Public Document Pack

WIRRAL

Audit and Risk Management Committee

Date:	**Monday, 28 September 2015**
Time:	**5.45 pm** *(or upon the rising of the Pensions Committee, whichever is the later)*
Venue:	Committee Room 3 - Wallasey Town Hall

Contact Officer: Patrick Sebastian
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AGENDA

1. MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members are asked to consider whether they have any disclosable pecuniary interests and/or any other relevant interest in connection with any item(s) on this agenda and, if so, to declare them and state the nature of the interest.

2. IT UPDATE (Pages 1 - 6)

Minute 5(2) dated 8 June 2015 refers.

3. EXTERNAL AUDIT - AUDIT COMMITTEE UPDATE

Verbal Report

4. EXTERNAL AUDIT FINDINGS (Pages 7 - 44)

5. EXTERNAL AUDIT FINDINGS - PENSION FUND (Pages 45 - 68)

6. PENSION FUND STATEMENT OF ACCOUNTS (Pages 69 - 128)

7. STATEMENT OF ACCOUNTS (Pages 129 - 326)

8. ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR (PART 1)

9. EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC

The public may be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information.

RECOMMENDATION – That in accordance with section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business, on the grounds that they involve the likely disclosure of exempt information as defined by the relevant paragraphs of Part 1 of Schedule 12A (as amended) to that Act. The public interest test has been applied and favours exclusion.

10. ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR (PART 2)

WIRRAL COUNCIL

TRANSFORMATION & RESOURCES POLICY & PERFORMANCE COMMITTEE – 21 SEPTEMBER 2015

AUDIT AND RISK MANAGEMENT COMMITTEE – 28 SEPTEMBER 2015

SUBJECT:	**IT Services Business Continuity and Disaster Recovery Update**
WARD/S AFFECTED:	**None**
REPORT OF:	**Strategic Director for Transformation and Resources.**
RESPONSIBLE PORTFOLIO HOLDER:	**Cllrs A. McLachlan and A. Jones**
KEY DECISION?	**No**

1.0 EXECUTIVE SUMMARY

1.1 Since mid-2014 Wirral IT has undertaken a programme of work designed to mitigate and ultimately remove risks associated with an underinvestment in IT infrastructure.

1.2 This report details the progress thus far and outlines the remaining major steps that need to be completed in order to fully mitigate the current risks.

2.0 BACKGROUND AND KEY ISSUES

2.1 The Wirral Council IT infrastructure suffered from underinvestment for a number of years, such that by the middle of calendar year 2013, there were number of risks and issues related to reliability, resilience and availability that needed to be addressed:

2.2 Since mid-2014 Wirral IT has undertaken a programme of work designed to deliver a fit for purpose IT infrastructure that:

- is cost effective, reliable, up to date, secure and well maintained;
- supports the Council's priorities and objectives;
- enables the digital delivery of services to the citizens and businesses of the borough and across the Council for members and officers.

2.3 The programme of work has, either delivered, or is in the process of delivering, a number of benefits that achieve the above stated objectives. This programme of work will remove multiple single points of failure/dependency and ultimately deliver an overarching IT Disaster recovery plan. Projects to date include: -

2.3.1 Windows 7 Project (2014/15) - This project has delivered;

2.3.1.1 A mobile end user computing solution (Windows 7 Laptops) addressing the issues of workplace business continuity across the council. In the event of the loss of key sites Council employees have the ability to work from alternative offices or connect remotely from other locations.

2.3.1.2 It has also delivered a distributed security and authentication system, removing the dependencies on the security and authentication systems located in the Treasury Building. This will help to maintain services in the event of major service incident within the Treasury Building.

2.3.2 Storage Area Network SAN) Refresh (2014/15) – This project replaced the aging SAN infrastructure located within Treasury Building. Two SANs are now in operation, one in each data hall. The SAN infrastructure incorporates a number of recovery features including automatic replication between the two data centres within the Treasury Building and defined recovery points which aid recovery in the event of a server failure. This vastly reduces the risk of data loss in the event that one data centre is destroyed.

2.3.3 Virtualisation Refresh (2014/15) – Virtualisation of infrastructures helps organisations to make cost effective use of their IT resources (servers, storage, etc.). Wirral Council has invested in VMware's virtualisation technology. This solution works hand-in-hand with the SAN infrastructure to provide a highly available delivery platform. At present work is underway to consolidate the Council's physical IT estate using VMWare. This will help to simplify the migration to new data centres and to reduce costs. Planning is underway to test the disaster recovery automation functions of this technology which will provide the cornerstone of an automated IT Services Disaster Recovery Plan.

2.3.4 High Availability Microsoft SQL Database Platform (2014/15) – a high availability SQL database platform has been implemented and is operational; this platform replicates Microsoft SQL databases between the two data centres, providing a failover mechanism from one data centre to the other. This vastly reduces the risk of data loss in the event that one data centre is destroyed. Wirral IT is currently working with business stakeholders to (wherever possible) migrate databases from legacy SPOF database systems to the new high availability database platform.

2.3.5 Email Office 365 (2015) this project is underway and will remove the Council's dependency on the legacy email infrastructure. It will provide members and officers with a robust, highly available, agile, hybrid cloud-based email messaging platform. The three week test phase is due to commence in October and assuming a successful test, the project will be rolled out from November and it is estimated that it will take about nine months to complete.

2.3.6 Wide Area Network Refresh (2015) this project has started. Working in partnership with BT, this project is refreshing the wide area network infrastructure. As sites are migrated, the refreshed network will provide a fault

tolerant network for the delivery of IT services and remove multiple single points of failure/dependency within the network. It is expected that the project will complete within 18 months.

2.3.7 Wirral Target Operating Environment (2015/16) this project is currently at tender evaluation stage. The project will migrate the server estate onto the most up to date version of Microsoft Windows Server, wherever practicable. It will also renew the server hardware, where needed and further rationalise physical servers wherever possible. The project also deliver complete application upgrades when required and further enhance the security, resilience and control capabilities of the network infrastructure.

2.3.8 Treasury Data Centre Project (2015) – The objective of this project is to mitigate the risk of a major IT incident if the Treasury building were to be destroyed. Options under consideration include co-locating some of the Council's equipment with a public sector partner or commercial organisation; relocation to alternative council facilities; utilising cloud recovery infrastructures. Two potential solutions are currently under review and close to confirmation:

2.3.8.1 Wirral IT Services is in discussion with a public sector partner to explore the possibility of co-locating half the Council's infrastructure in one or more of that public sector organisation's data facilities. This has many advantages: it reduces the need for capital investment; it improves the utilisation of that public sector organisation's assets, to the benefit of all stakeholders; the facilities are already in existence which could reduce the time needed to migrate the Council's systems, if technical and commercial terms can be agreed. Moving one of our data halls would quickly remove the risk posed by having both data centres in one building.

2.3.8.2 Wirral IT Services are working with the Council's Asset Management team to identify suitable premises in which to locate a new data centre. A number of Council buildings have thus far been investigated and discounted as unsuitable. There are currently two potential sites under review, one of which is likely to house one new data centre, assuming that no insurmountable problems come to light in the interim.

3.0 RELEVANT RISKS

3.1 Until the two data centres are split onto separate locations, the significant risk remains; however, the overall risk level has been reduced by the above detailed programme of work.

4.0 OTHER OPTIONS CONSIDERED

4.1 Detailed above.

5.0 CONSULTATION

5.1 IT Services has consulted colleagues in the Asset Management Team, SLT Directors, the relevant Portfolio Holders, and external partners qualified to give advice about the construction and commissioning of IT data centres.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 Detailed above.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 None.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 Capital and Revenue funding is available within the approved budget.

9.0 LEGAL IMPLICATIONS

9.1 The two data centre options will require contracts to be drawn up and a procurement exercise would have to take place to complete the construction of any data centre for the Council.

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

~~(a) Yes and impact review has been sent to the Equality and Diversity Co-ordinator.~~

(b) No because there is no relevance to equality.

~~(c) No because of another reason which is~~

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 Moving to modern power efficient data centres should reduce the Council's overall carbon footprint.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 Planning permission may be required for the construction of a data centre.

13.0 RECOMMENDATION/S

13.1 That the committee note the IT Services report.

13.2 That IT Services present a further progress report to the 22 March, 2016 T&R Policy and Performance Committee meeting.

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APPENDICES

BACKGROUND PAPERS/REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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The Audit Findings for Wirral Council

Year ended 31 March 2015

September 2015

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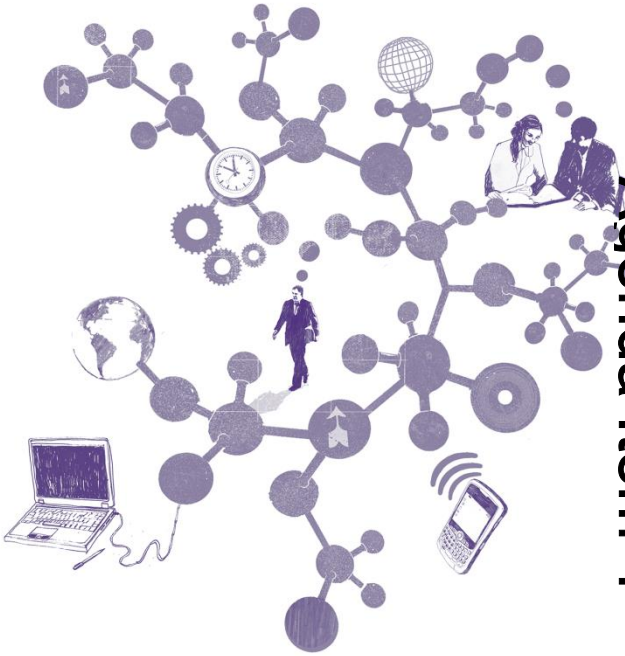

Contents

Section 1: Executive summary

We anticipate providing an unqualified opinion on the financial statements and an unqualified value for money conclusion.

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Wirral Council's (the Council) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated March 2015.

Our audit is substantially complete although we are finalising our work in the following areas:

- completion of our review of Property, Plant and Equipment
- completion of a small amount of income and expenditure sample testing
- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement and
- updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- as in 2013/14, the draft accounts were prepared to a good standard and supported by appropriate working papers
- our audit did not identify any material issues affecting the Council's reported financial position
- we identified a small number of material presentational errors and officers have amended the draft statements
- a number of adjustments were agreed to ensure compliance with accounting practices and to improve the presentation of the financial statements.

The Council delivered an underspend of £0.5m on its service income and expenditure and the audited financial statements for the year ended 31 March 2015 set out net cost of services expenditure of £234.14m.

Further details are set out in section two of this report.

Merseyside Pension Fund

We anticipate providing an unqualified opinion on Merseyside Pension Fund's financial statements. The findings of the audit are set out in a separate report .

Value for Money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion

The Council has made real progress in improving its arrangements for securing economy, efficiency and effectiveness. There is now a track record of delivering planned savings and the medium-term financial strategy is regularly re-freshed and includes relevant assumptions and projections. The Council successfully delivered its planned budget in 2014/15 and there are effective monitoring arrangements in place. Members and senior management understand the scale of the further spending reductions that need to be made and plans are being developed that embrace new ways of working. The progress the Council has made over the last couple of years has been recognised by the Local Government Chronicle award of 'Most Improved Council' title.

The Council has articulated its Vision for 2020 which includes its ambition for Wirral. There is a recognition that delivering the 2020 Vision Plan will require the Council to work closely with its partners and to embrace new ways of working. The progress that has been made in recent years provides increased confidence about the deliverability of the vision however it is clear that challenges remain.

The financial position is tough and could get tougher, there are still some elements of the Council's basic processes, such as procurement and dealing with sickness absence, that are not fully developed and the required cultural change will be demanding. In our view it is important the Council:

- continues to improve and embed basic processes;
- takes steps to organise itself appropriately to deliver objectives and embed a culture that encourages people to adopt new ways of working; and
- retains a focus on significant financial challenges facing local government.

Further detail of our work on Value for Money is set out in section three of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Findings

As part of our audit we have identified a number of areas where the Council's IT controls can be further strengthened. We shared our detailed findings with the Council and received a response setting out planned action by Management.

Further details are provided within section two of this report setting out the most significant issues that our review identified.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with a number of senior officers.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with officers.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2015

Section 2: Audit findings

We have not identified any adjustments affecting the Council's financial position and we are expecting to issue an unqualified opinion on the financial statements.

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit and Risk Management Committee on 18 March 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 18 March 2015.

Audit opinion

Our proposed audit opinion is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	**Improper revenue recognition** Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition	We have undertaken work to: • review and test revenue recognition policies • test material revenue streams • review unusual significant transactions	Our audit work has not identified any issues in respect of revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Wirral Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Wirral Council, mean that all forms of fraud are seen as unacceptable
2.	**Management override of controls** Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls	We have undertaken work to: • review accounting estimates, judgements and decisions made by management • test journal entries • review unusual significant transactions	Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgments.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: • documentation and identification of the processes and key controls within the operating expenses cycle • walkthrough of controls to confirm our understanding • agreement of creditors to system balances and control account reconciliations, • review and substantive testing of year end accruals and creditor balances including confirmation that balances due have been settled after year end • testing transactions either side of the year end ("Cut-off") to obtain assurance that creditors have been accounted for in the correct financial year.	Our audit work has not identified any significant issues in relation to the risk identified. Our work included: • Testing of a sample of 25 expenditure items which did not identify any issues relating to the accuracy or classification of expenditure • Review and substantive testing of a sample of 15 year end accruals and creditor balances which confirmed the validity and accuracy of balances, and that they had been correctly classified and recorded in the correct financial year • Testing of a sample of 21 payments made in 2015/16 to determine whether the associated expenditure was recorded in the correct financial year. No significant issues arose from this work.
Employee remuneration	Employee remuneration accrual understated	We have undertaken the following work in relation to this risk: • documentation and identification of the processes and key controls within the employee remuneration cycle • walkthrough of controls to confirm our understanding • use of analytical techniques to compare expected payroll costs with actual • review of payroll reconciliations including at the year end.	Our audit work has not identified any significant issues in relation to the risk identified. Our work included: • Agreement of reconciliation of total payroll costs to the General Ledger • Confirmation of an expected payroll value being in line with actual payroll costs • Substantive testing of a sample of 24 individuals paid throughout the year did not identify any issues with the accuracy of payments or the calculation of employer "on-costs".

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Welfare expenditure	Welfare benefit expenditure improperly computed	We have undertaken the following work in relation : • documentation and identification of the processes and key controls within the welfare benefits expenditure cycle • walkthrough of controls to confirm our understanding • reconciliation of welfare benefits expenditure system to the general ledger and financial statements • housing benefit subsidy claim testing using Audit Commission HB COUNT approach.	Our audit work has not identified any significant issues in relation to the risk identified. Our work included: HB COUNT approach testing of a sample of 40 welfare benefit cases, across Rent allowances and rent rebate expenditure, confirmed the benefit entitlement assessments completed by the Council and the payments made to claimants was not materially misstated.

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Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• Income is recognised in the financial year in which goods and services are received or provided. The amounts included are based on actual invoices raised after the year end and where actual amounts are not known estimates are included based on an assessment of the value of goods and services rendered. • Income from Council Tax and National Non-Domestic Rates is recognised within the Comprehensive Income and Expenditure Account as the amount due to the Council for the financial year, including its share of the Collection Fund balances for these items at the end of the financial year • Interest receivable on investments is accounted for as income based on the effective interest rate for the relevant financial instrument rather than the cash flows set out by contract. • 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.	The Council's policy is appropriate and consistent with the relevant accounting framework – the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code). The main elements of the Council's revenue is prudent and predictable and there is minimal judgement required from the Council. The accounting policy is appropriately disclosed in note 1 of the financial statements.	● Green

Assessment

- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

DRAFT

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Estimates and judgements	Key estimates and judgements include: • assessment that no requirement for group accounts • useful lives of property, plant and equipment • assessment of carrying value v fair value • pension fund valuations and settlements • revaluations Impairments • provisions and accruals	The Council's accounting policies for key estimates and judgements are appropriate and consistent with the relevant accounting framework – the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code). The accounting policies are appropriately disclosed in the notes to the financial statements. In previous years the Council carried out a rolling programme of revaluations, with the date of the valuations varying between 31 March 2011 ad 31 March 2015. This approach was similar to many other authorities and we are satisfied that you satisfied yourselves that the carrying amount of Property, Plant and Equipment (based on these valuations) does not differ materially from the fair value at 31 March 2015. Our audit testing of key estimates and judgements has considered the extent of judgement involved, the potential impact of different assumptions and the range of possible outcomes. We are satisfied that the key estimates and judgements are appropriate and adequately disclosed.	Green
Judgements - local authority maintained schools premises	The Council's recognition criteria for schools non-current assets is determined by ownership and the rights of the legal owner. Where the balance of control for local authority maintained schools lies with the Council then the assets, liabilities, reserves and cash flows of those schools are recognised in the financial statements.	• The Council has considered the content of the CIPFA Code of Practice and supplementary guidance, and has documented its judgement with supporting evidence. • The Council's accounting policy for Schools non-current assets is fully disclosed in note 1 to the financial statements, and has been consistently applied. • Our review of the accounting policy, accounting treatment and evidence to support the Council's judgement has not identified any issues which we wish to bring to your attention.	Green

Assessment
- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

DRAFT

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	Management have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Management assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.	Green
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	Green

Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have written to the Chair of the Audit and Risk Management Committee in relation to the risk of fraud . We have not been made aware of any material incidents in the period and no other issues have been identified during the course of our audit.
2.	**Matters in relation to laws and regulations**	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	**Written representations**	• A letter of representation has been requested from the Council.
4.	**Disclosures**	• Our review found no significant omissions in the financial statements
5.	**Matters in relation to related parties**	• We are not aware of any related party transactions which have not been disclosed
6.	**Confirmation requests from third parties**	• We obtained direct confirmations from PWLB and from various banks to confirm bank balances and short term investment balances.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration , Operating Expenses and Welfare Expenditure as set out on pages 9 and 10 above.

As part of our planned programme of work on internal controls, our information system specialist team undertook a high level review of the general IT control environment at the Council. Our review identified a number of areas where the Council's existing IT controls can be further developed. The most significant issues we identified applied to the following issues.

- Password control and enforcement;
- Potential segregation of duties conflicts; and
- Access Rights

We issued a report to Management setting out our findings together with recommendations and we received a response from Management. We have summarised our recommendations relating to these three most significant issues, at Appendix A, alongside the response from Management.

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Adjusted misstatements, Misclassifications & disclosure changes

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements -
1	Misclassification	£13,750 & £6,151	Collection fund	The precept values recorded in the Collection fund for the Police and Crime Commissioner and Merseyside Fire and Rescue service were recognised against the incorrect preceptor and the error was amended to read as follows, with no impact on the net position reported: **Precepts** - Police and Crime Commissioner for Merseyside - £13,750k - Merseyside Fire and Rescue Service - £6,151k
2	Disclosure error	Upward revaluations - £31,599k & Downward revaluations - £19,737k	Note 24 – Unusable reserves – Revaluation Reserve	The Council have corrected the note 24 – that sets out the movement on the revaluation reserves - to ensure that gross values are disclosed in line with proper accounting practices – the original figure set out the net position only of £11,862k There is no impact on the closing balance or the Council's reserve position.
3	Disclosure error	Various	Cash Flow Statement	Our review of the draft cash flow statements a number of errors, including two non – trivial amounts, as follows: - Impairment and downward valuations amended from (£8,197k) to (£5,330k) - Non cash items relating to the disposal of fixed assets amended from (£12,830k) to (£15,931)

Section 3: Value for Money

We are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015

Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

The Council has proper arrangements in place for securing financial resilience - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

The Council has made real progress in establishing effective arrangements to secure financial resilience and has achieved good financial performance despite the considerable financial pressures facing local government. The progress the Council has made has been formally recognised. In March 2015, following a period of partnership work with the Local Government Association (LGA) via a joint Improvement Board, the Council was recognised as the Local Government Chronicle's 'Most Improved Council'.

Between 2011/12 and 2013/14 the Council achieved savings of £106.8 million and in February 2014 updated the Medium Term Financial Strategy (MTFS) 2014 – 17 to reflect the reduced local government finance settlement and include more realistic budget assumptions. This MTFS set out a forecast funding gap of £27.5m in 2014/15 and the Council achieved the required savings and delivered an underspend of £0.5m. In February 2015 the MTFS was again updated for the period 2015-18 and identifies a £70m funding gap for the period and clearly, considerable financial challenges remain.

The Council recognises the scale of these financial challenges and throughout 2014/15 developed the "Future Council Programme" to help transform the Council and deliver the required savings. Following a period of public consultation options for budget savings were submitted to Members in November 2014 with decisions reflected in the Future Project Plan that were taken forward as part of the budget setting process, reflected in the updated MTFS.

In July 2015 the Council approved a new Wirral Council Plan: A 2020 Vision – that sets out the ambition for Wirral and the Council. It identifies the key priority areas and desired outcomes for both people and place and underpinning the three priorities are twenty outcomes designed to be delivered by 2020. The new plan is ambitious and recognises the importance of partnership working to maximise the benefit of all resources 'invested' in Wirral. The delivery of the new Plan will require new skills and ways of working.

Value for Money

Value for money conclusion

Challenging economy, efficiency and effectiveness
We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Members and Senior Management have demonstrated an appreciation of the scale of the challenge to reshape the Council to ensure that resources are prioritised and spending reductions achieved with new ways of working being explored. During the year the Council embarked on the Future Council programme, designed to help deliver the significant savings required in future years and to ensure that remaining resources are used effectively. The Council has achieved the savings required for 2014/15 and contained expenditure within resources. A detailed savings tracker report has been developed to assess progress in the delivery of savings and identify potential non-delivery.

The new plan – a 2020 Vision sets out the broad shape how the Council will organise itself to achieve the stated ambitions to deliver the best outcomes for Wirral. The Plan recognises that the Council will need to be reshaped as new ways of working are pursued and that this will require significant cultural change.

