tax and Non Domestic Rates within the Collection Fund accounts. Although these are statutory debts rather than financial instruments, the assessment of impairment allowance for doubtful debts takes into account the same type of information. In the current economic climate there is some uncertainty regarding future collection rates.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

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

• instruments with quoted market prices – the market price

• other instruments with fixed and determinable payments – discounted cash flow analysis.

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

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.

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

Level 3 inputs – unobservable inputs for the asset.

Where fair value of an equity instrument cannot be measured reliably and the best estimate of fair value is cost, it is carried at cost (less any impairment losses).

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

Financial Liabilities

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

Instruments entered into before 1 April 2006

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

Disclosure of the nature and risk arising from Financial Instruments

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

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

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

Government Grants and Other Contributions

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

Specific revenue grants and contributions are recognised in the accounts, matched to the expenditure to which they relate. In the event that the revenue grant is not utilised to match expenditure, the unused grant is transferred into earmarked reserves for future use. In the event that conditions attached to a revenue grant are not met then the balance of the revenue grant that will require repayment to the funding body is treated as a liability in the Balance Sheet, within Short Term Creditors.

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

Grants related to the funding of capital expenditure are treated as income within the Comprehensive Income and Expenditure Statement, also within Taxation and Non-specific Grant Income and Expenditure, 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 Unusable Reserves 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 also held as receipts in advance in the Capital Grants Unapplied Account until such time as the conditions are met and the grant applied to finance capital expenditure. Where a capital grant has been received but the conditions regarding its use are not met, it is transferred to Capital Grants Received in Advance until such time as the grant conditions are met. At this point, it is then recognised as a capital grant within the Comprehensive Income and Expenditure Statement as Taxation and Non-specific Grant Income.

Note 1 Accounting Policies (continued)

Group Accounts

Group Accounts are covered by International Financial Reporting Standard (IFRS)10 - Consolidated Financial Statements, IFRS 11 – Joint Arrangements, IFRS 12 - 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 a number of interests in other entities that fall within the group boundary of the Council on the grounds of control and significant influence in line with the Code. However, as the Council's interests in total are not material, when reviewing both quantitative and qualitative information, group accounts have not been produced. In order to ensure compliance with the Code further details are covered in Note 37 Related Party Transactions and Note 48 Involvement with Companies. Only the Council's share of Joint Operations has been included in the Statement of Accounts.

Heritage Assets

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

These assets are recognised in the Balance Sheet when their value exceeds the 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.

Depreciation is not charged on heritage assets. The Council considers that because the various categories of heritage assets have indeterminate lives and / or high residual values it is not considered appropriate to charge depreciation.

Intangible Assets

Assets which do not have physical substance (e.g. software licences) are treated as Intangible Assets. These assets are capitalised on the Balance Sheet where they are separately identifiable and controlled by the Council (e.g. software licences) and are expected to bring benefits to the Council for more than one financial year. Intangible assets are only capitalised if their value exceeds the capital threshold of £10,000.

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

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

Investment Properties

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

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

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

Joint Operations

Joint operations are activities undertaken by the Council in conjunction with other parties that involve the use of the assets or resources rather than the establishment of a separate entity. The Council recognises on its Balance Sheet its share of the assets and liabilities generated by the operation, and the Cost of Services within the Comprehensive Income and Expenditure Statement includes its share of the expenditure incurred and of income earned from the activity.

Leasing

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

Finance Leases

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

Arrangements containing a lease

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

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

a) Fulfilment of the arrangement is dependent on the use of a specific asset or assets; or

b) The arrangement conveys a right to use the asset.

Overheads and Support Service Costs

The cost of overheads and support services are charged to each theme and portfolio (as set out in the Wirral plan) in the Comprehensive Income and Expenditure Statement in accordance with the Council's arrangements for accountability and financial performance.

Prior Year Adjustments

Prior year adjustments may arise as a result of changes in accounting policies. These are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Material adjustments from changes in accounting policies or the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period in the Statement of Accounts and supporting notes.

Private Finance Initiatives (PFI) and Similar Contracts

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

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

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

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.

PROPERTY, PLANT AND EQUIPMENT (PPE)

Recognition

Property, Plant and Equipment assets are physical assets, 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.

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

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis in the accounts - if it yields benefit to the Council, and the services it provides, for more than one year; the cost 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 Comprehensive Income and Expenditure Statement under Financing and Investment Income and Expenditure.

Note 1 Accounting Policies (continued)

The Council maintains a detailed asset register of all assets that it owns and recognises under finance leases and Public Finance Initiative (PFI) contracts.

Measurement

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

PPE is classified according to the Code of Practice on Local Authority Accounting and are included in the Balance Sheet using the following measurement techniques: -

- Land and buildings are included at current value. Specialist properties were valued using the Depreciated Replacement Cost method. Operational properties, where business is assumed to continue, were valued using the Existing Use Value method.
- Infrastructure assets, community assets, vehicles, plant, furniture and equipment are included in the Balance Sheet at historic cost net of depreciation, where appropriate.
- Surplus assets, which are not essential to the operation of the Council or its services, are included at fair value.
- Assets under construction are held at cost.

Increases in asset valuations are matched by an increase in the Revaluation Reserve to recognise unrealised gains.

Reductions in asset valuations are recognised in the Consolidated Income & Expenditure Statement, unless previous revaluation gains on the asset, held in the Revaluation reserve, are sufficient to offset all or some of the reduction in value.

Where valuation gains or losses are recognised in the Comprehensive Income and Expenditure Statement, equivalent amounts are transferred into the Capital Adjustment Account.

Revaluation gains are depreciated with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost. This amount is transferred each year from the Revaluation Reserve to the Capital Adjustment Account. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date when it came into existence. Gains arising before that date have been consolidated in the Capital Adjustment Account.

Assets are recognised into components for depreciation purposes when the component has a significant cost compared to the total cost of the item (greater than 10% of the asset value) and a different useful life to the remainder of the asset. Only assets with a value of over £2 million are componentised. Where enhancement expenditure replaces an existing component, it becomes necessary to de-recognise the carrying value of the component replaced or restored and replace it with the value of the new component in the carrying amount, even where parts of an asset were not previously recognised as separate components.

Impairment

The value of each category of assets is reviewed at the end of each financial year to assess whether there is any evidence of an impairment loss. This would arise, for example, from a significant decline in the asset’s market value, evidence of obsolescence or physical damage, a change in the regulatory environment within which the Council operates or a commitment to undertake a significant re-organisation.

Note 1 Accounting Policies (continued)

Impairment losses are recognised:

By a reduction in the Revaluation Reserve, up to the level of historical revaluations for that particular asset; or

Within the Comprehensive Income and Expenditure Statement for all impairments that are not covered by historical revaluations within the Revaluation Reserve.

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment (PPE) assets with a determinable finite life, by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

Buildings – straight line allocation (i.e. apportioned equally over the remaining life of the property or its components, as estimated by an authorised valuer); and

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

Infrastructure – straight line allocation over the estimated useful life of the asset.

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

Derecognition of Assets/Disposals

An asset is derecognised by disposal or when no future economic benefit or service potential is expected from its use.

When an asset is derecognised, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to Other Operating Expenditure within the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

Charges to Revenue for Property, Plant and Equipment

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

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

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

Provisions

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

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

The principal provisions relate to rates appeals, severance pay and insurance claims.

Repurchase of Borrowing

Gains and losses on the repurchase or early settlement of borrowing are recognised within the Comprehensive Income and Expenditure Statement in the period during which the repurchase or early settlement is made.

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

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

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

Reserves

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

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

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Revenue Expenditure Funded from Capital Under Statute (REFCUS) is expenditure of a capital nature that does not result in the creation of a non-current asset on the Balance Sheet. These are generally grants and expenditure on property not owned by the Council which have been charged to the Comprehensive Income and Expenditure Statement. These items are normally written-off as expenditure in the year of payment. If financed from existing capital resources or borrowing, a transfer to the Capital Adjustment Account from the Movement in Reserves Statement is used to offset the amounts charged to the Comprehensive Income and Expenditure Statement so that there is no impact on the level of Council Tax.

Schools

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 states the way that schools are recognised within the Council's accounts. Where the balance of control for Local Authority maintained schools lies with the Council – i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended, then the assets, liabilities, reserves and cash flows of those schools are recognised in the Council's financial statements, rather than within Group Accounts. Non-current assets are recognised in the Balance Sheet where the Council directly owns the assets or where the school own the assets or have had rights to use the assets transferred to them.

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

Type of School	Nursery	Primary	Secondary	Special	Total
Community	3	51	2	11	67
Voluntary Aided	-	23	-	-	23
Voluntary Controlled	-	4	-	-	4
Foundation	-	-	3	-	3
Total	**3**	**78**	**5**	**11**	**97**

Value Added Tax (VAT)

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

Note 2 Accounting Standards Issued but Not Yet Adopted

For 2018/19 there are amendments to the following Accounting Standards which will become effective from 1 April 2019.

Accounting changes that are introduced by the 2019/20 code are:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- IFRIC 23 Uncertainty over Income Tax Treatments;
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

These changes are not expected to have a material impact on the Council's statements.

Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies laid out in Note 1, the Council has had to make certain critical judgements about complex transactions or those involving uncertainty about future events. In the accounts these are as follows:

- There is a high degree of uncertainty about future levels of funding for local government and the impact on the economy of implementation of Brexit However, the Council has determined that these uncertainties are not yet sufficient to provide an indication that assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

- In order to deliver Education Services to Wirral residents, the Council provides funding through the Dedicated School Grant to schools. As they remain Local Authority maintained schools, the Council has made a judgement, that it exercises a balance of control over the majority of Voluntary Aided, Voluntary Controlled and Foundation Schools, which therefore fall within the revised accounting requirements of IFRS10 (Consolidated Financial Statements) and IFRS12 (Disclosure of Interests in Other Entities). The Council does however only include within its balance sheet the value of the land and buildings for Foundation Schools where control through ownership remains. School assets are recognised as a disposal from the Council's balance sheet on the date on which a school converts to academy status, not on the date of any related announcement, nor is any impairment recognised by the Council prior to conversion.

- The Council has taken the decision to provide for additional pension fund liabilities of £16.7m in 18/19, following the recent ruling on the McCloud and Sargeant court case. The Court of Appeal ruled that there was age discrimination in the Firefighter unfunded pension schemes and the Judicial pension arrangements regarding transitional protections granted to older members when reformed schemes were introduced in 2015. This ruling – on which the Government's request for an appeal has now been denied – is expected to have implications for other public sector schemes, including the Local Government Pension Scheme operated for Wirral Council by the Merseyside Pension Fund. The provision of £16.7m is based on revised actuarial calculations which also indicate an increase in future pension costs of c £2m per annum.

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

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

The items in the Council's Balance Sheet at 31 March 2019 for which there is significant risks of material adjustment in the forthcoming financial year are shown the table:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £141.1 million. During 2018/19, the Council's actuaries advised that the net pensions liability had increased by £82.3 million as a result of updating of the assumptions.
Property, Plant and Equipment	Land and buildings are revalued using as a guide a 5–year rolling programme, ensuring that the current value of the assets is reflected in the Balance Sheet. Guidance states that assets should be revalued with sufficient regularity to ensure that their carrying value does not differ materially from fair value at the year-end. Any uncertainty could surround the potential difference between current value and fair value as assets with a high value may not have been revalued with sufficient regularity.	If the carrying value of the land and buildings is under-stated by 1% then the carrying value within the Balance Sheet would change by +/- £4.8 million and would be matched by a corresponding change to either the Revaluation Reserve, and/or the Comprehensive Income and Expenditure Statement as a charge for, or reversal of impairment.

Note 5 Material Items of Income & Expense

Significant items of income and expenditure in 2018/19 include:

- An additional increase in pension liabilities of £16.7m, reflecting the outcome of a recent court ruling. (See Note 3).
- The sale of the Acre Lane Professional Excellence Centre, Eastham. (See Note 21).

Note 6 Exceptional Items

There were no exceptional items in 2018/19.

Note 7 Events after the Balance Sheet Date

Relevant events after the balance sheet date have been considered up to 5 November 2019. This is the date the accounts were authorised for issue by the Director of Finance & Investment (S151 Officer).

On 13 September 2019, a Coroner's inquest into a tragic incident in November 2016, involving a section of tree falling on to a vehicle on the highway from Arrowe Park - which resulted in injury to the driver and her unborn child, who sadly died shortly after - found that Wirral Council had contributed to this, through failings in its tree management system. The financial impact of this ruling for Wirral Council remains uncertain at the time of signing the accounts but is not expected to have a material impact on the financial information included in the Statement of Accounts for 2018/19. No adjustments have therefore been made to the accounts.

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.

2018/19	**General Fund Balance £'000**	**Capital Receipts Reserve £'000**	**Capital Grants Unapplied £'000**	**Movement in Useable Reserves £'000**
Adjustments to the Revenue Resources				
Pension Cost transferred to/(from) the Pensions Reserve	22,410	-	-	(22,410)
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(664)	-	-	664
Council tax and National Non-Domestic Rates (transfers to or from the Collection Fund)	(2,429)	-	-	2,429
Holiday Pay transferred to the Accumulated Absences reserve	(246)	-	-	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	-	(53,059)
Total Adjustments to Revenue Resources	**71,965**	**165**	**-**	**(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	-	-
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	(1)	1	-	-
Repayment of Debt - Merseyside Residual Debt Fund (MRDF)		4,469		(4,469)
Statutory Provision for the Repayment of Debt (transfer to the Capital Adjustment Account)	(8,196)	-	-	8,196
Capital Expenditure financed from Revenue Balances (transfer to the Capital Adjustment Account)	(11)	-	-	11
Total Adjustments to Revenue Resources	**(21,632)**	**17,894**	**-**	**3,738**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to Finance Capital Expenditure	-	(14,339)	-	14,339
Write off Merseyside Residual Debt Fund (MRDF) receipt to long term debtors		(4,469)		4,469
Application of Capital Grants to Finance Capital Expenditure	(9,986)	-	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 8 Adjustments Between Accounting Basis and Funding Basis Under Regulations (continued)

2017/18	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Useable Reserves £'000
Adjustments to the Revenue Resources				
Pension Cost transferred to/(from) the Pensions Reserve	5,932	-	-	(5,932)
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(49)	-	-	49
Council tax and National Non-Domestic Rates (transfers to or from the Collection Fund)	5,784	-	-	(5,784)
Holiday Pay transferred to the Accumulated Absences reserve	(1,576)	-	-	1,576
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to Capital Expenditure (these items are charged to the Capital Adjustment Account)	67,632	204	-	(67,836)
Total Adjustments to Revenue Resources	**77,723**	**204**	**-**	**(77,927)**
Adjustments between Revenue and Capital Resources				
Transfer of Non-Current Asset Sale Proceeds from Revenue to the Capital Receipts Reserve	(6,331)	6,331	-	-
Payments to the Government Housing Receipts Pool (funded by a transfer from the Capital Receipts Reserve)	2	(2)	-	-
Repayment of Debt - Merseyside Residual Debt Fund (MRDF)		4,469		(4,469)
Statutory Provision for the Repayment of Debt (transfer to the Capital Adjustment Account)	(7,307)	-	-	7,307
Capital Expenditure financed from Revenue Balances (transfer to the Capital Adjustment Account)	(189)	-	-	189
Total Adjustments to Revenue Resources	**(13,825)**	**10,798**	**-**	**3,027**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	-	(10,419)	-	10,419
Write off Merseyside Residual Debt Fund (MRDF) receipt to long term debtors	-	(4,469)	-	4,469
Application of capital grants to finance capital expenditure	(9,078)	-	(531)	9,609
Grants paid to General Fund to pay for deminimis capital expenditure	-	-	-	-
Cash payments in relation to deferred capital receipts	-	-	-	-
Total Adjustments to Capital Resources	**(9,078)**	**(14,888)**	**(531)**	**24,497**
Total Adjustments	**54,820**	**(3,886)**	**(531)**	**(50,403)**

* 2017/18 movements in the capital receipts reserve have been restated to itemise movements relating to Merseyside Residual Debt Fund separately, to align with their treatment in 2018/19. Total adjustments for 2017/18 remain unchanged.

Note 9 Expenditure and Funding Analysis

This analysis shows how annual expenditure is used and funded from annual resources (government grants, rents, council tax and business rates) by the Council in comparison with those economic resources consumed or earned by the 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 2017-18 figures have been restated to reflect the Directorate structure reported on during 2018-19.

2018/19				2017/18 Restated		
Expenditure Chargeable to the General Fund	**Adjustments between Funding and Accounting Basis**	**Net Expenditure in the CIES**		**Expenditure Chargeable to the General Fund**	**Adjustments between Funding and Accounting Basis**	**Net Expenditure in the CIES**
£'000	£'000	£'000		£'000	£'000	£'000
91,917	1,925	93,842	Adult Care & Health	82,000	669	82,669
26,191	5,573	31,764	Business Managment	27,172	(1,834)	25,338
59,973	20,687	80,660	Childrens Services	57,983	14,552	72,535
57,548	19,317	76,865	Delivery Services	50,975	17,745	68,720
3,489	883	4,372	Economic & Housing Growth	2,272	82	2,354
(4,435)	465	(3,970)	Strategy & Partnerships	148	(174)	(26)
234,683	**48,850**	**283,533**	**Cost Service**	**220,550**	**31,040**	**251,590**
38,161	8,645	46,806	Other Operating Expenditure	37,541	27,299	64,840
21,408	1,835	23,243	Financing and Investment Income and Expenditure	18,422	4,386	22,808
(284,753)	(18,982)	(303,735)	Taxation and Non-Specific Grant Income and Expenditure	(275,445)	(7,904)	(283,349)
9,499	**40,348**	**49,847**	**(Surplus)/Deficit on Provision of Services**	**1,068**	**54,821**	**55,889**
79,719			**Opening General Fund & Earmarked Reserves**	**80,787**		
(9,499)			Less Deficit of Services	(1,068)		
70,220			**Closing General Fund & Earmarked Reserves**	**79,718**		

Note 9 Expenditure and Funding Analysis (continued)

ADJUSTMENTS TO THE GENERAL FUND

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

2018/19 Adjustments for Capital Purposes	2018/19 Net change for the Pensions Adjustments	2018/19 Total Adjustments		2017/18 Restated Adjustments for Capital Purposes	2017/18 Restated Net change for the Pensions Adjustments	2017/18 Restated Total Adjustments
£'000	£'000	£'000		£'000	£'000	£'000
579	1,346	1,925	Adult Care & Health	818	(149)	669
3,716	1,857	5,573	Business Managment	1,449	(3,282)	(1,833)
17,659	3,028	20,687	Childrens Services	16,158	(1,607)	14,551
14,298	5,019	19,317	Delivery Services	18,260	(515)	17,745
308	575	883	Economic & Housing Growth	132	(50)	82
-	465	465	Strategy & Partnerships	-	(174)	(174)
36,560	**12,290**	**48,850**	**Cost Service**	**36,817**	**(5,777)**	**31,040**
8,107	538	8,645	Other Operating Expenditure (i)	26,777	522	27,299
(9,889)	11,552	1,663	Financing and investment income and expenditure (ii)	(7,642)	12,028	4,386
(18,982)	-	(18,982)	Taxation and non-specific grant income and expenditure (iii)	(7,904)	-	(7,904)
15,796	**24,380**	**40,176**	**General Fund Balance (Surplus)/Deficit**	**48,048**	**6,773**	**54,821**

For notes i) to iii) see next page

Adjustments for Capital Funding and Expenditure Purposes:

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

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

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

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

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

- 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.