The Council acknowledge the considerable challenges it will face to achieve the ambition set out in the Council Plan. We will monitor the progress made by the Council to ensure that robust business plans, strategies and financial plans are now put in place to help achieved the stated outcomes.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	**Inadequate arrangements**

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Key indicators of performance	The Council has achieved a good financial performance despite facing significant financial challenges throughout the year. A number of key indicators evidence effective performance however further action is required in certain areas. • The 2014/15 draft financial statements reports a £0.5m underspend against the net revenue budget of £275.7m achieved through effective monitoring and reporting of the budget throughout the year; • The General Fund balance has increased to £18.8m and is above the minimum requirement of £17.3m set out in the risk assessment completed by the s151 officer and detailed in the MTFS; • Long term debt has again fallen from £201.3m in 2013/14 to £193.9m in 2014/15 as the Council seeks to reduce both risk and costs linked to repayments; • A detailed treasury management strategy is in place that is approved by Cabinet annually and the 2014/15 report confirms compliance with treasury limits set and all prudential indicators; • The Council secured a small improvement in Council Tax collection performance to 95.5% compared to 95.4% in 2013/14. Business rate collection was up to 98.2%, an improvement on the 2013/14 level of 96.9%; • The capital programme was kept under close review during the year and a number of schemes were re-profiled into 2015/16 resulting in capital expenditure of £32.5m in 2014/15 against a revised capital budget of £39.7m. Major schemes included the rationalisation of office space and the refurbishment of Council buildings; • Sundry debtors remain high at £30.9m at the year end, up from £23.5m in 2013/14; and • Sickness absence a across the Council remains high at 10.39 average days absence per full time employee against a 2014/15 target of 9.75. Internal Audit has also identified issues relating to under reporting of absence by managers.	**Green**

Theme	Summary findings	RAG rating
Strategic financial planning	During 2012/13 – 2014/15 the Council went through a period of significant change and successfully implemented revised arrangements to help establish greater financial stability. The Council has achieved revenue budget underspends , in each of the last two years achieving savings of £39m in 2013/14 and £27.5m in 2014/15 and effectively managed its financial performance. This improved financial management culminated in the Council being recognised as the "most improved Council" by the LGA in March 2015. The Council's Medium Term Financial Strategy (MTFS) is refreshed annually and revised ahead of the commencement of the financial year. The MTFS 2014-2017 was approved in February 2014 and both the budget and MTFS have been closely monitored and subject to revision as new issues/external factors emerged. The MTFS 2015-18 is now in place and confirms that the Council has set a balanced budget for 2015/16 including savings of £38m. A further £49m of savings remain to be identified by 2017/18. The MTFS clearly sets out the risks associated with delivery of these savings and the Council has plans in place to closely monitor delivery and report to Cabinet and the Chief Executive Strategic Leadership Team. In terms of 2016/17 and 2017/18 some £3.1m of the required savings had been identified as at February 2015 and the information obtained as part of the Future Council programme will be reviewed to help identify further efficiencies alongside a range of other potential measures. The Council have recently updated the Council plan and Wirral Council – A 2020 vision was approved in July 2015 and will be supported by an updated MTFS that will set out proposals to address the current forecast budget gap. The plan recognises that the Council will need to fundamentally change the way services are delivered and the Council will need to continue to develop detailed savings plans to address this budget shortfall.	**Green**
Financial governance	The Council now has effective financial governance arrangements in place that have helped deliver a more stable financial environment in recent years. The revised structures and arrangements have become more embedded following a period of significant change that has included: • restructure of senior management, completed in April 2013, with three new Strategic Directors being appointed and the appointment of a new Chief Executive from April 2015; • revision of the Constitution in recognition that governance arrangements required strengthening to improve decision making; • establishment of a Corporate Governance Group chaired and supported by the Strategic Director for Transformation and Resources, The group meet regularly throughout the year and provide assurance to both to the Strategic Leadership Team (SLT) and the Audit and Risk Management Committee. Members and management team has maintained a focus on financial requirements and take a clear lead on the achievement of required savings. The Council has developed a good understanding of the financial environment and financial reporting has a high profile especially through the revenue monitor and savings tracker reports produced monthly and the Council has performed in line with budgets.	**Green**

Theme	Summary findings	RAG rating
Financial control	The Council has managed the 2014/15 annual revenue budget and savings plans well and delivered a year surplus and achieved the required savings. Revenue and Capital monitoring reports are produced monthly and clearly set out the projected financial position and key issues . The reports include a risk assessment of Directorate budget variations with overspends explained and planned management actions to be implemented clearly set out along with explanation of underspends and savings secured. The degree and scale of change to deliver £38 million of savings in 2015/16 represents a significant challenge to implement whilst maintaining the delivery of services and maintaining spend within budget remains a key priority. Arrangements to oversee the financial position were developed during the year and monitored by number of officer groups. In the later part of 2014/15 the Benefits Realisation Group was formed to oversee the monitoring of agreed savings and the development of savings for 2016/17, 2017/18 and future years. Internal Audit (IA) provide an effective service across the Council and have demonstrated compliance against the CIPFA Code of Practice for Internal Audit. IA provide regular update reports for the Audit and Risk Management Committee and the Chief Internal Auditor annual report for 201415 concluded that "Assurance can be given that there is a sound system of internal control, designed to meet the Council's objectives, and that controls are generally being applied consistently." The Finance department continues to have a number of unfilled vacancies and again required temporary support to ensure the appropriate completion of the 2014/15 statement of accounts. The Council will need to ensure that sufficient capacity is maintained to meet the continuing financial challenges and to help support the achievement of required savings. The Council have a risk management policy in place and sound arrangements that underpin the corporate risk register however the Council recognise more needs to be achieved to ensure that these arrangements are embedded across all Council departments and consistently applied.	**Green**

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Theme	Summary findings	RAG rating
Prioritising resources	Cabinet and Senior Management have demonstrated an appreciation of the scale of the challenge to reshape the Council to ensure that resources are prioritised and spending reductions achieved with new ways of working being explored. During the year the Council embarked on the Future Council programme, designed to help deliver the significant savings targets required in future years and to ensure that remaining resources are used effectively. Comprehensive reviews of all Council services were completed . Each service review included: • assessment of what the service was there to deliver; • what would be the effect on users if the service was not provided; • could behavioural changes improve services; and • what is the performance of the service is like both in relation to the Corporate Plan and other benchmarking information. The options developed were then subject to stakeholder engagement and public consultation that commenced in June 2014 and in November options for budget savings were submitted to Members. Proposals were then set out within the Future Project Plan that were taken forward as part of the budget setting process, and reflected in the current MTFS. The Council recognised that this was just the start of the process to fundamentally reshape the Council and in July 2015 a new Council plan was approved that sets out the vision of the Council going forward. The plan details how the Council will organise itself to achieve the stated ambitions to deliver the best outcomes for Wirral. The Plan recognises that the Council will need to be reshaped as new ways of working are pursued and that this will require significant cultural change. The Council has clearly become more pro-active in its response to the changing needs of their communities and in the face of diminishing levels of funding. The Council is now part of the Liverpool City Region Combined Authority designed to bring about closer partnership working. 2020 Vision sets out that the Council will need to look beyond traditional organisational and geographical boundaries and it recognises that much remains to be achieved for the Council to realise its ambition to secure improved services and better outcomes. The aim is to now align a 5 year financial strategy alongside the plan to help achieved the stated aims and objectives.	**Amber**

Theme	Summary findings	RAG rating
Improving efficiency & productivity	The Council has again achieved the required annual savings and contained expenditure within resources. A savings tracker report that sets out progress in the delivery of savings and identify potential non-delivery has been developed. The tracker identifies savings in R/A/G categories depending on the likelihood that they will be achieved. The information is produced monthly and reported to Cabinet as part of the on going budget monitoring process. The Council has recently completed the reconfiguration of a number of services into a "Transactional Centre" that merges income, payments and other information. Further changes are anticipated to Schools Support Services and the Future Project Plan includes the plan to review all professional services such as Internal Audit, Finance, HR and Legal Services. The Council has prepared a business case and held discussions with Cheshire West and Chester to establish a Shared Service with for Schools Support Services which recognises the continuing reduction in the reliance of schools on the Council's support services as they transfer to Foundation and Academy status. Other functions under consideration for alternative delivery methods include the establishment of a Council-owned company for the delivery of Adult Day Care Services and a new partnership arrangement with NHS Wirral Clinical Care Commissioning Group to commission health and social care services. The Council has taken action to address previously identified weaknesses in relation to its corporate procurement arrangements and it is recognised that structural issues relating to capacity and capability remain to be addressed and plans are in place to strengthen these arrangements.	**Amber**

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Section 4: Fees, non-audit services and independence

Fees, non-audit services and independence

We confirm below our final fees charged for the audit and provision of non-audit services to the Council.

Fees

	Per Audit plan £	Actual fees £
Council audit	213,150	213,150
Grant certification on behalf of Audit Commission	31,800	31,800
Total audit fees	**244,950**	**244,950**

Fees for other services

Service	Fees £
Audit related services	
Teachers Pension Agency Accountant's report	4,200
Regional Growth Fund	To be confirmed
Housing Benefits - response to 2014/15 DWP queries	To be confirmed
Non audit related services	
Place Analytics	10,000

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan - Opinion

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Default passwords should be changed immediately to avoid the risk of system compromise. Management should ensure that for any future upgrades or developments a thorough review of shipped accounts is undertaken and all default passwords changed.	Medium	Default passwords for existing E-Business Suite modules have now been changed. Default passwords linked to future upgrades or developments will be changed as part of the implementation process.	
2	Management should undertake a review of the configuration of responsibilities to ensure that the functions assigned to them do not result in segregation of duties clashes.	Medium	Group Leader (Scheduling, Storage, Database & Printing)to review user permissions. A change of personnel and roles (in progress) within the IT Services team responsible for the Oracle E-Business Suite provides the opportunity for administrative permissions to be reviewed and segregation of duties clashes removed.	Quarter 3 - 2015/16
3	A review should be undertaken to identify all responsibilities in use that could be exploited using the processes tab functionality. These can be identified by reviewing responsibilities for menus that include the string %AZN% . Exclusions should then be used to ensure that no responsibilities in use have access to these menus	Medium	The fundamental review of permissions detailed in (2) will address this deficiency.	Quarter 3 - 2015/16

Appendix A: Action plan – VFM Conclusion

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
Securing Financial Resilience				
1	The Council needs to urgently address the issue of mis-reporting of sickness absence and ensure effective action is undertaken to reduce absence and work toward achieving the target set.	High	Sickness levels are closely monitored through the enhanced self-serve system. All managers have access to the system that contains employee related information. Detailed on going action includes; • Absence data and trigger reports are available to all managers on their desktop via self-serve. • Absence information is reported to Directorate Management Teams through monthly people management reports. HR Business Partners are supporting managers in developing action plans against long term cases. • Any areas of mis-reporting will be monitored and action taken as appropriate. • Specific support is provided to managers to deal with long-term complex cases with OH support as required. • Chief Officers, with support of HR, have met line managers in services areas during July 2015 and set out clear expectations of managers in managing absence in the workplace in line with policy. • Support is provided to employees via the employee assistance and health and wellbeing programmes. • The Attendance Management policy has been reviewed in August 2015 and a number of changes have been improved to improve effectiveness of policy.	On going Chris Hyams - Head of Human Resources and Organisational Development

Priority
High, Medium or Low

Appendix A: Action plan – VFM Conclusion

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
Securing Financial Resilience				
2	Continued action is required to address the issue of historic arrears and the Council needs to ensure that the management of current debt is also robust given the increase in the levels of historic debt	High	The arrears at 31 March 2015 were inflated by 2 invoices to NHS England and Wirral CCG totalling £9,312,985 raised in late February for the Better Care Fund. Both invoices were cleared in early April 2015. Excluding these two invoices arrears would reduce from £30.9 million to £21.6 million, which whilst still high represents an improvement from 2013/14. For 2015/16 and on going the cumulative position is being monitored against original targeted debt and new debt to enhance the process of assessing debt collection rates. It is expected that there will be a continuation in the improvement in debt collection levels over 2014/15 and earlier years.	On going Malcolm Flanagan Head of Business Processes
3	Develop savings plans for each of the three years covered by the MTFS and ensure that financial plans are developed to support the Council Plan – A 2020 Vision.	High	The Medium-Term Financial Strategy was considered as part of the budget setting process on 10 February 2015. It is being reviewed to reflect proposals within the Future Council programme and will be subject to further review as proposals for changes to service delivery are developed to meet the requirements of the Council Plan - A 2020 Vision. Short-term support is currently being utilised to develop savings options to support the Council Plan.	On going with updated budget proposals to the Executive December 2015/ February 2016. Tom Sault, Head of Financial Services Senior Leadership Team

Appendix A: Action plan – VFM Conclusion

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
Securing Financial Resilience				
4	Review action taken to ensure the Risk Management arrangements are applied appropriately across the Council	Medium	The Corporate Governance Group considered the output from a recent benchmarking survey in October 2014. This highlighted a number of priorities for improving the Council's risk management framework including learning from risk events, business continuity planning, defining the Council's risk appetite, risk management training and partnership risk arrangements. These informed changes to the refreshed Risk Management Policy considered by Audit & Risk Management committee on 18 March 2015 and key actions for 2015/16. Mandatory E-learning training on risk management for managers and other staff has been introduced. A revised Risk Management Policy is expected by February 2016. A further self-assessment of the Council's risk management arrangements is to be undertaken in autumn 2015 through the Council's participation in the CIPFA /Alarm risk management benchmarking club. Internal Audit will also conduct their annual investigation of the Council's risk management arrangements in the latter part of 2015/16. Output from both of these processes and the findings of the external audit will inform priorities for improvement to be implemented in 2016/17.	On going Tom Sault, Head of Financial Services Mike Lane Risk and Insurance Officer Senior Leadership Team
5	Ensure that appropriate staff capacity is maintained within finance to allow the Council to address the financial challenges that it faces and to support the delivery of the Council Plan – Vision 2020	Medium	Capacity within Finance will be kept under review. A review of Financial Services was completed in late 2014/15. The review is expected to release resources to assist with key tasks such as the closure accounts and meet directorate requirements to support the development of proposals to deliver the outcomes of the Council Plan. The position will be kept under review as this work develops.	On going Tom Sault, Head of Financial Services

Appendix A: Action plan – VFM

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
Securing economy, efficiency and effectiveness				
6	Monitor progress against the plans and recommendations put in place that seek to strengthen corporate procurement arrangements.	Medium	The Audit and Risk Management Committee at its meeting of 23 November 2014 were informed that capacity pressures within the Procurement Team could prevent the Council from delivering compliant procurement. This was recognised as a corporate risk and short term actions were agreed pending the conclusion of the consultation on the restructure. To mitigate the risk recruitment to the posts were accelerated and temporary staff were employed on 6 month contracts. A proposal for a new structure has been produced, based upon Category Management principles, and is being considered by the Senior Leadership Team during September 2015. Additionally the Council's intranet has guidance in the form of a Procurement Toolkit which includes e-tendering, i-procurement and details of procurement procedures. A complete review of the Contract Procedure Rules is under way. This includes adoption of the revised EU Procurement Directives and any amendments required that have been identified during the past twelve months. The outcome of this review will be subject to Member approval in November 2015 before implementation targeted for January 2016.	On going Ray Williams - Head of Procurement
7	Ensure that robust business plans, strategies and financial plans are now put in place to help achieved the stated outcomes.	High	Draft proposals to meet the outcomes are being developed. Detailed business and financial plans will be developed once agreement on the best way forward to deliver the outcomes contained within the Council Plan have been agreed with partners and the residents of Wirral.	On going with some detailed proposals to be completed to feed into the 2016/17 budget setting process. Senior Leadership Team / Cabinet

Appendix B: Audit opinion - Draft

We anticipate we will provide the Council with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WIRRAL COUNCIL

We have audited the financial statements of Wirral Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Wirral Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer 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 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Wirral Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We are required to report to you if::

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those 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 2015.

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 form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Wirral Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of Wirral Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

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

2x September 2015

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The Audit Findings for Merseyside Pension Fund

Year ended 31 March 2015

1 September 2015

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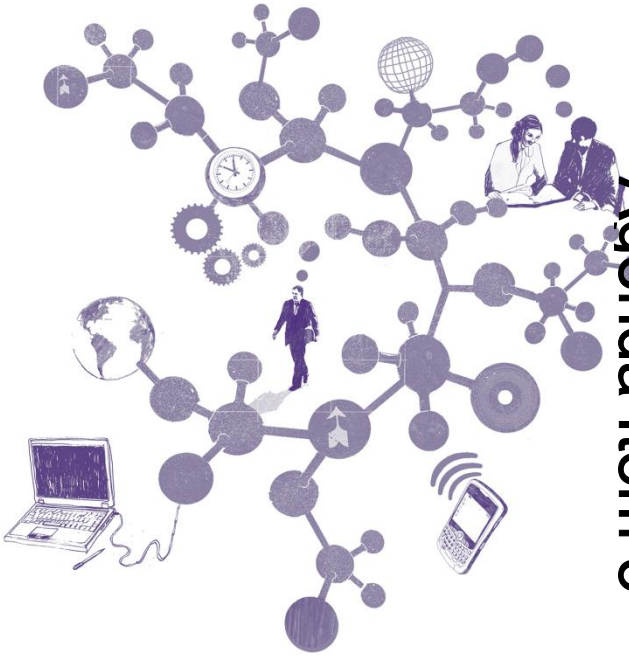

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1 September 2015

Dear Members

Audit Findings for Merseyside Pension Fund for the year ending 31 March 2015

The Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Merseyside Pension Fund, the Audit and Risk Management Committee of Wirral Council), as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with Management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Fiona Blatcher

Contents

Section 1: Executive summary

We anticipate providing an unqualified opinion on the accounts of Merseyside Pension Fund.

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Merseyside Pension Fund's (the Fund) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Fund's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated March 2015.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Our audit is substantially complete although we are finalising our work in the following areas:

- receipt of outstanding information from fund managers and completion of testing on alternative investments
- Confirmation of ownership for a sample of property assets
- Confirmation of the Probation transfer value from the actuary
- completion of final specialist partner review
- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion
- review of the final version of the Pension Fund annual report.

We will review the Annual Report on completion of the accounts audit and then issue our separate audit statement on the pension fund annual report together with our audit certificate.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the Fund's financial statements.

The key messages arising from our audit of the Fund's financial statements are:

- the accounts were prepared to a good standard and supported by appropriate working papers.
- Officers have responded promptly to requests for additional information.

We have not identified any adjustments affecting the Fund's reported financial position. We have agreed with officers some minor adjustments to improve the presentation of the financial statements. Further details are set out in section two of this report.

During the year officers have been working on a number of key projects including the transfer of assets and liabilities relating to the Probation Trust, new governance arrangements and the implementation of career average pensions. Especially in this context, the positive outcome from the audit of the accounts is a significant achievement.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council as the administering authority.

Findings

During our audit, officers made us aware of a small number of transactions and balances relating to duplicate payments on three occasions. These payments had been identified and corrected by the finance team, monies have been recovered and controls have now been strengthened. We are satisfied that the issues leading to these duplicate payments is not likely to have resulted in a material misstatement for the purposes of our opinion on the accounts. It was pleasing to see that the Fund's own normal control processes identified the existence of the duplicate payments and enabled corrective action.

Further details are provided within section two of this report.

The way forward

Matters arising from the financial statements audit have been discussed with the Head of the Pension Fund and the finance team.

For 2014/15, CIPFA produced guidance to encourage more consistent and transparent reporting of management costs within LGPS fund accounts. There has been a wide range of practice from funds in the extent to which they have implemented this guidance in their 2014/15 accounts. In particular the identification and reporting of certain investment management costs is particularly complex and dependent on the availability of information from fund managers and custodians. We note that the Pension Fund is not yet fully applying the CIPFA guidance on reporting management costs, in relation to investment management costs. We understand through our discussions with officers that work is in progress to obtain the relevant information at a transactional level where possible to apply this guidance from 1 April 2015. As part of this exercise, appropriate regard is being had to the potential impact on the fund's current reconciliation processes and agreements with third parties.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
1 September 2015

Section 2: Audit findings

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit and Risk Management Committee on 18 March 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 18 March 2015.

Audit opinion

We provide two opinions on the Pension Fund, as follows:

- an audit opinion on the Pension Fund financial statements included in the Council's Statement of Accounts
- an opinion on the Pension Fund financial statements included in the Pension Fund Annual Report, which confirms if these financial statements are consistent with the financial statements in the Statement of Accounts

Our proposed audit opinion on the Pension Fund financial statements in the Statement of Accounts is set out in Appendix A.

We also propose to give an unqualified consistency with opinion on the financial statements in the Annual Report.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	**Improper revenue recognition** Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition	We rebutted this presumption during the interim phase of the audit, and this was communicated to members as part of the audit plan.	Our audit work has not identified any issues in respect of revenue recognition.
2.	**Management override of controls** Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls	• review of accounting estimates, judgements and decisions made by management • review of journal controls and journal entries • review of unusual significant transactions	Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgments.
3.	**Level 3 Investments** Due to the nature of these investments, there is a risk that the valuation is incorrect since they require a significant degree of judgement to reach an appropriate valuation at year end.	• We have gained an understanding of the controls put in place by management to ensure the valuation of level 3 investments is not materially misstated at year end, and have assessed whether these controls have been implemented as expected and whether they are sufficient to mitigate the risk of material misstatement • For a sample of investments, we have tested valuations by obtaining and reviewing audited accounts at the latest date for individual investments and agreed these to the fund manager reports at that date. • We have reviewed the nature and basis of estimated values within the underlying accounts.	We are still awaiting information from some fund managers to complete our work in this area, but our work completed to date has not identified any areas of material misstatement.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Investment values – Level 2 investments	Valuation is incorrect. (Valuation net)	• We have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and obtained explanations for variances, • We have tested a sample of level 2 investments to independent information from the custodian or fund managers on units and on unit prices. • For direct property investments, we have agreed values in total to the valuer's report and undertaken procedures to place reliance on the valuer as an expert.	Our audit work has not identified any significant issues in relation to the risks identified
Investment Income	Investment activity not valid. Investment income not accurate. (Accuracy)	• We have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and obtained explanations for variances. • We have tested a sample of investment income. • We completed a predictive analytical review of income due from different types of investments • For direct property investments, we have undertaken analytical procedures to rationalise income against a list of properties for expected rental income.	Our audit work has not identified any significant issues in relation to the risks identified
Investment purchases and sales	Investment activity not valid. (Valuation gross).	• We have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and obtained explanations for variances • We have tested a sample of purchases and sales.	Our audit work has not identified any significant issues in relation to the risks identified

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Contributions	Recorded contributions not correct (Occurrence)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • tested a sample of both normal and deficit funding contributions • undertaken analytical procedures	Our audit work has not identified any significant issues in relation to the risk identified.
Benefits payable	Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • tested key controls • tested a sample of lump sum payments and new pensioner payments • undertaken analytical procedures	Our audit work has not identified any significant issues in relation to the risk identified.
Member Data	Member data not correct. (Rights and Obligations)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over member data • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • tested a sample of changes to member data during the year	Our audit work has not identified any significant issues in relation to the risk identified.

DRAFT

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• Normal contributions are accounted for on an accruals basis, and employer deficit funding is accounted for on the due date set by the scheme actuary or on receipt if earlier than the due date. • Income from equities is accounted for when the related investment is quoted e dividend. Income from pooled investment vehicles and on short term deposits is accounted for on an accruals basis. Distributions from private equity are treated as a return of capital until the book value is nil and then treated as income on an accruals basis.	• The revenue recognition policies are appropriate to the accounting framework and are adequately disclosed in the accounting policies.	Green
Estimates and judgements	Key estimates and judgements include: • Valuation of unquoted investments within private equity, infrastructure property and other alternative investments.	• We have undertaken testing on a sample of unquoted investments to assess the appropriateness of the valuation. • The key estimates and judgements relating to the valuation of unquoted investments are appropriate to the accounting framework and are disclosed within the accounting policies. • The potential financial statement impact of different assumptions is adequately disclosed in Note 15 to the accounts.	Green
Other accounting policies	We have reviewed the Fund's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	Green

Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Audit and Risk Management Committee. We have not been made aware of any significant incidents in the period and no other issues have been identified during the course of our audit.
2.	**Matters in relation to laws and regulations**	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	**Written representations**	• A letter of representation has been requested from the Fund.
4.	**Disclosures**	• Our review found no non-trivial omissions in the financial statements.
5.	**Matters in relation to related parties**	• We are not aware of any related party transactions which have not been disclosed
6.	**Confirmation requests from third parties**	• We requested direct confirmations from the custodian and all main mandate fund managers, plus a sample of managers for alternative investments, for investment balances, income and purchases and sales. • We have received confirmations from most managers and management are assisting us to chase those confirmations that remain outstanding.
7.	**Going concern**	• Our work has not identified any reason to challenge the Fund's decision to prepare the financial statements on a going concern basis.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Investments, Contributions, Benefits and Member Data as set out on pages 10-11 above.

Officers have made us aware of the following matters related to internal control and we report them here for completeness.

	Assessment	Issue and risk	Conclusion
1	●	• During our audit, officers made us aware of a small number of transactions and balances relating to duplicate payments. The duplicate payments related to three different occasions and different circumstances, but highlight a potential risk of losses to the fund.	• In each case, the duplicate payments were identified by the Pension Fund as part of the reconciliation and review process, and all monies have been recovered. The finance team have reviewed the reasons for the overpayments and have strengthened controls in each area.

Assessment

- ● Significant deficiency – risk of significant misstatement
- ● Deficiency – risk of inconsequential misstatement

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Misclassification and Disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Misclassification	£3,360	Net Assets Statement – Equities and Other Investment Balances	Our testing of equities identified £3,360k that should be classed as Other Investment Balances and an amendment has been made to correct this presentation. Equities have been reduced by £3,360k and Other Investment balances increased by £3,360k. Amendments have also been made to the classification of this amount in a number of other disclosures within notes 13 and 14.
2	Disclosure	n/a	Note 13a	The description of investments with a value of £2.052bn has been amended to 'Other Unitised Investments' to more accurately describe the nature of the these investments.
3	Disclosure	n/a	Various	We have agreed a number of other minor changes to improve the overall presentation and disclosure in the financial statements.

Section 3: Fees, non-audit services and independence

Fees, non-audit services and independence

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit Fees

	Per Audit plan £	Actual fees £
Pension fund scale fee	36,882	36,882
Agreed fee variation	2,180	2,180
Total audit fees	39,062	39,062

Fees for other services

Service	Fees £
Non audit related services	
Services relating to the appointment of a Chair of the Local Pensions Board	1,418

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 4: Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Fund's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Audit opinion

We anticipate we will provide the Council with an unmodified audit report on the Pension Fund

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

We have audited the pension fund financial statements of Wirral Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Wirral Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Financial Services and the auditor

As explained more fully in the Statement of the Head of Financial Services' Responsibilities, the Head of Financial Services is responsible for the preparation of the Authority's Statement of Accounts, which include the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Financial Services and the overall presentation of the pension fund financial statements.

In addition, we read all the financial and non-financial information in the explanatory foreword and financial report to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion the pension fund's financial statements:
give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2015 and of the amount and disposition of the fund's assets and liabilities as at 31 March 2015, other than liabilities to pay pensions and benefits after the end of the fund year; and
have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword and financial report for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

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

4 Hardman Square
Spinningfields
Manchester
M3 3EB

X September 2015

Independent auditor's statement to the members of Wirral Council on the pension fund financial statements included in the pension fund annual report

We have examined the pension fund financial statements of Wirral Council for the year ended 31 March 2015 under the Audit Commission Act 1998, which comprise the fund account, the net assets statement and the related notes.

This statement is made solely to the members of Wirral Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our work has been undertaken so that we might state to the members of the authority those matters we are required to state to them in an auditor's statement 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 work, for this report, or for the opinions we have formed.

Respective responsibilities of the Section 151 Officer and the auditor
As explained more fully in the Statement of the Section 151 Officer Responsibilities, the Section 151 Officer is responsible for the preparation of the Statement of Accounts of Wirral Council, which include the pension fund financial statements, in accordance with applicable law, proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view.

Our responsibility is to state to you our opinion on the consistency of the pension fund financial statements included in the pension fund annual report with the pension fund financial statements included in the Statement of Accounts of Wirral Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.
In addition we read the other information contained in the pension fund annual report and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of only the Chairs Introduction, Management Report, Membership Statistics, Investment report, Financial Performance and The Consulting Actuary 's Statement.

We conducted our work in accordance with guidance issued by the Audit Commission. Our report on the administering authority's annual Statement of Accounts describes the basis of our opinion on those financial statements.