Note 10 Transfers to/(from) Earmarked General Fund Reserves

The Council keeps a number of reserves in the Balance Sheet that have been set up to earmark funding for future spending plans. These are held for costs which are likely to be incurred but their timing is not certain and they cannot be met from annual budgets. A review of reserves is carried out as part of the budget setting process. The following table discloses each earmarked reserve where the balance is in excess of £0.25 million on either 31 March 2018 or 31 March 2019. Overall movement in the reserves is £4.7 million (made up of £14.0 million additions to reserve and £9.3 million contributions from reserve).

Earmarked General Fund Reserves	**Balance as at 31 March 2017**	**Movement 2017/18**	**Balance as at 31 March 2018**	**Movement 2018/19**	**Balance as at 31 March 2019**
	£'000	£'000	£'000	£'000	£'000
Business Rates Equalisation	6,292	4,035	10,327	(1,652)	**8,675**
Schools Balances	10,501	(274)	10,227	(1,337)	**8,890**
Insurance Fund	9,869	(2,319)	7,550	1,007	**8,557**
Public Health Outcomes	1,727	(146)	1,581	665	**2,247**
Backdated Long Term Care	-	350	350	1,883	**2,233**
Waste Development Fund	4,574	(1,246)	3,328	(1,158)	**2,170**
Housing Benefit	4,718	(2,240)	2,478	(324)	**2,154**
Financial Instrument Equalisation Reserve	-	-	-	2,128	**2,128**
Financial Resilience	-	3,314	3,314	(671)	**2,643**
Collection Fund	-	-	-	2,000	**2,000**
Transformation Fund	2,878	(2,878)	-	1,753	**1,753**
Dedicated Schools Grant	1,072	420	1,492	(77)	**1,415**
Local Development Framework	192	(14)	178	900	**1,078**
Economic Market Risk	-	-	-	1,000	**1,000**
Parks Tree Maintenance	-	1,128	1,128	(252)	**876**
Champs Inovation Fund	513	(257)	257	549	**806**
Intensive Family Intervention Project	375	58	433	234	**667**
Schools Harmonisation	655	-	655	-	**655**

Note 10 Transfers to/(from) Earmarked General Fund Reserves (continued)

(Table continued from previous page)

Earmarked General Fund Reserves	Balance as at 31 March 2017	Movement 2017/18	Balance as at 31 March 2018	Movement 2018/19	Balance as at 31 March 2019
	£'000	£'000	£'000	£'000	£'000
Selective Licensing	538	-	538	-	**538**
H & S Flood Prevention	550	(14)	535	(15)	**520**
S106 - David Wilson Homes	-	244	244	254	**498**
Wirral Ways to Work	740	(348)	391	76	**467**
Community Safety Initiatives	283	79	363	44	**407**
Schools Capital Schemes	559	(126)	433	(69)	**364**
Section 106 - Bloor Homes	389	(50)	339	-	**339**
Enterprise Zone Investment	177	203	380	(52)	**328**
Human Resources Reserve	487	(232)	255	42	**297**
Commercial Management	-	-	-	291	**291**
Regeneration and Inward Investment	-	-	-	285	**285**
One Stop Shop/Libraries IT Networks	1,232	(1,000)	232	-	**232**
Community Assets Transfer	653	(191)	462	(239)	**223**
General Data Protection Regulation (GDPR)	-	276	276	(55)	**221**
Support & Assistance to Public in Need	770	(268)	503	(300)	**202**
Discretionary Housing Payments	424	(211)	213	(24)	**189**
IT Development	673	(545)	128	-	**128**
Better Care Fund	-	988	988	(988)	**-**
Stay, Work, Learn Wise	655	(16)	640	(640)	**-**
Public Health 15-16 Allocations	-	488	488	(488)	**-**
Wirral Ways to Work/Reachout Project	-	347	347	(347)	**-**
Major Infrastructure Project Development	447	(137)	310	(310)	**-**
Europa Centre - Rent Free Top Ups	-	267	267	(267)	**-**
Home Improvements	224	(224)	-	-	**-**
Other Reserves	2,899	335	3,234	842	**4,076**
Total General Fund	**55,065**	**(202)**	**54,863**	**4,688**	**59,552**

Note 10 Transfers to/(from) Earmarked General Fund Reserves (continued)

THE PURPOSES OF THE INDIVIDUAL EARMARKED RESERVES

Business Rates Equalisation

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

Schools Balances

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

	2018/19	2017/18
	£000	£000
Schools in Surplus	10,832	11,364
Schools in Deficit	(1,942)	(1,137)
Net Schools balance	8,890	10,227

	No of schools with in hand balances in hand	No of schools with overdrawn balances
Nursery	2	1
Primary	69	9
Secondary	2	3
Special	9	2
Total	82	15

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.

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.

Backdated Long Term Care

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

Waste Development Fund

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

Housing Benefit

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

Financial Instrument Equalisation Reserve

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 annually over the remaining life of loan.

Financial Resilience

The Council's Medium Term Financial Strategy shows that there are further future financial pressures. It is prudent to retain a reserve that is specifically designed so that future spending reductions can be implemented in a planned and efficient fashion. This reserve will serve this purpose and is to facilitate budget strategy management. It includes amounts to be used to support the 2019/20 budget.

Collection Fund

This reserve is held to meet fluctuations in the income received from Council Tax. To smooth any variation in income due to changes in the collection rate, the reserve aims to mitigate against changes in the amount of Council Tax income.

Transformation Fund

This reserve is to fund transformation projects in 2019/20. As at April 2019/20, planned expenditure includes Children's Transformation, Digital Transformation, Wirral Growth Company, Leisure and Culture.

Dedicated Schools Grant

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

Local Development Framework

Reserve to smooth the funding of annual expenditure on the review and preparation of the local plan. This is held to help deal with costs associated with the Wirral Local Plan, consultation, specific studies, planning policies and planning related activities.

Economic Market Risk

The Council, to advance its regeneration objectives, is working in collaboration with a number of partners to further a range of property developments. These can have income profiles that take time to establish.

This reserve is to act as a contingency against these situations.

Parks Tree Maintenance

This reserve is to fund an extended Borough wide programme of tree maintenance works.

Champs Innovation Fund

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

Intensive Family Intervention Project

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

Schools Harmonisation

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

Selective Licensing

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

Note 10 Transfers to/(from) Earmarked General Fund Reserves (continued)

H&S Flood Prevention

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

S106 – David Wilson Homes

The reserve contains Section 106 monies which are ringfenced as part of Planning condition/ approval.

Wirral Ways to Work

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

Community Safety Initiatives

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

Schools Capital Schemes

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

Section 106 Bloor Homes

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

Enterprise Zone Investment

The enterprise zone allows us to retain business rates growth within this area. This reserve has been set up to fund future projects within the enterprise zone.

Human Resources (HR) Reserve

This reserve will be utilised to fund HR System development fixed term posts related to HR in 2019/20

Commercial Management

This reserve has been set up at the end of 2018/19 to temporarily fund the establishment within Commercial Management until external sources of income are sought to fund the staffing structure permanently in 2020/21.

Regeneration and Inward Investment

Reserve to support business and regeneration activities including support to a number of development projects that the Council is assisting. These contribute to a wider economic growth vision, as set out in the Wirral Growth Plan. The Plan was approved by the Council and outlines a range of key strategic projects and action plans to unlock economic growth, increase employment and prosperity in the area.

One Stop Shop / Libraries IT Networks

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

Community Asset Transfer

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

General Data Protection Regulation (GDPR)

This reserve is to cover additional costs associated with new General Data Protection Regulation which came into force in May 2018.

Support and Assistance to the Public in Need

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

Note 10 Transfers to/(from) Earmarked General Fund Reserves (continued)

Discretionary Housing Payments

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

IT Development

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

Better Care Fund

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

Stay, Work, Learn Wise

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

Public Health 2015/16 Allocations

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

Wirral Ways to Work/Reachout Project

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

Major Infrastructure Project Development

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

Europa Centre – Rent Free Top Ups

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

Home Improvements

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

Other Reserves

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

Note 11 Other Operating Expenditure

Included within gains and losses on the disposal of non current assets in 2018/19 are two primary schools (Portland Primary and Woodslee Primary) which became part of the Co-op Academy Trust, with Town Lane Infants also transferring to Concordia Academy Trust. The net loss on transfer was £8.7 million.

In 2017/18 four primary schools became academies, in addition to the transfer of one secondary school to its governors. This generated a loss on transfer of £23.5 million.

2018/19 £'000		**2017/18** £'000
38,161	Levies	37,541
(1)	Payments to the Government Housing Capital Receipts Pool	2
8,108	Gains/losses on the disposal of non current assets	26,775
538	Other	522
46,806	**Total**	**64,840**

Note 12 Financing and Investment Income and Expenditure

2018/19 £'000		*Note*	2017/18 £'000
13,113	Interest payable and similar charges	*26*	12,625
11,552	Pensions - net interest cost		12,028
(611)	Interest receivable and similar income	*26*	(686)
(887)	Income and expenditure in relation to investment properties and changes in their fair value		(1,197)
76	Gains and losses on trading accounts	*30*	38
23,243	**Total**		**22,808**

Note 13 Taxation and Non Specific Grant Income

2018/19 £'000		Notes	2017/18 £'000
137,601	Council Tax Income		129,342
127,618	Non domestic rates income (including Top-Up Grant)		117,684
21,963	Non-ringfenced government grants - Revenue Grants	*36*	22,635
16,553	Capital Grants and Contributions		13,688
303,735	**Total Taxation and Non-Specific Grant Income and Expenditure**		**283,349**

Note 14 Property, Plant and Equipment

MOVEMENT ON BALANCES 2018/19

In 2018/19 the loss on the disposal of non-current assets is partly due to the change in ownership status of a number of schools. Two schools became part of the Co-op Academy Trust and one other became part of the Concordia Trust.

2018/19	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£000	£'000
COST OR VALUATION							
Balance as at 1 April 2018	**447,514**	**35,222**	**173,879**	**27,145**	**10,983**	**2,572**	**697,315**
Additions	8,308	5,101	7,563	163	204	696	22,035
Revaluation increases/decreases to Revaluation Reserve	36,846	-	-	-	(53)	-	36,793
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	1,347	-	-	(164)	(27)	-	1,156
Derecognition - Disposals	(9,186)	-	-	-	(50)	-	(9,236)
Reclassifications & Transfers	(410)	-	(345)	299	111	-	(345)
Balance as at 31 March 2019	**484,419**	**40,323**	**181,097**	**27,443**	**11,168**	**3,268**	**747,718**
ACCUMULATED DEPRECIATION & IMPAIRMENT							
Balance as at 1 April 2018	**(14,341)**	**(22,317)**	**(52,893)**	**-**	**(111)**	**-**	**(89,662)**
Depreciation Charge	(13,155)	(2,845)	(5,465)	-	(1)	-	(21,466)
Depreciation written out on Revaluation Reserve	5,935	-	-	-	-	-	5,935
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	1,592	-	-	-	-	-	1,592
Derecognition - Disposals	322	-	-	-	46	-	368
Balance as at 31 March 2019	**(19,647)**	**(25,162)**	**(58,358)**	**-**	**(66)**	**-**	**(103,233)**
NET BOOK VALUE							
Balance as at 31 March 2018	**433,173**	**12,905**	**120,986**	**27,145**	**10,872**	**2,572**	**607,652**
Balance as at 31 March 2019	**464,772**	**15,161**	**122,739**	**27,443**	**11,102**	**3,268**	**644,487**

Note 14 Property, Plant and Equipment (continued)

MOVEMENT ON BALANCES 2017/18

2017/18	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under construction £'000	Total PP&E £'000
COST OR VALUATION							
Balance as at 1 April 2017	**475,009**	**31,461**	**167,273**	**27,037**	**10,309**	**8,173**	**719,262**
Additions	8,175	3,761	6,606	108	124	402	19,176
Revaluation increases/decreases to Revaluation Reserve	(432)	-	-	-	285	-	(147)
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(6,234)	-	-	-	(644)	(190)	(7,068)
Derecognition - Disposals	(28,003)	-	-	-	(92)	(5,813)	(33,908)
Reclassifications & Transfers	(1,001)	-	-	-	1,001	-	-
Balance as at 31 March 2018	**447,514**	**35,222**	**173,879**	**27,145**	**10,983**	**2,572**	**697,315**
ACCUMULATED DEPRECIATION & IMPAIRMENT							
Balance as at 1 April 2017	**(13,877)**	**(19,884)**	**(47,730)**	**-**	**(177)**	**-**	**(81,668)**
Depreciation Charge	(12,588)	(2,433)	(5,163)	-	(1)	-	(20,185)
Depreciation written out on Revaluation Reserve	7,697	-	-	-	36	-	7,733
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	3,287	-	-	-	-	-	3,287
Derecognition - Disposals	1,168	-	-	-	3	-	1,171
Other movements in depreciation and impairment	(28)	-	-	-	28	-	-
Balance as at 31 March 2018	**(14,341)**	**(22,317)**	**(52,893)**	**-**	**(111)**	**-**	**(89,662)**
NET BOOK VALUE							
Balance as at 31 March 2017	**461,132**	**11,577**	**119,543**	**27,037**	**10,132**	**8,173**	**637,594**
Balance as at 31 March 2018	**433,173**	**12,905**	**120,986**	**27,145**	**10,872**	**2,572**	**607,652**

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

Note 14 Property, Plant and Equipment (continued)

Depreciation

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

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

Revaluations

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

In 2018/19, 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.

Carrying Value measured against fair value

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

	Land and Buildings £'000	Surplus Assets £'000	Total £'000
Carried at historical cost	3,163	110	3,273
Valued at fair value as at:			
31/03/2019	405,542	11,058	416,600
31/03/2018	49,482	-	49,482
31/03/2017	14,739	-	14,739
31/03/2016	3,995	-	3,995
31/03/2015	7,498	-	7,498
Total Cost or Valuation	**484,419**	**11,168**	**495,587**

Note 15 Heritage Assets

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

	Decorative Art & Other Collections	Buildings	Civic Regalia	Transport	Fine Art	Total Assets
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2018	**3,130**	**757**	**441**	**490**	**9,490**	**14,308**
Revaluations	-	-	-	-	-	-
Balance as at 31 March 2019	**3,130**	**757**	**441**	**490**	**9,490**	**14,308**

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

Fine Art, Decorative Art and Other Collections

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

Fine Art

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

The Liverpool School, Philip Wilson Steer, works by leading local artists. There are over 5,000 items in the Fine Art collection, the most important of which are by Albert Joseph Moore (£2,000,000) and one attributed to Jan Breughel (£200,000).

Valuations are based on the latest insurance estimates (November 2018).

Decorative art and other collections

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

- The Knowles Boney collection of some 300 pieces of porcelain produced in Liverpool between 1750 and 1800;
- The collection of Della Robbia pottery produced in Birkenhead between 1894 and 1906.

There is also a good collection of 18th and 19th century British ceramics and drawings, photographs and fabric samples illustrating the work of Arthur H. Lee and Sons.

There are also collections of glass, metalwork, jewellery, furniture, maritime models, ethnography, artefacts, geology and others.

Acquisition policy

Acquisitions will meet the requirements of the Accreditation Standard. It will take into account limitations on collections imposed by such factors as staffing, storage and care of collection arrangements.

The expansion of collections is achieved by donation, bequest and purchase using grant aid from the Williamson and Priory Friends, The Art Fund and the Museums Association Purchase Funds administered by the Victoria and Albert Museum and Science Museum.

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 2018/19.

Conservation and storage

Access to professional conservation advice is by liaison with the National Museums Liverpool and freelance conservators. Environmental monitoring and control is 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.

Exhibition and public services

The exhibition policy includes specific periodic displays of all items in the collection. Exhibitions in non-gallery venues are also encouraged provided suitable conditions are available. Adequate interpretative facilities are ensured for permanent and temporary displays. Members of the public will be given controlled access to any stored item and related information where circumstances permit. The advice of conservation and curatorial staff will determine the feasibility of loan applications.

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

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

Transport

The collection of some 30 assets (excluding those on loan) is housed within the Wirral Transport Museum and primarily consists of a number of buses, the oldest being a Guy Arab double decker built in 1943 and a collection of motor cycles, the oldest a 1938 Norton H. Valuations are based on insurance quotes obtained during 2018/19.

Civic Regalia

The collection of civic regalia includes 28 items connected with civic functions undertaken as part of the mayoral role and civic events. It consists of mayoral badges, chains, borough maces etc. with the oldest item dated 1877. It also includes 18 items of memorabilia commemorating events and associations that are of local interest. The most recent valuation was undertaken in April 2012 by Mr. J. Phillips of St. George Valuations and is based on the likely cost of replacing the item valued with as near a comparable item as is available for purchase second hand. Revaluations are to be undertaken at a minimum of every ten years.

Buildings

There are two buildings included in the valuation of heritage assets. These are Leasowe Lighthouse, which is the oldest brick built lighthouse in the country and Bidston Hill Windmill, which was operational until 1875. Valuations have been undertaken by the Council’s own valuers and are based on their fair value. Valuations were undertaken between January 2008 and March 2018.

Heritage Assets not reported in the Balance Sheet

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

There are 12 SSIs 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 2 sites that are considered to be of an archaeological interest the Council does not consider that reliable cost or valuation information can be obtained because of the diverse nature of the assets and the lack of comparable market values. Consequently, any such assets are not included in the Balance Sheet.

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 2018/19 the Council acquired Birkenhead Vue Cinema forming part of the Strategic Acquisition Programme that supports the key economic goals of the Council.

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

2018/19	**Investment Properties**	**2017/18**
£'000		£'000
21,546	Balance at start of the Year	12,605
7,235	Additions	8,950
(1,629)	Disposals	(282)
204	Net Gains/Losses from Fair Value Adjustments	273
27,356	**Balance at 31 March**	**21,546**

Note 16 Investment Properties (continued)

Fair Value Hierarchy for Investment Properties

Details of the Authority's Investment Properties and information about the Fair Value Hierarchy at 31st March 2019 are shown in the table:

Transfers between levels of the Fair Value Hierarchy

There were no transfers from Level 2 to Levels 1 or 3 throughout the year.

	2018/19		2017/18	
Recurring Fair Value measurements using:	**Other significant observable inputs** (Level 2) £'000	**Fair Values at 31 March 2019** £'000	**Other significant observable inputs** (Level 2) £'000	**Fair Values at 31 March 2018** £'000
Development Sites	2,060	2,060	2,810	2,810
General Income Buildings	16,425	16,425	9,563	9,563
General Income Sites	4,433	4,433	5,034	5,034
Industrial Land & Buildings	4,438	4,438	4,139	4,139
Total	**27,356**	**27,356**	**21,546**	**21,546**

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

Property Type	Valuation Technique
Development Site	- Based on the potential for residential or commercial development - Value by area (typically by acre) for similar sites in similar locations
General Income Buildings (including halls, cafes and recreational buildings generating rental income)	- Based on current income stream - Where possible the valuation is based on the potential to achieve a market rent, determined by potential price for similar buildings (usually by square foot)
General Income Site (land which generates income e.g. ground leases/advertising hoardings)	- Lease or licence determines the income stream and potential for rent review - Where rent is reviewed, the rent is set at the market price for comparable sites
Industrial Land and Buildings (Council's industrial portfolio of managed workspace)	- Let on short term tenancies with regular rent review patterns - Market rent based upon directly comparable properties based on the area

Highest and best use of investment properties

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

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.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation charged to revenue in 2018/19 was £0.384 million (2017/18 £0.383million).