Opinion
In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included within the annual Statement of Accounts of Wirral Council for the year ended 31 March 2015 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Grant Thornton UK LLP
Chartered Accountants
4 Hardman Square
Manchester
M3 3EB

X September 2015

grant-thornton.co.uk

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WIRRAL COUNCIL

PENSIONS COMMITTEE - 14 / 28 SEPTEMBER 2015

AUDIT AND RISK MANAGEMENT COMMITTEE – 28 SEPTEMBER 2015

SUBJECT:	**ANNUAL REPORT AND STATEMENT OF ACCOUNTS 2014/15 – MERSEYSIDE PENSION FUND**
WARD/S AFFECTED:	**ALL**
REPORT OF:	**ACTING SECTION 151 OFFICER**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to present Members with the audited statement of accounts of Merseyside Pension Fund for 2014/15 and to respond to the Audit Findings Report from Grant Thornton.

1.2 Subject to outstanding work, Grant Thornton has indicated there will be an unqualified opinion; there are no material adjustments and no recommendations.

1.3 Grant Thornton's report expresses a positive outcome from their audit of the accounts and refers to the outcome, in the context of MPF Officers working on a number of key projects throughout the year, as a significant achievement.

2.0 BACKGROUND AND KEY ISSUES

2.1 The LGPS regulations require the Pension Fund Annual Report to contain the Fund Accounts and Net Asset Statement with supporting notes and disclosures, prepared in accordance with proper practices.

2.2 International Standards on Auditing (UK&I) 720 requires that auditors read any information published with the accounts. It also states that the auditor should not issue an opinion until that other information is published.

2.3 The purpose of the Statement of Audited Accounts is to present the overall financial position of the Pension Fund as at 31 March 2015 in accordance with prescribed guidance.

2.4 Grant Thornton has completed its audit of the accounts and their Audit Findings Report was reported to Committee on 14September 2015.

2.5 Officers have agreed to all of the suggested adjustments to the accounts and disclosures.

2.6 There was one mis-classification of £3.3 million which was categorised as equities instead of other investment balances. This has no effect on the net assets of the Fund as at 31 March 2015.

2.7 All suggested disclosure changes have been amended.

2.8 Within the internal controls section of the report, Grant Thornton has reported on three duplicate payments. These payments were identified by the accounts team at the Fund, as part of their regular routine reconciliation procedures. All monies have been recovered and preventative controls examined and strengthened where necessary.

2.9 I have prepared a Letter of Representation on behalf of the Committee which gives assurances to the Auditor on various aspects relating to the Pension Fund. A draft of this letter is included at appendix 1.

2.10 The Audit Opinion will be issued following final completion of the audit, consideration of the Audit Findings Report and approval of the amended Statement of Accounts at both the Pensions Committee and the Audit and Risk Management Committee.

Once approved, Grant Thornton has indicated that they will again issue an unqualified opinion, and state that the accounts present fairly the financial position of Merseyside Pension Fund as at 31 March 2015. Subject to this the accounts, as now shown, will form the basis of the Annual Report for the year ended 31 March 2015.

3.0 RELEVANT RISKS

3.1 Not relevant for this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 Not relevant for this report.

5.0 CONSULTATION

5.1 Not relevant for this report

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are no implications arising directly from this report.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 There are none arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are no implications arising directly from this report.

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are no planning or community safety implications arising from this report.

13.0 RECOMMENDATION/S

13.1 That Pensions Committee approves the audited Statement of Accounts for 2014/15.

13.2 That Pensions Committee approves the Letter of Representation

13.3 That Pensions Committee refers these recommendations to the Audit and Risk Management Committee.

13.4 That Pensions Committee approves the publication of the draft Annual Report

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Under the Audit Commission Act 1998 and the Audit Commission Code of Audit Practice for Local Government, the Auditor reports its findings on the audit of the Pension Fund Financial Statements to those charged with governance.

14.2 As the Pension Fund receives a separate Audit Findings Report, this report will first be considered by Pensions Committee, and then by Audit and Risk Management Committee.

REPORT AUTHOR: Donna Smith
Group Accountant
telephone (0151) 2421312
email donnasmith@wirral.gov.uk

APPENDICES

1. Letter of Representation
2. The statement of accounts forms part of the draft annual report

BACKGROUND PAPERS/REFERENCE MATERIAL

The Statement of Accounts plus relevant working papers and the Audit Findings Report from Grant Thornton were used in the production of this report.

BRIEFING NOTES HISTORY

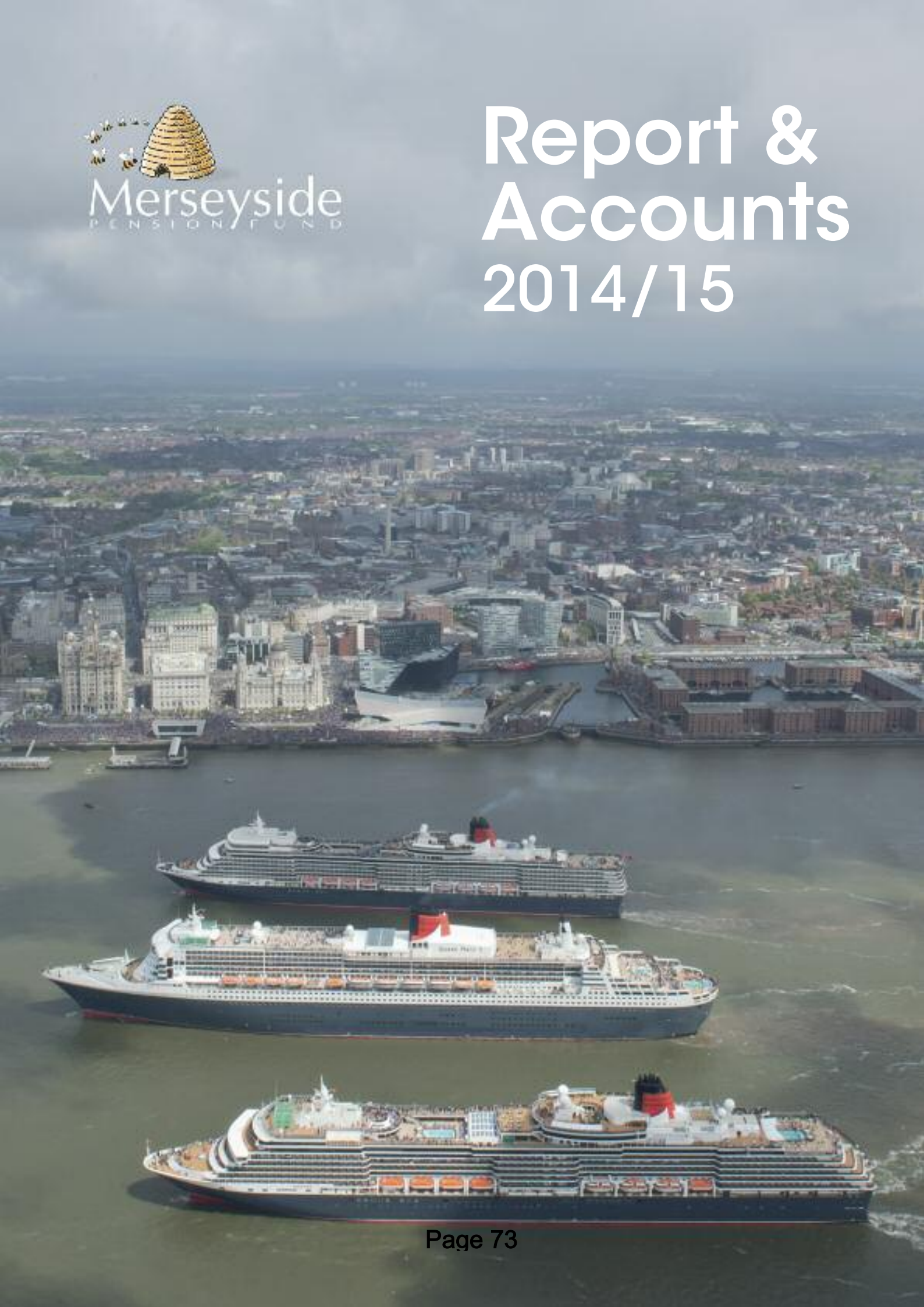
Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
PENSIONS COMMITTEE	14 SEPTEMBER 2015
PENSIONS COMMITTEE	17 SEPTEMBER 2014
AUDIT AND RISK MANAGEMENT COMMITTEE	16 SEPTEMBER 2013
PENSIONS COMMITTEE	18 SEPTEMBER 2013
AUDIT AND RISK MANAGEMENT COMMITTEE	18 SEPTEMBER 2012
PENSIONS COMMITTEE	
AUDIT AND RISK MANAGEMENT COMMITTEE	

Merseyside
PENSION FUND

Report & Accounts 2014/15



Contents

Management Structure

1. Pension Fund Management Committee

Chair:

Cllr P Doughty	**Wirral**

Vice Chair:

Cllr A McLachlan	**Wirral**

Cllr C Carubia	**Wirral**
Cllr G Davies	**Wirral**
Cllr K Hodson	**Wirral**
Cllr T Johnson	**Wirral**
Cllr A Jones	**Wirral**
Cllr C Povall	**Wirral**
Cllr H Smith	**Wirral**
Cllr GCJ Watt	**Wirral**
Cllr N F Keats	**Knowsley**
Cllr N Crofts	**Liverpool**
Cllr P Tweed	**Sefton**
Cllr J Fulham	**St Helens**

Employee Representatives (Non-voting)

Mr P Goodwin	**Unison**
Mr P Wiggins	**Unison**
Mr D Walsh	**Unite**

Officers of the Fund

Joe Blott	**Strategic Director Transformation & Resources**
Peter Wallach	**Head of Pension Fund**
Yvonne Caddock	**Principal Pension Officer**
Surjit Tour	**Head of Legal & Democratic Services**
Colin Hughes	**Group Solicitor**

2. Advisors to Investment Monitoring Working Party

Strategic Director Transformation & Resources
Head of Pension Fund
Senior Investment Manager
Aon Hewitt
Noel Mills
Rohan Worrall

3. Advisors to Governance and Risk Working Party

Strategic Director Transformation & Resources
Head of Pension Fund
Principal Pension Officer

4. Others

Auditor
Grant Thornton

Bankers
Lloyds Banking Group

Consultant Actuary
Mercer HR Consulting

Strategic Investment Consultant
Aon Hewitt

Custodian of Assets
Northern Trust

Responsible Investment Advisers
Pensions and Investment Research Consultants Ltd

Property Advisers
C B Richard Ellis

Property Managers
C B Richard Ellis

Property Valuers
Colliers

Performance Measurement
The WM Company

Solicitor
Wirral Council

AVC Providers
Equitable Life Assurance Society
Standard Life
Prudential

Chair's Introduction

As Chair of Pensions Committee, I am pleased to present Merseyside Pension Fund's Annual Report for the year ended 31 March 2015. The aim of the report is to highlight the important issues affecting the Fund over the last twelve months as well as providing general information regarding the pension Scheme.

P Doughty

The Overall Aim of the Fund

The principal aim of the Fund is to provide secure pensions, effectively and efficiently administered at the lowest cost to contributing employers. This requires the Fund to strike a balance between achieving the most from its investments and the need to exercise prudence and caution in considering its future liability profile. The Pensions Committee reviews the Fund's investments, administration, strategies and policies at regular intervals, with the help of its various professional advisors, to ensure that they remain appropriate.

Investment Performance

Central bank liquidity has remained the dominant feature in financial markets; fundamental market mechanisms have become secondary to analysis of the utterances emanating from the world's leading central banks.

Investors remained broadly bullish about the prospects for risk assets like equities and credit, both of which rallied over the year. In the final quarter of 2014, investors were unsettled by concerns over economic growth in Europe and Japan, together with a sharp decline in the price of crude oil.

Coming into 2015, however, European equities and bonds reacted very positively to the action by the European Central Bank to inject liquidity through a Eurozone quantitative easing programme. This fed through to a sharp appreciation in the US dollar and Swiss franc.

Although the outlook for economic growth has improved, price inflation has remained subdued which has meant that interest rates have remained at historically low levels in developed markets.

Against this backdrop and despite our expectations this time last year that returns would be lower, the Fund returned 12.6 percent compared to its bespoke benchmark return of 10.9 percent, increasing in value to over £6.9bn.

Volatility in financial markets is showing signs of picking up and we are positioning the Fund cautiously. Nonetheless, it is helpful to bear in mind that local authority pension funds invest over the long-term to pay benefits in forty to fifty years' time and it is imperative that we maintain this long-term perspective in our investment strategy.

Further information on the management of the Fund, distribution of assets and performance is provided later in this report.

Actuarial Valuation

The next triennial valuation will be at 31 March next year. At the last triennial valuation, assets stood at £5.8bn with liabilities calculated to be nearly £7.7bn, giving a whole fund funding position of 76%. The interim position at March 2015 suggests little change to the funding position. Despite the increase in assets to nearly £7bn, quantitative easing by the government has been unhelpful to the valuation of liabilities and our funding level is still estimated to be around 77%.

Communication with Fund Employers and Members

Effective communication continues to be very important to the Fund as it seeks to deal with issues arising from new legislation and the new Scheme. We were very pleased that the Fund collected a further award from aiCIO magazine; Best Public Pension Fund below £15bn.

With increasing numbers of members affected by early retirement and redundancy programmes by employers, we have offered a variety of courses to members and employers during the year in addition to regular newsletters for employers, employees, pensioners and deferred members. The Fund's websites continue to be updated regularly and we are seeing increasing use of the Employers' website.

The Annual Employers' Conference held at Aintree Racecourse, in November 2014, was again well attended and featured speakers from the Fund's actuary and officers from the Fund.

Past Changes and the Future

The Public Service Pensions Act has brought further governance changes for the Scheme. The most apparent of which has been the establishment of a Pension Board which is intended to assist the Administering Authority in its role as a Scheme manager of the Scheme. Such assistance is to:

- secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme and requirements imposed by the Pension Regulator in relation to the Scheme, and;
- ensure the effective and efficient governance and administration of Merseyside Pension Fund;
- provide the Scheme Manager with such information as it requires, ensuring that any member of the Pension Board or person to be appointed to the Board does not have a conflict of interest.

Implementing the new career average Scheme continues to be a significant project. It has required significant changes to systems, policies and procedures and we continue to look for efficiencies in the way in which we work.

The Fund remains an active participant in all aspects of the various ongoing consultations.

As ever, the continued success of the Fund depends on the combined efforts of all those concerned with its operation. In conclusion, I should like to thank the Committee, the Scheme employers and their staff, the financial advisors, the external investment managers and all of the Fund's staff for their considerable work in delivering the service to Scheme members.

Preparation of Report

This Annual Report has been produced in accordance with Regulation 34 of the Local Government Pension Scheme (Administration) Regulations 2008. In preparing and publishing the Pension Fund Annual Report, the Administering Authority must have regard to guidance issued by the Secretary of State.

Management Report

Management of the Fund

The overall responsibility for the management of the Fund rests with the Pensions Committee chaired by Councillor Paul Doughty

In 2014/15, the Committee comprised of Councillors from the Wirral Labour group (6), Conservatives (3), Liberal Democrats (1), representatives of the four other District Authorities (Liverpool, St. Helens, Knowsley and Sefton), an independent representative from the other employers and employee representatives (3). The Strategic Director Transformation and Resources and other officers of the Fund also attend Committee, which meets around five times a year to review the administrative and investment issues affecting the Fund.

The Committee ensures the administration of the Fund accords with the statutory framework within which the LGPS operates. The Fund publishes a Governance Compliance Statement confirming that it complies fully with best practice guidance issued by the Department of Communities and Local Government (DCLG). Committee also ensures that the management of the Fund's assets falls within the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. These regulations require the Fund to have regard to both diversification and suitability of investments and stipulate the requirement to take proper advice when making investment decisions. The Fund's Funding Strategy Statement (FSS) and Statement of Investment Principles (SIP) provide further information on the Fund's investment philosophy and investment framework.

The more detailed consideration of investment strategy and asset allocation of the Fund's portfolios is considered by an Investment Monitoring Working Party (IMWP). The IMWP meets at least six times a year to review investment strategy and to receive reports on investment activity undertaken in the prior period. The Working Party comprises representatives from the Pensions Committee, two independent advisors, Mercer Investment Consulting and members of the in-house investment team.

Another of its important tasks is to monitor the performance of the Fund's external and internal managers, which is undertaken in conjunction with professional advisors and Fund officers. External and internal fund managers have been given specific benchmarks against which performance is measured and monitored quarterly. In addition, internal fund managers report to the Strategic Director Transformation & Resources through regular Fund Operating Group meetings and follow procedures laid down in an internal Compliance Manual.

With regard to its investment management activities, the Fund uses a combination of internal and external management and active and passive strategies across the various asset classes in which it invests. More comprehensive details of the Fund's managers, mandates and advisers are set out in its SIP.

Governance, pensions administration and policies, risk management and related matters are scrutinised by a Governance and Risk Working Party (GRWP) which meets twice yearly.

Risk Management

The Fund's governance arrangements, set out in the preceding section, ensure that the management of Fund administrative, management and investment risk is undertaken at the highest levels.

The Fund recognises that risk is inherent in many of its activities and makes extensive use of external advisors and industry best practice in assessing and establishing policies to identify and mitigate those risks.

The principal documents relating to risk management and control are the Fund's:

- Governance Policy
- Communications Policy
- Funding Strategy Statement
- Statement of Investment Principles
- Investment Monitoring Policy
- Health & Safety Policy

Copies of these documents are available from the Fund and are published on the Fund website at:
http://mpfund.uk/riskdocs
In addition, the Fund maintains a risk register and a compliance manual for its employees.

These documents are all subject to regular scrutiny by Pensions Committee and officers, and provide details of the key risks and explanations of the policies and controls adopted to mitigate them. These arrangements are assessed at least annually by the Fund's external and internal auditors.

Additionally, and where applicable, the Fund adheres to the Administering Authority's constitution in managing its operations. Legal opinion and advice is provided by Wirral Council's legal team and from external sources where appropriate.

Knowledge and Skills

Merseyside Pension Fund recognises the importance of ensuring that all staff and members charged with the financial management and decision making with regard to the pension Scheme, are fully equipped with the knowledge and skills to discharge the duties and responsibilities allotted to them. It therefore seeks to appoint individuals who are both capable and experienced and provides/arranges training for staff and members of the Pensions Committee to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

Our training plan sets out how we intend the necessary pension finance knowledge and skills are to be acquired, maintained and developed. The plan reflects the recommended knowledge and skills level requirements set out in the CIPFA Pensions Finance Knowledge and Skills Frameworks.

The Pensions Committee has designated the Strategic Director Transformation & Resources to be responsible for ensuring that policies and strategies are implemented.

Activity in Year

Merseyside Pension Fund has conducted a training needs assessment and, based on the outcome, formulated a training plan. This plan is reported to and approved by Pensions Committee. The Fund develops its Pensions Committee members and officers through training and education using a variety of means. These include regular meetings, ad hoc seminars and conferences, bespoke training and a comprehensive website.

Pensions Committee receives updates on legislative changes, benefit administration changes, procurement, actuarial and investment matters. These are supplemented by regular working parties. The IMWP's include a minimum of two presentations and cover all aspects of investment; asset allocation, asset classes, economics, performance measurement, risk management and responsible investment. The GRWP's enable matters relating to other risks, governance and pensions administration to be covered in greater depth, as necessary.

This year, the potential for hedging the Fund's risk and liabilities was identified as an area of development. Members received a presentation from one of the Fund's independent advisors focused on inflation hedging which stimulated discussion of the risks and opportunities involved.

Bespoke training includes the LGE Trustee Fundamentals training and other conferences and seminars as detailed below.

The Fund is a member of the Local Authority Pension Fund Forum and the Chair of the Pensions Committee is a member of the executive board, attending regular meetings dealing with all aspects of responsible investment.

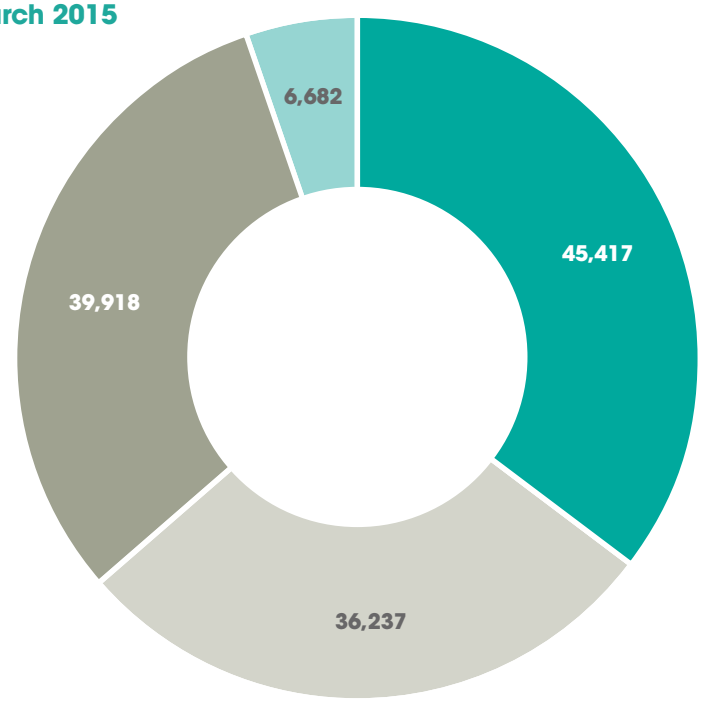
The following training opportunities have been provided during the year.

Month	Event
April	IMWP
May	NAPF LA Conference
June	IMWP
June	LGPS Trustees Conference
July	Pensions Committee
July	GRWP
September	IMWP
September	Pensions Committee
September	LGC Investment Summit
October	IMWP
October	LGE Fundamentals
October	Elected Member Educational Event
October	NAPF Annual Conference
November	IMWP
November	Pensions Committee
November	LGE Fundamentals
November	MPF Annual Employers Conference
November	Annual LAPFF
December	UK Infrastructure Conference
December	LGE Fundamentals
January	Pensions Committee
January	GRWP
January	Blackrock Seminar
February	LGC Investment Conference
February	Elected Member Educational Event
March	IMWP
March	Pensions Committee

As the officer nominated by the Pensions Committee responsible for ensuring that the Fund's training policies and strategies are implemented, the Strategic Director Transformation & Resources can confirm that the officers and members charged with the financial management of, and decision making for, the pension Scheme, collectively possessed the requisite knowledge and skills necessary to discharge those duties and make the decisions required during the reporting period.

Membership Statistics

Membership as at 31 March 2015



Active Deferred Pensioner Dependant

Number of Members by Age Band

Status (age in years)	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54
Active				257	1,683	2,867	3,735	4,120	5,832	7,762	8,784
Deferred				7	447	2,203	3,291	3,399	4,865	6,881	7,995
Pensioner						2	2	9	90	331	796
Dependant	1	24	57	148	61	10	12	17	33	100	210

Status (age in years)	55-59	60-64	65-69	70-74	75-79	80-84	85-89	90-94	95-99	100+	Total
Active	6,531	3,086	619	141							**45,417**
Deferred	6,161	905	67	13	3						**36,237**
Pensioner	3,039	8,601	10,069	6,689	4,920	3,117	1,582	560	93	18	**39,918**
Dependant	284	448	747	870	1,035	1,172	891	432	112	18	**6,682**
										Total	**128,254**

Key Membership Statistics 2011 - 2015

Year	Active	Deferred	Pensioner	Dependant	Total
31 March 2015	45,417	36,237	39,918	6,682	**128,254**
31 March 2014	45,583	35,786	39,094	6,725	**127,188**
31 March 2013	44,707	34,481	37,992	6,761	**123,941**
31 March 2012	45,521	32,912	37,314	6,804	**122,551**
31 March 2011	48,323	30,946	35,594	6,860	**121,723**

Scheme Administration Report

Merseyside Pension Fund operates the Local Government Pension Scheme (LGPS), which provides for the occupational pensions of employees, other than teachers, police officers and fire fighters, of the local authorities within the Merseyside area. It also operates the Scheme for support staff employed in Academies and members of other organisations, which have made admission agreements with the Fund.

The employer base has fragmented over recent years, especially with the creation of academy schools. Furthermore the increase in the number of third party HR and payroll providers, favoured by a number of local education authority schools, has added a further layer to the process and provision of data.

A list of the participating employers is shown at **Appendix A.**

The Scheme is a public service pension scheme regulated by statute through the Department for Communities and Local Government (DCLG). It is a contributory defined benefit scheme, which is contracted-out of the Second State Pension (S2P) and is an approved tax exempt scheme.

Development of the Scheme

Since 1922 the Local Government Pension Scheme has developed from a Scheme which just provided pensions for officers only, to today's Scheme which provides a range of benefits for members, spouses, civil and cohabiting partners and children as well as cover for ill health, redundancy and death.

Quite clearly it is a comprehensive scheme and yet, through the co-operation of the government, employer and employee representatives, the Scheme is constantly changing and adapting to modern day needs and demands.

Scheme Reform - Transition to LGPS 2014

Since 2001 there has been national concerns surrounding the rising costs of public service pension provision and the sustainability of these schemes.

This has been largely due to a combination of people living longer and drawing pensions for much longer than originally anticipated, compounded by the volatility in financial markets.

Consequently, the government embarked upon a stock-take of the LGPS that focused on the cost of the Scheme, employment trends and the changing pension needs of low paid part-time employees. This review resulted in a number of Scheme revisions to address the value of benefits and re-balance the pension cost between employers and members.

A new accrual rate was introduced which resulted in existing members having mixed benefit structures based on an annual pension of 1/80th of final salary and automatic lump sum prior to April 2008 and thereafter an annual pension of 1/60th of final salary with a lump sum by commutation only.

However, continued improvements in life expectancy and escalating costs of public sector pension provision led to Lord Hutton's "grass roots review" with a view to how future pension provision could be made affordable in the long term and fair to all stakeholders.

Lord Hutton's report was published on 10 March 2011 and identified the need to deliver both significant short and long-term saving across all public service schemes.

Due to the unique funded nature of the LGPS when compared to the other public service schemes, it was agreed nationally amongst stakeholders that a major overhaul to the design of the Scheme would be implemented from April 2014. The implementation of a reformed LGPS, twelve months in advance of the other public sector schemes, would alleviate the necessity to impose substantial increases on member contribution rates, required elsewhere in the public sector to meet required short-term savings.

LGPS 2014

The national agreement to introduce a new LGPS by 1 April 2014, presented a challenging time-frame for the Fund's administration section to implement the new Scheme provisions.

It has been a significant, resource intensive task, delivering the reform of the benefit design from final salary to career average, establishing new governance arrangements and putting in place systems to deal with the administration of the new and transitional arrangements, whilst maintaining and integrating legacy systems.

Due to the new benefit design, there have been changes in controls and processes to ensure that member data is accurate and provides the correct basis for ensuring contributions and pension payments are stated correctly. It is important that the Fund receives accurate pay figures for members, as the annual submission of data now has a direct impact on pension benefits. Whereas with final salary benefits it is only the final pay supplied at leaving that is crucial in determining a member's pension benefits.

Scheme Administration Report

The Pension Regulator (TPR) will have oversight of the LGPS from April 2015 with the role of monitoring standards, data quality and promoting best practice in relation to disclosure of information to members. The Fund is conscious of the statutory requirement to demonstrate greater transparency and retain accurate data and has been busy laying the foundations to strengthen data quality and progression of the programme to bulk upload data from its largest employers.

An important consideration when delivering the reforms was the communication campaign to keep members fully informed that although the Scheme had changed, the LGPS remains a first class, secure, and tax efficient pension arrangement.

The Fund has used a range of communication methods to help members understand the implications for their individual pensions. These methods have included videos, guidance and examples on websites, employee and employer forums and direct correspondence to home address.

Implementation of the changes has been difficult, especially given the late finalisation of the regulations and statutory guidance. Gaps within the IT software resulted in manual calculations for a significant number of benefit and transfer calculations. This necessitated a new system of controls to check benefits and cash flows.

Legislative Change

On 1 April 2014, the new Local Government Pension Scheme (LGPS) came into effect, replacing the final salary scheme with a career average revalued earnings (CARE) scheme for future benefit accrual.

The new Scheme:

- has a normal pension age equal to state pension age (minimum age 65)
- gives a pension for each year at a rate of 1/49th of pensionable pay received in that year
- provides increased flexibility for members wishing to retire early
- allows members to pay reduced contributions as an alternative to opting out (though benefits build up at a slower rate)
- provides for previous years' CARE benefits to be inflation proofed in line with the Consumer Prices Index while the member is still paying in
- requires members to have at least 2 years' membership to qualify for pension benefits.

Additionally, protection is given to members who were contributing prior to 1 April 2014, including the following key provisions:

- preserve member benefits accrued under the former LGPS regulations
- retain the final salary benefits and Normal Pension Age of 65 in respect of pre-2014 membership
- provide an 'underpin' for people born before 1 April 1957 to ensure that they do not suffer any detrimental loss from the introduction of the new Scheme
- carry forward the member protections under the '85 Year Rule' for voluntary retirement from age 60
- ability for employers to switch on the '85 Year Rule' for members who voluntarily retire between age 55-60.

Governance Changes

The Public Service Pensions Act 2013 and the new LGPS Governance Regulations laid before Parliament on 28 January 2015, introduced further changes for the LGPS, which take effect from April 2015. These introduce:

- local pension boards to assist each Administering Authority with ensuring compliance and the effective governance and administration of the Fund
- the establishment of a national Scheme Advisory Board to advise the Secretary of State, Administering Authorities and local pension boards
- the extension of the work of TPR to the LGPS
- an employer cost capping regime

These changes required a major investment of time, in the initial stages, to set up the necessary structures and arrangements. The regulations recognise differing local arrangements for the management of LGPS funds and are not overly prescriptive and leave a lot of flexibility around implementing the Pension Board.

The Pension Board does not have quasi-trustee status and is not a decision making body, but it will assist the Administering Authority to help ensure compliance with its statutory responsibilities.

Given the existence of the Pensions Committee it is important that there is clarity of roles and responsibilities between the two functions and it is crucial that the

Pension Board delivers visible improvements in Fund governance.

The regulations for both the pre-April 2014 Scheme and the current Scheme can be accessed from the following links.

Pre April 2014
www.lgpsregs.org/timelineregs/Default.html

Post April 2014
www.lgpsregs.org/index.php/regs-legislation/lgpsregs2013-resources

Cost of New Scheme to Employers and Employees

The new Scheme is based on a cost ceiling of 19.5% with a notional employer future service contribution rate of 13% of pay and an average employee contribution of 6.5%.

The cost of the revised CARE benefit design and increased accrual rate is equivalent to the **final salary scheme design**. Although the revised definition of pensionable pay includes non-contractual overtime, there is potential for additional costs if employers pay a substantial level of non-contractual overtime to employees.

Control of future costs will emerge through the linking of a member's Normal Pension Age to State Pension Age.

It is possible that the alignment of Normal Pension Age and State Retirement Age may be insufficient to control the future costs of the Scheme with the requirement to introduce a 'two pronged' cost management process, governed by the Scheme Advisory Board and HM Treasury.

Past service deficits are outside of the cost management process, but the Shadow Scheme Advisory Board has set up a Deficit Working Group to consider an innovative approach to deficit management at both Fund and employer level in the LGPS.

Earning Bands for Employee Contributions

The following pay ranges and employee contribution rates will apply from April 2015 as follows:

Pay Bands	Contribution Rates (per employment)
Up to £13,600	**5.5%**
£13,601 - £21,200	**5.8%**
£21,201 - £34,400	**6.5%**
£34,401 - £43,500	**6.8%**
£43,501 - £60,700	**8.5%**
£60,701 - £86,000	**9.9%**
£86,001 - £101,200	**10.5%**
£101,201 - £151,800	**11.4%**
Over £151,800	**12.5%**

Unless the process for allocating the appropriate contribution rate from the above bands has been automated on the payroll system, employers must determine the appropriate employee contribution rate from each employee from 1 April 2015 and notify this to payroll.

Consultation Responses

During the year, the Fund has actively participated in all consultations in regard Scheme reform, seeking clarity with regard to ambiguous technical provisions and those areas that appear inequitable to the Fund's diverse membership base.

In acknowledgement of the increasing complexity resulting from the statutory protection of accrued pension rights, the underlying theme taken by the Fund is that simplification should be sought wherever possible.

Key Events on the Horizon

Pension Act 2014

The above Act received Royal Assent in May 2014 and legislates for the provision of a single-tier state pension of £155 per week from April 2016. However, an individual will need to have built up 35 qualifying years of full-rate National Insurance Contributions to be entitled to receive that amount.

The change to a single-tier state pension will systematically result in the abolition of contracting out for the LGPS and both active members and employers will experience an increase of 1.4% and 3.4% respectively to their National Insurance Contributions.

Scheme Administration Report

The government has committed to enter into dialogue as to the merits of 'recycling the monies lost by LGPS employers' and how this could be practically achieved. The LGA will enter discussions with the government on the extent and method that any recycling of monies lost could take place.

Pension Act 2015

The Pension Act 2015 implemented changes announced at the 2014 'Budget'. These changes allow individuals over age 55 to access their defined contribution benefits in more flexible ways from April 2015. These provisions are referred within the industry as 'Freedom & Choice'.

Whilst these changes do not directly apply to the LGPS, the increased flexibility may potentially flow through at a future date as a mechanism to manage future pension liabilities. A consultation on the extension of the flexibilities within the LGPS is expected later this year.

Administration Arrangements

The Administration Team

The administration team is accountable to the Pensions Committee, participating employers and Scheme members. The team is fully committed to providing a quality service to meet the needs of the Fund's various stakeholders and to deliver excellent customer care.

The team administer the Merseyside Pension Fund in accordance with legislative requirements with the key aims to:

- set the strategic direction for all aspects of the service
- support the Trustees of the Pension Fund in their decision making
- ensure the proficient administration of pension records, including the preparation and distribution of Annual Benefit Statements to active and deferred members
- undertake the calculation and payment of retirement benefits and transfer values
- provide direction and guidance to Scheme members and Employers.

The team structure is currently being reviewed by officers in regards its appropriateness for the efficient administration of the new Scheme. This review is being informed by impending national policy developments and significantly, the impact of new scheme provisions on the volume and type of casework

Pensions Administration Strategy

The Fund's formal Pension Administration Strategy sets out the Fund's policy for administering the Fund, the standard of service to be delivered and the role of an employer.

The primary objective of the strategy seeks to ensure that the Fund can continue to deliver a high quality cost effective pension service at a time when the operating environment is becoming more complex.

The focus of the administration section is to promote more effective working arrangements between the Fund and employers in order to meet future challenges, and deliver a high quality level of service to members.

Key elements are the improvements of communications between employers and the Fund, training of both Fund and employer staff, and the utilisation of technology as effectively as possible to capture and process data. One of the administration objectives is for all data to be reviewed and sent electronically between the Fund and employers.

The strategy incorporates performance targets for both the Fund and employers and performance is monitored monthly by the Fund's Operating Group.

Collaborative Working

The Fund keeps abreast of best practice by participating in collaborative groups such as the Local Government Association's Communication Group and the Shrewsbury Pensions Officer Group meeting. These offer the opportunity to discuss topical pension issues and to share best practice and innovations.

Service Planning

The Fund's management team maintain an annual 'Business Plan' which is shared with and monitored by the Governance and Risk Working Party, a sub-group of Pensions Committee. This working party meets twice a year to review officer progress against documented objectives and commitments.

The contents of the 'Business Plan' are shared with all of the officers and there is a direct link with the performance appraisal process of staff.

Operational Costs

The Fund's operational cost is reviewed by the Pensions Committee, who approve the annual operational budget. Actual spend is monitored throughout the year by the Fund management team and overall spend is reported in the Annual Accounts.

The Department for Communities and Local Government (DCLG) annually surveys funds to collect administration and fund management costs of the LGPS. Submitted under Section 168 of the Local Government Act 1972, the data provides government with a benchmark of Scheme costs and is also used in compiling the National Accounts, showing the role of pension funds in the economy. The administration cost per member for the year 2013-14 was £26.86.

In 2014, the Chartered Institute of Public Finance & Accountancy (CIPFA) issued guidance for "accounting for local government pension scheme management costs" and this guidance was used for categorising scheme costs in the production of Fund accounts. These changes were not reflected in the DCLG survey, so a comparable administration cost per member for 2014-15 is unavailable.

Equality & Diversity

The Fund aims to deliver accessible, high-quality and value for money services to all our customers, without discrimination to any actual or perceived social grouping; for example sex, race, disability, sexual orientation, religion, belief or age.

Any necessary and reasonable adjustments are made to ensure that members with additional needs can access our communications.

Communications Policy

Excellent communication is fundamental to ensuring both employers and members are kept fully informed of the benefit package and changes to the Scheme.

In all our communications we aim to:

- provide clear, relevant, accurate, accessible and timely information
- carefully listen, consider and respond to communications we receive
- use plain English where possible and avoid unnecessary jargon
- use the communication method that best suits the audience.

The Fund has a published Communications Policy which can be found on our website at http://mpfund.uk/commspol

Member Communications

The Fund continued its role in administering the national website for Scheme reform as part of its collaborative arrangement with the Local Government Association. **http://lgps2014.org**

During the year, all active members received a Beeline newsletter at their home address, introducing the new Scheme, providing explanations and also directions to how they could find out more information. Employers also continued to provide local facilities for the Fund to deliver presentations on the new Scheme to their employees.

The members' website **http://mpfmembers.org.uk** was redesigned and the content comprehensively updated to reflect the new Scheme.

The cost of production and postal delivery of paper documents to members constitutes a significant part of the Fund's operational cost. The Fund's main communication costs arise from the production of newsletters and Annual Benefit Statements.

Greater use of technology can reduce these costs significantly, and as the Occupational Pension Scheme (Disclosure of Information) Regulations 2013 allow member information to be distributed electronically, a project is being delivered during 2015-16 to promote the Fund's 'My Pension' online service as the Fund's preferred choice for distributing Annual Benefit Statements.

Efforts to increase Scheme participation continues to be a challenge to the Fund, made all the more challenging as employers face difficult decisions in regards the size of their workforce.

Employer Communications

In April 2014, the Fund delivered a number of seminars to employers at the Cunard Building and these were extremely well attended. The seminars covered the key changes to the administration of the Scheme, referencing information within the Fund's HR and Payroll Guides and a step-by-step walk through of the new versions of key LGPS forms. During the year, officers delivered a number of Practitioner Courses that again were well attended by employers.

The Fund has continued to update the comprehensive administration information to employers in the HR and Payroll Guides. Based on national guidance, these Fund specific documents provide detailed information on administrative and operational practice.

Scheme Administration Report

The website **http://mpfemployers.org.uk** has continued to be the means by which the Fund has updated employers on guide updates, administration forms and any significant information following the introduction of the new Scheme.

Data Security

In administering the Scheme, the Fund collects, records and maintains personal data on members, former members and pensioners.

The following arrangements are in place to safeguard this data:

- All staff are regularly made aware of the corporate policies in respect of Confidentiality, Data Protection & Information Security, and are required to undertake Information Governance training
- New staff, as part of their induction, have the responsibilities and policies explained and their understanding verified by the successful undertaking of an online test
- All administration data is stored electronically and any paper records are securely destroyed
- Staff who work away from the office as part of their role, can only access data by secure means (two-factor authentication)
- Where person identifiable data has to be transferred off-site, the Fund uses secure means; using either the 'Government Connect' network or via secure email/websites.

Data Quality & Employer Performance

The Fund actively engages with employers in regards the quality, accuracy and timeliness of the data provided for Scheme administration. The programme of employer engagement is continuing in line with the requirements detailed in the Pensions Administration Strategy (PAS).

The PAS does provide the Fund with the means to recover any additional costs arising from the continued poor performance of an employing authority. During 2014-15, there were no cost recoveries initiated by the Fund.

Use of Information Technology

The Fund has continued to strive for improved efficiency through the appropriate use of Information Technology. The primary focus during the year was to actively engage with the key supplier, Aquila/Heywoods, in ensuring that the Pensions Administration & Pensioner Payroll system received the required software and benefit calculation updates to deliver the new Scheme from 1 April 2014.

In the main, the legislative changes were delivered by the supplier in March 2014. Unfortunately, due the late finalisation of the regulations and statutory guidance, these legislative changes a number of significant provisions could not be completely implemented. Consequently, for a period of time post 1 April 2014, the Fund required staff to manually produce some retirement calculations for members covered by the transitional provisions. An update to the IT system was provided by the supplier at the earliest opportunity.

During 2014, the Fund worked with a number of volunteer employers to develop a revised year-end specification for the submission of employee contributions and additional data required to administer the new Scheme. Whilst the Fund's Payroll Guide had always stated the additional data requirements for the new Scheme, the specification and supporting guidance for the revised year-end return was circulated to all employers in November 2014.

The Fund has provided staff at its largest employers with online secure access to the Pensions Administration system. This provides a means for employer staff to review the data held on their employees who are active members. Prior to 1 April 2014, the means for these employers to provide their own retirement estimates was revoked whilst the supplier updated the IT system and this was reinstated at the earliest opportunity.

Performance Standards

Results of performance against target are shown below:

Performance Targets	Target	Within Target (%)
1. Payment of Retirement Benefits	7 days	92
2. Payment of Monthly Pensions	100%	100
3. Payment of Transfer Values	7 days	99
4. Provision of Inward Transfer Quotes	10 days	99
5. Notification of Deferred Benefits	22 days	90
6. Provide Valuation in Divorce Cases	10 days	100
7. Respond to Members Enquiries	10 days	84

(Details given in respect of 12 month period to 31 March 2015)

Internal Dispute Resolution Cases

Under the terms of the Local Government Pension Scheme, appeals from members are dealt with under the Internal Dispute Resolution Procedure (IDRP) which applies to members of the LGPS whose position may be affected by decisions taken by their employer, former employer or the Administering Authority.

The IDRP is a formal procedure for individuals to appeal about their treatment under the LGPS regulations. The arrangements in place allow for a two stage appeal process. Responsibility for determinations under the first stage of the procedure can rest with the employing authority or Administering Authority depending on the reason for appeal.

Responsibility for determinations under the second stage of the procedure rests solely with the Administering Authority and the nominated officers to undertake the appeal are approved by the Pension Committee.

During the year there were three new Stage 1 cases dealt with by the panel of Appointed Persons responsible for complaints against decisions made by the Fund. The cases were all upheld. In two cases, the benefits in payment were correct despite being misquoted on non-guaranteed estimated pension statements. In the third case, the appellant questioned the methodology used to calculate pensionable pay and subsequent deferred benefits. The Fund's practice complied with regulations and was supported by LGA guidance.

A total of seven new cases were dealt with by the panel of Appointed Persons responsible for considering Stage 2 appeals against employer decisions.

As in previous years, the majority of cases have concerned the refusal to bring preserved benefits into payment early on ill health grounds. Of these appeals against employer decisions, three of the cases upheld the employer decision, with four granted.

Breakdown of IDRP Cases 2014-2015

Total IDRP Cases (Against Fund and Employer Decisions)

Refused Deferred Benefit on Ill Health Grounds	6
Refused Deferred Benefit on Compassionate Grounds	1
Misquoted Estimates and Impact on Entitlement	2
Determination of Pensionable Pay	1
Total Appeals	**10**

Appeals Against Employer Decisions

Employer	Number	Employer Decision
Liverpool	3	1 Upheld / 2 Granted
Sefton	1	1 Upheld
Wirral	3	1 Upheld / 2 Granted
Total Employer Appeals	**7**	

Appeals Against Fund Decisions

Reason for Appeal	Number	Fund Decision
Misquoted Estimates and Impact on Entitlement	2	Upheld
Determination of Pensionable Pay	1	Upheld
Total Fund Appeals	**3**	

Ombudsman Decision

Reason for Appeal	Number	Fund Decision
Award of IH Retirement	1	Upheld

Pension Ombudsman

The decision upheld by the Ombudsmen related to the award of ill heath retirement and the Fund's decision that there was insufficient medical evidence to justify the award in compliance with the LGPS regulations.

Investment Report

Year ended 31 March 2015

Over the financial year to the end of March 2015, global asset markets remained exposed to uncertainties about the world economic outlook, and expectations regarding the future path of global interest rates which continued to remain at unprecedented historically low levels.

Further divergence was seen in the economic growth paths of developed economies with the US Federal Reserve ending its QE asset purchase programme, while the Bank of Japan and the European Central Bank provided a further monetary stimulus to their respective faltering economies.

However, despite market uncertainties and increased geopolitical tensions, global equity markets remained buoyant, with ample monetary stimulus continuing to fuel investors' risk appetite and boosting the search for higher yielding assets.

Stock markets rallied, particularly in advanced economies with the US S&P Index increasing over 25%, and Japan's Nikkei 225 Index rising over 27% year on year. European markets were more subdued with the UK's FTSE Index gaining just under 7% and European stocks gaining just over 7% over the comparable period.

The low interest rate environment also benefited Emerging Markets which rose just under 20% over the period.

The property market sector also exhibited strong returns rising over 18% with capital value growth contributing the most to overall returns. Rental values also increased following a number of years of stagnation, as the UK's economic recovery continued to gain traction.

Actual and anticipated further Central Bank monetary easing engendered unprecedented bond market conditions, with a significant and growing share of sovereign debt trading at negative yields. Yields on such "safe haven" assets as short-maturity German bunds featured in this fall into negative territory, while even the yields on a few highly rated corporate debt issues dropped below zero over the period.

The performance of the Fund against its benchmark and against CPI and UK average weekly earnings indices for 1, 3, and 5 year periods, is tabulated below.

	1 Year	3 Year	5 Year
MPF	12.6	10.6	8.6
Benchmark	10.9	8.8	7.5
Relative Return	1.5	1.6	1.1
CPI	-0.08	1.4	2.4
Average Earnings	3.3	1.7	1.6

Source: WM Quarterly Review Periods to End March 2015

Merseyside Pension Fund returned 12.6% in the financial year to the end of March 2015 compared to its bespoke benchmark return of 10.9%, an outperformance of 1.5% and was comfortably ahead of the Consumer Price and Average Earnings indices.

The Fund's investment performance against its benchmarks across all asset classes is illustrated in Figure 1.

Figure 2 illustrates the asset allocation of the Fund at 31 March 2015 against the Fund's asset allocation as at 31 March 2014.

Figure 1.
Total Return by Asset Class in year ended 31 March 2015

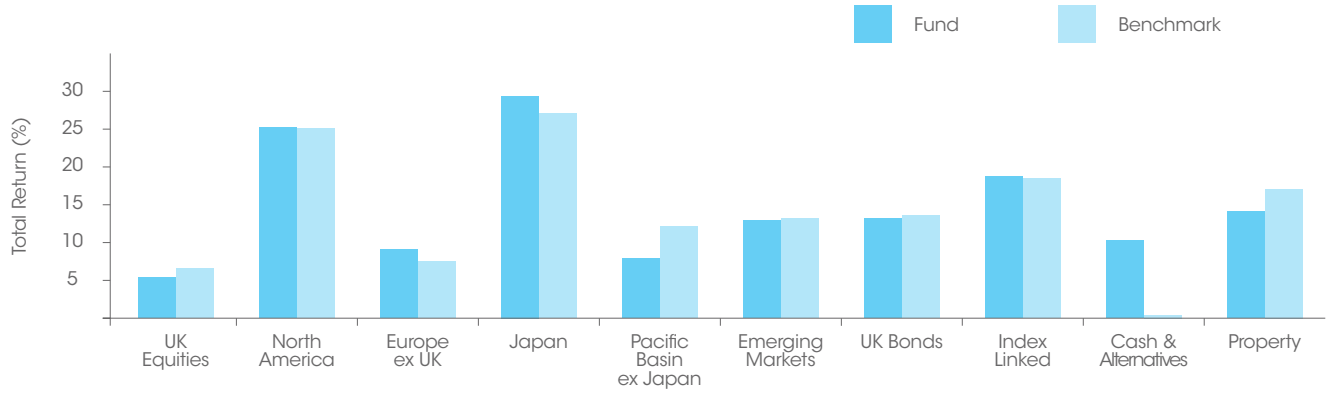
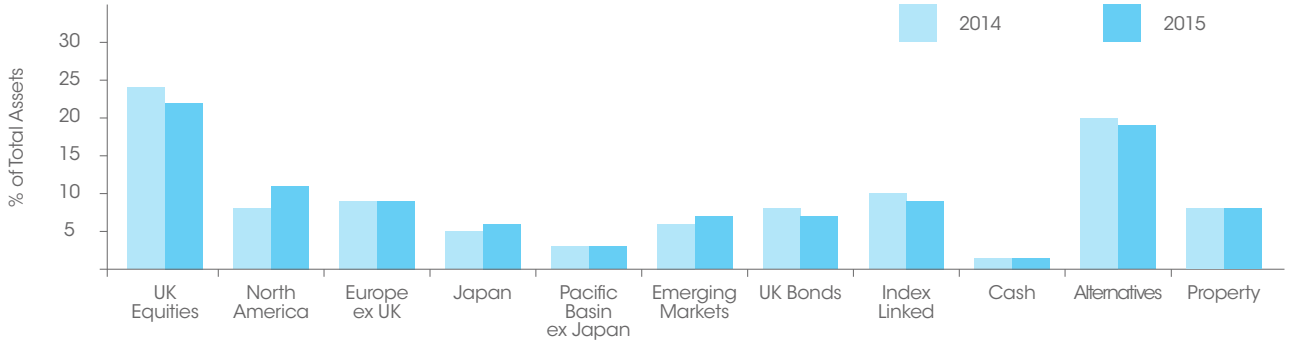


Figure 2.
Asset Allocation



Largest UK Property Holdings as at 31 March 2015

Property	Market Value £'000
Telegraph Road, Heswall	32,250
The Fort, Birmingham	29,750
37/38 Curzon Street, London	24,000
Tunsgate Square Shopping Centre, Guildford	21,500
Farnham Retail Park, Farnham	20,575
Premier Park, Winsford Road Industrial Estate, Winsford	19,400
Middlemarch Business Park, Coventry	18,750
Quadrant, Windsor	17,250

Top 10 UK Equity Holdings as at 31 March 2015

UK Equity Holding	Market Value at 31 March 2015 £'m	% of Fund NAV
British American Tobacco	38	0.55
Reckitt Benck Group	30	0.44
Relx Plc	30	0.44
AstraZeneca	29	0.42
HSBC Holdings	25	0.37
Compass Group Plc	25	0.36
Royal Dutch Shell	23	0.34
GlaxoSmithKline	22	0.31
BP	21	0.31
Vodafone Group	20	0.29
Total	**263**	**3.84**

Strategic Asset Structure

Asset Class	Strategic Benchmark %	Detail %
UK Equities	**23**	
Overseas Equities	**30**	
US		8
European (ex UK)		8
Japan		4
Asia Pacific		4
Emerging Markets		6
Fixed Interest	**19**	
UK Gilts		4
UK Index Linked Gilts		11
Corporate Bonds		4
Property	**8**	
Alternatives	**20**	
Private Equity	5	5
Hedge Funds	5	5
Opportunities	5	5
Infrastructure	5	5
Cash		
Total	**100**	

Financial Performance

The table below describes the Fund's performance for key financial variables against forecasts (forecast January and July 2014) for the 12 months to 31 March 2015.