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

2018/19	Intangible Assets	2017/18
£'000		£'000
932	Balance at 1st April	1,315
(384)	Amortisation for the Year	(383)
548	**Balance at 31st March**	932

Note 18 Financial Instruments

(a) 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, equity and property funds managed by Columbia Threadneedle & CCLA fund managers held as strategic investments

3. Fair value through profit and loss (all other financial assets) comprising:

- money market funds managed by external fund managers,
- pooled bond, equity and property funds managed by Payden and Royal London Asset Management 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.

Note 18 Financial Instruments (continued)

(b) Financial Instruments Balances

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

Long Term			Short Term		Total	
	Restated*			Restated*		Restated*
31 March 2019	31 March 2018		31 March 2019	31 March 2018	31 March 2019	31 March 2018
£'000	£'000		£'000	£'000	£'000	£'000
		Financial Assets				
1,550	1,238	Investments	10,988	26,413	12,538	27,651
-	-	Trade Receivables	26,186	32,134	26,186	32,134
-	-	Cash & Cash Equivalents	29,105	22,666	29,105	22,666
1,550	**1,238**	**Total Financial Assets**	**66,279**	**81,213**	**67,829**	**82,451**
		Financial Liabilities				
164,542	171,503	Borrowings	94,233	95,297	258,775	266,800
39,556	42,418	PFI Liability	2,862	2,947	42,418	45,365
-	-	Trade Creditors	45,720	40,293	45,720	40,293
-	-	Bank Overdraft	2,375	-	2,375	-
204,098	**213,921**	**Total Financial Liabilities**	**145,190**	**138,537**	**349,288**	**352,458**

** Investments and cash and cash equivalents at 31 March 2018 have been restated for the impact of IFRS 9 'Financial Instruments', as summarised in the table below:*

	IAS 39	Reclassification	Impairment	IFRS 9
	31 March 2018			1 April 2018
	£'000	£'000	£'000	£'000
Financial Assets				
Investments				
Loans & Receivables (Amortised Cost)	21,716		(48)	21,668
Available for Sale (Fair Value - Other Comprehensive Income)	5,983	(4,998)		985
Fair Value - Profit & Loss		4,998		4,998
Total Investments	**27,699**	**-**	**(48)**	**27,651**
Cash & Cash Equivalents				
Available for Sale (Fair Value - Other Comprehensive Income)	22,666	(22,666)		-
Fair Value - Profit & Loss		22,666		22,666
Total Cash & Cash Equivalents	**22,666**	**-**	**-**	**22,666**
Total Financial Liabilities	**50,365**	**-**	**(48)**	**50,317**
Financial Liabilities				
Borrowing (Amortised Cost)	266,800			266,800
Other Long-Term Liabilities	45,365			45,365
Total Financial Liabilities	**312,165**	**-**	**-**	**312,165**

Both Money Market Funds and Pooled Funds used to be classified as 'Available for Sale' under IAS 39. Under IFRS 9, Money Market Funds and non-elected pooled funds are now classed as 'Fair Value – Profit & Loss' within Investments and Cash & Cash Equivalents respectively.

Note 18 Financial Instruments (continued)

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

Long Term			Short Term	
31 March 2019	**31 March 2018**		**31 March 2019**	**31 March 2018**
£'000	£'000		£'000	£'000
		Amortised Cost		
1,550	1,250	Principal	4,000	20,400
39	14	Accrued Interest	15	52
(44)	(26)	Loss Allowance	(2)	(22)
		Fair Value through Other Comprehensive Income (FVOCI)		
-	-	Principal	2,000	1,000
-	-	Accrued Interest	12	-
-	-	Equity Investments elected FVOCI	(91)	(15)
		Fair Value - Profit & Loss		
-	-	Fair Value	4,994	4,998
1,545	**1,238**	**Total Investments**	**10,928**	**26,413**
		Amortised Cost		
-	-	Principal	8,278	-
-	-	Accrued Interest	10	-
-	-	Loss Allowance	(3)	-
		Fair Value - Profit & Loss		
-	-	Fair Value	20,836	22,666
-	**-**	**Total Cash & Cash Equivalents**	**29,121**	**22,666**
1,545	**1,238**	**Total Financial Assets**	**40,049**	**49,079**

Note 18 Financial Instruments (continued)

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

Long Term			Short Term	
31 March 2019	**31 March 2018**		**31 March 2019**	**31 March 2018**
£'000	£'000		£'000	£'000
		Borrowings		
170,981	174,059	Nominal Amount	91,953	93,003
-	-	Accrued Interest	2,280	2,293
(6,440)	(2,557)	Effective Interest Rate Adjustments	-	-
164,541	**171,502**	**Total Amortised Cost**	**94,233**	**95,296**

Equity instruments elected to fair value through other comprehensive income

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

Fair Value			Dividends	
31 March 2019	**31 March 2018**		**31 March 2019**	**31 March 2018**
£'000	£'000		£'000	£'000
979	985	Columbia Threadneedle Strategic Bond Fund	30	13
942	-	Churches, Charities and Local Authorities (CCLA) Property Fund	30	-
1,921	**985**	**Total**	**60**	**13**

(C) Gains and Losses on Financial Instruments

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

	Financial Liabilities	**Financial Assets**			**Total**
	Liabilities Measured at amortised cost	**Amortised Cost**	**Elected Fair Value through Other Comprehensive Income (OCI)**	**Fair Value through P&L**	**2018/19**
	£'000	£'000	£'000	£'000	**£'000**
Interest expense	(13,344)	-	-	-	**(13,344)**
Impairment losses	-	-	-	-	**-**
Interest payable and similar charges	(13,344)	-	-	-	**(13,344)**
Interest Income	-	167	61	152	**380**
Gains on derecognition	-	-	-	-	**-**
Total Interest and Investment Income	-	167	61	152	**380**
Loss on revaluation	-	-	(77)	(4)	**(81)**
Deficit arising on revaluation of financial assets	-	-	(77)	(4)	**(81)**
Net gain/ (loss) for the year	**(13,344)**	**167**	**(16)**	**148**	**(13,045)**

(D) Fair Value of Financial Instruments

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 2019, 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 observable for the asset or liability, e.g. interest rates or yields for similar instruments.

Level 3 – fair value is determined using unobservable inputs. E.g. non-market data such as cash flow forecasts or estimated creditworthiness.

	Fair Value Level	Carrying Amount as at 31 March 2019 £'000	Fair Value as at 31 March 2019 £'000	Carrying Amount as at 31 March 2018 £'000	Fair Value as at 31 March 2018 £'000
Financial Liabilities held at amortised cost:					
PWLB Loans	2	21,460	25,138	22,560	26,413
LOBO Loans	2	102,143	197,649	112,113	209,377
Other Loans	2	45,133	85,260	45,140	87,661
Lease Payables & PFI	2	42,418	47,073	45,365	49,194
Total		**211,154**	**355,120**	**225,178**	**372,645**
Others for which fair value is not disclosed *		138,134		127,280	
Total Liabilities		**349,288**		**352,458**	
Financial Assets held at fair value:					
Money Market Funds	1	20,836	20,836	22,650	22,650
Externally Managed Funds	1	6,915	6,915	5,983	5,983
Total		**27,751**	**27,751**	**28,633**	**28,633**
Others for which fair value is not disclosed *		40,078		53,818	
Total Financial Assets		**67,829**		**82,451**	
Financial Assets:					
Loans and Receivables		13,892	13,892	21,684	21,684
Trade Receivables		26,186	26,186	32,134	32,134
Total Financial Assets		**40,078**	**40,078**	**53,818**	**53,818**

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

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

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

Note 19 Debtors

2018/19				2017/18 (Restated)		
Gross Debtors	**Impairment**	**Net Debtors**	**Debtors**	**Gross Debtors**	**Impairment**	**Net Debtors**
£'000	£'000	£'000		£'000	£'000	£'000
45,780	(19,594)	26,186	Trade Receivables	51,033	(18,899)	32,134
5,667		5,667	Prepayments	4,304		4,304
23,392	(14,849)	8,543	Local Taxation	20,745	(13,335)	7,410
17,329		17,329	Other Receivable amounts	20,065		20,065
92,168	**(34,443)**	**57,725**	**Total**	**96,147**	**(32,234)**	**63,913**

Note 20 Cash and Cash Equivalents

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

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

2018/19		**2017/18**
£'000	**Cash & Cash Equivalents**	£'000
29,105	Call Accounts	22,650
(2,375)	Cash at Bank/(Overdraft)	2,087
26,730	**Total**	**24,737**

Note 21 Assets Held for Sale

The reduction in Assets Held for Sale during 2018/19 reflects the sale of the Acre Lane Professional Excellence Centre, Eastham.

This site has been sold for housing development as part of the Wirral Plan.

	Current 2018/19	2017/18
	£'000	£'000
Balance outstanding at 1 April	**11,051**	**11,078**
Assets newly classified as Held for Sale	-	21
Net Revaluations	-	(23)
Disposals	(11,051)	(25)
Balance outstanding at 30 March	**-**	**11,051**

Note 22 Creditors

2018/19	Creditors	2017/18
£'000		£'000
45,720	Trade Payables	40,293
11,390	Other Payables	22,322
57,110	**Total**	**62,615**

Note 23 Provisions

Provisions

The provisions figures shown in the Balance Sheet comprises:

Provisions	Balance as at 1 April 2018 £'000	Increase in provision during year £'000	Utilised during year £'000	Balance as at 31 March 2019 £'000
Short Term				
Severance Pay	173	2,260	(173)	**2,260**
Insurance Fund	1,000	-	(150)	**850**
NNDR Appeals	10,504	106	(2,180)	**8,431**
Carbon Reduction Commitment	346	-	-	**346**
Land Charges	248	-	-	**248**
Birkenhead Market TUPE	-	100	-	**100**
Financial Instrument	-	48	-	**48**
Other	110	31	(47)	**94**
Total Short Term Provisions	**12,381**	**2,545**	**(2,550)**	**12,377**
Long Term				
Insurance Fund	2,275	102	-	**2,376**
Total Long Term Provisions	**2,274**	**102**	**-**	**2,376**

Severance Pay

The Council has identified funding that will be required for staff reductions in financial year 2018/19 that will cost £2.260 million 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 2018/19 but also any backdated amount relating to earlier years. This will include decisions made in future years regarding appeals which may affect the 2018/19 and earlier financial years' business rates charges. The provision calculation is based upon data supplied by the Valuation Office at 31 March 2019 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 2017/18 have been met from this provision in 2018/19.

Land Charges

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

Other Provisions

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

Note 24 Useable Reserves

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

Useable Reserve	**Balance as at 1 April 2018** £'000	**Movement** £'000	**Balance as at 31 March 2019** £'000	**Purpose of Reserve**
General Fund Balance	24,856	(14,188)	10,668	Resources available to meet future unexpected revenue and capital costs
Earmarked General Fund Reserves	54,862	4,690	59,552	See Note 10 for further details. This includes schools balances
Capital Receipts Reserve	1,672	(749)	923	Contains the proceeds of fixed assets sales that are available to meet the future capital investment
Capital Grants Unapplied	14,388	1,863	16,251	Government grants and contributions received in year for projects
Total	**95,778**	**(8,384)**	**87,394**	

Note 25 Unusable Reserves

Unusable Reserves	**31/03/2018**	**Movement in year**	**31/03/2019**
	£'000	£'000	£'000
Revaluation Reserve	220,912	23,414	**244,326**
Available for Sale Financial Instruments Reserve	(19)	19	**-**
Capital Adjustment Account	135,165	(3,047)	**132,118**
Financial Instrument Reserves	(3,423)	637	**(2,786)**
Deferred Capital Receipts Reserve (England and Wales)	2,660	(2,061)	**599**
Pensions Reserve	(480,226)	(70,367)	**(550,593)**
Collection Fund Adjustment Account	(1,588)	2,429	**841**
Accumulated Absences Account	(3,465)	245	**(3,220)**
Total Unusable Reserves	**(129,985)**	**(48,732)**	**(178,717)**

Further information on each of the above reserves is included on the pages that follow as part of Note 25.

Note 25 Unusable Reserves (continued)

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.

31/03/2019 £'000		31/03/2018 £'000
220,912	**Balance at 1 April**	**228,563**
49,248	Upward Revaluation of Assets	15,784
(6,520)	Downward Revaluation of Assets and Impairment Losses not charged to the Surplus or Deficit on the Provision of Services	(6,465)
42,728	**Surplus or Deficit on Revaluation of Non-Current Assets not posted to the Surplus or Deficit on the Provision of Services**	**9,319**
(4,485)	Difference between Fair Value Depreciation and Historical Cost Depreciation	(3,888)
(14,829)	Revaluation Balances on Assets scrapped or disposed of	(13,082)
(19,314)	**Amount written off to the Capital Adjustment Account**	**(16,970)**
244,326	**Balance at 31 March**	**220,912**

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.

Note 25 Unusable Reserves (continued)

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.

31/03/2019 £'000		31/03/2018* £'000
135,165	**Balance at 1 April**	**158,492**
	Reversal of Items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(19,102)	Charges for Depreciation, Revaluation Losses and Impairment of Non-Current Assets	(24,372)
(4,469)	Repayment of debt - Merseyside Residual Debt Fund	(4,469)
4,485	Historic Cost Adjustment on Revaluation Lossess on Property, Plant and Equipment	3,888
(19,015)	Revenue Expenditure funded from Capital under Statute	(15,099)
(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	(33,044)
(59,649)		**(73,096)**
	Capital Financing applied in the Year:	
14,339	Use of the Capital Receipts Reserve to finance New Capital Expenditure	10,419
14,717	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing	14,235
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	7,307
11	Capital Expenditure charged against the General Fund	189
41,732		**36,619**
14,829	Balance in Revaluation Reserve written off on disposal of Assets	13,081
204	Movements in the Market Value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	273
(163)	Public Sector Housing Loans	(204)
132,118	**Balance at 31 March**	**135,165**

* 2017/18 movements in the capital adjustment account have been restated to itemise movements relating to Merseyside Residual Debt Fund separately, to align with their treatment in 2018/19. The balance at 31 March 2018 remains unchanged.

Note 25 Unusable Reserves (continued)

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 2019 the reserve had a balance of £0.599 million (2017/18 £2.660 million).

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 – including the impact of a recent court ruling on pensions as outlined in Note 3 - 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 note 44 for details) the Pensions Reserve total shown below does not match the Pensions Liability in note 42. 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.

31/03/2019 £'000		**31/03/2018** £'000
(480,226)	**Balance at 1 April**	**(535,408)**
(47,956)	Remeasurements of the Net Defined Benefit Liability/(Asset)	61,113
(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	(39,417)
34,324	Employers Pensions Contributions and Direct Payments to Pensioners payable in the Year	33,486
(550,593)	**Balance at 31 March**	**(480,226)**

OTHER RESERVES

Financial Instrument Reserves:

Financial Instruments 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 2019 the account had a balance of £2.689 million (2017/18 £3.423 million)

Financial Instrument Revaluation Reserve & Pooled Fund Adjustment Account

The Financial Instrument Revaluation Reserve & Pooled Fund 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. At 31 March 2019, these reserves had a total debit balance of £0.097 million (2017/18 nil).

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 2019, the account had a balance of £841 million Credit (2017/18 £1.588 million Debit), representing the Council's share of the overall Collection Fund balance.

Accumulated Absences Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account. The account had a credit/debit balance of £3.220 million at 31 March 2019 (2017/18 balance £3.465 million credit).

Note 26 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2018/19 £'000		**2017/18** £'000
	The Net (Surplus)/Deficit on the Provision of Services includes:	
13,113	Interest paid	12,625
(611)	Interest received	(686)
	Adjustment to Net (Surplus)/Deficit on the Provision of Services for Non-Cash Movements:	
(21,466)	Depreciation	(20,185)
2,952	Net Impairments and Revaluations	(3,531)
(384)	Amortisation of Intangible Assets	(383)
(6,188)	Increase/(Decrease) in Debtors	14,325
5,506	(Increase)/Decrease in Creditors	(6,180)
22	Increase/(Decrease) in Stock/WIP	8
(22,410)	Movement in Pension Liability	(5,932)
(21,548)	Non-Cash Items relating to the Disposal of Fixed Assets	(33,044)
195	Other Non-Cash Items charged to the Net Surplus or Deficit on the Provision of Services	(2,908)
(63,321)		**(57,830)**
	Adjustment for Items in the Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities	
16,580	Grants applied to the Financing of Capital Expenditure	13,704
6,494	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	6,331
23,074		**20,035**

Note 27 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2018/19 £'000		**2017/18** £'000
29,270	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	28,126
(15,177)	Purchase of Short Term & Long Term Investments	511
149	Other Payments for Investing Activities	103
(6,494)	Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(6,331)
(15,477)	Proceeds from Short Term & Long Term Investments	361
(19,353)	Other Receipts from Investing Activities	(18,289)
(27,082)	**Net Cash Flows from Investing Activities**	**4,481**

Note 28 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2018/19 £000		**2017/18** £000
(3,700)	Cash Receipts from Short and Long Term Borrowing	(57,371)
2,947	Cash Payments for the Reduction of the Outstanding Liability relating to a Finance Lease and On-Balance Sheet PFI Contracts	2,620
6,988	Repayment of Short and Long Term Borrowing	2,711
9,254	Other Payments for Financing Activities	28,679
15,489	**Net Cash Flows from Financing Activities**	**(23,361)**

Note 29 Expenditure and Income Analysed by Nature

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

2018/19 £'000		2017/18 £'000
275,018	Employees	254,489
431,279	Other Service Expenses	410,902
40,611	Depreciation, Amortisement & Impairment	57,347
24,665	Interest Payments	24,653
38,161	Precepts & Levies	37,541
(1)	Payments to Housing Capital Receipts Pool	2
8,108	Loss/(Gain) on Disposal of Assets	26,775
817,841	**Total Expenditure**	**811,709**
(128,054)	Fees, Charges and Other Service Income	(119,612)
(1,422)	Interest and Investment Income	(1,845)
(265,219)	Income from Council Tax and Non Domestic Rates	(247,026)
(373,299)	Government Grants and Contributions	(387,337)
(767,994)	**Total Income**	**(755,820)**
49,847	**(Surplus)/ Deficit on the Provision of Services**	**55,889**

Note 30 Trading Account

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

Details are shown in the table:

2018/19 Expenditure	2018/19 Income	2018/19 Net Expenditure/ (Income)		2017/18 Expenditure	2017/18 Income	2017/18 Net Expenditure/ (Income)
£'000	£'000	£'000		£'000	£'000	£'000
730	(654)	76	Building Cleaning	613	(575)	38
730	**(654)**	**76**	**Total**	**613**	**(575)**	**38**

Note 31 Pooled Budgets

Wirral Council has 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 Wirral Council and commenced on 1st April 2015; it includes, but is not limited to, services funded by the Better Care Fund.

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

The pooled budget is governed by Wirral Health & Care Commissioning (WHCC).

The increase in funding provided to the pooled budget during 18/19 reflects additional services brought into the revenue pool - including complex care packages and mental health services.