	2014/15 or at 31 March 2015	
	Predicted £'000	**Actual £'000**
Fund Size 2014	**6,124,294**	**6,124,294**
Fund Size 2015	**6,491,728**	**6,862,705**
Pensions Paid	(283,209)	(291,685)
Contributions Received	366,221	365,003
Net Transfers	(73,238)	(78,583)
Net cash flow from members	**9,774**	**(5,265)**
Net management expenses	**(17,697)**	**(17,241)**
Investment Income	115,336	120,939
Change in valuation of assets	260,021	639,978
Return from Investments	**+375,357**	**+760,917**
Net change overall	**+367,434**	**+738,411**

The key variance between the forecast and the actual performance was the return on investments.

The contributions received in 2014/15 are higher than in previous years, due to a number of employers opting to pay their three year deficits calculated by the actuary in year 1 (2014/15), 2015/16 and 2016/17 have been reduced accordingly below for these known changes.

During 2014/15 there were two known bulk transfers of assets and liabilities:

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

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

The Fund monitors its costs closely. The table below shows the out-turn against the budget approved at Pensions Committee for the year:

	12 months to 31 March 2015	
	Budget £'000	**Actual £'000**
Employees	3,104	2,559
Premises	215	215
Transport	30	25
Investment Fees	13,154	12,301
Other Supplies and Services	1,584	1,328
Third Party	469	432
Recharges	615	565
Income	(89)	(106)
Total	**19,082**	**17,319**

Note: Premises' expenditure is agreed as a notional charge based on market rates, as MPF owns the building.

Overall the actual out-turn for 2014/15 was £17.3 million, lower than the original budget of £19.1 million approved by Pensions Committee July 2014 and September 2014.

The Fund has a 3 year budget as approved by Pensions Committee, this is detailed in the table below.

	2015/16 £'000	2016/17 £'000	2017/18 £'000
Employees	3,140	3,172	3,203
Premises	252	255	258
Transport	41	42	42
Investment Fees	13,380	14,316	15,319
Other Supplies and Services	1,522	1,540	1,559
Third Party	619	626	634
Recharges	501	501	501
Total	**19,455**	**20,452**	**21,516**

The assumptions that underpin this budget are that, over the next 3 years, investment performance follows long-term trends and that the Fund follows the long-term trends in mortality and other factors assumed within the actuarial valuation. The budget also allows for some growth in staffing and IT costs for the changes in the Scheme administration.

The predictions for key financial variables over the next 3 years, using the same assumptions as for the budget, are detailed in the table below:

	2015/16 £'000	2016/17 £'000	2017/18 £'000
Fund Size Start of Year	**6,862,705**	**7,553,340**	**8,298,908**
Fund Size End of Year	**7,553,340**	**8,298,908**	**9,163,194**
Pensions Paid	(295,185)	(298,727)	(302,312)
Contributions Received	192,303	196,149	260,072
Net Transfers	-	-	-
Net Inflow from Members	**(102,882)**	**(102,578)**	**(42,240)**
Net Management Expenses	**(19,455)**	**(20,452)**	**(21,516)**
Investment Income	128,195	135,887	144,040
Change in Valuation of Assets	684,777	732,711	784,002
Return from Investments	**812,972**	**868,598**	**928,042**
Net change overall	**690,635**	**745,568**	**864,286**

The material variable in these assumptions is investment returns. If returns over the next few years are different from the predicted long-term average (7% per annum) then the out-turn will be significantly different. The other key variable is the pattern of membership of the Scheme.

If the employers make significant changes which affect the number of active members or deferred members and pensioners, then the cash-flows of the Scheme can change materially. Both of these factors are largely outside the influence of Merseyside Pension Fund.

Financial Statements

Fund Account - for year ended 31 March 2015

	Note	2013/14 £'000	2014/15 £'000
		Reanalysed	
Contributions and Benefits			
Contributions Receivable	7	246,221	365,003
Transfers In	8	10,929	45,937
		257,150	**410,940**
Benefits Payable	9	(275,764)	(291,685)
Payments to and on Account of Leavers	10	(15,742)	(124,520)
		(291,506)	**(416,205)**
Additions/(Withdrawals) from Dealing with Members		**(34,356)**	**(5,265)**
Management Expenses*	11		
Administration Expenses		(2,564)	(2,369)
Investment Expenses		(12,403)	(13,519)
Oversight and Governance Expenses		(1,984)	(1,620)
Other Income		255	267
Net Management Expenses		**(16,696)**	**(17,241)**
Return on Investments:			
Investment Income	12	110,048	121,408
Profit and Losses on Disposal of Investments and Change in Market Value of Investments	13	247,638	639,978
Taxes on Income	12	(1,241)	(469)
Return on Investments		**356,445**	**760,917**
Net Increase/(Decrease) in the Fund During the Year		305,393	738,411
Net Assets of the Fund at the Start of the Year		5,818,901	6,124,294
Net Assets of the Fund at the End of the Year		**6,124,294**	**6,862,705**

**For 2013/14 Management Expenses has been reanalysed as explained in note 11.*

Net Assets Statement - for the year ended 31 March 2015

	Note	2013/14 £'000	2014/15 £'000
Investment Assets	13		
Equities		1,838,855	2,053,353
Pooled Investment Vehicles		3,822,027	4,275,613
Derivative Contracts		4,131	2,233
Direct Property		310,650	382,210
Short Term Cash Deposits		31,780	47,098
Other Investment Balances		52,889	92,169
		6,060,332	**6,852,676**
Investment Liabilities	17	(8,666)	(24,868)
		6,051,666	**6,827,808**
Long Term Assets	18	12,638	11,655
Current Assets	19	72,405	39,635
Current Liabilities	19	(12,415)	(16,393)
Net Assets of the Fund as at 31 March		**6,124,294**	**6,862,705**

Notes to the Accounts

1. Description of the Fund

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

The overall responsibility for the management of the Fund rests with the Pensions Committee, which for 2014/15 included 10 councillors from Wirral Council, the Administering Authority, plus one councillor from each of the 4 other Borough Councils, and one member representing the other employers in the Scheme. Representatives of trade unions also attend. The more detailed consideration of investment strategy and asset allocation of the Fund's portfolios is considered by the Investment Monitoring Working Party, which includes two external advisors and a consultant. The more detailed consideration of governance and risk issues is considered by the Governance and Risk Working Party.

The following description of the Fund is a summary only. For more detail, reference should be made to Merseyside Pension Fund Annual Report 2014/15 and the underlying statutory powers underpinning the Scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

a. General

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

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

The LGPS 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 162 employer organisations within Merseyside Pension Fund, including Wirral Council itself, as detailed below:

	31/3/14	31/3/15
Number of Employers with Active Members	154	**162**
Number of Employees in Scheme	45,583	**45,417**
Number of Pensioners	39,094	**39,918**
Number of Dependants	6,725	**6,682**
Number of Deferred Pensioners	35,786	**36,237**
Total	127,188	**128,254**

c. Funding

Benefits are funded by employee and employer contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS and are matched by employers' contributions which are set, based on triennial actuarial funding valuations.

Notes to the Accounts

d. Benefits
Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below.

	Membership pre 1 April 2008	Membership post 31 March 2008
Pension	Each year of membership is worth 1/80 x final pensionable salary.	Each year of membership 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 accrual. 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.

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2014/15 financial year and its position at year end as at 31 March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 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, is shown within the statement by the actuary, which is published as an addendum to the accounts.

3. Accounting Policies

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

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

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

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

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

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

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

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

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

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

Management Expenses
The Fund discloses its management expenses split between administration expenses, investment management expenses and oversight and governance costs.

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

Investment Management Expenses
All investment management expenses are accounted for on an accruals 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 management 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.

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

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

Investment Income
Income from Equities is accounted for when the related investment is quoted ex dividend. Income from Pooled Investment Vehicles and interest on Short Term Deposits has been accounted for on an accruals basis. Distributions from Private Equity are treated as return of capital until the book value is nil then treated as income on an accruals basis.

Rental income from properties is taken into account by reference to the periods to which the rents relate and is shown net of related expenses. The Fund accrues rent up to 24 March each year. Rent received on the Quarter Day, 25 March, is accounted for, in full, in the following year.

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

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

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

- Listed securities are valued at quoted bid market prices on the final day of the accounting period. The bid price is the price which the Fund would have obtained should the securities have been sold at that date

- For unlisted investments, wherever possible, valuations are obtained via the Independent Administrator. Valuations that are obtained direct from the Manager are verified against the latest available audited accounts, adjusted for any cash flows up to the reporting date

- Hedge Funds and Infrastructure are recorded at fair value based on net asset values provided by Fund Administrators or using latest financial statements published by respective Fund Managers, adjusted for any cash flows

- Private Equity valuations are in accordance with the guidelines and conventions of the British Venture Capital Association/International Private Equity guidelines or equivalent

- Indirect Property is valued at net asset value or capital fair value basis provided by the Fund Manager. For listed Funds, the net asset value per unit is obtained through data vendors

- Direct Property is valued at fair value as defined by the IASB and market rent as set out in VS 3.3 of the Professional Standards, as at the reporting date. Direct Properties have been valued independently by Colliers

International, in accordance with Royal Institute of Chartered Surveyors Valuation Professional Standards as at 31 March 2015

- Pooled Investment Vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of Pooled Investment Vehicles that are Accumulation Funds, change in market value also includes income which is reinvested by the Manager of the vehicle in the underlying investment, net of applicable withholding tax.

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

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

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

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

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

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

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

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

Additional Voluntary Contributions
The Committee holds assets invested separately from the main Fund. In accordance with regulation 4 (2) (b) of the Pensions Schemes (Management and Investment of Funds) Regulations 2009, these assets are excluded from the Pension Fund accounts.

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

4. Critical Judgements in Applying Accounting Policies

The Fund has not applied any critical judgements.

5. Estimation

Unquoted Investments
The Fund has significant unquoted investments within Private Equity, Infrastructure, Property and other Alternative investments. These are valued within the financial statements using valuations from the Managers of the respective assets. There are clear accounting standards for these valuations and the Fund has in place procedures for ensuring that valuations applied by Managers comply with these standards and any other relevant best practice. The value of unquoted assets as at 31 March 2015 was £1,540 million (£1,261 million at 31 March 2014).

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

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

6. Events After the Balance Sheet Date

There have been no events since 31 March 2015, and up to the date when these accounts were authorised, which require any adjustments to these accounts.

7. Contributions Receivable

	2013/14 £'000	2014/15 £'000
Employers		
Normal	96,049	108,369
Augmentation	22	-
Pension Strain	15,772	15,334
Deficit Funding	82,232	187,858
Employees		
Normal	52,146	53,442
	246,221	**365,003**
Relating to: Administering Authority	35,925	38,375
Statutory Bodies	169,607	290,324
Admission Bodies	40,689	36,304
	246,221	**365,003**

Contributions are made by active members of the Fund in accordance with the LGPS and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2015. Employee contributions are matched by employers' contributions which are based on triennial actuarial valuations. The 2015 contributions above were calculated at the valuation dated 31 March 2013. The 2013 actuarial valuation calculated the notional average employer contribution of 22.5% (2010 18%).

"Augmentation" represents payments by employers to the Fund for the costs of additional membership benefits awarded under LGPS regulations.

"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 2014/15 the Fund has received additional and upfront payments covering a three year period until the next actuarial valuation in 2016, totalling £97 million (2014 £10 million).

The Fund does reserve the right to levy interest charges on late receipt of contributions from employers. In 2014/15 no such charges were levied.

8. Transfers In

	2013/14 £'000	2014/15 £'000
Group Transfers	-	39,832
Individual Transfers	10,929	6,105
	10,929	**45,937**

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

9. Benefits Payable

	2013/14 £'000	2014/15 £'000
Pensions	224,767	235,364
Lump Sum Retiring Allowances	45,745	50,118
Lump Sum Death Benefits	5,252	6,203
	275,764	**291,685**
Relating to: Administering Authority	41,291	40,478
Statutory Bodies	197,079	206,877
Admission Bodies	37,394	44,330
	275,764	**291,685**

10. Payments to and on Account of Leavers

	2013/14 £'000	2014/15 £'000
Refunds to Members Leaving Service	18	172
Payment for Members Joining State Scheme	4	84
Income for Members from State Scheme	(7)	(1)
Group Transfers to Other Schemes	-	116,523
Individual Transfers to Other Schemes	15,727	7,742
	15,742	**124,520**

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

Notes to the Accounts

11. Management Expenses

	2013/14 £'000	2014/15 £'000
	Reanalysed	
Administration Expenses	2,564	2,369
Investment Expenses	12,403	13,519
Oversight and Governance Expenses	1,984	1,620
Other Income	(255)	(267)
	16,696	**17,241**

**Management expenses have been reanalysed into three categories, in accordance with CIPFA "Accounting for local government management costs".*

11a. Administration Expenses

	2013/14 £'000	2014/15 £'000
Employee Costs	1,546	1,576
IT Costs	481	457
General Costs	300	261
Other Costs	237	75
	2,564	**2,369**

11b. Investment Expenses

	2013/14 £'000	2014/15 £'000
External Investment Management Fees	11,302	12,301
External Services	564	718
Internal Investment Management Fees	537	500
	12,403	**13,519**

11c. Oversight and Government Expenses

	2013/14 £'000	2014/15 £'000
Employee Costs	387	418
External Services	731	495
Internal Audit	32	28
External Audit	31	39
Other Costs	803	640
	1,984	**1,620**

Actuarial fees included within External Services above (note 11c) are shown gross of any fees that have been recharged to employers. Included within Other Income for 2014/15 is £146,172 relating to recharged actuarial fees (2013/14 £163,061).

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

12. Investment Income

	2013/14 £'000	2014/15 £'000
Dividends From Equities	57,219	55,896
Income from Pooled Investment Vehicles	26,254	36,316
Net Rents from Properties	21,646	17,346
Interest on Short Term Cash Deposits	927	837
Income from Private Equity	2,824	9,840
Income from Derivatives	67	35
Other	1,111	1,138
	110,048	**121,408**
Irrecoverable Withholding Tax	(1,241)	(469)
	108,807	**120,939**

Investment income figures are shown gross of tax. Included in these figures is recoverable taxation of £2.7 million (2013/14 £2.5 million).

The Fund is seeking to recover tax withheld by UK and overseas tax regimes under the EU principle of free movement of capital within its borders, but is not accruing for future receipt of such income within these accounts. Repayments received in 2014/15 £0.233 million (2013/14 £0.343 million).

12a. Property Income

	2013/14 £'000	2014/15 £'000
Rental Income	26,865	22,180
Direct Operating Expenses	(5,219)	(4,834)
Net Rent from Properties	**21,646**	**17,346**

Rental income for 2013/14 includes £3.2 million relating to 2012/13.

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

12b Property Operating Leases

The Fund's property portfolio comprises a variety of units which are leased to organisations with the objective of generating appropriate investment returns

These leases are all categorised as operating leases due to the relatively short length of the agreements i.e. relative to the overall life of the asset and proportion of the asset's 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:

	2013/14 £'000	2014/15 £'000
Age profile of lease income		
No later than one year	519	2,510
Between one and five years	1,705	4,821
Later than five years	15,935	13,313
Total	**18,159**	**20,644**

With regards to the properties owned and leased by the Fund, all are leased to the tenants under contracts that have been assessed as operating leases and which may include periodic rent reviews etc. The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease entered into, such as adjustments following rent reviews.

13. Investments

2014/15	Market Value 31/3/14 £'000	Purchases at Cost and Derivative Payments £'000	Sale Proceeds and Derivative Receipts £'000	Change in Market Value* £'000	Market Value 31/3/15 £'000
Equities	1,838,855	936,125	(872,689)	151,062	2,053,353
Pooled Investment Vehicles	3,822,027	318,536	(295,485)	430,535	4,275,613
Derivative Contracts	4,131	2,893,922	(2,916,839)	21,019	2,233
Direct Property	310,650	57,326	(23,240)	37,474	382,210
	5,975,663	**4,205,909**	**(4,108,253)**	**640,090**	**6,713,409**
Short Term Cash Deposits	31,780			380	47,098
Other Investment Balances	52,889			(492)	92,169
	6,060,332			**639,978**	**6,852,676**

2013/14	Market Value 31/3/13 £'000	Purchases at Cost and Derivative Payments £'000	Sale Proceeds and Derivative Receipts £'000	Change in Market Value* £'000	Market Value 31/3/14 £'000
Equities	1,759,476	758,691	(774,123)	94,811	1,838,855
Pooled Investment Vehicles	3,614,051	414,008	(314,912)	108,880	3,822,027
Derivative Contracts	1,823	902,610	(918,034)	17,732	4,131
Direct Property	283,615	25,109	(26,276)	28,202	310,650
	5,658,965	**2,100,418**	**(2,033,345)**	**249,625**	**5,975,663**
Short Term Cash Deposits	62,329			5	31,780
Other Investment Balances	50,734			(1,992)	52,889
	5,772,028			**247,638**	**6,060,332**

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

Notes to the Accounts

Transaction costs include fees and commissions paid to Agents, Advisers, Brokers and Dealers, levies by regulatory agencies and securities exchanges, transfer taxes and duties. They have been added to purchases and netted against sales proceeds as appropriate. Transaction costs during the year amounted to £3.7 million (2013/14 £3.1 million). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments in pooled vehicles. The amount of indirect costs is not provided directly to the Fund.

13a. Analysis of Investments

	2013/14 £'000	2014/15 £'000
Equities (segregated holdings)		
UK Quoted	823,202	863,066
Overseas Quoted	1,015,653	1,190,287
	1,838,855	**2,053,353**
Pooled Investment Vehicles		
UK Managed Funds:		
Property	3,000	3,000
Equities	267,606	260,501
Private Equity	189,094	218,173
Hedge Funds	60,085	52,724
Corporate Bonds	208,191	236,946
Infrastructure	51,735	78,304
Opportunities	199,613	237,918
Overseas Managed Funds:		
Equities	328,730	365,471
Private Equity	138,381	175,779
Hedge Funds	210,046	214,935
Infastructure	74,750	108,225
Opportunities	76,538	105,452
UK Unit Trusts:		
Property	83,032	82,913
Overseas Unit Trusts:		
Property	71,271	82,954
Other Unitised Funds	1,859,955	2,052,318
	3,822,027	**4,275,613**
UK Properties		
Freehold	276,150	344,560
Leasehold	34,500	37,650
	310,650	**382,210**
Balance at 1 April	283,615	310,650
Additions	25,109	57,326
Disposals	(26,276)	(23,240)
Net gain/(loss) of fair value	(12,850)	459
Transfers in/(out)	-	-
Other changes in fair value	41,052	37,015
Balance at 31 March	**310,650**	**382,210**

As at 31 March 2015 there were no amounts of restrictions on the realisability of investment property or of income and proceeds of disposal.

Contractual obligations for development, repairs and maintenance amounted to £28,648 (2013/14 £201,888). There were no obligations to purchase new properties.

As at 31 March 2015 the Fund had committed to a redevelopment project of an existing retail centre at Guildford, approved expenditure for the redevelopment is £20 million.

	2013/14 £'000	2014/15 £'000
Short Term Cash Deposits		
Sterling	30,750	46,067
Foreign Currency	1,030	1,031
	31,780	**47,098**

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

	2013/14 £'000	2014/15 £'000
Other Investment Balances		
Amounts Due from Brokers	83	35
Outstanding Trades	7,397	18,495
Outstanding Dividends Entitlements and Recoverable Withholding Tax	11,768	12,005
Cash Deposits	33,641	61,634
	52,889	**92,169**

13b. Analysis of Derivitives

Futures

Type of Contract	Expires	Economic Exposure 31/3/14 £'000	Market Value 31/3/14 £'000	Economic Exposure 31/3/15 £'000	Market Value 31/3/15 £'000
Assets					
EURO STOXX 50 Index Futures	Jun-15	830	83	350	35
Total Assets			**83**		**35**
Liabilities			-		-
Total Liabilities			-		-
Net Futures			**83**		**35**

A Futures contract is the obligation under a legal agreement to make or take delivery of a specified instrument at a fixed future date, at a price determined at the time of dealing. Merseyside Pension Fund's Index Futures Contracts are externally managed and their objective is to hedge overseas investment positions against adverse index movements.

Futures dealing requires the posting of margin. Initial margin which must be posted before you can trade and variation margin, the mark-to-market value of the futures contracts you hold. Variation margin is exchanged daily and exists to reduce counterparty credit exposure. Collateral is held in EUR currency and the sterling equivalent is £337,972. DJ Euro STOXX 50 have a contract multiplier of x10 therefore the notional value underlying the futures contracts is £0.35 million.

Forward Currency Contracts

The Fund's forward currency contracts are exchange traded and are used by a number of our external Investment Managers to hedge exposures to foreign currency back into sterling.

Settlement Date	Currency Bought '000	Currency Sold '000	Asset £'000	Liability £'000
Up to 3 months	GBP 7,002	EUR 9,590	58	-
Up to 3 months	GBP 2,384	NOK 27,945	50	-
Up to 1 month	JPY 17,900,000	GBP 98,035	2,539	-
Up to 1 month	GBP 100,125	JPY 17,900,000	-	(449)
			2,647	(449)
Net Forward Currency Contracts at 31 March 2015				**2,198**
Prior Year Comparative				
Open Forward Currency Contracts at 31 March 2014			4,048	-
Net Forward Currency Contracts at 31 March 2014				**4,048**

13c. Summary of Managers' Portfolio Values at 31 March 2015

	2013/14 £'m	2013/14 %	2014/15 £'m	2014/15 %
Externally Managed				
JP Morgan (European equities)	191	3.1	220	3.2
Nomura (Japan)	239	4.0	317	4.6
Schroders (fixed income)	208	3.4	237	3.5
Legal & General (fixed income)	239	3.9	270	3.9
Unigestion (European Equities and Pooled Emerging Markets)	233	3.8	262	3.8
M&G (UK Equities)	179	2.9	168	2.5
M&G (Global Emerging Markets)	130	2.1	138	2.0
TT International (UK Equities)	186	3.1	197	2.9
Blackrock (UK Equities)	190	3.1	212	3.1
Blackrock (Pacific Rim)	121	2.0	133	1.9
Blackrock (QIF)	60	1.0	66	1.0
Newton (UK Equities)	191	3.1	216	3.2
Amundi (Global Emerging Markets)	117	1.9	137	2.0
Maple-Brown Abbot (Pacific Rim Equities)	124	2.0	136	2.0
State Street Global Advisor (Passive Manager)	1,620	26.9	1,782	26.0
	4,028	**66.3**	**4,491**	**65.6**
Internally Managed				
UK Equities	318	5.3	328	4.8
European Equities	176	2.9	186	2.7
Property (Direct)	311	5.1	382	5.6
Property (Indirect)	161	2.7	176	2.6
Private Equity	327	5.5	394	5.7
Hedge Funds	270	4.5	268	3.9
Infrastructure	126	2.1	187	2.7
Opportunities	292	4.8	363	5.3
Short Term Deposits and Other Investments	51	0.8	78	1.1
	2,032	**33.7**	**2,362**	**34.4**
	6,060	**100.0**	**6,853**	**100.0**

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

	2013/14 £'000	2013/14 %	2014/15 £'000	2014/15 %
SSGA Pooled UK Index Linked Gilts	581,169	9.7	637,350	9.3
SSGA USA Equity Tracker	527,598	8.8	543,527	7.9
SSGA Pooled UK Equities	511,270	8.4	445,381	6.5

13d. Stock Lending

As at 31 March 2015, £156.1 million of stock was on loan to market makers, which was covered by cash and non-cash collateral, totalling £173.9 million. Collateral is marked to market, and adjusted daily. Income from Stock Lending amounted to £1.0 million and is included within "Other" Investment Income. As the Fund retains its economic interest in stock on loan, their value remains within the Fund valuation. As the Fund has an obligation to return collateral to the borrowers, collateral is excluded from the Fund valuation. The Fund used its Custodian as agent lender, lending only to an agreed list of approved borrowers. An indemnity is in place which gives the Fund further protection against losses.

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

14. Financial Instruments

14a. Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net asset statement heading. To allow reconciliation to the Net Asset Statement and for ease to the reader, all long term and current assets and current liabilities have been included in the note below, although not all are classified as financial instruments. The amounts that are not financial instruments are considered immaterial.