2018/19 £'000		**2017/18** £'000
	Revenue	
	Funding provided to the Pooled Budget:	
79,862	Wirral Council	18,913
48,136	Wirral Clinical Commissioning Group	25,369
127,998	**Total**	**44,282**
	Expenditure met from the Pooled Budget:	
79,492	Wirral Council	36,650
48,731	Wirral Clinical Commissioning Group	6,781
128,223	**Total**	**43,431**
(225)	**Net Surplus/(Deficit) arising on the Pooled Budget during the Year**	**851**
(113)	**Cost of the Council's Share of the Surplus/(Deficit) on the Pooled Budget for the Year**	**426**

Note 31 Pooled Budgets (continued)

Capital Pooled Budgets

2018/19 £'000		2017/18 £'000
	Capital (Disabled Facilities Grant)	
	Funding provided to the pooled budget:	
3,858	Wirral Council	3,592
-	Wirral Clinical Commissioning Group	-
3,858	**Total**	**3,592**
	Expenditure met from the pooled budget:	
3,858	Wirral Council	1,662
-	Wirral Clinical Commissioning Group	-
3,858	**Total**	**1,662**
-	**Net Surplus/(Deficit) arising on the Pooled Budget during the Year**	**1,930**
-	**Cost of the Council's Share of the Surplus/(Deficit) on the Pooled Budget for the Year**	**1,930**

Note 32 Members Allowances

During the year Members' allowances, including Employer's costs totalled £792,000 (2017/18 £790,000) as set out in the table:

2018/19		**2017/18**
£'000		£'000
12	Mayor/Deputy Allowance	12
776	Allowances	773
4	Expenses	5
792	**Total**	**790**

Note 33 Officers' Remuneration

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

2018/19	**Employment Period**	***Notes***	**Salaries** £	**Expenses Allowances** £	**Compensation for Loss of Office** £	**Pension Contribution** £	**Total** £
Chief Executive (Eric Robinson)	01/04/18-31/03/19		175,874	176	-	25,665	**201,715**
Director for Strategy and Partnerships	01/04/18-31/03/19		109,700	-	56,376	15,855	**181,931**
Director for Delivery (Asst CEX)	01/04/18-31/03/19		116,779	-	-	17,050	**133,828**
Director for Health and Wellbeing	01/04/18-31/03/19		82,708	407	-	11,930	**95,046**
Director of Finance and Investment	01/04/18-31/03/19		108,296	32	-	15,698	**124,026**
Director for Care and Health	01/04/18-31/03/19		116,779	-	-	17,050	**133,828**
Director for Children	01/04/18-31/03/19		143,750	-	-	20,988	**164,738**
Director of Economic & Housing Growth	25/06/18-13/12/18	*a)*	85,140	-	-	7,877	**93,016**
Director for Business Management	01/04/18-31/03/19	*b)*	126,162	-	-	18,403	**144,565**
Director for Governance and Assurance	01/04/18-31/03/19		108,155	-	-	15,744	**123,899**
Total			**1,173,343**	**616**	**56,376**	**166,258**	**1,396,593**

a) - Left organisation 13/12/18
b) - Covered Director of Economic & Housing Growth post in addition to Director for Business Management from 13/12/18

Note 33 Officers' Remuneration (continued)

2017/18	Employment Period	*Notes*	Salaries £	Expenses Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
Chief Executive (Eric Robinson)	01/04/17-31/03/18		175,905	150	-	23,907	**199,962**
Director for Strategy and Partnerships	01/04/2017-31/07/17	*a)*	41,517	-	-	120,509	**162,026**
Director for Strategy and Partnerships	01/08/17-31/03/18		69,071	-	-	9,877	**78,948**
Managing Director for Delivery	01/04/17-31/03/18		118,753	34	93,413	357,223	**569,423**
Director of Transformation	01/04/17-31/03/18		121,370	-	-	16,501	**137,871**
Director for Health and Wellbeing	01/04/17-31/07/18	*b)*	30,951	-	-	4,426	**35,377**
Director for Health and Wellbeing	01/08/17-31/03/18		72,751	-	-	6,373	**79,125**
Acting Section 151 Officer	01/04/17-31/12/17	*c)*	99,947	-	-	8,579	**108,526**
Director of Finance and Investment	11/12/17-31/03/18		30,558	-	-	4,156	**34,714**
Director for Care and Health	01/04/17-31/03/18		113,532	1,073	-	15,416	**130,021**
Director for Children	01/04/17-22/05/17	*d)*	59,045	-	-	2,231	**61,276**
Director for Children	23/05/17-03/12/17	*e)*	54,330	24	-	7,389	**61,743**
Director for Children	04/12/17-31/03/18		43,927	-	-	5,974	**49,901**
Director for Business Services (Ast CEX)	01/04/17-31/03/18		113,406	38	-	15,416	**128,861**
Assistant Director Governance and Assurance	01/04/17-03/09/17	*f) & g)*	39,675	36	-	-	**39,711**
Total			**1,184,737**	**1,355**	**93,413**	**597,978**	**1,877,482**

a) Left organisation 31/07/17

b) Left post 31/07/17

c) Left organisation 31/12/17

d) Left organisation 22/05/17

e) Left post 03/12/17

f) Left organisation 03/09/17

g) Director of Governance and Assurance covered by interim from 04/09/17-31/03/18

Note 33 Officers' Remuneration (continued)

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

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

Remuneration Band	2018/19 Number of Employees	2017/18 Number of Employees
£50,001 to £55,000	67	65
£55,001 to £60,000	44	48
£60,001 to £65,000	46	46
£65,001 to £70,000	28	20
£70,001 to£ 75,000	9	14
£75,001 to £80,000	16	7
£80,001 to £85,000	9	7
£85,001 to £90,000	6	4
£90,001 to £95,000	5	1
£95,001 to £100,000	1	2
£100,001 to £105,000	1	1
£105,001 to £110,000	2	1
£110,001 to £115,000	2	2
£115,001 to £120,000	2	-
£120,001 to £125,000	-	1
£125,001 to £130,000	1	-
£130,001 to £135,000	1	-
£140,001 to £145,000	1	-
£165,001 to £170,000	1	-
£175,001 to £180,000	1	1
£215,000 to £219,999	-	1
Total	**243**	**221**

Note 33 Officers' Remuneration (continued)

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

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	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**
£0-£20,000	-	1	86	62	86	63	742	385
£20,001 - £40,000	-	-	26	21	26	21	768	568
£40,001 - £60,000	-	-	5	-	5	-	247	-
£60,001 - £100,000	-	-	2	2	2	2	147	164
Total	**-**	**1**	**119**	**85**	**119**	**86**	**1,904**	**1,117**

Note 34 External Audit Costs

In 2018/19 the following fees were paid relating to external audit and inspection:

2018/19 £'000		**2017/18** £'000
123	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	160
29	Fees payable to Grant Thornton for the certification of grant claims and returns for the year	24
13	Fees payable in respect of other services provided during the year	8
165	**Total**	**192**

Note 35 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 2018/19 are shown in the table:

2018/19	**Central Expenditure** £'000	**Individual Schools Budget** £'000	**Total** £'000
Final DSG for 2018/19 before Academies recoupment			257,851
Academy figure recouped for 2018/19			(89,347)
Total DSG after academy recoupment for 2018/19			**168,504**
Plus: Brought forward from 2017/18			2,286
Less: Carry forward to 2019/20 (agreed in advance)			(794)
Agreed initial budgeted distribution in 2018/19	**28,689**	**141,307**	**169,996**
In year adjustments	48	-	48
Final budget distribution for 2018/19	**28,737**	**141,307**	**170,044**
Less: Actual central expenditure	(28,514)	-	(28,514)
Less: Actual ISB deployed to schools	-	(141,307)	(141,307)
Plus: Local Authority contribution for 2018/19	1,192	-	1,192
To carry forward to 2019/20 agreed in advance	-	-	794
Carry forward to 2019/20	**1,415**	**-**	**2,209**

Note 35 Dedicated Schools Grant (continued)

Comparative figures for 2017/18 are as follows:

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

Note 36 Grant Income

The Council credited the following grants and contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19.

2018/19 £'000	Credited to Taxation and Non-Specific Grant Income	2017/18 £'000
	Revenue Grants:	
5,471	School Private Finance Initiative	5,471
-	Education Services Grant	918
9,586	Grant to compensate Authorities for changes to the business rates	8,764
1,230	Levy Account Surplus Grant	-
1,520	New Homes Bonus Grant	2,444
1,125	Adult Social Care Support Grant	1,808
1,571	Independent Living Fund Grant	1,622
441	Other Revenue Grants (less than £250k)	572
543	Local Council Tax Support Admin Grant	569
253	Local Reform & Community Voices	250
223	SEND Implementation	217
21,963	**Total Revenue Grants**	**22,635**
	Capital Grants:	
6,195	Local Transport Grant	4,645
-	DFT Challenge	752
2,638	School Condition	2,535
949	Sustainable Transport Enhance Programme	735
4,058	Disabled Facilities Grants	3,898
-	Basic Needs Grant	620
1,058	Formula Capital	281
900	Civilised Streets	-
340	Land Drainage / Flood Protection	-
442	Other Capital Grants (less than £250k)	238
16,580	**Total Capital Grants**	**13,704**
38,543	**Total credited to Taxation and Non-Specific Grant Income**	**36,339**

Note 36 Grant Income (continued)

Grant Income Credited to Services

2018/19 £'000	Credited to Services	2017/18 £'000
168,616	Dedicated Schools Grant	166,256
104,656	Housing Benefits	119,287
29,079	Public Health Grant	29,898
13,056	Pupil Premium	13,179
5,143	Improved Better Care Fund Grant	8,307
3,188	16-19 Further Education YPLA	3,446
1,239	Housing Benefits Admin. Grant	1,399
3,228	Universal Infant Free School Meals (UIFSM)	3,440
857	Discretionary Housing Payments	872
1,606	PE & Sports Grant	1,302
526	Adult Safeguarded Learning	839
552	Youth Justice Board	552
2,398	Wirral Ways to Work	2,221
612	Teachers Pay Grant	-
334,756	**Total**	**350,998**

Note 36 Grant Income (continued)

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them. These will require the monies to be returned to the giver, if not spent in accordance with the conditions. The balances at the year-end totalled £0.830 million. Revenue grants with conditions totalling less than £1 million are included in short term creditors.

2018/19 £'000	**Grants Received in Advance**	**2017/18** £'000
290	Cluster of Empty Homes	303
67	Mulberry Properties	67
473	Basic Needs	-
-	Other	3
830	**Total**	**373**

Note 37 Related Party Transactions

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

Central Government

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

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in Note 32. During 2018/19, works and services to the value of £22.2 million were commissioned from companies in which Members had an interest, including payments to Wirral Evolutions (£6.64 million in 2018/19, £5.67 million in 2017/18), Edsential (£4.33 million in 2018/19, £4.6 million in 2017/18), Merseyside Pension Fund (£3.85 million in 2018/19, £4.7 million in 2017/18), Cheshire & Wirral Partnership NHS Foundation Trust (£4 million in 2018/19) and to various other organisations (£3.3 million in 2018/19). In all instances, the payments were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the payments. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Town Hall during office hours.

Officers

During 2018/19, the Assistant Chief Executive declared interests as a director of two companies significantly influenced by the Council - Edsential CIC and the Wirral Growth Company. The acting officer hadn't taken part in any discussion or decision relating to the awarding of contracts or making payments to the companies that they have declared an interest in.

Entities Controlled or Significantly Influenced by the Authority

The Council has significant influence over Wirral Evolutions Limited through its ownership of 100% of the shares in the company. The Council purchased adult social care services to the value of £6.64 million from the company in 2018/19 (£5.63 million in 2017/18) and has provided payroll services for Wirral Evolutions. Wirral Evolutions has a net pension deficit of £4.7 million as at 31st March 2019 (£3.5 million as at 31st March 2018)

The Council has significant influence over Edsential Community Interest Company through its ownership of 50% of the shares in the company and having a senior officer on the Board. The Council purchased Catering and Educational services to the value of £4.3 million from the company in 2018/19 (£4.6 million in 2017/18) and provided payroll services to Edsential CIC. The Council also guarantees the Merseyside Pension Fund element of Edsential's pension liability, which equates to £3 million (£2.5 million in 2017/18).

The Council acts as guarantor for a number of staff who work in various external bodies that have been admitted to the Merseyside Pension Fund. On cessation of the body's participation in the fund, any shortfalls are initially claimed from the admitted body. If they cannot be recovered from that source, the pension fund would look at the guarantee arrangements and draw down from bonds that are in place and, if still insufficient, from the guarantor. The Council acts as guarantor for a number of bodies. The estimated unrecorded liability is not material at 31 March 2019 and has not be been reflected in the 2018/19 Accounts.

Note 37 Related Party Transactions (continued)

Other Public Bodies

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

	Number of Representatives	Precept/ Levy 2017/18 £'000	Precept/ Levy 2018/19 £'000
Merseyside Police Authority	2	15,155	16,418
Merseyside Fire and Rescue Service	4	6,788	7,757
Merseyside Recycling and Waste Authority	2	15,373	16,100
Merseyside Port Health	6	68	33
Liverpool City Region Combined Authority	4	21,898	21,786

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

The Council acts as the administering Council to Merseyside Pension Fund and charged the Fund £3.58 million (2017/18 £3.3 million) for administration and investment management costs.

Note 38 Capital Expenditure and Capital Financing

2018/19 £'000	Capital Expenditure and Capital Financing	2017/18* £'000
339,086	**Opening Capital Financing Requirement**	**332,377**
22,035	Property, Plant and Equipment	19,176
7,235	Investment Properties	8,950
149	Other	103
13,863	Expenditure re flexible use of capital receipts	9,026
5,221	Revenue Expenditure Funded from Capital under Statute	9,601
48,503	**Total**	**46,856**
	Sources of finance	
(14,339)	Capital receipts - applied to Capital Expenditure	(10,419)
(4,469)	Capital receipts - applied to Merseyside Residual Debt Fund (MRDF) debt	(4,469)
(14,786)	Government grants and other contributions	(17,763)
	Sums set aside from revenue:	
	Direct revenue contributions:	
(11)	Revenue Contributions	(189)
(8,196)	Minimum Revenue Provision	(7,307)
(41,801)	**Total**	**(40,147)**
345,788	**Closing Capital Finance Requirement**	**339,086**
	Explanation of movements in year	
6,702	Increase in underlying need to borrowing (supported by government financial assistance)	6,709
6,702	**Increase/(decrease) in Capital Financing Requirement**	**6,709**

* 2017/18 movements in the capital financing requirement have been restated to itemise movements relating to Merseyside Residual Debt Fund separately, to align with their treatment in 2018/19. The balance at 31 March 2018 remains unchanged.

Note 39 Leases

Council as Lessor

The Council has leased out the following properties on finance leases with the remaining terms shown in the table. . During the year the Council acquired Birkenhead Market which explains most of the movement between March 2018 and March 2019 in the tables below.

Property	Lessor	Remaining Term
Wirral Country Park Caravan Site (Touring)	The Caravan Club Ltd	10 years
Wirral Country Park Caravan Site (Static)	The Caravan Club Ltd	30 years
New Brighton Marine Point	Promenade Wirral Limited	243 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 table.

2018/19 £'000		**2017/18** £'000
	Finance Lease Debtor (Net Present Value of Minimum Lease Payments):	
4	- Current	4
595	- Non-Current	2,656
10,681	Unearned Finance Income	25,256
11,280	**Gross investment in the lease**	**27,916**

Note 39 Leases (continued)

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

	Investment in the Lease		Lease Payments	
	2018/19	**2017/18**	**2018/19**	**2017/18**
	£'000	£'000	£'000	£'000
No later than 1 year	136	287	80	129
Later than 1 year and no later than 5 years	546	1,146	270	430
Later than 5 years	10,598	26,484	805	1,216
Total	**11,280**	**27,917**	**1,155**	**1,775**

Note 40 Private Finance Initiative (PFI) and Similar Contracts

The Wirral Schools' PFI Scheme Project Agreement was originally signed in March 2001 and involved the rebuilding and/or refurbishment of one primary and eight secondary schools in Wirral. A Deed of Amendment was entered into on 9 September 2004 to extend the contract until July 2031.

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

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

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

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

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

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

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

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

Bebington High and South Wirral High have adopted Foundation status. University Academy Birkenhead, Weatherhead High, Hilbre High, Wirral Grammar School, Kingsway Academy and Prenton High have adopted Academy status. The assets relating to the Academies are no longer reflected in the Balance Sheet.

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 on the following page.

Note 40 Private Finance Initiative (PFI) and Similar Contracts (continued)

Valuation information for PFI assets recognised in the Balance Sheet:

	Leasowe Primary £'000	**South Wirral High** £'000	**Bebington High** £'000	**Total** £'000
Movement in 2018/19				
Valuation				
Expenditure	-	32	-	32
Revaluations	(98)	2,172	-	2,074
Accumulated depreciation at 1 April 2018	(23)	(377)	(385)	(785)
Depreciation 2018/19	-	(127)	(340)	(467)
Accumulated depreciation at 31 March 2019	(23)	(504)	(725)	(1,252)
Net Book Value				
At 31 March 2019	**2,697**	**12,550**	**11,745**	**26,992**
At 31 March 2018	2,795	10,473	12,085	25,353
Comparative Movement in 2017/18				
Valuation 1 April 2017	2,749	10,750	12,540	26,039
Expenditure	10	-	-	10
Revaluations	59	100	(70)	89
Accumulated depreciation at 1 April 2017	(27)	(291)	(301)	(619)
Depreciation 2017/18	4	(86)	(84)	(166)
Accumulated depreciation at 21 March 2018	(23)	(377)	(385)	(785)

Note 40 Private Finance Initiative (PFI) and Similar Contracts (continued)

Payments

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

2018/19	**Payment for Services**	**Lease Liability**	**Interest**	**Life-cycle Costs**	**Total**
	£'000	£'000	£'000	£'000	£'000
Payable within one year	4,570	2,862	3,952	1,074	**12,458**
Payable within two to five years	19,802	11,567	16,358	5,891	**53,618**
Payable within six to ten years	28,747	18,615	24,567	4,972	**76,901**
Payable within eleven to fifteen years	15,331	9,374	11,899	1,101	**37,705**
Payable within sixteen to twenty years	-	-	-	-	**-**
Total	**68,450**	**42,418**	**56,776**	**13,038**	**180,682**

The unitary payment in 2018/19 is £12.163 million (2017/18 £11.73 million), allocated as follows:

2018/19		**2017/18**
£'000		£'000
4,450	Service costs	4,279
3,994	Interest and Similar Charges	3,731
2,947	Lease Liability	2,624
772	Life Cycle Costs	1,094
12,163	**Total**	**11,728**

Note 40 Private Finance Initiative (PFI) and Similar Contracts (continued)

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	**Current Year**	**2017/18**
£'000		£'000
45,365	**Balance outstanding at start of year**	**47,985**
(2,947)	Payments during the year	(2,624)
-	Other Movements	4
42,418	**Balance outstanding at year-end**	**45,365**

Note 41 Long Term Debtors

Long Term Debtors	MCC Debt	Regeneration Loans	Council Mortgages	Leases	Capital Receipts	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2017	**35,746**	**4,199**	**8**	**2,660**	**-**	**42,613**
Advances	-	93	-	-	-	93
Repaid	(4,468)	(203)	(3)	(4)	-	(4,678)
Balance at 31 March 2018	**31,278**	**4,089**	**5**	**2,656**	**-**	**38,028**
Balance at 1 April 2018	**31,278**	**4,089**	**5**	**2,656**	**-**	**38,028**
Advances	-	149	-	-	3,465	3,614
Reclassified	-	345	-	-	-	345
Repaid	(4,469)	(200)	(5)	(2,058)	-	(6,732)
Balance at 31 March 2019	**26,809**	**4,383**	**-**	**598**	**3,465**	**35,255**

Note 42 Other Long Term Liabilities

The 2018/19 increase in Other Long Term Liabilities is mainly due to a increase in the Pension Liability, and the requirement to fund this deficit in future years. The increased liability is the Actuary's revised assessment of the value of the assets and liabilities of the Merseyside pension scheme. More details are shown in note 44.