31 March 2015	Loans and Receivables £'000	Financial Liabilities at Amortised Cost £'000	Fair Value Through Profit and Loss £'000
Financial Assets			
Equities			2,053,353
Pooled Investment Vehicles			4,275,613
Derivatives			2,233
Cash Deposits	47,098		
Other Investment Balances	92,169		
Long Term and Current Assets	51,290		
Total Financial Assets	**190,557**	**-**	**6,331,199**
Financial Liabilities			
Other Investment Balances		(24,868)	
Current Liabilities		(16,393)	
Total Financial Liabilities	**-**	**(41,261)**	**-**
Net	**190,557**	**(41,261)**	**6,331,199**

31 March 2014	Loans and Receivables £'000	Financial Liabilities at Amortised Cost £'000	Fair Value Through Profit and Loss £'000
Financial Assets			
Equities			1,838,855
Pooled Investment Vehicles			3,822,027
Derivatives			4,131
Cash Deposits	31,780		
Other Investment Balances	52,889		
Long Term and Current Assets	85,043		
Total Financial Assets	**169,712**	**-**	**5,665,013**
Financial Liabilities			
Other Investment Balances		(8,666)	
Current Liabilities		(12,415)	
Total Financial Liabilities	**-**	**(21,081)**	**-**
Net	**169,712**	**(21,081)**	**5,665,013**

Notes to the Accounts

14b. Net Gains and Losses on Financial Instruments

	2013/14 £'000	2014/15 £'000
Financial Assets		
Fair Value Through Profit and Loss	221,423	602,616
Loans and Receivables	5	380
Total Financial Assets	**221,428**	**602,996**
Financial Liabilities		
Financial Liabilities at Amortised Cost	(1,992)	(492)
Loans and Receivables	-	-
Total Financial Liabilities	**(1,992)**	**(492)**
Net	**219,436**	**602,504**

14c. Fair Value of Financial Instruments

There is no material difference between the carrying value and fair value of financial instruments. The majority of financial instruments are held at fair value and, for those which are not, their amortised cost is considered to be equivalent to an approximation of fair value.

14d. Valuation of Financial Instruments Carried at Fair Value

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

Level 1
Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the market quotation of the relevant stock exchange.

Level 2
Financial instruments at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3
Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgment 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.

Values at 31 March 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Financial Assets at Fair Value Through Profit and Loss	5,173,596	57,365	1,100,238	6,331,199
Total Financial Assets	**5,173,596**	**57,365**	**1,100,238**	**6,331,199**

Values at 31 March 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Financial Assets at Fair Value Through Profit and Loss	4,714,290	47,900	902,823	5,665,013
Total Financial Assets	**4,714,290**	**47,900**	**902,823**	**5,665,013**

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 and liabilities of the Pension Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

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

	2013/14 £'000	2014/15 £'000
Opening Balance	792,026	902,823
Aquisitions	182,783	208,094
Disposal Proceeds	(102,043)	(84,591)
Total Gain/(Losses) Included in the Fund Account:		
On Assets Sold	(3,112)	1,890
On Assets Held at Year End	33,169	72,022
Closing Balance	**902,823**	**1,100,238**

15. Nature and Extent of Risks Arising from Financial Instruments

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

Over the long term, the Fund's objective is to set policies that will seek to ensure that investment returns achieved will at least match the assumptions underlying the actuarial valuation and therefore be appropriate to the liabilities of the Fund.

Having regard to its liability profile, the Fund has determined that adopting a bespoke benchmark should best enable it to implement an effective investment strategy. This strategic benchmark is reviewed every three years, at a minimum, at the time of the actuarial valuation but will be reviewed as required particularly if there have been significant changes in the underlying liability profile or the investment environment.

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

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

The Fund believes that, over the long term, a willingness to take on volatility and illiquidity is likely to be rewarded with outperformance. The Fund considers that its strong employer covenant, maturity profile and cash flows, enable it to adopt a long term investment perspective. A mix of short term assets such as bonds and cash is maintained to cover short term liabilities, while equities, (both passive and active) private equity and direct property are held to benefit from the potential rewards arising from volatility and illiquidity risks. The Fund recognises that risk is inherent in investment activity and seeks to manage the level of risk that it takes in an appropriate manner. The Fund manages investment risks through the following measures:

- Broad diversification of types of investment and investment managers
- Explicit mandates governing the activity of investment managers
- The use of a specific benchmark, related to liabilities of the Fund for investment asset allocation
- The appointment of independent investment advisors to the Investment Monitoring Working Party
- Comprehensive monitoring procedures for investment managers including internal officers and scrutiny by elected Members.

15a. Market Risk

The Fund is aware that its key risk is market risk i.e. the unpredictability of market performance in the future. The general practice to quantify these risks is to measure the volatility of historical performance. The tables below show the Fund's exposure to asset classes and their reasonable predicted variance (as provided by the Fund's investment consultants) and the resulting potential changes in net assets available to pay pensions. The figures provided are a forward looking assumption of future volatility based on analysis of previous performance and probability.

	Value March 2015 £'m	Potential Variance %	Value on Increase £'m	Value on Decrease £'m
UK Equities (all Equities include Pooled Vehicles)	1,569	19.0	1,867	1,271
US Equities	563	17.0	659	467
European Equities	613	19.0	729	496
Japan Equities	402	20.0	482	321
Emerging Markets Equities including Pac Rim	685	30.0	891	480
UK Fixed Income Pooled Vehicles	507	11.0	563	451
UK Index Linked Pooled Vehicles	637	9.0	695	580
Pooled Property	169	12.5	190	148
Private Equity	394	25.0	492	295
Hedge Funds	268	9.0	292	244
Infrastructure	187	18.5	221	152
Other Alternative Assets	336	14.5	384	287
Short Term Deposits and Other Investment Balances	151	0.0	151	151
Total	**6,481**			

	Value March 2014 £'m	Potential Variance %	Value on Increase £'m	Value on Decrease £'m
UK Equities (all Equities include Pooled Vehicles)	1,603	20.0	1,924	1,282
US Equities	530	19.0	631	429
European Equities	552	20.0	662	442
Japan Equities	236	20.0	283	189
Emerging Markets Equities including Pac Rim	554	28.5	712	396
UK Fixed Income Pooled Vehicles	448	11.0	497	399
UK Index Linked Pooled Vehicles	581	9.0	633	529
Pooled Property	157	14.5	180	134
Private Equity	327	26.0	412	242
Hedge Funds	270	8.0	292	248
Infrastructure	126	20.0	151	101
Other Alternative Assets	276	20.0	331	221
Short Term Deposits and Other Investment Balances	153	0.0	153	153
Total	**5,813**			

15b. Credit Risk

The Fund does not hold any fixed interest securities directly and the managers of the pooled fixed income vehicles are responsible for managing credit risk; section 15a of this note covers the market risks of these holdings.

The Fund's arrangements for derivatives, securities lending and impaired items are dealt with in other notes to the accounts.

The short term cash deposits and other investment balances are diversified with investment grade financial institutions. The Fund has a treasury management policy that is compliant with current best practice.

The Fund's cash holding under its treasury management arrangements as at 31 March 2015 was £47.1 million (31 March 2014 £31.8 million). This was held in instant access accounts with the following institutions:

	Rating S&P	Balances as at 31 March 2014 £'000	Balances as at 31 March 2015 £'000
Royal Bank of Scotland	Long A- Short A-2	183	1
Lloyds Bank	Long A Short A-1	29,222	45,686
Northern Trust	Long AA- Short A-1+	1,345	-
Iceland Escrow Account		1,030	1,411
Total		**31,780**	**47,098**

15c. Liquidity Risk

The Fund's key priority is to pay pensions in the long term and in the short term and the asset allocation is the key strategy in ensuring this. The earlier sections have dealt with the longer term risks associated with market volatility.

The Fund has a cash balance at 31 March of £47.1 million. The Fund also has £5,113 million in assets which could be realised in under 7 days notice, £674 million in assets which could be realised in under 90 days notice and £544 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 2014/15 in its dealing with members of £5 million and management expenses of £17 million, this is offset by investment income of £121 million.

15d. Interest Rate Risk

Interest rates primarily affect the Fund's liabilities through the transmission mechanism from interest rates to government bond yields and ultimately the discount rate used by the actuary to discount the liabilities; the Fund's actuary has calculated that the sensitivity of the Fund's liabilities to a change in discount rate is a 20% increase in liabilities for a 1% p.a. reduction in the discount rate. The Fund considers both the liabilities and assets together and assesses the funding ratio and the implications for investment strategy on a quarterly basis at the IMWP.

16. Funding Arrangements

In line with The Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2013. The next valuation will take place as at 31 March 2016.

The most recent Triennial Valuation by the actuary was as at 31 March 2013, when the funding level was 76% of projected actuarial liabilities (2010 78%). The funding objective is to achieve and then maintain assets equal to the funding target. The funding target is the present value of 100% of projected accrued liabilities, including allowance for projected final pay. The FSS specifies a maximum period for achieving full funding of 22 years.

The funding method adopted is the projected unit method, which implicitly allows for new entrants replacing leavers.

The key elements of the funding policy are:

- to enable employer contribution rates to be kept as nearly constant as possible and at a reasonable and affordable cost to the taxpayers, scheduled, resolution and admitted bodies
- to manage employers' liability effectively
- to ensure that sufficient resources are available to meet all liabilities as they fall due
- to maximise the returns from investments within reasonable risk parameters.

Summary of key whole Fund assumptions used for calculating funding target

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

17. Investment Liabilities

	2013/14 £'000	2014/15 £'000
Amounts Due to Stockbrokers	8,666	24,868
	8,666	**24,868**

18. Long Term Assets

	2013/14 £'000	2014/15 £'000
Assets Due in More than One Year	12,638	11,655
	12,638	**11,655**
Relating to:		
Central Government Bodies	4,105	3,689
Other Local Authorities	6,949	6,733
Public Corporations and Trading Funds	493	548
Bodies External to General Government	1,091	685
	12,638	**11,655**

Payments are being received in respect of pensioner and deferred members of the Magistrates Courts, which was previously an active employer in the Fund. Year 1 is shown as a current asset, but years 2 - 4 are included above. Also included are future payments of pension strain to be paid by employers from 2016/17 onwards.

19. Current Assets and Liabilities

	2013/14 £'000	2014/15 £'000
Assets		
Contributions Due	24,460	21,883
Amounts Due from External Managers	35,270	1,126
Accrued and Outstanding Investment Income	82	543
Sundries	12,646	13,352
Provision for Bad Debts	(1,022)	(32)
Cash at Bank	969	2,763
	72,405	**39,635**
Relating to:		
Central Government Bodies	1,990	1,893
Other Local Authorities	18,497	15,892
NHS	2	2
Public Corporations and Trading Funds	207	202
Bodies External to General Government	51,709	21,646
	72,405	**39,635**
Liabilities		
Retirement Grants Due	2,612	2,185
Provisions	385	369
Miscellaneous	9,418	13,839
	12,415	**16,393**
Relating to:		
Central Government Bodies	2,532	2,290
Other Local Authorities	2,015	4,129
Public Corporations and Trading Funds	26	23
Bodies External to General Government	7,842	9,951
	12,415	**16,393**
Total Current Assets and Liabilities	**59,990**	**23,242**

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

"Provision for bad debt" relates to property rental income, and is based on an assessment of all individual property debts as at 31 March 2015.

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.

20. Contractual Commitments

Commitments for investments amounted to £386.17 million as at 31 March 2015. (2013/14 £457.80 million). These commitments relate to Private Equity £187.97 million, Infrastructure £70.55 million, Opportunities £42.21 million and Indirect Property £85.44 million. As some of these funds are denominated in foreign currencies, the commitment in sterling is subject to change due to currency fluctuations.

21. Contingent Assets

When determining the appropriate Fund policy for employers, the different participating characteristics as either a contractor or community body or whether a guarantor of sufficient financial standing agrees to support the pension obligations is taken into consideration when setting the fiduciary strategy.

It is the policy to actively seek mechanisms to strengthen employer covenants by engaging "contingent assets" in the form of bonds/indemnity insurance, local authority guarantors, parent company guarantors or charge on assets to mitigate the risk of employers exiting the Fund leaving unrecoverable debt.

These financial undertakings are drawn in favour of Wirral Council, as the Administrating Authority of Merseyside Pension Fund and payment will only be triggered in the event of employer default.

22. Related Party Transactions

There are three groups of related parties: transactions between Wirral Council, as Administering Authority, and the Fund, between employers within the Fund and the Fund, and between Members and Senior Officers and the Fund.

Administration and investment management costs include charges by Wirral Council in providing services in its role as Administering Authority to the Fund, which amount to £3.4 million (2014 £3.5 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 £15.8 million (2014 £14.4 million) and creditor £2 million as at 31 March 2015 (2014 £118,149).

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 2015 payroll, are included within the debtors figure in note 19.

Notes to the Accounts

A specific declaration has been received from Pensions Committee 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; St Helens Borough Council; Wirral Council; CDS Housing; Greater Hornby Homes and Wirral Partnership Homes (also known as Magenta Living). The value of the transactions with each of these related parties, namely the routine monthly payments to the Fund of employers' and employees' contributions, is determined by the LGPS Regulations and, as such, no related party transactions have been declared.

Peter Wallach, Head of Pension Fund, acts in an un-remunerated board advisory capacity on three investment bodies in which the Fund has an interest, Eclipse (£15.2 million), Standard Life (£11.5 million) and F&C (£21.6 million).

Susannah Friar, Property Manager, acts in an un-remunerated board advisory capacity on one investment body in which the Fund has an interest, Partners Group Real Estate Asia Pacific 2011 (£5.9 million), by whom travel expenses and accommodation were paid.

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

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

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

Financial Year 2013/14	Employment Period	Salary £	Pension Contributions £	Total Including Pension Contrbutions £
Head of Pension Fund	01/04/13 - 31/03/14	73,352	8,802	**82,154**
Senior Investment Manager	01/04/13 - 31/03/14	55,739	6,688	**62,427**

23. Additional Voluntary Contribution Investments

	2013/14 £'000	2014/15 £'000
The Aggregate Amount of AVC Investments is as Follows:		
Equitable Life	2,380	2,297
Standard Life	6,030	6,204
Prudential	5,231	5,417
	13,641	**13,918**
Changes During the Year were as Follows:		
Contributions	1,835	1,869
Repayments	2,574	2,493
Change in Market Values	644	901

Statement of Responsibilities

The Authority's Responsibilities

The Council as Administering Authority of Merseyside Pension Fund is required:

- To make arrangements for the proper administration of the financial affairs of the Fund and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Section 151 Officer.
- To manage the affairs of the Fund to secure economic, efficient use of resources and safeguard its assets.

Section 151 Officer Responsibilities

The Section 151 Officer is responsible for the preparation of the Fund's Statement of Accounts which, in terms of the Chartered Institute of Public Finance and Accountancy Code of Practice on Local Authority Accounting in Great Britain (the Code), is required to present fairly the financial position of the Fund at the accounting date and its income and expenditure for the year ended 31 March 2015.

In preparing this statement of accounts, the Section 151 Officer has:

- Selected suitable accounting policies and then applied them consistently
- Made judgments and estimates that were reasonable and prudent
- Complied with the Code

The Section 151 Officer has also:

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

The Section 151 Officer's Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Fund at 31 March 2015, and its income and expenditure for the year then ended.

Tom Sault
Section 151 Officer
16 September 2015

Audit Report

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF WIRRAL COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS INCLUDED IN THE PENSION FUND ANNUAL REPORT

We have examined the pension fund financial statements of Wirral Council for the year ended 31 March 2015 under the Audit Commission Act 1998, which comprise the fund account, the net assets statement and the related notes.

This statement is made solely to the members of Wirral Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our work has been undertaken so that we might state to the members of the authority those matters we are required to state to them in an auditor's statement 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 work, for this report, or for the opinions we have formed.

Respective responsibilities of the Section 151 Officer and the auditor

As explained more fully in the Statement of the Section 151 Officer Responsibilities, the Section 151 Officer is responsible for the preparation of the Pension Fund Financial Statements, in accordance with applicable law, proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view.

Our responsibility is to state to you our opinion on the consistency of the pension fund financial statements included in the pension fund annual report with the pension fund financial statements included in the Statement of Accounts of Wirral Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

In addition we read the other information contained in the pension fund annual report and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of only the Chair's Introduction, Management Report, Membership Statistics, Scheme Administration Report, Investment Report, Financial Performance and The Consulting Actuary's Statement.

We conducted our work in accordance with guidance issued by the Audit Commission. Our report on the administering authority's annual Statement of Accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included within the annual Statement of Accounts of Wirral Council for the year ended 31 March 2015 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Grant Thornton UK LLP
Chartered Accountants
4 Hardman Square
Manchester
M3 3EB

September 2015

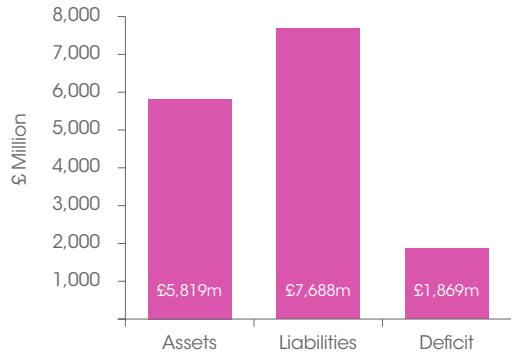
Consulting Actuary's Statement

Accounts for the Year Ended 31 March 2015 Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Merseyside Pension Fund was carried out as at 31 March 2013 to determine the contribution rates for the period 1 April 2014 to 31 March 2017.

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



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

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

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

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

	For past Service Liabilities (Funding Target) per annum	For Future Service Liabilities (Common Contribution Rate)
Rates of Return on Investments (Discount Rate)	4.6%	5.6%
Rate of Pay Increases*	4.1%	4.1%
Rate of Increases in Pensions in Payment (In Excess of Guaranteed Minimum Pension)	2.6%	2.6%

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

The assets were assessed at market value.

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

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2015 (the 31 March 2014 assumptions are included for comparison):

	31 March 2014	31 March 2015
Rates of Return on Investments (Discount Rate)	4.5%	3.3%
Rate of Pay Increases	3.9%*	3.5%*
Rate of Increases in Pensions in Payment (In Excess of Guaranteed Minimum Pension)	2.4%	2.0%

**Includes a corresponding allowance to that made in the actuarial valuation for short term public sector pay restraint.*

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields fell significantly, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (3.3% p.a. versus 4.5% p.a.). The expected long-term rate of CPI inflation also fell during the year, resulting in a lower assumption for pension increases at the year end than at the beginning of the year (2.0% p.a. versus 2.4% p.a.).

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2014 was estimated as £7,992 million.

The effect of the changes in actuarial assumptions between 31 March 2014 and 31 March 2015 as described above is to increase the liabilities by c£1,279 million. Adding interest over the year increases the liabilities by c£356 million, and allowing for net benefits accrued/paid over the period decreases the liabilities by c£150 million (including any increase in liabilities arising as a result of early retirements/augmentations and also allowing for the transfer of Probation Service staff to the Greater Manchester Pension Fund on 1 June 2014).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2015 is therefore £9,477 million.

Paul Middleman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2015

Appendix A

Scheme employers with active members as at 31 March 2015

Scheduled Bodies (31)

Arena and Convention Centre Liverpool
Billinge Chapel End Parish Council
Birkenhead Sixth Form College
Carmel College
Chief Constable
Cronton Parish Council
Halewood Town Council
Hugh Baird College
King George V College
Knowsley Community College
Knowsley M.B.C.
Knowsley Town Council
Liverpool City Council
Liverpool Community College
Liverpool John Moores University
Merseyside Fire & Rescue Authority
Merseytravel (MPTE)
Merseyside Valuation Tribunal
Merseyside Waste Disposal Authority
Office of the Police and Crime Commissioner for Merseyside (OPCCM)
Prescot Town Council
Rainford Parish Council
Rainhill Parish Council
School Improvement Liverpool Ltd
Sefton M.B.C.
Southport College
St. Helens College
St. Helens M.B.C.
Whiston Town Council
Wirral Council
Wirral Metropolitan College

Scheduled Bodies (Academies) (51)

Academy of St. Francis
Bellerive FCJ Catholic College
Belvedere Academy
Birkdale High School
Birkenhead High School Academy
Blue Coat School
Calday Grange Grammar School
Chesterfield High School
Childwall Sports & Science Academy
De la Salle Academy
Deyes High School
Enterprise South Liverpool Academy
Everton Free School
Finch Woods Academy
Formby High School
Greenbank High School
Halewood Centre for Learning
Harmonize Academy
Hawthornes Free School
Hilbre High School
Hope Academy
Kirkby High School
Knowsley Lane Primary School (Academy)
Liverpool College
Liverpool Life Science UTC
Lord Derby Academy
Maghull High School
North Liverpool Academy
Oldershaw Academy
Our Lady of Pity RC Primary School
Prenton High School for Girls
Range High School
St. Anselms College
St. Edwards College
St. Francis Xavier's College
St. John Plessington Catholic College
St. Margaret's Church of England Academy
St. Michael's C of E High School (Academy)
St. Silas C of E Primary School (Academy)
Sutton Academy
The Studio
The Birkenhead Park School
Townfield Primary School (Academy)
University Academy (Liverpool)
Upton Hall School
Weatherhead High School
West Derby School (Academy)
West Kirby Grammar School
Wirral Grammar School for Boys
Wirral Grammar School for Girls
Woodchurch High School (Academy)

Admission Bodies (Community) (40)

Age UK - Liverpool
Arriva North West
Association of Police Authorities
Beechwood and Ballantyne Housing Association
Berrybridge Housing Ltd.
Birkenhead School (2002)
Care Quality Commission
Catholic Children's Society
CDS Housing
Cobalt Housing Ltd.
Comtechsa Limited
Friends of Birkenhead Council Kennels
Glenvale Transport Ltd/Stagecoach
Greater Hornby Homes
Greater Merseyside Connexions
Helena Partnerships Ltd.
Knowsley Housing Trust
Lee Valley Housing Association Ltd.
Liverpool Association for the Disabled
Liverpool Hope University
Liverpool Housing Trust
Liverpool Mutual Homes Ltd.
Local Government Association
Merseyside Lieutenancy
Merseyside Welfare Rights
Merseyside Youth Association
North Huyton Communities Future
North Liverpool Citizens Advice Bureau
One Vision Housing Ltd.
Partners Credit Union
Port Sunlight Village Trust
Sefton Education Business Partnership
South Liverpool Housing Ltd.
Southern Neighbourhood Council
Vauxhall Neighbourhood Council
Village Housing Association Ltd.
Wavertree Citizens Advice Bureau
Welsh Local Government Association
Wirral Autistic Society
Wirral Partnership Homes

Admission Bodies (Transferee) (40)

Addaction Limited
Agilisys Limited
Amey Services Ltd. - Highways
Amey Services Ltd. - Cleansing
arvato Public Sector Services Limited
BAM Nuttall
Balfour Beatty Fire Project
Balfour Beatty PFI SEN School
Balfour Beatty Workplace
Birkenhead Market Services Ltd.
City Health Care Partners
Compass (Scolarest) Liverpool Schools
Compass (Scolarest) Wirral Schools
Computacenter (UK) Ltd.
Elite Cleaning & Environmental Services Ltd.
Enterprise Liverpool Neighbourhood Grounds
Geraud Markets Liverpool Ltd.
Glendale (Liverpool Parks Services) Ltd.
Graysons Education Ltd
Hall Cleaning Services
Hochtief Liverpool Schools
Hochtief Wirral Schools
Interserve (Facilities Management) Ltd.
Kingswood Colomendy Ltd.
Knowsley Youth Mutual
Liberata (UK) Ltd.
Lifeline Project Ltd.
Liverpool Vision Limited
Mack Trading
Mellors Catering - Birkdale
Mellors - St Paul & St Timothy
Mosscroft Childcare Ltd.
Mouchel (2020 Knowsley Ltd)
New Brighton Day Nursery Ltd.
Northgate Managed Services
Sefton New Directions Ltd.
SSE Contracting Ltd.
Taylor Shaw (Meols Cop)
Taylor Shaw (the Grange)
Veolia ES Merseyside & Halton

** Although not displayed, at 31 March 2015 there were 12 other Scheme employers with no active members but with some outstanding liabilities.*

Appendix B

Pensions Committee Items

1 July 2014

LGPS Update

LGPS Consultation - Opportunities for Collaboration, Cost Savings & Efficiencies

Pension Fund Budget

Annual Investment Performance

Funding Strategy Statement/ Final Valuation Results

Actuarial Services

Treasury Management Annual Report 2013/14

LGC Investment Summit

European Equity Mandates

Bond Review

City Health Care

Catering Academy

Lifeline Project

Knowsley Youth Mutual

IMWP Minutes 20/03/14 and 10/04/14

15 September 2014

Audit Findings Report

Pension Fund Accounts 2013/14

Draft Annual Report

LGPS Update

DCLG Consultation on Draft Scheme Governance Regulations

Responsible Investment

NAPF Annual Conference

LAPFF Conference

Annual Employers Conference

Grant Thornton - LGPS Seminar

Elected Member Educational Event

LGPS Fundamentals Training

Review of Fixed Income Mandates

Review of Aon Contract

Admission Body Application - Mellors Catering Services Ltd - Birkdale High School (Academy)