	PFI Long Term Liability	Other lease liability	Pensions liability	Total
	£'000	£'000	£'000	£'000
Balance 1 April 2017	**45,361**	**-**	**535,408**	**580,769**
Repayments	(2,943)	-	-	(2,943)
Deficit Funding	-	-	(78,076)	(78,076)
Balance 31 March 2018	**42,418**	**-**	**457,332**	**499,750**

Balance 1 April 2018	**42,418**	**-**	**457,332**	**499,750**
Repayments	(2,862)	-	-	(2,862)
Deficit Funding	-	-	82,049	82,049
Balance 31 March 2019	**39,556**	**-**	**539,381**	**578,937**

Note 43 Pension Schemes Accounted for as Defined Contribution Schemes

Teachers

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

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

The Scheme has 3,700 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2019, the Authority's own contributions are negligible.

In 2018/19, the Council paid £9.74m (2017/18: £9.826m) 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 £9.44m.

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

Public Health

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

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

The Scheme has over 1.3m active members employed in a wide variety of organisations. A small number of staff (41) transferred from the Wirral PCT and consequently the Council is unable to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the NHS Pension Scheme during the year ending 31 March 2018, the Authority's own contributions are negligible.

In 2018/19 the Authority paid £0.181m (2017/18: £0.164m) 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 £0.260m.

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

Note 44 Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in 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 Authority 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 - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However there are no investment assets built up to meet these liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

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

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

Discretionary Post-retirement Benefits

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

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. 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.

Note 44 Defined Benefit Pension Schemes (continued)

Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme		Discretionary Benefits		Unfunded Teachers Scheme	
	2018/19 *	2017/18	2018/19	2017/18	2018/19	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement						
Cost of services:						
Current Service Cost	34,028	35,449	-	-	-	-
(Gain)/Loss from Settlements	(2,291)	(9,038)	-	-	-	-
Past Service Cost	12,908	456	-	-	-	-
Other Operating Expenditure						
Administration Cost	538	522	-	-	-	-
Financing and Investment Income and Expenditure:						
Net Interest Expense	9,840	10,259	1,013	1,038	699	731
Total Post-employment Benefits Charged to the Surplus of Deficit on the Provision of Services	**55,023**	**37,648**	**1,013**	**1,038**	**699**	**731**
Other Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement						
Remeasurement of the Net Defined Benefit Liability Comprising:						
Return on Plan Assets (Excluding the Amount Included in the Net Interest Expense)	(35,223)	(69)	-	-	-	-
Actuarial Gains and Losses Arising on Changes in Demographic Assumptions	-	-	-	-	-	-
Actuarial Gains and Losses Arising on Changes in Financial Assumptions	80,931	(59,637)	1,338	(924)	910	(483)
Total remeasurement of the net Defined Benefit Liability	**45,708**	**(59,706)**	**1,338**	**(924)**	**910**	**(483)**
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**100,731**	**(22,058)**	**2,351**	**114**	**1,609**	**248**
Movement in Reserves Statement						
Reversal of Net Charges made to the Surplus or Deficit on the Provision of Services for Post-employment Benefits in Accordance with the Code	(55,023)	(37,648)	(1,013)	(1,038)	(699)	(731)
Actual Amount Charged Against the General Fund Balance for Pensions in the Year:						
Employers' Contributions Payable to Scheme	17,454	51,072	-	-	-	-
Retirement Benefits Payable to Pensioners	-	-	2,630	2,640	2,558	2,668

* The 18/19 costs of the Local Government Pension Scheme include £16.7m resulting from the McCloud and Sargeant court case (see note 3). £11.1m of this relates to past service costs and £5.6m reflects the associated remeasurement of assets and liabilities included in the Return on Plan Assets line of the above table.

Note 44 Defined Benefit Pension Schemes (continued)

Pension Assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as set out in the table below.

The liability below differs to the pension reserve in note 25. This is due to a prepayment agreement referred to in the Impact on the Authority's Cashflows section of this note. This is because the liability was reduced by the whole sum of the three year prepayment in the first year and the reserve is reduced as it is applied to the General Fund each year.

	Local Government Pension Scheme		Discretionary Benefits		Unfunded Teachers Scheme		Total	
	2018/19	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	1,635,141	1,510,562	40,013	40,292	27,212	28,161	1,702,366	1,579,015
Fair value of Assets	1,162,985	1,121,683	-	-	-	-	1,162,985	1,121,683
Net liability arising from Defined Benefit Obligation	**(472,156)**	**(388,879)**	**(40,013)**	**(40,292)**	**(27,212)**	**(28,161)**	**(539,381)**	**(457,332)**

Note 44 Defined Benefit Pension Schemes (continued)

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

	Local Government Pension Scheme		Discretionary Benefits		Unfunded Teachers Scheme	
	2018/19	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance at 1 April	1,121,683	1,094,377	-	-	-	-
Interest on Plan Assets	28,869	27,602	-	-	-	-
Remeasurements:	34,371	(15,999)	-	-	-	-
Employers Contributions	17,454	51,072	2,630	2,640	2,558	2,668
Contributions by scheme participants	6,760	6,572	-	-	-	-
Benefits paid	(45,614)	(41,419)	(2,630)	(2,640)	(2,558)	(2,668)
Administration Costs	(538)	(522)	-	-	-	-
Closing value of scheme assets	**1,162,985**	**1,121,683**	**-**	**-**	**-**	**-**

Note 44 Defined Benefit Pension Schemes (continued)

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

	Local Government Pension Scheme		Discretionary Benefits		Unfunded Teachers Scheme	
	2018/19	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance at 1 April	1,510,562	1,556,386	40,292	42,818	28,161	30,581
Current Service Cost	34,028	35,449	-	-	-	-
Interest Cost	38,709	37,861	1,013	1,038	699	731
Contributions from Scheme Participants	6,760	6,572	-	-	-	-
Remeasurements (Liabilities)	80,931	(59,637)	1,338	(924)	910	(483)
Past service cost	11,093	142	-	-	-	-
Curtailments	1,815	314	-	-	-	-
Liabilities assumed on entity combinations	-	-	-	-	-	-
Benefits paid	(45,614)	(41,419)	(2,630)	(2,640)	(2,558)	(2,668)
Settlements	(3,143)	(25,106)	-	-	-	-
Balance as at 31 March	**1,635,141**	**1,510,562**	**40,013**	**40,292**	**27,212**	**28,161**

Note 44 Defined Benefit Pension Schemes (continued)

Local Government Pension Scheme Assets Comprised:

2018/19	2018/19		2017/18	2017/18
£'000	%		£'000	%
		Equities:		
178,527		UK Quoted	236,337	
30,713		UK Unquoted	-	
242,879		Global Quoted	355,013	
118,986		Global Unquoted	-	
571,105	*49.1%*		**591,350**	*52.7%*
		Bonds:		
142,293		UK Corporate (including UK Index-Linked)	139,537	
42,158		UK Government	40,268	
184,451	*15.9%*		**179,805**	*16.0%*
		Property:		
70,991		UK Direct Property	65,170	
23,492		UK Managed Property (Quoted and Unquoted)	19,068	
16,547		Global Managed Properties	15,704	
111,030	*9.5%*		**99,942**	*8.9%*
		Private equity		
36,941		UK Quoted & Unquoted	37,015	
41,235		Global	35,109	
78,176	*6.7%*		**72,124**	*6.4%*
		Hedge Funds		
5,769		UK Hedge Funds	5,721	
29,404		Global Hedge Funds	29,388	
35,173	*3.0%*		**35,109**	*3.1%*
		Infrastructure		
44,912		UK Infrastructure	27,706	
28,365		Global Infrastructure	22,097	
73,277	*6.3%*		**49,803**	*4.4%*
		Opportunities		
46,394		UK Opportunities	43,522	
29,491		Global Opportunities	20,079	
75,885	*6.5%*		**63,601**	*5.7%*
33,888	*2.9%*	**Cash Instruments**	**29,949**	*2.7%*
1,162,985	*100.0%*	**Total assets**	**1,121,683**	*100.0%*

Note 44 Defined Benefit Pension Schemes (continued)

Basis for Estimating Assets and Liabilities

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

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

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

The significant assumptions used by the actuary are set out in the table.

Local Government Pension Scheme

2018/19		2017/18
	Long-term expected rate of return on Scheme Assets:	
6.5%	Equity investments	6.5%
2.2%	Government Bonds	2.2%
2.9%	Other Bonds	2.9%
5.9%	Property	5.9%
0.5%	Cash/Liquidity	0.5%
Variable	Other	Variable
	Mortality assumptions:	
	Longevity at 65 current pensioners:	
22.2	Men	22.0
25.0	Women	24.8
	Longevity at 65 for future pensioners:	
25.2	Men	25.0
27.9	Women	27.8
	Financial assumptions:	
2.2%	Rate of CPI 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	2.6%

Sensitivity analysis

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table on the previous page.

The sensitivity analysis below is based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The longevity assumptions, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated.

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

	Defined Benefit		Unfunded Teachers Scheme	
	Increase in assumption £000	Decrease in assumption £000	Increase in assumption £000	Decrease in assumption £000
Longevity (increase or decrease in one year)	(33,752)	33,752	(1,126)	1,126
Rate of inflation (increase or decrease by 1%)	(28,907)	28,907	(232)	232
Rate of increase in salaries (increase or decrease by 1%)	(4,223)	4,223	-	-
Rate of increase in pensions (increase or decrease by 1%)	-	-	-	-
Rate for discounting liabilities (increase or decrease by 1%)	28,417	(28,417)	230	(230)

In 18/19 the impact of the McCloud and Sargeant court ruling (see note 3) resulted in additional pension costs of £16.7m, which remain very sensitive to the assumptions applied. For example, if future real pay growth assumptions were changed from 1.5% above CPI to zero, the additional costs could be as low as zero. If future real pay growth of 0.75% p.a. above CPI was anticipated this could result in additional past service liabilities of c £5.5m at 31 March 2019 and additional projected service costs for the year commencing 1 April 2019 of £1m pa.

Asset and Liability Matching Strategy

The Pensions Committee of the Merseyside Pension Fund has agreed to an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The fund has matched assets to the pensions' obligations by investing in long-term fixed interest securities and index linked gilt edged investment with maturities that match the benefits payments as they fall due. This is balanced with a need to maintain the liquidity of the fund to ensure that it is able to make current payments. As is required by the pensions and (where relevant) investment regulations the suitability of various types of investment have been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range. A large proportion of the assets relate to equities (49% of scheme assets) and bonds (16%).

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

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

Impact on the Authority's Cashflows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 22 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

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

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

The Council anticipates to pay £19.4m expected contributions to the scheme in 2019/20. Expected contributions to the Discretionary Benefits scheme in 2019/20 are £2.6m. The weighted average duration of the defined benefit obligation for scheme members is 17 years for 2018/19 (17 years 2017/18).

Qualitative Disclosures required under IAS19

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

Retirement Benefit Obligations

At 31 March 2019 the Council's principal pension arrangement for its employees was the Merseyside Pension Fund, which is part of the Local Government Pension Scheme (LGPS). The LGPS is a funded defined benefit pension arrangement for local authorities and related employers, and is governed by statute (principally now the Local Government Pension Scheme Regulations 2013).

The Merseyside Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees. Each employer's contributions to the Fund are calculated in accordance with the LGPS Regulations, which require an actuarial valuation to be carried out every three years. The latest actuarial valuation of the Fund was carried out at 31 March 2016, and at that date showed a funding level of 85% (assets of £6.85bn against accrued liabilities of £8.081bn). The weighted average duration of the liabilities of the Fund as a whole is 19 years, measured on the IAS19 actuarial assumptions. The duration of the liabilities for the individual employers which participate in the scheme can be significantly different from this, reflecting the profile of its employees and former employees.

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

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

Health workers: The Authority's costs in relation to this scheme are set by central government as a percentage of contributing members' pay. The related funding risks are borne by central government.

Governance and Risk Management

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

Nature of Fund

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

Governance

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

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

Funding the Liabilities

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

The weighted average duration of the Authority's defined benefit obligation is 17 years, measured on the actuarial assumptions used for IAS19 purposes.

Risks and Investment Strategy

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

The Fund is cognisant of the risk that the shorter term returns may vary significantly from one period to another and between the benchmark and actual returns. Diversification of assets is seen as key to managing this risk and the risk/return characteristics of each asset and their relative correlations are reflected in the make-up of the strategic benchmark.

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

Market Price / Interest rate / Currency risk

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

Credit Risk

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

Liquidity Risk

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

Other Risks

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

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

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

Amendments, Curtailments and Settlements

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

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

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

Schemes for Teachers and Health Workers

Nature of Funds

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

Governance

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

Funding the Liabilities

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

Investment Risks

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

Other Risks

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

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

Note 45 Trust Funds

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

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

2018/19	Income £'000	Expenditure £'000	Assets £'000	Liabilities £'000
EF Callister	-	-	373	-
Stitt Scholarship	-	-	38	-
Criminal Injuries	-	-	6	-
Other	1	-	80	-
Total	**1**	**-**	**497**	**-**

Note 46 Contingent Assets and Liabilities

National Non-Domestic Rates Appeals

The Council has made a provision for National Non-Domestic Rates appeals based upon its best estimate of the actual liability in known appeals at 31 March 2019. 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.

Note 47 Nature and Extent of Risks Arising From Financial Instruments (continued)

The table opposite summarises the credit risk exposures of the Council's investment portfolio as at 31 March 2019 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**	**Long Term Investment**	**Balance Invested as at 31 March 2019**	**Balance Invested as at 31 March 2018**
	£'000	£'000	£'000	£'000	£'000
AAA	13,828	7,000	-	20,828	22,650
AA-	3,277	4,000	-	7,277	6,000
A+	5,000	-	-	5,000	-
A	-	-	-	-	6,000
Unrated Building Societies	-	-	-	-	3,000
Other Local Authorities	-	-	-	-	5,000
Unrated Subsidiaries +Corporate	-	-	1,550	1,550	1,650
Total	**22,105**	**11,000**	**1,550**	**34,655**	**44,300**
Credit risk not applicable *	7,000	-	-	7,000	6,000
Total Investments	**29,105**	**11,000**	**1,550**	**41,655**	**50,300**

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

Note 47 Nature and Extent of Risks Arising From Financial Instruments (continued)

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 2019 was as follows:

	31 March 2019		31 March 2018	
	£'000	%	£'000	%
Maturity of Borrowing (years): *				
Not over 1 year	94,233	36.4%	95,295	35.7%
Over 1 year but not over 2	3,615	1.4%	2,682	1.0%
Over 2 years but not over 5	5,650	2.2%	8,482	3.2%
Over 5 years but not over 10	6,716	2.6%	5,645	2.1%
Over 10 years but not over 20	2,406	0.9%	-	0.0%
Over 20 years but not over 40	16,239	6.3%	15,765	5.9%
Over 40 years	26,464	10.2%	27,096	10.2%
Uncertain date	103,451	40.0%	111,833	41.9%
Total Borrowing	**258,774**	**100.0%**	**266,798**	**100.0%**

** Included in the table above (on the Uncertain date line) are £102.1m (2018: £112.1m) of "Lender's option, borrower's option" (LOBO) loans, valued at amortised cost (see Note 18), with a principal value of £107.5m (2018: £113.5m). These are loans 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. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain. The Effective Interest Rate on these loans ranges from* 4.68% to 9.18%.

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:

2018/19	Trade Receivables	2017/18
£'000		£'000
45,780	Gross Receivables	51,033
(19,594)	Impairment	(18,899)
26,186	**Net Trade Receivables**	**32,134**

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):

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 (2018: £113.5m) 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.

31/03/2019 £'000		**31/03/2018** £'000
633	Increase in interest payable on variable rate borrowings	463
(291)	Increase in interest receivable on variable rate investments	(419)
51	Decrease in Fair Value of Investments held at Fair Value reported in Profit and Loss (FVPL)	43
393	**Impact on Surplus or Deficit on the Provision of Services**	**87**
27	Decrease in Fair Value of Investments reported at Fair Value in Other Comprehensive Income (FVOCI)	32
420	**Impact on Comprehensive Income and Expenditure**	**119**
3	Decrease in Fair Value of Loans and Investments at Amortised Cost*	37
(45,959)	Decrease in Fair Value of Fixed Rate Borrowing	(48,261)

**No impact on Comprehensive Income and Expenditure.*

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 2019 would result in a £0.05m (2018: No such investment) charge to Other Comprehensive Income and Expenditure which is then transferred to the Pooled Investment Funds Adjustment Account.

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.

Transition to IFRS 9 Financial Instruments

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The main changes include the reclassification and remeasurement of financial assets and the earlier recognition of the impairment of financial assets and the remeasurement of modified loan liabilities.

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements, and the effect of the remeasurement is instead shown as an additional line in the Movement in Reserves Statement.

Note 48 Involvement with Companies

Involvement with Companies

The Council has relationships with a number of entities over which it has varying degrees of control and influence.

These are classified according to whether they are subsidiaries, associates or joint ventures.

Evolutions Limited is an associate of the Council, with Edsential Limited and the Wirral Growth Company Limited Liability Partnership being classified as joint ventures.

An entity is an associate when the Council is an investor and has the power to exercise significant influence over the entity's operating and financial policies. It is presumed that significant influence exists when the Council holds more than 20% (but less than 50%) of the voting rights of an entity.

An entity is a joint venture when the Council has established a contractual arrangement with a third party to undertake an activity that is subject to joint control, where the strategic, financial and operating decisions relating to the activity require the unanimous consent of all parties, and where the Council has rights to share the net assets of the arrangement.

Note 49 Restatement of 2017/18 Cost of Services

Reclassification of 2017/18 Cost of Services in the Comprehensive Income and Expenditure Statement

During 2018/19, the Council restructured into six Directorates. To enable comparison between 2017/18 and 2018/19, all 2017/18 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 2017/18 Comprehensive Income and Expenditure Statement and the table opposite shows how this maps to the Directorate structure applied in 2018/19:

	2017/18		
Wirral Plan Theme and Portfolio	**Expenditure**	**Income**	**Net**
	£'000	£'000	£'000
People			
Adult Care and Health	160,967	87,944	73,023
Children & Families	61,641	4,233	57,408
Children & Families - Schools	230,144	210,023	20,121
People Total	**452,752**	**302,200**	**150,552**
Environment			
Environment	48,516	23,933	24,583
Housiing & Community Safety	154,882	127,899	26,983
Localism & Engagement	1,731	112	1,619
Environment Total	**205,129**	**151,944**	**53,185**
Business			
Finance & Income Generation	32,788	5,642	27,146
Highways & Transport	22,259	7,643	14,616
Leadership	4,601	2,058	2,543
Transformation	3,946	398	3,548
Business Total	**63,594**	**15,741**	**47,853**
Cost of Service	**721,475**	**469,885**	**251,590**

			2017/18		
Directorate	**Theme**	**Portfolio**	**Expenditure**	**Income**	**Net**
			£'000	£'000	£'000
Adult Care & Health			**139,656**	**56,987**	**82,669**
	People		139,656	56,987	82,669
		Adult Care & Health	137,243	56,920	80,322
		Childrens & Families	2,413	66	2,347
Business Managment			**140,027**	**114,688**	**25,338**
	Business		20,964	2,776	18,188
		Finance and Income Generation	17,088	2,414	14,674
		Highways and Transport	(43)	(1)	(42)
		Leadership	(28)	(35)	7
		Transformation	3,946	398	3,549
	Environment		132,320	124,935	7,384
		Environment	(596)	(77)	(519)
		Housing and Community Safety	132,946	125,043	7,904
		Localism and Engagement	(30)	(30)	-
	People		(13,257)	(13,023)	(235)
		Adult Care & Health	(1,407)	-	(1,407)
		Childrens & Families	(165)	(165)	-
		Childrens & Families - Schools	(11,684)	(12,857)	1,173
Childrens Services			**298,498**	**225,963**	**72,535**
	Business		1	-	1
		Finance and Income Generation	1	-	1
	People		298,498	225,963	72,534
		Childrens & Families	57,207	3,322	53,885
		Childrens & Families - Schools	241,291	222,641	18,650
Delivery Services			**104,312**	**35,592**	**68,720**
	Business		37,522	10,862	26,660
		Finance and Income Generation	15,419	3,228	12,191
		Highways and Transport	22,103	7,634	14,469
	Environment		66,253	24,491	41,762
		Environment	46,053	22,284	23,769
		Housing and Community Safety	20,200	2,207	17,993
	People		538	239	298
		Childrens & Families - Schools	538	239	298
Economic & Housing Growth			**6,136**	**3,782**	**2,354**
	Business		3,423	2,076	1,347
		Highways and Transport	199	10	189
		Leadership	3,224	2,066	1,159
	Environment		2,712	1,706	1,007
		Environment	2,712	1,706	1,007
Strategy & Partnerships			**32,847**	**32,873**	**(26)**
	Business		1,684	27	1,657
		Finance and Income Generation	280	-	280
		Leadership	1,404	27	1,377
	Environment		3,844	812	3,032
		Environment	347	20	327
		Housing and Community Safety	1,736	650	1,086
		Localism and Engagement	1,761	143	1,619
	People		27,319	32,034	(4,715)
		Adult Care & Health	25,132	31,023	(5,891)
		Childrens & Families	2,187	1,011	1,177
Total			**721,476**	**469,885**	**251,590**

4

Additional Financial Statements

Collection Fund and Income and Expenditure Account

2018/19			2017/18	
£'000	£'000		£'000	£'000
		Council Tax		
		Income		
	164,881	Council Tax due for the Year (Note 2)		153,761
	164,881	**Total Income**		**153,761**
		Expenditure		
		Precepts (Note 2):		
136,464		Wirral Council	127,430	
16,419		Police & Crime Commissioner for Merseyside	15,155	
7,063	159,946	Merseyside Fire & Rescue Service	6,788	149,373
	3,590	Provision for Bad and Doubtful Debts (Note 4)		2,148
		Apportionment of previous year surplus / (deficit) (Note 5):		
1,450		Wirral Council	3,924	
170		Police & Crime Commissioner for Merseyside	480	
80	1,700	Merseyside Fire & Rescue Service	215	4,619
	165,236	**Total Expenditure**		**156,140**
	355	**Council Tax - Net Expenditure / (Income) in the year**		**2,379**
		National Non-Domestic Rates (NNDR) - Business Rates		
		Income		
	72,448	National Non-Domestic Rates (NNDR) due for the year (Note 3)		66,689
	72,448	**Total Income**		**66,689**
		Expenditure		
	333	Cost of Collection		334
	1,219	Transitional Arrangements		1,907
		Payments to Major Precepting Authorities (Note 3):		
70,711		Wirral Council	67,892	
714	71,425	Merseyside Fire & Rescue Service	686	68,578
	760	Provision for Bad and Doubtful Debts (Note 4)		842
	(2,094)	Provision for Appeals (Note 4)		(1,892)
		Apportionment of previous year surplus / (deficit) (Note 5):		
(10)		Central Government	737	
(1,945)		Wirral Council	722	
(20)	(1,975)	Merseyside Fire & Rescue Service	15	1,474
	69,668	**Total Expenditure**		**71,243**
	(2,780)	**NNDR - Net Expenditure / (income) in the year**		**4,554**
	(2,425)	**Total Net Expenditure / (Income) in the Collection Fund for the year**		**6,933**

Collection Fund and Income and Expenditure Account (continued)

In accordance with proper accounting practice, the Collection Fund balance has been allocated in 2018/19 to individual preceptors, which includes Wirral Council (see Note 6).

	2018/19	**2017/18**
	£'000	£'000
Council Tax		
Opening balance at 1 April	(1,725)	(4,104)
Movement in Year	355	2,379
Closing balance at 31 March	**(1,370)**	**(1,725)**
NNDR (Business Rates)		
Opening balance at 1 April	3,101	(1,453)
Movement in Year	(2,780)	4,554
Closing balance at 31 March	**321**	**3,101**
Overall Collection Fund balance 31 March	**(1,049)**	**1,376**

Notes to the Collection Fund and Income and Expenditure Account

1. GENERAL

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing Authority in relation to the collection from taxpayers and distribution to local government bodies and Central Government of Council Tax and National Non-Domestic Rates (NNDR).

Collection Fund surpluses and deficits declared by the billing Authority relating to Council Tax are apportioned to the relevant precepting bodies in the following financial year. The precepting bodies for Council Tax for Wirral are the Police & Crime Commissioner for Merseyside, and Merseyside Fire & Rescue Service.

A national 50% Business Rates Retention Scheme was introduced by the Government on 1 April 2013. The Council along with fellow Liverpool City Region authorities agreed from 1st April 2017 to participate in a 100% Business Rates Retention Scheme. The result of this pilot scheme being that business rates income is collected and apportioned only between Wirral Council (99%) and Merseyside Fire and Rescue Service (1%), with no apportionment to Central Government.

Government believes the 100% scheme will give Councils more incentive to grow the economy in their Boroughs. The pilot is to be without detriment to the resources that would have been available to individual Liverpool City Region authorities under the previous local government finance regime, over the four year Settlement period. However financial risk is increased due to the volatile nature of the NNDR tax base and non-collection. Under the no detriment clause there is the possibility that authorities in a 'surplus' position versus the previous 50% scheme methodology would have to release some of the surplus if another Authority in the pilot scheme was in a detriment position.

As with Council Tax, Collection Fund surpluses and deficits declared by the billing Authority in relation to NNDR are apportioned to the relevant precepting bodies in the subsequent financial year.

The National Code of Practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure Account is included in the Council's accounts. The Collection Fund Balance Sheet meanwhile is incorporated into the Council's Consolidated Balance Sheet.

2. INCOME FROM COUNCIL TAX

The Council set a Council Tax in 2018/19 for each band of dwelling as shown below:

Band	£	Band	£	Band	£	Band	£
A	1,155.82	**B**	1,348.45	**C**	1,541.09	**D**	1,733.72
E	2,118.98	**F**	2,504.26	**G**	2,889.54	**H**	3,467.44

The Council Tax was set by estimating the number of properties in each band after allowing for discounts and a 3.25% provision for non-collection. The tax in each band is set in relation to Band D, the maximum being Band H which is twice Band D, and the minimum being Band A which is 2/3 of Band D.

The 3.25% provision for non-collection remains unchanged from 2017/18. The properties making up the estimated tax base are shown below. A number of adjustments are made to reflect the estimated reductions, reliefs and exemptions that apply to properties in each band. This gives the number of effective properties in each band, which is converted to the Band D equivalent using the ratios given:

Band	No. of Properties Band D Equivalent	Less Discounts	Effective Properties	Band Ratio	Band D Equivalent
A	60,161	25,267.2	34,893.8	6/9	23,262.5
B	32,323	7,388.5	24,934.5	7/9	19,393.5
C	27,326	4,114.9	23,211.0	8/9	20,632.1
D	13,347	1,468.4	11,878.6	1	11,878.6
E	8,165	701.0	7,464.0	11/9	9,122.7
F	4,278	325.0	3,953.0	13/9	5,709.9
G	3,120	201.8	2,918.2	15/9	4,863.6
H	262	38.0	224.0	18/9	448.0
	148,982	**39,504.8**	**109,477.2**		**95,310.9**
Add Band A Disabled Relief Band D Equivalent					44.0
Total					**95,354.9**
Estimated Collection Rate					96.75%
Adjusted Council Tax Base					92,255.9

2. INCOME FROM COUNCIL TAX (CONTINUED)

The Adjusted Council Tax Base is used to calculate the amount of Council Tax to be raised by a Band D equivalent to raise the value of the precepts to be paid by the Collection Fund. The calculation is as follows:

	2018/19	2017/18
	£'000	£'000
Precepts		
Wirral Council	136,464	127,430
Police & Crime Commissioner for Merseyside	16,419	15,155
Merseyside Fire & Rescue Service	7,063	6,788
Total Precepts	**159,946**	**149,373**
Council Tax Base	**92,255.90**	**91,309.50**
Band D Equivalent (Precepts divided by Council Tax Base)	**£1,733.72**	**£1,635.90**

Council Tax levels increased in 2018/19 in comparison to 2017/18 as a result of increases in the levels of the precept demand of all precepting authorities, as shown above.

3. INCOME FROM NATIONAL NON DOMEEESTIC RATES

The Council collects NNDR for its area. This is based on local estimated rateable values (provided by the Valuation Office Agency) multiplied by a standardised business rate set nationally by Central Government.

As stated in note 1, the 100% Business Rates Retention Pilot Scheme commenced on 1 April 2017 and as a result 1% is paid to Merseyside Fire & Rescue Service, with the remaining 99% being retained by Wirral Council. This replaced the previous 50% scheme where Wirral Council received 49%, Merseyside Fire and Rescue Service 1% and Central Government 50%.

The estimated rateable value is split between general and small businesses. For 2018/19, the initial bills raised were based on a total rateable value of £190,438,812 (2017/18 £190,142,512). Of this figure £128,217,796 related to general business rates, which are charged at 49.3p in the £ (2017/18 47.9p). The total value of small business rates was £62,210,016, charged at 48.0p in the £ (2017/18 46.6p). This gave an opening charge for 2018/19 of £93.078 million (2017/18 £90.789 million).

The effects registered within 2018/19 with an overall increase in the amount of NNDR income illustrated below. NNDR income due for the year in the Collection Fund statement as follows:

NNDR Income Due	2018/19	2017/18
	£'000	£'000
Opening charge	93,078	90,789
Adjustments	(3,893)	(7,813)
Small Business Rate Relief	(9,813)	(9,260)
Mandatory Relief	(5,794)	(5,657)
Discretionary Relief	(1,130)	(1,370)
NNDR Income Due:	**72,448**	**66,689**

The total rateable value of all hereditaments within the Council area as at 31 March 2019 was £191,308,071 (2017/18 £190,141,397).

The locally retained business rates are paid into the Council's General Fund. As a result of participating in the 100% Business Rates Retention scheme, the calculated shares of receipts for 2018/19 are as follows, with no payment due to Central Government:

Shares of receipts	2018/19	2017/18
	£'000	£'000
Wirral Council	71,507	64,843
Merseyside Fire & Rescue Service	722	655
Total	**72,229**	**65,498**

The Collection Fund paid the following precepts during the year:

Precepts	2018/19	2017/18
	£'000	£'000
Wirral Council	70,710	67,892
Merseyside Fire & Rescue Service	714	686
Wirral Council	(1,945)	722
Central Government	(10)	737
Merseyside Fire & Rescue Service	(19)	15
Total	**69,450**	**70,052**

4. PROVISION FOR BAD AND DOUBTFUL DEBTS

Appeals

A significant amount of appeals against the rateable value set by the Valuation Office Agency are outstanding nationally. Successful appeals will reduce income receivable and can be backdated over a number of years.

Following the introduction of the Business Rates Retention Scheme billing authorities are required to make an estimate of the impact of successful appeals covering not only the current year, but also the backdated amounts relating to earlier years. 2013/14 was the first year the Collection Fund provided a provision against such appeals. The provision for appeals is being closely monitored to ensure it is sufficient, whilst not excessive. £10.611m was in the provision at the end of 2017/18, which has been reduced by £2.094m to £8.517m in 2018/19 to reflect current potential business rates reductions and appeals settled within the year. The provision is split between the Collection Fund preceptors based on their precept shares.

NNDR Appeals Provision	**2018/19**	**2017/18**
	£'000	£'000
Balance at 1 April	**10,611**	**12,504**
Settled appeals	(399)	(1,247)
Movement in Provision	(1,695)	(646)
Balance at 31 March	**8,517**	**10,611**

Bad and Doubtful Debts

Council Tax

A provision for Council Tax bad debts is made each year for uncollectable amounts. The Council assumed a general collection rate of 96.75% for 2018/19. The bad debts provision is assessed annually and amounts set aside adjusted on an age profile of outstanding debt and other factors.

In 2018/19 an additional £1.794 million has been placed in the provision versus the required provision at 31st March 2018. During 2018/19 £1.796 million of the provision was used to fund the write off of bad debts, the provision then required a contribution of £3.590 million from the Collection Fund to set aside the required provision at the end of 2018/19 of £13.812 million. The provision reflects increased billing arising from previously agreed decisions regarding the charging for empty properties, and potential future liabilities for non-payment as a result of the introduction of the localised Council Tax Support Scheme, and changes to discounts and exemptions.

The cost of bad and doubtful debts is split between the Collection Fund preceptors based upon their precept shares.

Council Tax Bad Debt Provision	**2018/19**	**2017/18**
	£'000	£'000
Balance at 1 April	**12,018**	**14,267**
Write-offs	(1,796)	(4,397)
Movement in Provision	3,590	2,148
Balance at 31 March	**13,812**	**12,018**

4. PROVISIONS FOR BAD AND DOUBTFUL DEBTS (CONTINUED)

NNDR

The Collection Fund also provides for bad debts on NNDR arrears which is assessed annually and amounts set aside adjusted on an age profile of outstanding debt. In 2018/19 £0.761 million of the provision was used to fund the write off of bad debts, the provision then required a contribution of £0.760 million from the Collection Fund to set aside the required provision a the end of 2018/19 of £3.113 million (a reduction of £0.01million versus 2017/18) to reflect potential future liabilities for non-payment. The cost of bad and doubtful debts is split between the Collection Fund preceptors based upon their precept shares.

National Non-Domestic Rates Bad Debt Provision	**2018/19**	**2017/18**
	£'000	£'000
Balance at 1 April	**3,114**	**3,233**
Write-offs	(761)	(961)
Movement in Provision	760	842
Balance at 31 March	**3,113**	**3,114**

5. CONTRIBUTION FROM/TO THE COLLECTION FUND

Council Tax

A year-end surplus or deficit on the Council Tax element of the Collection Fund is only physically distributed to or recovered from billing and precepting authorities where an estimated surplus/deficit has already been notified to those authorities.

During 2018/19 there was a reduction in the Council Tax element of the Collection Fund balance of £0.355 million. At 31 March 2019, there was a Council Tax surplus of £1.370 million (2017/18 £1.725 million) which has been allocated amongst the precepting authorities on the basis of the 2018/19 precept proportions.

In accordance with the changes in accounting practice any outstanding amounts at year end are distributed to preceptors on an accrued basis. Wirral's Balance Sheet reflects the share of any amounts owing or owed to it. An agency arrangement is reflected in Wirral Council's accounts with a single debtor or creditor representing amounts owed or owing to the Merseyside Fire & Rescue Service and the Police & Crime Commissioner for Merseyside.

NNDR

The billing Authority is also required to notify the Secretary of State and their precepting authorities of their NNDR income for the following financial year and an estimate of the surplus or deficit by 31 January, which is done by completing and returning the NNDR1 form.

During 2018/19 there was an increase in the NNDR element of the Collection Fund balance of £2.425 million. As at 31 March 2019 there was an NNDR deficit of £0.321 million (2017/18 £3.101 million deficit), which has been allocated amongst the precepting authorities based on the relevant percentages set out in the Non-Domestic Rating (Rates Retention) Regulations 2013.

6. ALLOCATION OF YEAR END BALANCES

The year-end balance on the Collection Fund is in respect of Council Tax and NNDR and is shared in proportion to the precepts on the Collection Fund. The Council Tax surplus is allocated on two bases - the balance that was reported in January 2019 (for 2018/19 the estimated position was a £0.590 million surplus) is apportioned using the 2018/19 precept shares, whereas the additional surplus resulting from the final position as at 31 March 2019, is apportioned using the 2019/20 precept shares. The National Non-Domestic Rates deficit is allocated based on the relevant percentages set out in the Non-Domestic Rating (Rates Retention) Regulations 2013.

Payable to / (Received from):	**Council Tax**	**NNDR**	**Total Allocation**
	31 March 2019	**31 March 2019**	**31 March 2019**
	£'000	£'000	£'000
Wirral Council	1,159	(318)	841
Police & Crime Commissioner	147	-	147
Merseyside Fire and Rescue Service	64	(3)	61
Total	**1,370**	**(321)**	**1,049**

The share of any Collection Fund surplus or deficit is reflected within the precepting organisation's 2018/19 accounts. Wirral Council's element is included within the Taxation and Non-Specific Grant Income line within the Comprehensive Income and Expenditure Statement.

5

Merseyside Pension Fund Accounts

Merseyside Pension Fund Accounts

2018/19

MERSEYSIDE PENSION FUND ACCOUNTS

2018/19	FUND ACCOUNT - For the year ended 31 March 2019	Note	2017/18
£'000			£'000
	Dealing with members, employers and others directly involved in the fund:		
210,577	Contributions Receivable	*7*	407,068
11,797	Transfers In	*8*	12,174
222,374			419,242
(340,698)	Benefits Payable	*9*	(314,556)
(19,035)	Payments to and on account of Leavers	*10*	(14,804)
(359,733)			(329,360)
(137,359)	**Net additions/(withdrawals) from dealing with members**		**89,882**
(44,434)	Management Expenses	*11*	(40,027)
(181,793)	**Net additions/(withdrawals) including Fund Management Expenses**		**49,855**
	Return on Investments:		
220,626	Investment Income		197,008
284,842	Profit and Losses on Disposal of Investments and Change in Market Value of Investments		141,671
(4,378)	Taxes on Income		(3,578)
501,090	**Net Return on Investments**		**335,101**
319,297	Net Increase/(Decrease) in the Fund during the year		384,956
8,563,441	Net Assets of the Fund at the start of the year		8,178,485
8,882,738	**Net Assets of the Fund at the end of the year**		**8,563,441**

2018/19 £'000	NET ASSETS STATEMENT - For the year ended 31 March 2019	*Note*	2017/18 £'000
	Investment Assets	*13*	
2,795,439	Equities		2,768,408
665,610	Bonds		-
4,695,505	Pooled Investment Vehicles		5,074,479
-	Derivative Contracts		218
521,750	Direct Property		519,750
86,098	Short Term Cash Deposits		53,226
104,196	Other Investment Balances		99,613
8,868,598			**8,515,694**
(8,445)	**Investment Liabilities**	*18*	**(13,736)**
8,860,153	**Total Net Investment Assets**		**8,501,958**
4,146	Long Term Assets	*19*	5,013
35,413	Current Assets	*20*	79,909
(16,974)	Current Liabilities	*20*	(23,439)
8,882,738	**Net Assets of the Fund as at 31 March**		**8,563,441**

Notes to the Merseyside Pension Fund Accounts

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 2018/19 included 10 Councillors from Wirral Council, the Administering Authority, and one Councillor from each of the 4 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 2018/19 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 join the Scheme, remain in the Scheme or make their own personal arrangements outside the Scheme.

Organisations participating in Merseyside Pension Fund include:

- Scheduled bodies, which are Local Authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation.

There are 208 employer organisations within Merseyside Pension Fund including Wirral Council itself, the Fund also has 138,570 members as detailed below:

31 March 2019		31 March 2018
208	**Number of Employers with Active Members**	**194**
46,726	Number of Employees in Scheme	49,151
45,038	Number of Pensioners	43,495
6,547	Number of Dependants	6,665
40,259	Number of Deferred Pensioners	38,176
138,570	**Total Number of Members in the Scheme**	**137,487**

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.

Notes to the Merseyside Pension Fund Accounts

1. DESCRIPTION OF THE FUND (continued)

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised in the table 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

2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2018/19 financial year and its position at year end as at 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 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.

The accounts have been prepared on a going concern basis.

3a. 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.