GRWP Minutes 03/07/2014

17 November 2014

LGPS Update

Creation of New Pension Board

Authorised Signatories

Monitoring - Training, Gifts and Hospitality Returns

LGC Investment Conference

Minutes of the Investment Monitoring Working Party

19 January 2015

LGPS Update - Pension Boards

Merseyside Pension Fund Budget Financial Year 2015/16

Member Development Programme 2015

Treasury Management Strategy

Change to Blackrock Mandate

Elected Member Educational Event

IMWP Minutes 25 November 2014

Property Arrears

24 March 2015

Audit Plan 2014/15

Stronger Futures: Development of the LGPS

LGPS Update

Pension Board Update

NAPF Local Authority Conference

LGPC Annual Trustees Conference

Non Recovery of Pension Overpayments

GRWP Minutes 2 February 2015

IMWP Minutes 05 March 2015

Attendance Record 2014 - 2015

	Pensions Committee					GRWP		IMWP					
	1 Jul	15 Sep	17 Nov	19 Jan	24 Mar	3 Jul	2 Feb	10 Apr	19 Jun	11 Sep	9 Oct	25 Nov	5 Mar
Cllr Eddie Boult													
Cllr Chris Carubia	•	•	#	•	•		•						
Cllr Nick Crofts				•									
Cllr George Davies	•		•	•	•		•	•	•			•	
Cllr Paul Doughty (Chair)	•	•	•	•	•	•	•	•	•	•	•	•	•
Cllr John Fulham			•										
Cllr Pat Glasman (retired 22/5/14)													
Phil Goodwin			•										•
Cllr Kathy Hodson (joined 16/3/15)					•								
Cllr Mike Hornby (retired 16/3/15)	•	•	#	•		•					•		•
Cllr Treena Johnson	•	•	•	•	•								
Cllr Adrian Jones	•	•	•	•	•		•				•		
Cllr Norman Keats			•	•	•			•	•	•			
Patrick McCarthy (resigned 20/3/15)			•							•	•	•	
Cllr Ann McLachlan	•	•	•	•	•					•			
Cllr Cherry Povall	#	•	•	#	•		•			•			
Cllr Harry Smith		•	•	•	•			•	•			•	•
Cllr Paul Tweed													
Dave Walsh													
Cllr Geoffrey Watt	•	•	•	•	•	•	•	•	•	•	•	•	•
Paul Wiggins			•	•	•	•				•	•	•	

#Deputy Attended

	Conferences								
	NAPF Gloucester	LGC Newport	NAPF ANNUAL CONFERENCE Liverpool	EMEE HMS Belfast	ANNUAL EMPLOYERS CONFERENCE	ANNUAL LAPFF Bournemouth	BLACKROCK TRAINING DAY	330 CONSULTING EMEE London	LGC Carden Park
	19 - 21 May	9 - 10 Sep	15 - 17 Oct	1 Oct	Nov	3 - 5 Dec	27 Jan	18 Feb	26 - 27 Feb
Cllr Eddie Boult									
Cllr Chris Carubia		•	•	•		•	•		
Cllr Nick Crofts							•		
Cllr George Davies								•	
Cllr Paul Doughty (Chair)		•	•	•	•	•	•	•	•
Cllr John Fulham									
Cllr Pat Glasman (retired 22/5/14)	•								
Phil Goodwin									
Cllr Kathy Hodson (joined 16/3/15)									
Cllr Mike Hornby (retired 16/3/15)		•			•		•		•
Cllr Treena Johnson			•					•	
Cllr Adrian Jones		•							
Cllr Norman Keats							•		
Patrick McCarthy (resigned 20/3/15)									
Cllr Ann McLachlan							•		
Cllr Cherry Povall		•	•						•
Cllr Harry Smith			•					•	
Cllr Paul Tweed									
Dave Walsh									
Cllr Geoffrey Watt		•	•	•	•	•	•	•	•
Paul Wiggins							•		

Appendix C

Information Contacts

Position	Name	Telephone number
Head of Pension Fund	Peter Wallach	0151 242 1309
Principal Pension Officer	Yvonne Caddock	0151 242 1333

Area	Name	Telephone number
Accounts	Donna Smith	0151 242 1312
Investments	Leyland Otter	0151 242 1316
Member Services	Margaret Rourke/Sue Roberts	0151 242 1369
Benefits/Payroll	Barbara King/Keith Higgins	0151 242 1354
Operations (IT/Communications)	Guy Hayton	0151 242 1361
Resolution of Disputes		
Employer Decisions	Principal Pension Officer	0151 242 1333
Fund Decisions	Head of Benefits, Revenue & Customer Service	0151 666 3056
Scheme Employers Contacts		
Arriva North West	Anne Hughes	0151 522 2807
Knowsley MBC	Angela Lacey	0151 443 4182
Liverpool City Council	Richard Arnold	0151 233 0375
Liverpool John Moores University	Jayne Brown	0151 231 8756
Merseyside Fire & Rescue Service	Helen Jones	0151 296 4219
Merseytravel (MPTE)	Beverley Holt	0151 330 1214
Merseyside Waste Disposal Authority	Paula Pocock	0151 255 2539
Office of the Police and Crime Commissioner for Merseyside (OPCCM)	Karen Blake	0151 777 8189
Sefton MBC	Lynn Abbott	0151 934 4126
St. Helens MBC	Cathy O'Connor	0174 467 6627
Wirral Council	Jann Lindoe	0151 691 8529

Notes

Notes

Report & Accounts 2014/15

Merseyside Pension Fund
Castle Chambers
43 Castle Street
Liverpool
L2 9SH

Tel: 0151 242 1390
Email: mpfadmin@wirral.gov.uk
www.merseysidepensionfund.org.uk

Administering Authority Wirral Council

133MAR15GB

WIRRAL

Transformation and Resources Department

Tom Sault
Acting Section 151 Officer
Head of Finance

PO Box No 2,
Treasury Building,
Cleveland Street,
Birkenhead,
Wirral.
CH41 6BU

to Grant Thornton UK LLP
4 Hardman Square
Spinningfields
MANCHESTER
M3 3EB

date 22 September 2015

Dear Sirs

Merseyside Pension Fund – Financial Statements for the year ended 31 March 2015

This representation letter is provided in connection with your audit of the financial statements of Merseyside Pension Fund ('the Fund') for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements show a true and fair view of the financial transactions of the Fund during the year ended 31 March 2015, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year, in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ('the Code').

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

1 We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the Code; which give a true and fair view in accordance therewith, and for keeping records in respect of contributions received in respect of active members.

2 We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.

3 The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

4 We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

5 Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

6 We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Where it was necessary to choose between estimation techniques that comply with the Code, we selected the estimation technique considered to be the most appropriate to the Fund's particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take.

7 We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

8 Except as disclosed in the financial statements:
- a there are no unrecorded liabilities, actual or contingent
- b none of the assets of the Fund have been assigned, pledged or mortgaged
- c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

9 Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

10 Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.

11 All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.

12 We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

13 We believe that the Fund's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Fund's needs. We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

14 We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

15 The value of assets transferred in respect of the Probation Trust is accurate and consistent with the calculation prepared by the Actuary.

Information Provided

16 We have provided you with:

a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
b additional information that you have requested from us for the purpose of your audit; and
c unrestricted access to persons from whom you determined it necessary to obtain audit evidence.

17 We have communicated to you all deficiencies in internal control of which management is aware.

18 We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

19 All transactions have been recorded in the accounting records and are reflected in the financial statements.

20 We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Fund involving:
a management;
b employees who have significant roles in internal control; or
c others where the fraud could have a material effect on the financial statements.

21 We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by employees, former employees, analysts, regulators or others.

22 We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

23 There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

24 We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

25 We have disclosed to you the identity of all the Fund's related parties and all the related party relationships and transactions of which we are aware.

26 We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Approval

The approval of this letter of representation was minuted by the Pension Committee at its meeting on 14 September 2015 and by the Audit and Risk Management Committee at its meeting on 22 September 2015.

Yours faithfully

Name……

Position…….

Date…….

Name……

Position…….

Date…….

Signed on behalf of Wirral Council as administering body of the Merseyside Pension Fund

WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

28 SEPTEMBER 2015

SUBJECT	**STATEMENT OF ACCOUNTS 2014/15**
WARD/S AFFECTED	**ALL**
REPORT OF	**HEAD OF FINANCIAL SERVICES AND ACTING SECTION 151 OFFICER**
RESPONSIBLE PORTFOLIO HOLDER	**COUNCILLOR PHIL DAVIES**
KEY DECISION	**YES**

1.0 EXECUTIVE SUMMARY

1.1. The Council Constitution allocates responsibility for the approval of the Statement of Accounts to the Audit & Risk Management Committee. The Statement for 2014/15 was published on 30 June 2015 and was then subject to audit. The Council's external auditor, Grant Thornton LLP will present their findings, within the Audit Findings Report (AFR) together with any additional update, to this meeting.

1.2. Members are requested to consider the findings of Grant Thornton, agree the Letter of Representation, agree any actions for 2015/16 and then approve the arrangements for the finalisation of the Statement of Accounts for 2014/15. This is in order for them to be published by the statutory deadline of 30 September 2015.

1.3 The Statement of Accounts includes the Merseyside Pension Fund (MPF) accounts as Wirral Council is the Administering Authority for MPF. As the MPF receives a separate Audit Findings Report this has to be considered by Pensions Committee and also this Committee as part of approving the Accounts.

2.0 BACKGROUND AND KEY ISSUES

INTRODUCTION

2.1 The purpose of the Statement of Accounts is to present the overall financial position of the Council at 31 March 2015 in accordance with prescribed guidance – the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This is updated annually and specifies the accounting principles and practices required to prepare a Statement of Accounts which present a true and fair view of the financial position.

2.2 The Accounts and Audit Regulations 2003, as amended in 2011, state that the Statement of Accounts must be approved by an appropriate Committee no later than 30 September. The Head of Financial Services, as Acting Section 151 Officer, was required to certify the Accounts by 30 June 2015. At that date, the Accounts were issued to all Members of this Committee and made publicly available.

2.3 The Accounts published at 30 June 2015 have been subject to audit. Under the Audit Commission Act 1998 and the Audit Commission Code of Audit Practice for Local Government, Grant Thornton, as the Council's appointed external auditor, reports on the financial statements. As stipulated by the Regulations, these are to be reported prior to 30 September 2015.

2.4 Grant Thornton are also to present their findings on Value for Money for 2014/15 to the Committee. There has been an improvement in the findings of Grant Thornton between financial years 2013/14 and 2014/15 and these are summarised in paragraph 4 to this report.

AMENDMENTS TO THE STATEMENT OF ACCOUNTS

2.5 Amendments to the financial statements requested by Grant Thornton are detailed in the Audit Findings Report. Members are asked to consider whether or not they agree to the amendments which have been agreed by officers. The Auditor has, at the time of writing the report, identified a number of additional disclosure requirements, which the Council has agreed to make.

2.6 The latest Statement of Accounts 2014/15 is appended and reflects the comments made in the Audit Findings Report, the Annual Governance Statement considered by this Committee on 22 September and the MPF Accounts which have been considered by Pensions Committee.

2.7 The Committee will be updated of further audit work and findings at the meeting and alterations to the Statement of Accounts as part of the audit process may be made up until 30 September. To facilitate the finalisation of the Statement of Accounts by the required deadline Members of the Committee are asked to approve that any further revisions to Statement of Accounts will be agreed by the Head of Financial Services, as Acting Section 151 Officer, in consultation with the Chair of the Committee. Members will be informed of these revisions at the earliest opportunity.

AUDITOR'S REPORT AND OPINION

2.8 The Audit Opinion will be issued following Committee consideration of the Audit Findings Report, approval of any amendments to the Statement of Accounts and agreement of the Letter of Representation (Appendix). Grant Thornton will issue their opinion before 30 September 2015 and state if the accounts are a true and fair view of the financial position of the Council at 31 March 2015.

2.9 The Auditor's Report will be incorporated within the final version of the Statement of Accounts that will enable the Accounts to be agreed and published by the statutory deadline of 30 September 2015. An unqualified opinion on the Accounts for 2014/15 is anticipated and publication of the Accounts will take place by the statutory deadline. There are no anticipated changes to the financial position reported to Cabinet on 13 July 2015.

2.10 10he closure of accounts process is a key part of the Council's financial management processes and requires the input of substantial resources across the Council. This is necessary to deliver a smooth final accounts process and to allow Grant Thornton to carry out its audit within agreed timescales.

2.11 Grant Thornton received the statements and supporting working papers in accordance with the required deadline. However competing pressures within the Financial Services Division remain as capacity is limited and the management of the pressures has proven to be a considerable challenge since the commencement of the current financial year.

3.0 CHANGES TO THE STATEMENT OF ACCOUNTS

3.1 In addition to the changes to the Statement of Accounts required following the audit and which are included in the Audit Findings Report, the Council has reviewed its Statement of Accounts to reflect changes required by the Code of Practice on Local Authority Accounting for 2014/15.

3.2 The only significant change required by the 2014/15 Code relates to the accounting treatment of categories of schools covered by the Schools Standards and Framework Act 1988. This means that where the balance of control for locally maintained schools lies with the Council then the assets, liabilities, reserves and cash flows of those schools are to be recognised within the Council's Statement of Accounts. Crucially the balance of control must include ownership of the land and buildings associated with a particular school if the school is to be included within the Council's Statement of Accounts.

Therefore all Community Schools which are owned by the Council, will be included in the Council's Balance Sheet (which is already the case) along with any schools where the Council retains ownership of the land and buildings of the school and it falls within the definition of a locally maintained school. To comply with this guidance, the Council has therefore brought into its Balance Sheet the value of the land and buildings of 3 Foundation Schools and 1 Voluntary Aided School amounting to £29 million.

The Council does not, however, hold ownership of the remaining Voluntary Aided and Voluntary Controlled schools within the Wirral Council area, although it provides funding through the Dedicated Schools Grant. Therefore the capital value of the land and buildings of these schools is not included within the Council's Balance Sheet, although revenue transactions are included within the Council's Comprehensive Income and Expenditure Statement.

There are also a number of Academies within the Wirral Council area, which were formerly schools owned by the Council. As these schools have opted out of local authority control and receive direct government funding, the Council's Statement of Accounts does not include any information on expenditure, income, assets or liabilities regarding Academies

3.3 As reported to the Committee on 17 September 2014, the Council is carrying out a fundamental review of the value of all Transport Related Assets, which includes everything from street furniture to major infrastructure such as roads and bridges. This work is being carried out by the Council's Regeneration and Environment Directorate with input from Financial Services as required. The purpose of the exercise is to give a better indication of the capital value of all Transport Related Assets. The revised values will be required for inclusion within the 2016/17 Statement of Accounts.

4.0 VALUE FOR MONEY

4.1 Grant Thornton have provided their findings for 2014/15 on value for money, which are contained in Section 3 of the Audit Findings Report.

4.2 There have been some improvements to the status of the Value for Money findings between financial years 2013/14 and 2014/15 and these are summarised in the following table:

Theme	R/A/G Rating	
	2013/14	2014/15
1. Key Indicators of Performance	Green	Green
2. Strategic Financial Planning	Amber	Green
3. Financial Governance	Green	Green
4. Financial Control	Amber	Green
5. Prioritising Resources	Amber	Amber
6. Improving Efficiency and Productivity	Amber	Amber

4.3 The two areas which have shown improvement, Strategic Financial Planning and Financial Control, recognise the significant improvements the Council has made to deliver financial stability, improvements to financial management and the approach adopted through the Future Council Programme and the Council Plan. The 2020 Vision has been agreed and will be supported by the Delivery Plan and Medium Term Financial Strategy which are being developed for Cabinet / Council in February 2016.

4.4 There remain other challenges the Council must continue to pursue including:

- Reducing the level of sickness absence to more acceptable levels;
- Reducing the level of outstanding debt owed to the Council by sundry debtors;
- Developing savings plans for the period of the MTFS;
- Embedding risk management arrangements and a consistent approach to risk across all Council departments;
- Ensure that there is sufficient capacity within Financial Services to meet continuing financial challenges and to support the achievement of savings needed going forward.
- Strengthening Corporate Procurement;
- Continuing to review alternative service delivery options.

To address these challenges with Grant Thornton, the Council has drafted an Action Plan, which is within the Audit Findings Report.

5.0 LETTER OF REPRESENTATION

5.1 The Letter of Representation has to be agreed by this Committee and a draft is an Appendix to this report. This may be subject to change following the outcome of the further work and any update to this meeting by Grant Thornton.

6.0 ANNUAL GOVERNANCE STATEMENT (AGS)

6.1 This Statement is the subject of a separate report to this Committee and, although not required to be included in the Statement of Accounts, it is included as it shows how the Council has ensured the effectiveness of its systems for ensuring that it operates legally and that public money is properly used and accounted for.

7.0 RELEVANT RISKS

7.1 If any concerns identified by Grant Thornton are not addressed by the Council then there are potential risks that the Council will not be able to meet its statutory requirements in respect of the Statement of Accounts as well as impacting upon Value for Money and Financial Resilience of the Council.

8.0 OTHER OPTIONS CONSIDERED

8.1 The Statement of Accounts has to be produced in accordance with statutory guidance and the Statement is then subject to review by the appointed Auditor.

9.0 CONSULTATION

9.1 There has been no specific consultation in respect of this report.

10.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

10.1 There are none arising directly from this report.

11.0 RESOURCE IMPLICATIONS: FINANCIAL, IT, STAFFING AND ASSETS

11.1 The amendments to the Statement of Accounts 2014/15 have not changed the level of General Fund balance or reserves and provisions at 31 March 2015 which remain as reported to Cabinet on 13 July 2015.

11.2 The staffing implications relate to capacity within the Financial Services Division and this situation continues to be managed alongside competing pressures.

11.3 There are no IT or asset implications arising from this report.

12.0 LEGAL IMPLICATIONS

12.1 It is a legal requirement to publish the Statement of Accounts by 30 September 2015.

13.0 EQUALITIES IMPLICATIONS

13.1 There are no equality implications arising directly from the production of the Statement of Accounts so an Equality Impact Assessment (EIA) is not required. If requested then arrangements can be made to provide the Accounts in both different languages and formats.

14.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

14.1 There are none arising directly from this report.

15.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

15.1 There are none arising directly from this report.

16.0 RECOMMENDATIONS

16.1 That Committee consider the Audit Findings Report presented by Grant Thornton agreeing:

- The actions taken over the amendments to the Statement of Accounts (referred to in Section 2 of this report).

- The findings and action plan in relation to Value for Money (referred to in Section 3 of this report)

16.2 That Committee agree to the Head of Financial Services, as Acting Section 151 Officer, being authorised to sign off the Councils' 2014/15 Statement of Accounts in consultation with the Chair of the Committee.

16.3 That the Chair of the Committee signs and dates the Letter of Representation.

16.4 That Committee agree any action plans within the Audit Findings Report.

16.5 That subject to the above, Committee approve the Statement of Accounts for 2014/15 and the arrangements for further amendments.

17.0 REASON FOR RECOMMENDATIONS

17.1 Audit & Risk Management Committee has responsibility for approving the Statement of Accounts on behalf of the Council which is a requirement under the Accounts and Audit Regulations 2003, as amended in 2011.

REPORT AUTHOR: Tom Sault
Designation Head of Financial Services and Acting Section 151 Officer
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Email tomsault@wirral.gov.uk

APPENDIICES

Letter of Representation.
Statement of Accounts 2014/15 (please note this is 186 pages)

BACKGROUND PAPERS

Audit Findings Report for Wirral Council issued by the Grant Thornton September 2015 as reported to Audit & Risk Management Committee 28 September 2015.

SUBJECT HISTORY

Council Meeting	Date
Audit & Risk Management Committee Grant Thornton Audit Findings Report – - Merseyside Pension Fund - Merseyside Pension Fund Accounts 2013/14 Grant Thornton Audit Findings Report – - Wirral Council - Statement of Accounts 2013/14	**17 September 2014**
Audit & Risk Management Committee Grant Thornton Annual Audit Letter 2013/14 Statement of Accounts 2013/14 - update	**25 November 2014**
Pensions Committee Grant Thornton Audit Findings Report – - Merseyside Pension Fund - Merseyside Pension Fund Accounts 2014/15	**14 September 2015 & 28 September 2015**

WIRRAL

Statement of Accounts

2014/15

LGC Awards 2015 | Winner
Most Improved Council

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CONTENTS Page

FOREWORD AND FINANCIAL REPORT

1. INTRODUCTION

1.1 The Council is required to produce an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011. These require the Accounts to be prepared in accordance with proper accounting practices, which primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) and the Service Reporting Code of Practice for Local Authorities 2014/15 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

1.2 The Statement of Accounts sets out the financial performance of the Council for the 2014/15 financial year and shows the year-end financial position at 31 March 2015.

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

2. ABOUT THE STATEMENT OF ACCOUNTS

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

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

2.2 The Core Financial Statements comprise four key statements:-

- The Movement in Reserves Statement, which shows the movement on the different reserves that the Council holds;
- The Comprehensive Income and Expenditure Statement, which shows all income and expenditure for the Council;
- The Balance Sheet, which shows the financial standing of the Council at 31 March 2015, detailing all assets and liabilities;
- The Cash Flow Statement, which shows the inflows and outflows of cash arising from transactions with other parties.

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

2.4 There are Supplementary Financial Statements for -

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

2.5 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.

2.6 In 2014/15, there have been no changes to the Service Reporting Code of Practice that have an impact on the Statement of Accounts.

3. REVIEW OF THE FINANCIAL YEAR

3.1 REVENUE EXPENDITURE AND INCOME

3.1.1 Revenue expenditure and income generally relates to those items that are used within the year on the provision of services to the people of Wirral. Before the start of the financial year, the Council prepares its annual Budget, which sets out the income and expenditure required during the year to provide services. In February 2014 the Council agreed a net budget of £275.7 million for 2014/15. The Budget is regularly reviewed and, if needed, revised during the year to reflect known changes to income and expenditure. There was no requirement to change the original Budget during the year.

3.1.2 The net spending of the Council is met from a combination of Government Grants, the local taxpayer through Council Tax and other income. In 2014/15, the Council was able to freeze Council Tax, partly as a result of accepting the offer of £1.3 million in Council Tax Freeze Grant from the Government for at least the next two years, which is equivalent to a 1% rise in Council Tax.

3.2 Comparison of the Budget with the Out-turn

3.2.1 Throughout the year spend against the approved Budget was monitored and reported on a monthly basis. After the significant changes the Council went through in years 2012/13 and 2013/14, 2014/15 has seen an increasingly stable and positive position being reported.

3.2.2 At the end of 2014/15 the Revenue Out-turn showed an underspend of £0.5 million. The out-turn position excludes variations in capital charges and recharges. The main contributory factors were :

Description	£ million
Savings in employee and other running costs	(1.5)
Additional income	(4.3)
Early delivery of Supporting People savings	(1.0)
Improved Treasury Management activities	(2.0)
Increases in the cost of Adult Social Care	5.4
Slippage on Re-modelling savings due to longer consultation timescales	2.9
Total	(0.5)

Service Spend	Budget £ million	Out-turn £ million	Variance £ million
Chief Executive	3.7	3.3	(0.4)
Adult Social Services	73.9	76.3	2.4
Children & Young People including Schools & Safeguarding	84.4	84.7	0.3
Sport & Recreation	7.5	7.5	-
Regeneration & Environment	96.6	93.3	(3.3)
Transformation & Resources	18.9	16.4	(2.5)
Corporate Growth & Savings	(9.3)	(6.3)	3.0
Total	**275.7**	**275.2**	**(0.5)**

3.3 Financing the Revenue Budget

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

Source of financing	Budget £ million	Out-turn £ million	Variance £ million
Government Grants:			
- Revenue Support Grant	87.5	87.5	-
- New Homes Bonus	1.8	2.0	(0.2)
- Council Tax Freeze Grant	1.3	1.3	-
Council Tax	112.2	112.2	-
National Non Domestic Rates	72.6	72.6	-
General Fund Balances	0.3	0.3	-
Total	**275.7**	**275.9**	**(0.2)**

3.3.2 Schools are funded primarily from the Dedicated Schools Grant. This is a grant provided by the Department for Education and can only be used to meet expenditure properly included in the Schools Budget. An element of the grant is recouped by the Department to fund Academy Schools within the Council area. The final grant for 2014/15 was £174.6 million (2013/14 £175.4 million). Further details can be found in note 34 to the accounts on page 105.

3.4 Balances and Reserves

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

of the underspend on services and by contributing the underspend to reserves as stated in paragraph 3.2.2, the call on General Fund Balances in 2014/15 to support the Budget was unchanged at £0.3 million.

3.4.2 The Council held Usable Reserves of £124.4 million at 31 March 2015 (2013/14 £123.4 million), consisting of Earmarked Reserves of £87.4 million (2013/14 £83.6 million), General Fund Balances of £18.8 million (2013/14 £17.2 million), Capital Receipts of £8.3 million (2013/14 £8.8 million) and unapplied Capital Grants of £9.9 million (2013/14 £13.8 million). A breakdown of the Usable Reserves can be found in the Movement in Reserves Statement on page 38 with more details on the Earmarked Reserves found in note 9 to the accounts on page 69.

3.4.3 The Council also held a net credit balance in Unusable Reserves of £118.8 million (2013/14 debit £10.8 million) at 31 March 2015. These are kept to manage statutory accounting processes and do not provide any usable resources to the Council. Further information on the Unusable Reserves can be found in note 24 to the accounts on page 91.

3.5 Reconciliation with Comprehensive Income and Expenditure Statement

3.5.1 The General Fund balance increased by £1.6 million in the year due to the following items:

	£ million
Service Out-turn underspend	(0.5)
Additional grant from the New Homes Bonus	(0.2)
Transfer from the Insurance Reserve	(1.2)
Contribution to the Revenue Budget 2014/15	0.3
Surplus out-turn position for operating activities	**(1.6)**

This differs from the deficit on the Cost of Services of £13.362 million shown within the Comprehensive Income and Expenditure Statement on page 40. This difference is due to the following factors: -

- The Council's management accounting process includes the use and approved carry forward of reserves, which are included within the Movement in Reserves Statement rather than in the Comprehensive Income and Expenditure Statement.