3a. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Transfers to and from Other Schemes

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

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

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

Management Expenses

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

<u>Administration Costs</u>

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

<u>Investment Management Costs</u>

All investment expenses are accounted for on an accrual basis.

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

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

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

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

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

<u>Oversight and Governance Costs</u>

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 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.

3a. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

The Fund is a registered Public Service Scheme under Section 1 (1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

Valuation of Investments

Financial assets are included in the Net Asset Statement on a fair value basis as at the reporting date. The values of investments as shown in the Net Asset Statement are determined as follows:

- Listed securities are valued at quoted bid market prices on the final day of the accounting period. The bid price is the price which the Fund would have obtained should the securities have been sold at that date.
- For unlisted investments wherever possible valuations are obtained via the Independent Administrator. Valuations that are obtained direct from the Manager are verified against the latest available audited accounts adjusted for any cash flows up to the reporting date.
- Hedge Funds and Infrastructure are recorded at fair value based on net asset values provided by Fund Administrators or using latest financial statements published by respective Fund Managers adjusted for any cash flows.
- Private Equity valuations are in accordance with the guidelines and conventions of the British Venture Capital Association/International Private Equity guidelines or equivalent.
- Indirect Property is valued at net asset value or capital fair value basis provided by the Fund Manager. For listed Funds the net asset value per unit is obtained through data vendors.
- The freehold and leasehold interests in the properties held within the Fund were independently valued as at 31 March 2019 by Savills (UK) Limited, acting in the capacity of External Valuers as defined in the RICS Red Book (but not for the avoidance of doubt as an External Valuer of the Fund as defined by the Alternative Investment Fund Managers Regulations 2013). The valuations accord with the requirements of IFRS 13, SSAP 19 and the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards 2017 incorporating the IVSC International Valuation Standards issued June 2017 and effective from 1 July 2017 (the “RICS Red Book”).
- Pooled Investment Vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of Pooled Investment Vehicles that are Accumulation Funds, change in market value also includes income which is reinvested by the Manager of the vehicle in the underlying investment, net of applicable withholding tax.

Translation of Foreign Currencies

Assets and liabilities in foreign currencies are translated into sterling at rates ruling at the year end. Foreign income received during the year is translated at the rate ruling at the date of receipt. All resulting exchange adjustments are included in the revenue account.

Derivatives

The Fund uses derivative financial assets to manage exposure to specific risks arising from its investment activities.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The value of future contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The value of exchange traded options is determined using the exchange price for closing out the option at the reporting date.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

Notes to the Merseyside Pension Fund Accounts

3a. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Short Term Deposits

Short-term deposits only cover cash balances held by the Fund. Cash held by Investment Managers awaiting investment is shown under "Other Investment Balances".

Financial Liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

Additional Voluntary Contributions

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

The Scheme providers are Equitable Life, Standard Life and Prudential. Individual members participating in this arrangement each receive an annual statement confirming the amounts held on their account and the movements in the year.

3b. CHANGES TO ACCOUNTING POLICY AND PRESENTATION

The following accounting standards have been issued and are applicable to 2018/19:

IFRS 9 Financial Instruments - this has introduced changes to the classification and measurement of financial assets, financial assets reported as "loans and receivables" in 2017/18 are reclassified as "assets as amortised cost". Impairment is recognised on an expected loss basis rather than when objective evidence of impairment has been identified.

IFRS 15 Revenue from Contracts with Customers - the core principal is for revenue to be recognised in an amount that reflects the consideration to which the fund expects to be entitled for transferring promised goods and services to the service recipient/customer. This accounting standard has minimal impact on the fund.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Fund has not applied any critical judgements.

5. ESTIMATION

Unquoted Investments

The Fund has significant unquoted investments within Private Equity, Infrastructure, Property and other Alternative investments. These are valued within the financial statements using valuations from the Managers of the respective assets. There are clear accounting standards for these valuations and the Fund has in place procedures for ensuring that valuations applied by Managers comply with these standards and any other relevant best practice. The value of unquoted assets as at 31 March 2019 was £4,221 million (£4,603 million at 31 March 2018).

Private Equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

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

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

6. EVENTS AFTER REPORTING DATE

There have been no events since 31 March 2019, and up to the date when these accounts were authorised that require any adjustments to these accounts.

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 2019. Employee contributions are matched by employers' contributions which are based on triennial actuarial valuations. The 2018/19 contributions above were calculated at the valuation dated 31 March 2016. The 2016 actuarial valuation calculated the average primary employer contribution rate of 15.4% (2013 13.3%).

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

"Deficit Funding" includes payments by employers for past service deficit and additional payments by employers to reduce a deficit. During 2018/19 the fund has received additional and upfront payments, totalling £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 totalling £141.2 million).

The Fund does reserve the right to levy interest charges on late receipt of contributions from employers. In 2018/19 no such charges were levied.

2018/19 £'000	**Contributions Receivable**	**2017/18** £'000
	Employers	
127,865	Normal	119,408
9,274	Pension Strain	10,426
18,016	Deficit Funding	223,096
155,155	**Total Employers**	**352,930**
	Employees	
55,422	Normal	54,138
210,577		**407,068**
	Relating to:	
24,581	Administering Authority	57,357
160,776	Statutory Bodies	319,948
25,220	Admission Bodies	29,763
210,577		**407,068**

Note 8 Transfers In

2018/19	Transfers In	2017/18
£'000		£'000
11,797	Individual transfers	12,174
11,797		**12,174**

There were no group transfers to the Fund during 2018/19.

Note 9 Benefits Payable

2018/19	Benefits payable	2017/18
£'000		£'000
265,886	Pensions	252,874
66,173	Lump Sum Retiring Allowances	56,141
8,639	Lump Sum Death Benefits	5,541
340,698		**314,556**
	Relating to:	
46,919	Administering Authority	43,387
240,601	Statutory Bodies	222,117
53,178	Admission Bodies	49,052
340,698		**314,556**

Note 10 Payments to and on account of Leavers

2018/19	Payments to and on account of Leavers	2017/18
£'000		£'000
538	Refunds to Members Leaving Service	447
8	Payment for Members Joining State Scheme	37
-	Income for Members from State Scheme	(1)
-	Group Transfers to Other Schemes	-
18,489	Individual Transfers to Other Schemes	14,321
19,035		**14,804**

There were no group transfers to the Fund during 2018/19.

Note 11 Management Expenses

2018/19 £'000	Management Expenses	2017/18 £'000
2,778	Administration Costs	2,587
39,708	Investment Management Costs	35,922
2,269	Oversight and Governance Costs	1,727
(321)	Other Income	(209)
44,434		**40,027**

Note 11a Administration Costs

2018/19 £'000	Administration Costs	2017/18 £'000
1,867	Employee Costs	1,665
616	IT Costs	611
255	General Costs	276
40	Other Costs	35
2,778		**2,587**

Note 11b Investment Management Costs

2018/19 £'000	Investment Management Costs	2017/18 £'000
27,652	External Investment Management Fees	22,707
544	External Investment Management Performance Fees	1,546
799	External Services	565
713	Internal Investment Management Fees	614
6,334	Property Related Expenses	6,377
3,666	Transaction Costs	4,113
39,708		**35,922**

Note 11c Oversight & Governance Costs

Actuarial fees included within External Services opposite (note 11c) are shown gross of any fees that have been recharged to employers. Included within Other Income for 2018/19 is £259,917 relating to recharged Actuarial fees (2017/18 £195,994).

External Audit fees for 2018/19 also include £2,180 relating to additional services in respect of IAS19 assurances for admitted body auditors, which are recharged to those admitted bodies.

2018/19	**Oversight & Governance Costs**	**2017/18**
£'000		£'000
520	Employee Costs	475
1,179	External Services	767
49	Internal Audit	34
31	External Audit	39
490	Other Costs	412
2,269		**1,727**

Note 12 Investment Income

Rental income is shown gross of any property related expenses, with related expenses shown under investment expenses (note 11b).

Investment income figures are shown gross of tax. Included in these figures is recoverable taxation of £6.3 million (2017/18 £4.8 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 2018/19 £20,981 (2017/18 £nil).

2018/19	**Investment Income**	**2017/18**
£'000		£'000
99,895	Dividends from Equities	84,247
69	Income from Bonds	-
54,612	Income from Pooled Investment Vehicles	52,333
30,512	Rents from Properties	26,754
712	Interest on Short Term Cash Deposits	267
33,877	Income from Private Equity	32,422
949	Other	985
220,626		**197,008**
(4,378)	Irrecoverable Withholding Tax	(3,578)
216,248		**193,430**

Note 12a Property Income

No contingent rents have been recognised as income during the period.

2018/19	**Property Income**	**2017/18**
£'000		£'000
30,512	Rental Income	26,754
(6,334)	Direct Operating Expenses	(6,377)
24,178	**Net Rent from properties**	**20,377**

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:

2018/19	**Age Profile of Lease Income**	**2017/18**
£'000		£'000
5,195	No later than one year	1,302
11,208	Between one and five years	8,114
11,635	Later than five years	17,540
28,038	**Total**	**26,956**

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

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.

*Note: The change in market value of investments during the year comprises all realised and unrealised appreciation and depreciation.

2018/19	Market Value at 31 March 2018	Purchases at Cost & Derivative Payments	Sale Proceeds & Derivative Receipts	Change in Market Value *	Market Value at 31 March 2019
	£'000	£'000	£'000	£'000	£'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	5,074,479	1,077,179	(1,740,461)	284,308	4,695,505
Derivative Contracts	218	613,961	(614,344)	165	-
Direct Property	519,750	3,636	-	(1,636)	521,750
	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**

2017/18	Market Value at 31 March 2017	Purchases at Cost & Derivative Payments	Sale Proceeds & Derivative Receipts	Change in Market Value *	Market Value at 31 March 2018
	£'000	£'000	£'000	£'000	£'000
Equities	2,728,658	1,272,950	(1,225,858)	(7,342)	2,768,408
Bonds	-	-	-	-	-
Pooled Investment Vehicles	4,804,297	550,657	(414,391)	133,916	5,074,479
Derivative Contracts	224	979,418	(982,541)	3,117	218
Direct Property	431,150	71,899	-	16,701	519,750
	7,964,329	**2,874,924**	**(2,622,790)**	**146,392**	**8,362,855**
Short term cash deposits	75,222				53,226
Other investment balances	117,550			(4,721)	99,613
	8,157,101			**141,671**	**8,515,694**

Note 13a Analysis of Investments

2018/19 £'000		2017/18 £'000
	Equities (segregated holdings)	
1,150,144	UK Quoted	1,261,630
1,645,295	Overseas Quoted	1,506,778
2,795,439		**2,768,408**
	Bonds - UK Public Sector Quoted	
665,610		**-**
	Pooled Investment Vehicles	
	UK Managed Funds:	
53,948	Property	43,961
138,487	Equities	130,528
286,359	Private Equity	311,657
41,772	Hedge Funds	44,079
354,726	Corporate Bonds	343,277
353,669	Infrastructure	252,983
343,556	Opportunities	324,309
	Overseas Managed Funds:	
494,233	Equities	486,772
279,333	Private Equity	251,754
221,975	Hedge Funds	226,624
192,604	Infrastructure	175,233
209,989	Opportunities	136,854
	UK Unit Trusts:	
116,426	Property	107,949
	Overseas Unit Trusts:	
124,120	Property	96,448
1,484,308	**Other Unitised Funds**	2,142,051
4,695,505		**5,074,479**
	Derivative Contracts	
-		**218**

2018/19 £'000		2017/18 £'000
	UK Properties	
387,820	Freehold	394,100
133,930	Leasehold	125,650
521,750		**519,750**
519,750	Balance at 1 April	431,150
3,636	Additions	71,899
-	Disposals	-
-	Net gain/(loss) on fair value	-
(1,636)	Other changes in fair value	16,701
521,750	**Balance at 31 March**	**519,750**

As at 31 March 2019 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.

	Short term cash deposits - Sterling	
86,098		**53,226**
	Other investment balances	
7,439	Outstanding Trades	9,486
22,275	Outstanding Dividends Entitlements and	17,566
74,482	Cash Deposits	72,561
104,196		**99,613**
8,868,598	**Total Investments**	**8,515,694**

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 20,080	EUR 23,389	-	(91)
			-	(91)
Net Forward Currency Contracts at 31 March 2019				**(91)**
Prior Year Comparative				
Open Forward Currency Contracts at 31 March 2018			218	-
Net Forward Currency Contracts at 31 March 2018				**218**

Note 13c Summary of Managers' Portfolio Values at 31 March 2019

2018/19			2017/18	
£million	%		£million	%
		Externally Managed		
260	*2.9*	JP Morgan (European equities)	252	*3.0*
353	*4.0*	Nomura (Japan)	461	*5.4*
355	*4.0*	Schroders (fixed income)	343	*4.0*
382	*4.3*	Legal & General (fixed income)	369	*4.3*
337	*3.8*	Unigestion (European equities and pooled Emerging Markets)	319	*3.8*
188	*2.1*	M&G (global emerging markets)	183	*2.1*
249	*2.8*	TT International (UK equities)	249	*2.9*
272	*3.1*	Blackrock (UK equities)	252	*3.0*
158	*1.8*	Blackrock (Pacific Rim)	152	*1.8*
91	*1.0*	Blackrock (QIF)	87	*1.0*
281	*3.2*	Newton (UK equities)	263	*3.1*
187	*2.1*	Amundi (global emerging markets)	186	*2.2*
177	*2.0*	Maple-Brown Abbot (Pacific Rim equities)	166	*1.9*
1,104	*12.3*	State Street Global Advisor (Passive Manager)	1,773	*20.9*
666	*7.5*	State Street Global Advisor (Bonds Manager)	-	-
1	-	Blackrock Transition Manager	195	*2.3*
5,061	***56.9***	**Total Externally Managed**	**5,250**	***61.7***
		Internally Managed		
450	*5.1*	UK equities	401	*4.7*
247	*2.8*	European equities	246	*2.9*
522	*5.9*	Property (direct)	520	*6.1*
316	*3.6*	Property (indirect)	270	*3.2*
566	*6.4*	Private equity	563	*6.6*
264	*3.0*	Hedge funds	271	*3.2*
546	*6.2*	Infrastructure	428	*5.0*
580	*6.5*	Opportunities	486	*5.7*
201	*2.3*	Global Equities Internal Factor	-	-
116	*1.3*	Short term deposits & other investments	80	*0.9*
3,808	***43.1***	**Total Internally Managed**	**3,265**	***38.3***
8,869	***100.0***	**Total**	**8,515**	***100.0***

Note 13c Summary of Managers' Portfolio Values at 31 March 2019 (continued)

As at 31 March 2019 no single investment represented more than 5% of the net assets of the Fund, the table opposite also shows the position as at 31 March 2018:

2018/19			2017/18	
£million	%		£million	%
-	-	SSGA Pooled UK Index Linked Gilts	682	8.0
396	4.5	SSGA USA Equity Tracker	613	7.2

Note 13d Stock Lending

As at 31 March 2019, £275.1 million of stock was on loan to market makers, which was covered by cash and non-cash collateral, totaling £301.2 million. Collateral is marked to market, and adjusted daily. Income from Stock Lending amounted to £926,260 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 in the table below.

There has been no change in the valuation techniques used during the year.

All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Derivatives - futures and options	Level 1	Published exchange prices at year end	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Unquoted bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Derivatives - forward currency contracts	Level 2	Market forward exchange rates at the year end	Not required	Not required
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

Table continued on next page

Note 14 Fair Value – Basis of Valuation (continued)

Table continued from previous page

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
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 2019. 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 2019**	**Potential variance**	**Value on increase**	**Value on decrease**
	£'000	%	£'000	£'000
Property	846,330	10.0	930,963	761,697
Unquoted UK equity	109,288	15.0	125,681	92,895
Unquoted overseas equity	84,709	15.0	97,415	72,003
Hedge funds	223,678	10.0	246,046	201,310
Infrastructure	530,218	15.0	609,751	450,685
Private equity	656,899	15.0	755,434	558,364
Total	**2,451,122**			

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.

Note 14a Fair Value Hierarchy (continued)

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.

Note 14a Fair Value Hierarchy (continued)

Values at 31 March 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	£'000	£'000	£'000
Financial assets				
Financial Assets at Fair Value through Profit and Loss	4,457,295	1,769,887	1,929,372	**8,156,554**
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**	**2,451,122**	**8,678,213**

Values at 31 March 2018 *	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	£'000	£'000	£'000
Financial assets				
Financial Assets at Fair Value through Profit and Loss	3,760,289	2,411,082	1,671,734	**7,843,105**
Non-Financial Assets at Fair Value through Profit and Loss	-	-	519,750	**519,750**
Net Investment Assets	**3,760,289**	**2,411,082**	**2,191,484**	**8,362,855**

- The financial assets at fair value through profit and loss values at 31 March 2018 have been restated, £63.6 million has moved from level 2 to level 3.

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

2018/19		**2017/18 ***
£'000		£'000
2,191,484	**Opening balance**	**1,884,029**
372,555	Acquisitions	357,280
(232,512)	Disposal proceeds	(179,809)
-	Transfer into Level 3	66,145
	Total gain/(losses) included in the fund account:	
(7,717)	On assets sold	2,487
127,312	On assets held at year end	61,352
2,451,122	**Closing balance**	2,191,484

* The information for 2017/18 has been restated

Note 15 Financial Instruments

Note 15a Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net asset statement heading.

Financial Assets & Liabilities at 31 March 2019	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	-	-	4,695,505	4,695,505
Derivatives	-	-	-	-
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	**229,853**	**-**	**8,156,554**	**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	**229,853**	**(25,328)**	**8,156,463**	**8,360,988**

Financial Assets & Liabilities at 31 March 2018	Assets at amortised £'000	Liabilities at amortised cost £'000	Fair value through profit and loss £'000	Total £'000
Financial Assets				
Equities	-	-	2,768,408	2,768,408
Bonds	-	-	-	-
Pooled Investment Vehicles	-	-	5,074,479	5,074,479
Derivatives	-	-	218	218
Cash Deposits	53,226	-	-	53,226
Other Investment Balances	99,613	-	-	99,613
Long Term and Current Assets	84,922	-	-	84,922
Total Financial Assets	**237,761**	**-**	**7,843,105**	**8,080,866**
Financial Liabilities				
Other Investment Balances	-	(13,736)	-	(13,736)
Current Liabilities	-	(23,439)	-	(23,439)
Total Financial Liabilities	**-**	**(37,175)**	**-**	**(37,175)**
Total Net Assets	**237,761**	**(37,175)**	**7,843,105**	**8,043,691**

To allow reconciliation to the Net Asset Statement and for ease to the reader all long term & current assets and current liabilities have been included in the above note, although not all are classified as financial instruments, the amounts that are not financial instruments are considered immaterial.

Note 15b Net Gains & Losses on Financial Instruments

2018/19 £'000	Net Gains and Losses on Financial Instruments	2017/18 £'000
	Financial Assets	
286,123	Fair Value through Profit and Loss	129,691
286,123	**Total Financial Assets**	**129,691**
-	**Financial Liabilities**	-
-	**Total Financial Liabilities**	**-**
286,123	**Net gains and losses on Financial Instruments**	**129,691**

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.

The Fund has carefully considered the expected returns from the various permitted asset classes and has concluded that in the longer term the return on equities will be greater than from other conventional assets. Consequently, the benchmark is biased towards equities and skewed towards active management, particularly in less developed markets.

The Fund is also cognisant of the risk that the shorter term returns may vary significantly from one period to another and between the benchmark and actual returns. Diversification of assets is seen as key to managing this risk and the risk/return characteristics of each asset and their relative correlations are reflected in the make up of the strategic benchmark.

The Fund believes that, over the long term, a willingness to take on volatility and illiquidity is likely to be rewarded with outperformance. The Fund considers that its strong employer covenant, maturity profile and cash flows enable it to adopt a long term investment perspective. A mix of short term assets such as bonds and cash is maintained to cover short term liabilities while equities (both passive and active), private equity and direct property are held to benefit from the potential rewards arising from volatility and illiquidity risks. The Fund recognises that risk is inherent in investment activity and seeks to manage the level of risk that it takes in an appropriate manner. The Fund manages investment risks through the following measures:

- Broad diversification of types of investment and Investment Managers.
- Explicit mandates governing the activity of Investment Managers.
- The use of a specific benchmark, related to liabilities of the Fund for investment asset allocation.
- The appointment of Independent Investment Advisors to the Investment Monitoring Working Party.
- Comprehensive monitoring procedures for Investment Managers including internal officers and scrutiny by elected Members

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 opposite show the Fund's exposure to asset classes and their reasonable predicted variance (as provided by the Fund's investment consultants) and the resulting potential changes in net assets available to pay pensions. The figures provided are a forward looking assumption of future volatility based on analysis of previous performance and probability.

	Value at 31 March 2019 £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	294	*12.5*	331	258
Private Equity	566	*27.5*	721	410
Hedge Funds	264	*9.5*	289	239
Infrastructure	546	*18.5*	647	445
Other Alternative Assets	488	*14.1*	557	419
Short Term Deposits & Other Investment Balances	204	-	204	204
Total	**8,361**			

	Value at 31 March 2018 £million	Potential Variance %	Value on increase £million	Value on decrease £million
UK Equities (all equities including pooled vehicles)	1,801	*19.0*	2,143	1,459
US Equities	652	*21.0*	789	515
European Equities	777	*22.5*	952	603
Japanese Equities	461	*20.5*	556	367
Emerging Markets Equities inc Pac Rim	819	*28.0*	1,049	590
UK Fixed Income Pooled Vehicles	712	*11.0*	790	634
UK Index Linked Pooled Vehicles	682	*9.0*	743	620
Pooled Property	248	*12.5*	279	217
Private Equity	563	*27.5*	718	408
Hedge Funds	271	*9.5*	296	245
Infrastructure	428	*18.5*	507	349
Other Alternative Assets	429	*14.0*	489	369
Short Term Deposits & Other Investment Balances	201	-	201	201
Total	**8,044**			

Note 16b Credit Risk

The Fund does not hold any Fixed Interest Securities directly and the Managers of the Fixed Income Vehicles are responsible for managing credit risk, section 16a of this note covers the market risks of these holdings.

The Fund's arrangements for derivatives, securities lending and impaired items are dealt with in other notes to the accounts.

The short term cash deposits and other investment balances are diversified with investment grade financial institutions. The Fund has a treasury management policy that is compliant with current best practice.

The Fund's cash holding under its treasury management arrangements as at 31 March 2019 was £86.1 million (31 March 2018 £53.2 million). This was held on instant access accounts with the following institutions:

2018/19 £'000	**Rating (S & P)**		**2017/18** £'000
22,717	Lloyds Bank	Long A Short A-1	33,226
15,000	Invesco	AAAm	10,000
-	Santander	Long A Short A-1	10,000
20,000	Svenska Handelsbanken	Long AA- Short A-1+	-
28,381	Northern Trust	AAAm	-
86,098	**Total**		**53,226**

Note 16c Liquidity Risk

The Fund's key priority is to pay pensions in the long term and in the short term and the asset allocation is the key strategy in ensuring this. The earlier sections have dealt with the longer term risks associated with market volatility.

The Fund has a cash balance at 31 March of £86.1 million. The Fund has £6,249 million in assets which could be realised in under 7 days' notice, £822 million in assets which could be realised in under 90 days' notice and £1,290 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 2018/19 in its dealing with members of £137 million and management expenses of £44 million, this is offset by investment income of £221 million.

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 20% per 1% change in real investment returns. The Fund considers both the liabilities and assets together and assesses the funding ratio and the implications for investment strategy on a quarterly basis at the IMWP.

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 2016. The next valuation will take place as at 31 March 2019.

The most recent Triennial Valuation by the actuary was as at 31 March 2016, when the funding level was 85% of projected actuarial liabilities (2013 76%). The funding objective is to achieve and then maintain assets equal to the funding target. The funding target is the present value of 100% of projected accrued liabilities, including allowance for projected final pay. The FSS specifies a maximum period for achieving full funding of 19 years.

The funding method adopted is the projected unit method, which implicitly allows for new entrants replacing leavers.

The key elements of the funding policy are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due

- Enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, scheduled, designating and admitted bodies, while achieving and maintaining fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes

- Maximise the returns from investments within reasonable risk parameters taking into account the above aims.

Note 17 Funding Arrangements (continued)

Summary of Key Whole Fund Assumptions used for calculating Funding Target	**31 March 2016**
Long Term Yields	% p.a.
Market Implied RPI Inflation	3.20
Solvency Funding Target Financial Assumptions	
Investment Return	4.20
CPI Price Inflation	2.20
Salary Increases	3.70
Pension Increases	2.20
Future Service Accrual Financial Assumptions	
Investment Return/Discount Rate	4.95
CPI Price Inflation	2.20
Salary Increases	3.70
CARE	2.20

Note 18 Investment Liabilities

2018/19	**Investment Liabilities**	**2017/18**
£'000		£'000
91	Derivative Contracts	-
8,354	Amounts due to Stockbrokers	13,736
8,445	**Total**	**13,736**

Note 19 Long Term Assets

2018/19	**Long Term Assets**	**2017/18**
£'000		£'000
4,146	Assets due in more than one year	5,013
4,146	**Total**	**5,013**

Assets due in more than one year include future payments of pension strain and reimbursement of lifetime tax allowances.

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 2019.

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.

2018/19 £'000	Current Assets & Liabilities	2017/18 £'000
	Assets	
17,270	Contributions due	17,431
417	Amounts due from external managers	41,296
344	Accrued and outstanding investment income	1,152
14,192	Sundries	14,889
(157)	Provision for credit losses	(118)
3,347	Cash at bank	5,259
35,413	**Current Assets**	**79,909**
	Liabilities	
165	Amounts due to external managers	966
2,177	Retirement grants due	3,467
494	Provisions	432
14,138	Miscellaneous	18,574
16,974	**Current Liabilities**	**23,439**
18,439	**Net Current Assets**	**56,470**

Note 21 Contractual Commitments

Commitments for investments amounted to £1,064 million as at 31st March 2019. (2017/18 £534.86 million). These commitments relate to Private Equity £494.08 million, Infrastructure £276.54 million, Opportunities £72.46 million, Indirect Property £221.13 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 £3.7 million. (2017/18 £3.3 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 £10.3 million (2017/18 £9.1 million) and a creditor of £341,033 as at 31 March 2019 (2017/18 £254,502).

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 2019 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.

Note 23 Related Party Transactions (continued)

Peter Wallach, Director of Pensions acts in an un-remunerated board advisory capacity on 5 investment bodies in which the Fund has an interest, Eclipse (£14.5 million), Standard Life (£14.7 million), F&C (£20.4 million), GLIL (£111.1 million) and NPEP.

Linda Desforges, Senior Portfolio Manager acts in an un-remunerated board advisory capacity on 5 investment bodies in which the Fund has an interest, Standard Life (£14.7 million), BBH Capital (£13.5 million), TEO Plc (£15.3 million), GCM Grosvenor Co-Investment Fund (£8.9 million) and F&C (£20.4 million).

Susannah Friar, Property Manager acts in an un-remunerated board advisory capacity on eleven investment bodies in which the Fund has an interest, Partners Group Real Estate Asia Pacific 2011 (£5.3 million), Bridges Property Alternatives IV (£2.1 million), Century Bridge China Real Estate Fund II (£3.5 million), Phoenix Asia Secured Debt Fund (£6.1 million) Alma Property Partners (£9.4 million), Barwood Property (£12.5 million), Chenavari Real Estate III (£3.0 million), Newcore Strategic Situations IV (£5.0 million), Hearthstone Residential Fund I (£5.5 million), European Student Housing Fund II (£3.2 million) and Locust Point Private Credit Fund (£4.0 million).

Adil Manzoor Portfolio Manager, acts in an un-remunerated board advisory capacity on 5 investment bodies in which the Fund has an interest, Standard Life Infrastructure Fund I (£8.8 million), Blackrock GRP Fund I (£19.3 million) and AMP GIF II (£12.1 million), Industrial Strategies Fund – Waybill UK Ltd (£21.5 million) and Impax New Energy Investors III LP (£1.1 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 2018/19 was comprised of 6 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 2018/19 was £402,649 (2017/18 £421,487). In addition, employer contributions of £58,063 (2017/18 £56,995) was also met from the Fund and charged to the Fund Account. The post of Senior Investment Manager was deleted during the year 2017/18.

Note 24 Additional Voluntary Contribution Investments

2018/19	Additional Voluntary Contribution (AVC) Investments	2017/18
£'000		£'000
	The aggregate amount of AVC investments is as follows :	
1,985	Equitable Life	2,015
5,286	Standard Life	5,988
8,739	Prudential	7,930
16,010		**15,933**
	Changes during the year were as follows:	
3,394	Contributions	3,432
3,685	Repayments	2,441
368	Change in market values	383

Scheme Employers with Active Members as at 31 March 2019

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)
Bishop Martin CE Primary
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 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)
Emslie Morgan Academy
Everton Free School (Academy)
Finch Woods Academy
Formby High School (Academy)
Garston C of E Primary School (Academy)
Great Meols Primary School (Academy)
Greenbank High School (Academy)
Halewood Academy Centre for Learning
Halewood C of E Primary (Academy)
Halewood Town Council
Halsnead Primary School (Academy)
Harmonize (Academy)
Hawthornes Free School
Heygreen Community Primary (Academy)
Hilbre High School (Academy)
Hillside High School (Academy)
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

Scheme Employers with Active Members as at 31 March 2019 (continued)

Scheduled Bodies (continued)

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. 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

Scheme Employers with Active Members as at 31 March 2019 (continued)

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
Cobalt Housing Ltd
Commutual
Compass Contract Services (UK)
Compass (Scolarest) Liverpool Schools
Compass (Scolarest) Wirral Schools
CWP (NHS)
Friends of Birkenhead Council Kennels
Fun 4 Kidz
Geraud Markets Liverpool Ltd
Glendale (Liverpool Parks Services) Ltd
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
Liverpool Vision Limited
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
One Vision Housing Ltd
Orian Solutions
Partners Credit Union
Port Sunlight Village Trust
Sefton New Directions Ltd.
Shap 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)

Statement by the Consulting Actuary

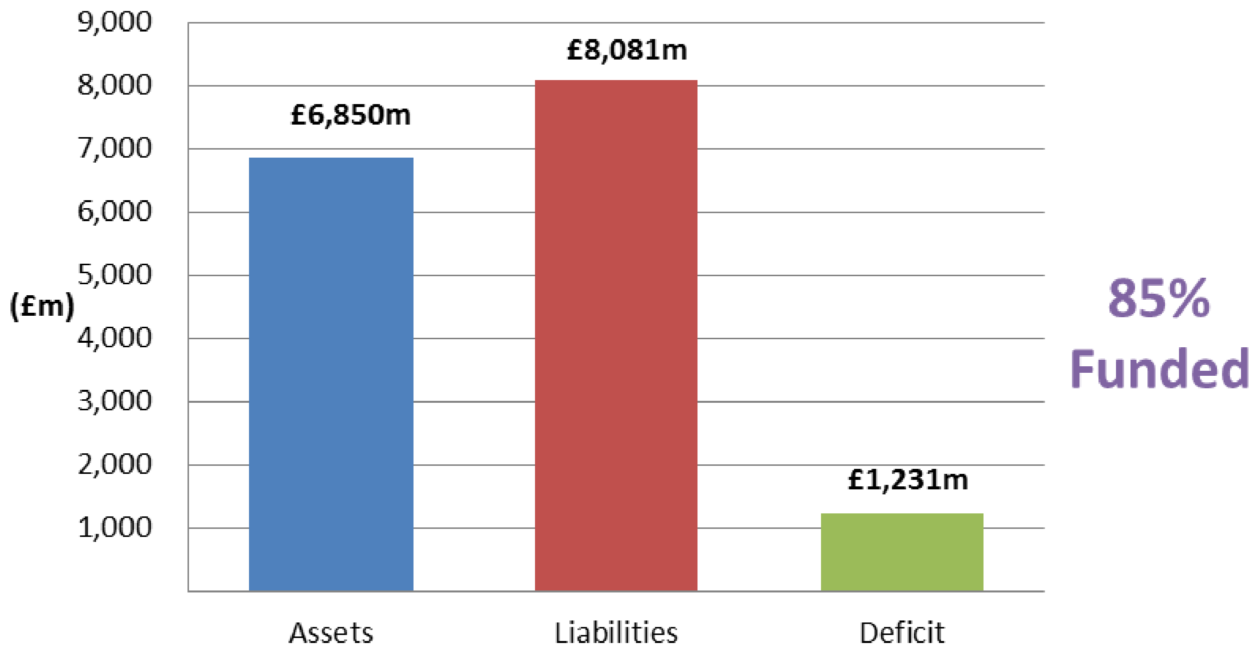
MERSEYSIDE PENSION FUND

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 - STATEMENT BY THE CONSULTING ACTUARY

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Merseyside Pension Fund was carried out as at 31 March 2016 to determine the contribution rates with effect from 1 April 2017 to 31 March 2020.

On the basis of the assumptions adopted, the Fund's assets of £6,850 million represented 85% of the Fund's past service liabilities of £8,081 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £1,231 million.



Statement by the Consulting Actuary (continued)

MERSEYSIDE PENSION FUND

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 - STATEMENT BY THE CONSULTING ACTUARY

The valuation also showed that a Primary contribution rate of 15.4% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and then maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall (or contribution reductions to refund any surplus).

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average deficit recovery period is 19 years, and the total initial recovery payment (the “Secondary rate”) for 2019/20 is approximately £52.8 million (this allows for some employers to phase in any increases or to make a prepayment in April 2017). For all employers, the Secondary rate will increase at 3.7% per annum, except where phasing has been applied. With the agreement of the Administering Authority employers may also opt to pay some of their deficit contributions early (after suitably agreed reductions), with either all three years being paid in April 2017 or payment being made in the April of the year in question.
Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2017.

In practice, each individual employer’s position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.
The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

Statement by the Consulting Actuary (continued)

MERSEYSIDE PENSION FUND

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 - STATEMENT BY THE CONSULTING ACTUARY

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	4.2% per annum	4.95% per annum
Rate of pay increases (long term)*	3.7% per annum	3.7% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.2% per annum	2.2% per annum

- allowance was also made for short-term public sector pay restraint over a 4 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2019. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2020.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

MERSEYSIDE PENSION FUND

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 - STATEMENT BY THE CONSULTING ACTUARY

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2019 (the 31 March 2018 assumptions are included for comparison):

	31 March 2018	31 March 2019
Rate of return on investments (discount rate)	2.6% per annum	2.4% per annum
Rate of CPI Inflation / CARE Benefit revaluation	2.1% per annum	2.2% per annum
Rate of pay increases*	3.6% per annum	3.7% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.2% per annum	2.3% per annum

- includes a corresponding allowance to that made in the latest formal actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2017.

During the year, corporate bond yields decreased slightly, resulting in a lower discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (2.4% p.a. versus 2.6% p.a.). The expected long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.2%. Both of these factors served to increase the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2018 was estimated as £11,285 million. Interest over the year increased the liabilities by c£293 million, and allowing for net benefits accrued/paid over the period decreased the liabilities by c£18 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). We have also included an amount of £78 million by way of an estimate of the effect of the McCloud judgement (see note below for further details). There was an increase in liabilities of £627 million due to "actuarial gains" (i.e. the effect of the changes in the actuarial assumptions used, referred to above).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2019 is therefore £12,265 million.

MERSEYSIDE PENSION FUND

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 - STATEMENT BY THE CONSULTING ACTUARY

The McCloud Case

In December 2018 the Court of Appeal ruled against the Government in the two linked cases of Sargeant and McCloud (which for the purposes of the LGPS has generally been shortened to “McCloud”), relating to the Firefighter unfunded pension schemes and the Judicial pension arrangements. In essence, the Court held that the transitional protections, which were afforded to older members when the reformed schemes were introduced in 2015, constituted unlawful age discrimination. The Government attempted to appeal the cases, but it was announced on 27 June 2019 that the appeal had been refused by the Supreme Court. Remedial action in the form of increases in benefits for some members of the Firefighter and Judicial arrangements will almost certainly be required. There may well also be knock-on effects for the other public service schemes, and the LGPS might therefore also be required to take some action. At this stage it is uncertain whether remedial action will be required, nor is it clear what the extent of any potential remedial action might be.

We have carried out some costings of the potential effect of McCloud as at 31 March 2019, based on the individual member data as supplied to us for the 2016 actuarial valuation, and this results in an additional liability of £78 million using the IAS26 assumptions outlined above. The approach to the calculations is as instructed by the administering authority after consideration of the categories of members potentially affected, but in very broad terms calculates the cost of applying a "final salary underpin" (on a member by member basis) to those active members who joined the Fund after 1 April 2012 and who would not otherwise have benefited from the underpin.

Statement by the Consulting Actuary (continued)

MERSEYSIDE PENSION FUND

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 - STATEMENT BY THE CONSULTING ACTUARY

GMP Equalisation

UK and European law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the “Barber” judgment) and this includes providing equal benefits accrued from that date to reflect the differences in GMPs. Previously, there was no consensus or legislative guidance as to how this might be achieved in practice for ongoing schemes, but the 26 October 2018 Lloyds Bank court judgement has now provided further clarity in this area. However, in response to this judgement HM Treasury stated that “public sector schemes already have a method to equalise guaranteed minimum pension benefits, which is why we will not have to change our method as a result of this judgment", clearly implying that the Government (who have the overall power to determine benefits provision) believe the judgement itself will not affect the benefits. Therefore, the natural conclusion for the main public service pension schemes including the Local Government Pension Scheme is that it is not appropriate for any provision to be included for the effect of the Lloyds Bank judgment, at least at the present time, and so we have not made any allowance for any additional liabilities within the above figures at this stage. However, in due course there may be a further cost to the LGPS in connection with equalisation/indexation, when the Government confirms the overall approach which it wishes to adopt in this area following its consultation.

Paul Middleman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
July 2019

Clive Lewis
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
July 2019

6

Glossary

5 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 show how this is passed on to other public authorities.

Community Assets

These are fixed assets which the Council intends to hold in perpetuity which have no determinable finite useful life and may have restrictions on their disposal eg parks.

Council Tax

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

Creditors

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

Current Service Costs (Pensions)

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

Curtailment (Pensions)

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

Debtors

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

Defined Benefit Scheme

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

Defined Contributions Scheme

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

Depreciation

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

Expected Rate of Return on Pensions Assets

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

Expenditure

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

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 Civic Regalia, works of art and historic buildings.

Impairment

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

Income

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

Infrastructure Assets

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

Intangible Assets

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

International Financial Reporting Standards (IFRS)

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

Investment Properties

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

Leases

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

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

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

Net Expenditure

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

OCI

Other comprehensive income.

Precept

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

Prior Year Adjustments

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

Property, Plant and Equipment

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

Provisions

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

Public Works Loans Board (PWLB)

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

Reserves

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

Revenue Expenditure

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

Scheme Liabilities

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

Unfunded Defined Benefit Scheme

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

Unsupported (Prudential) Borrowing

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

Useful Life

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