- Adjustments also have to be made in respect of certain items that are required by the Code of Practice on Local Authority Accounting to be included within the Comprehensive Income and Expenditure Statement but excluded from Net Expenditure for the purposes of calculating the net budget requirement to be met from taxation, general grants and General Fund balances. These items include particularly the accrual of employee absences, the recognition of capital grants, movements in the value of non-current assets, revenue expenditure funded from capital under statute and adjustments to show the cost of pension liabilities. These items are all technical accounting adjustments which are included within expenditure on services within the Comprehensive Income and Expenditure Statement to meet financial reporting requirements but are cancelled out on consolidation within the Movement in Reserves Statement because they

are not costs that are met through local taxation. Note 8 to the accounts on page 64 shows the value of the adjustments between the accounting basis and funding basis under regulation. The revenue out-turn position of the Council for 2014/15 can be reconciled to the cost of services within the Comprehensive Income and Expenditure Account by adjusting for the following items:

	£'000	£'000
Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement		13,362
Add items increasing the deficit		
Use of Reserves in 2014/15	3,755	
Movement in the fair value of investment property	320	
Capital grants recognised in the CIES	10,047	
Minimum Revenue Provision	12,792	
Transfers to the Collection Fund Adjustment Account	2,486	
Net interest Charges	42	
Revenue Contribution to Capital Outlay	798	30,240
Deduct items reducing the deficit		
Losses on sale of assets	(12,491)	
Adjustments for employee accrued absences	(543)	
Contribution to DCLG for pooling housing capital receipts	(6)	
Revenue expenditure funded by capital under statute	(1,754)	
IAS19 adjustments in respect of Pensions	(6,372)	
Depreciation, revaluation losses and impairment of of assets	(24,037)	(45,203)
Surplus out-turn position for operating activities		**(1,601)**

3.6 CAPITAL EXPENDITURE AND INCOME

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

3.6.2 During the year the Capital Programme was subject to regular monitoring and review. This saw in a number of schemes being re-profiled into 2015/16 and beyond for reasons which were due to either the need to comply with the terms of any grant conditions or over ambitious original project timescales, which needed to be replaced with more realistic and achievable ones as the project progressed. A consequence of the changes was that the associated funding was also re-profiled which contributed to the underspend on Treasury Management referred to in paragraph 3.2.2.

3.6.3 In 2014/15 £32.5 million was spent on capital projects (2013/14 £25.6 million). The spending and how that spending was funded is shown in the tables:

Spend by Programme	Actual Spend £million	Share %
Universal and Infrastructure	3.6	11.1
Sport and Recreation	1.1	3.4
Adult Social Services	1.6	4.9
Children & Young People	8.4	25.9
Regeneration	6.3	19.4
Environment and Regulation	7.5	23.1
Housing and Community Safety	2.9	8.9
Transformation and Resources	1.1	3.3
Total	**32.5**	**100.0**

Funding by Source	Actual Funding £ million	Share %
Borrowing	6.0	18.5
Grants	21.8	67.0
Capital Receipts	3.9	12.0
Revenue/Reserves	0.8	2.5
Total	**32.5**	**100.0**

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

- Universal and Infrastructure. Works to refurbish Council buildings and to increase occupancy progressed during the year. Works to Wallasey Town Hall were completed, Acre Lane staff were relocated and general refurbishment works undertaken on the Cheshire Lines building.
- Sport and Recreation. A new fitness suite at Guinea Gap opened in March, together with additional 3G football pitches.
- Adult Social Services. The Integrated I.T. scheme (Liquidlogic) went live during September 2014. The next phase will see the implementation of modules relating to the citizen and provider portals. Implementation will support the delivery of some Care Act duties from April 2015. Transformation of Day Services is ongoing. Plans for the local authority implementation were delayed slightly resulting in some of the capital works being delayed until next year.
- Children & Young People. This mainly covers work to schools funded by Government Grant. A number of major schemes commenced during the year for example, Nursery Provision at Woodslea Primary and additional classrooms at Stanley Special and Fender Primary schools. Over £3.9 million was invested into schools as part of the Modernisation and Improvements programmes;
- Regeneration. This includes investment to support businesses. The Regional Growth Fund supports projects and programmes that lever private sector investment to create economic growth and sustainable employment. 12 projects have been supported including Cammell Laird paying out a total of £4.9 million mainly funded from Government Grant. Using the Local Enterprise Partnership funding has enabled 35 projects to be supported. A total of £4.1 million has been expended to date on the programme.
- Environment and Regulation. Over £6.0 million was spent on highways infrastructure, includes roads and bridges, with £1.4 million invested in the

parks service to enable planned efficiencies to be delivered in a safe manner;

- Housing and Community Safety. The support for the provision and re-provision of new housing through the clearance programme saw £1.8 million in total deferred to 2015/16. £2.0 million was spent on Disabled Facilities Grants/Aids and Adaptations in 2014/15.
- Transformation and Resources. £1.1 million was spent on new I.T development in 2014/15, the remaining amount carried forward for additional planned expenditure in 2015/16.

3.7 INCOME COLLECTION

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

3.7.2 **Council Tax**

The Council collected 95.5% of the income due in 2014/15, a slight increase on the collection rate for 2013/14 of 95.4%. The collection rate for 2014/15 was, however, lower than the target rate of 96.75% for the year. However, it is expected that over time 96.75% of Council Tax due for 2014/15 will be collected. In total £136.1 million was received during the year (2013/14 £132.6 million) and the Council Tax arrears totalled £17.2 million at 31 March 2015 (2013/14 £16.9 million).

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

3.7.3 **Business Rates**

The Government introduced the Business Rates Retention Scheme on 1 April 2013. Under this Scheme, the Council retains 49% of Business Rates due for the year. The balance is paid to the government (50%) and the Merseyside Fire and Rescue Service (1%).

In 2014/15 £71.4 million was collected through Business Rates (2013/14 £69.2 million and the arrears at 31 March 2015 were £6.0 million (2013/14 £6.48 million). The collection rate for 2014/15 was 98.2%, an improvement upon the 2013/14 level of 96.9%.

3.7.4 **Sundry Debtors**

Sundry debtors incorporate a range of fees and charges for services provided by the Council. During 2014/15 the Council raised over 48,000 invoices (2013/14 - 51,000) with a value of £105.5 million (2013/14 £99.6 million) and collected income of £97.3 million (2013/14 £102.1 million). Arrears at 31 March 2015 are £30.9 million (2013/14 £23.5 million) but include a significant increase of £2.7 million in the value of debt raised towards the end of the financial year and which were therefore outstanding at the year end.

4. BALANCE SHEET

4.1 The Balance Sheet at 31 March 2015 shows a Net Asset position of £5.6million (2013/14 £134.2 million). The net worth of the Council, excluding the Pensions Liability is £508 million (2013/14 £503.2 million).

4.2 The most significant item in the Balance Sheet is the requirement for the Council to recognise its estimated Pension Liability within its Balance Sheet. This is valued using an actuarial valuation and can fluctuate dependent upon external factors. For 2014/15, the Pension Liability recognised amounted to £502 million (2013/14 £369 million). Details of the Pensions Liability can be found in note 43 on page 116 and is referred to below in the section on Retirement Benefits.

4.3 Summary of the Balance Sheet

	March 2014 £ million	March 2015 £ million
Long Term Assets		
Property and Other	677.5	672.3
Long Term Investments	2.0	-
Long Term Debtors	54.9	50.8
Long Term Assets	**734.4**	**723.1**
Current Assets and Current Liabilities		
Current Assets	109.4	114.3
Current Liabilities	(78.6)	(77.6)
Net Current Assets	**30.8**	**36.7**
Long Term Liabilities		
Borrowing	(201.3)	(193.9)
Other Long Term Liabilities	(422.2)	(552.9)
Provisions and Capital Grants	(7.5)	(7.4)
Long Term Liabilities	**(631.0)**	**(754.2)**
Net Assets	**134.2**	**5.6**

4.4 Property and Other Assets

The revaluation of property, plant and equipment must now take place with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the end of the financial year. In total the Council had an asset portfolio valued at £672.3 million at 31 March 2015 (2013/14 £677.5 million). In 2014/15, the Council has included within its assets, the value of foundation schools following the issue of revised guidance on their accounting treatment from the Chartered Institute of Public Finance and Accountancy. The value of Property, Plant and Equipment within the 2013/14 Balance Sheet at 31 March 2014 has been re-stated to reflect this change The value of the Council's assets is reduced as school assets are transferred to Academies for no financial return when they become independent of the Council. A breakdown of the value of the asset portfolio is provided in notes 13 to 16 to the accounts on pages 75 to 84 and note 20 to the accounts on page 88.

4.5 **Investments**

Total investments at 31 March 2015 were £27.2 million (2013/14 £29.2 million). In 2014/15 all investments have been placed on a short-term basis with financial institutions. Throughout 2014/15, as in previous years, the over-riding approach was one of security and liquidity with reduced investment returns being the acceptable consequence of this approach. The investment income during the year totalled £0.53 million with an average rate of return of 0.5% (2013/14 £0.58 million at an average rate of 0.5%).

4.6 **Debtors**

Debtors are classified as long-term or short-term debtors and the balance at 31 March 2015 was £101.3 million (2013/14 £105.9 million). The long-term debt includes £44.7 million in respect of the former Merseyside County Council, which is managed by Wirral Council (2013/14 £49.1 million). A breakdown of the debtor balances can be found in notes 18 and 40 to the accounts on pages 88 and 115 respectively.

4.7 **Creditors**

Creditors at 31 March 2015 were £61.2 million (2013/14 £58.0 million). A breakdown can be found in note 21 to the accounts on page 89.

4.8 **Borrowing**

The major sources of funding for Council borrowing have traditionally been private sector institutions (banks and building societies) and the Public Works Loans Board (PWLB). As part of effective treasury management, opportunities presented by the market to generate interest savings are pursued and this 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.

In managing debt the aims are to reduce the overall exposure to interest rate movements, to lower long-term interest charges paid and smooth the maturity profile without compromising longer-term stability. The present economic position makes debt rescheduling unlikely in the short-to-medium term.

At 31 March 2015 long-term borrowing totalled £193.9 million (2013/14 £201.3 million). This debt was with financial institutions and the Public Works Loans Board with repayments being spread over a range of maturity dates. This also includes the debt of the former Merseyside County Council which Wirral manages on behalf of the other Local Authorities and agencies within the former Merseyside County Council area.

4.9 **Retirement Benefits**

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

The majority of non-teaching staff who work for the Council are members of the Merseyside Pension Fund. This Fund is administered by Wirral Council on behalf of the Merseyside Councils as well over 120 other employing organisations. The figures included in the Statement of Accounts are based on the latest full valuation of the scheme as at 31 March 2013 and the IAS 19

actuarial report as at 31 March 2015, 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 £502 million at 31 March 2015 (2013/14 £369 million), which is an increase of £133 million from 31 March 2014. This change has primarily resulted from an increase in the present value of pensions benefit obligations and is expanded upon in the Merseyside Pension Fund Accounts contained within this Statement and the Merseyside Pension Fund Annual Report.

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

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

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

4.10 **Net Assets**

The Net Assets of the Council are held in the Usable or Unusable Reserve balances within the Balance Sheet (see also paragraphs 4.1 and 4.2 above). Usable Reserves can be applied, subject to any statutory limitations on their use, to fund revenue or capital spending. Unusable reserves are not available to fund services and include the Pensions Reserve, which reflects the changes to the net defined benefit liability and the Capital Adjustment Account, which includes both the value of assets written-off on disposal or sale and the value of school assets transferring to Academies.

The Usable Reserves are regularly reviewed to assess whether they are adequate for the purpose intended and whether the sums involved are still required. At 31 March 2015 the major usable reserves were in respect of remodelling the cost of Council services £12.8 million (2013/14 £14.1 million), School balances £10.7 million (2013/14 £11.7 million), which are ring-fenced for

use by schools only, Business Rates Equalisation £7.8 million (2013/14 £3.3 million, Housing Benefit £5.9 million (2013/14 £6.9 million), Waste Development Fund £6.5 million (new to 2014/15 from funds provided by the Merseyside Waste Disposal Authority) and the Insurance Fund £10.2 million (2013/14 £9.1 million).

5. CASH FLOW STATEMENT

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

6. COLLECTION FUND

6.1 This Fund is maintained separately from the Council's General Fund to specifically record income and expenditure associated with Council Tax and National Non Domestic Rates (Business Rates).

6.2 2014/15 was the second year of the Business Rates Retention scheme. Under the scheme rate income is collected and apportioned between Wirral Council (49%), Merseyside Fire and Rescue Service (1%) and Central Government (50%). The introduction of this scheme has had a significant effect on the balance held in the Collection Fund.

6.3 During 2014/15 the Fund showed a surplus of £2.9 million for the year (2013/14 a deficit of £2.3 million) and the accumulated year-end balance at 31 March 2015 was a surplus of £1.1 million (2013/14 a deficit of £1.8 million). More detail is contained in the Additional Statement - Collection Fund Income and Expenditure Account on page 134. A breakdown of the deficit is shown below:

	2013/14 £'000	**2014/15 £'000**
Council Tax Surplus	2,884	5,829
NNDR Deficit	(4,687)	(4,709)
Total	**(1,803)**	**1,120**

7. MERSEYSIDE PENSION FUND

7.1 The Fund is administered by Wirral Council and reported and audited separately but forms part of the Council's Statement of Accounts. Further information can be found within the Additional Statements, from page 142, and also in the Merseyside Pension Fund Report and Accounts 2014/15.

8 FUTURE DEVELOPMENTS

8.1 The public sector has seen a permanent reduction in its spending since 2010, presenting an unprecedented financial challenge to local government. The Government strategy to eliminate the national deficit by 2018/19 remains the focus of current Government policies, so there will be a continuation of public sector spending reductions, including further reductions to local government funding to at least 2017/18.

8.2 The Council's Medium Term Financial Strategy has therefore been developed against a difficult financial picture. The UK economy performed better than

predicted during 2014 and announcements by the Office of Budget Responsibility have indicated that growth will continue to be strong in 2015. However the Government has indicated that the level of support for local government will continue to reduce but there have been no announcements beyond 2015/16 so the assumptions made in the 2015/16 - 2017/18 Medium-Term Financial Strategy remain cloaked in uncertainty.

8.3 Based upon the information presently available the Medium Term Financial Strategy shows that the Council has managed to set a balanced budget for 2015/16, including savings of £38 million for the year. However there remains a gap between planned spend and likely resources of around £49 million for years 2016/17 and 2017/18. There will be further difficult decisions around the provision of services and the priorities of the Council over the coming years as further proposals are developed to bridge this gap. Under these circumstances it is likely that previously unpalatable decisions will be required to be taken.

8.4 The actions will involve looking at options for commissioning services, integrating services with others and stopping services that do not align with Council priorities or which cannot be afforded. Progress is being made to ensure services are aligned with absolute priorities, optimise delivery models and maximise efficiency. This includes making best use of the resources available and building upon the changes to the financing of local government that has brought opportunities as well as risks. The main focus of the Council remains to avoid, as far as possible, direct cuts to services and deliver transformational change to minimise the effects of the continuing budget reductions on the residents of Wirral.

8.5 With effect from 1 April 2015, the requirement to produce accounts will be covered by the Accounts and Audit (England) Regulations 2014. The new regulations do not fundamentally change the way the Statement of Accounts is prepared but there are three significant changes which are worthy of mention:

- With effect from April 2017, the Council will have the right to appoint its own external and independent auditor on the advice of an independent auditor panel to carry out the audit of the Statement of Accounts and other audit matters such as the audit of grant claims;
- The annual deadline for the closure and sign off of the Statement of Accounts has been brought forward from 30 June / 30 September to 31 May / 31 July respectively from financial year 2017/18.
- There are reforms of the rules on the exercise of the public's rights to inspect accounting records and to put objections and questions to the Council's external auditor. The reforms allow the Council to set a 30 working day period for objections and questions to be submitted to the external auditor, rather than the auditor itself. However the 30 day period must include a statutory 10 day period in June, during which the accounts of every authority will be available for inspection, although the rights to put objections and questions to the external auditor remain limited to local electors. These reforms are also effective from financial year 2015/16.

9. SUMMARY

9.1 The Statement of Accounts provides information about the Council's expenditure and income for the year and its overall financial position at the end

of the financial year. It is a key element in reporting how Council finances have been managed.

9.2 The Council successfully managed its finances during 2014/15 with the progression of savings and 'one-off' benefits contributing to an underspend of £0.5 million in the year; General Fund Balances are at the level assessed as being required based upon local circumstances and Reserves include £12.8 million to support the delivery of the Council Plan.

9.3 The Council agreed its Budget for 2015/16 in February 2015. This saw no increase in Council Tax levels from 1 April 2015 and included a package of savings and efficiencies totalling over £38 million for 2015/16 with a further £3.1 million agreed for 2016/17.

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

9.5 Looking to the future the Medium Term Financial Strategy for 2016/17 to 2017/18 has identified a gap between planned spend and likely resources of £49 million, overall between 2016/17 and 2020/21 the Council needs to make savings of £120 million. The Council is responding to this challenge through the Council Plan, Taking Wirral Forward - A 2020 Vision, that will require difficult decisions being taken about which services are delivered and how they are delivered.

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

9.7 The changes the Council has achieved has also resulted in the Council being recognised in the March 2015 Local Government Chronicle (LGC) Awards with the award of the 'Most Improved Council' and being shortlisted in three other categories for entrepreneurialism, efficiency and driving economic growth.

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

Tom Sault
Head of Financial Services/Acting S151 Officer
30 June 2015

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:-

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

The Chief Financial Officer’s Responsibilities

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

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

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

The Chief Financial Officer has also:-

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

The Statement of Accounts presents a true and fair view of the financial position of Wirral Council at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.

Tom Sault
Head of Financial Services/Acting S151 Officer
28 September 2015

Approval of the Accounts

The Statement of Accounts was considered by the Audit and Risk Management Committee on 28 September 2015.

Councillor Jim Crabtree
Chair of the Audit & Risk
Management Committee

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WIRRAL COUNCIL

The auditors report on the 2014/15 Statement of Accounts will be included in the final Statement of Accounts to be published by 30 September 2015.

To follow

To follow

ANNUAL GOVERNANCE STATEMENT 2014/15

1. Scope of Responsibility

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

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

Wirral Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the authority's code is available on our website at www.wirral.gov.uk. This statement explains how Wirral Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4 (3), which requires all relevant bodies to prepare an annual governance statement.

2. The Purpose of the Governance Framework

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

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

The governance framework has been in place at Wirral Council for the year ending 31 March 2015 and up to the date of approval of the annual statement of accounts.

3. Overview of Council Progress

The Council has continued to progress its plans during 2014/15 to continually strengthen its governance arrangements and build on previous improvements overseen by Wirral's Improvement Board which withdrew in November 2013. Internal governance controls have been strengthened and this is demonstrated by improvements delivered during 2014/15 to address the Council's existing governance issues.

The Council has identified four governance issues in 2014/15 which are outlined in this statement. This presents an improved position from five governance issues in 2013/14 and demonstrates significantly strengthened governance arrangements from the 2012/13 statement which outlined fifteen issues.

The Council has made considerable progress to conclude its 2013/14 governance issue related to its asset management plans and this issue is therefore no longer considered significant. Cabinet approved a revised Asset Management Strategy in June 2014 and has delivered capital receipts of £3.3 million during 2014/15 through disposal of assets with a target of £20 million identified by 2017/18. Other improvements include the introduction of an asset management system and the consolidation of a new asset management function as a single structure within the Council.

There have been no 'new' governance issues identified during 2014/15 which demonstrates the Council is one which is stable and has embedded and consolidated arrangements to strengthen governance. The four remaining issues are related to procurement, ICT business continuity, absence management and organisational culture. These are existing issues which require further work to demonstrate a sufficiently improved position before they can be removed from the Council's annual governance statement. On this basis the Council has decided to retain these as significant governance issues to ensure that there are robust review and scrutiny arrangements in place to ensure they are addressed. Plans have been developed to deliver improvements which will be regularly reported to senior management and elected members.

Further evidence of the Council's improved position can be illustrated by the Council success in its award of 'Most Improved Council' at the 2015 LGC Local Government awards in March 2015. This award highlights that the Council has been recognised by its peers for the improvements that have been achieved. The Council was also shortlisted for awards in a further three categories for entrepreneurialism, efficiency and driving economic growth.

4. The Governance Framework

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

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

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

The Council can demonstrate that it is focusing on outcomes for the community and on a longer- term vision for the area. The Council has in place a three-year corporate plan for the period 2013-16, setting out a clear vision and set of priorities to guide the allocation of resources.

> ***"Wirral will be a place where the vulnerable are safe and protected, where employers want to invest and local businesses thrive, and where good health and an excellent quality of life is within the reach of everyone who lives here".***

An updated Corporate Plan for 2015/16 was approved by Council in December 2014 to further embed the Council's vision and to respond to emerging local and national policy drivers. The plan provides a clearly defined approach to deliver projects and activity in accordance with the Council's priorities and within available resources. The plan is underpinned by a range of plans and strategies as defined in the Council's code of corporate governance.

Directorate plans have also been reviewed and refreshed for 2015/16 to reflect the corporate plan priorities and the Council's vision. The plans have been approved by the relevant Portfolio Holders and presented to Member-led Policy and Performance Committees during March 2015 for consideration and to inform their future work programmes.

The Strategic Leadership Team review performance of the Corporate Plan on a monthly basis with regular reports provided to Cabinet on a quarterly basis. The Policy and Performance committees receive performance reports on directorate plans on a quarterly basis.

The Council is now focused on developing its future plans to ensure that the Council can effectively respond to meet resident's needs and deliver its vision and priorities. The Council's leadership is working with its Strategic Leadership Team under the direction of the new Chief Executive to develop a new Council plan which will shape the way the Council operates over the next three years.

The Council continues to demonstrate strengthened financial management and stability. The Medium Term Financial Strategy was agreed by Council in February 2015 and sets out how we will resource the priorities set out in the Corporate Plan. The Council has achieved a balanced budget for 2014/15 which includes the delivery of £36 million savings. A further £38 million savings have been approved by Council for 2015/16 with early decisions agreed by Council in December 2014.

The Council is currently reviewing its partnership arrangements. During 2015/16, we will work closely with its partners to establish a long term vision for the borough. A Public Service Board is in place with the lead officers of public sector organisations in Wirral meeting on a regular basis to discuss issues relevant to a wide range of public sector partners, including service redesign and improved integration.

An independent review of Wirral's Health and Wellbeing Board took place during January 2015 and identified the need for a clear vision for Wirral. This will be progressed during 2015/16 to ensure that there is a single agreed vision for Wirral partners.

The Council continues to implement its multi-agency approach to public sector reform supported by a range of national initiatives. Wirral is one of only nine areas in the country and the only metropolitan Council to participate in the Public Service Transformation Network. This includes an innovative programme to tackle health-related worklessness in Wirral through a partnership approach. The Council has also recently been selected as one of nine areas to achieve national vanguard status for primary and acute care services. This status will provide a framework to focus on a whole system approach for health and social care integration.

On 1st April 2014, Wirral joined the five other Merseyside local authorities to form Liverpool City Region Combined Authority to promote the economic development of the region, draw down support from central government and European funding streams and work in a targeted and integrated way on transport-related initiatives. Wirral Council Leader Phil Davies is the Chair of the Combined Authority and is leading discussions with central government to develop a devolution package for the city region.

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

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

The Council's Constitution provides a clear framework to ensure that Members and Officers have clearly defined functions and roles. This includes a scheme of delegation and a protocol on Member / Officer relations that clarify the expectations and boundaries between Member and Officer roles and responsibilities.

The Council's Member-led Standards and Constitutional Oversight Committee has undertaken some work to review the Council's Constitution during the 2014/15 municipal year. This work will inform further proposed revisions to the Council's Constitution which it is anticipated will be presented for approval to Council in July 2015 to ensure that it remains fit for purpose.

Three Policy and Performance Committees are in place and aligned to the three strategic directorates, and supported by a team of dedicated Scrutiny Officers. The Committees have clear responsibilities to inform policy development and to enable pre-scrutiny of decisions within the remit of the strategic directorate. A Co-ordinating Committee is responsible for overseeing arrangements and allocating cross cutting activities.

Dedicated planning sessions take place with Cabinet and the Strategic Leadership Team to develop the future direction of the Council. Cabinet portfolios clearly outline the role and responsibility of Cabinet in promoting and delivering the Council's corporate plan and its budget, and to ensure that Cabinet Members champion and

deliver activities which will result in improved outcomes for Wirral residents and create a Council fit for the future.

Portfolio briefings are working effectively to ensure that Cabinet Members and Strategic Directors meet on a regular basis to discuss items relevant to the portfolio area including performance of services, budget and risk management issues. The Deputy Leader holds the portfolio for Governance, Commissioning and Improvement and reports to Cabinet and Council on a regular basis regarding matters within the portfolios responsibilities.

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

The Council has an agreed set of organisational values and behaviours which inform and shape how staff across the Council provide services to Wirral residents, businesses and other stakeholders. The values are for staff to deliver with integrity, ambition, confidence and efficiency.

The Council adopted a new performance appraisal process for 2014/15 which requires managers and staff to evidence how the organisational values have been demonstrated. The 2014/15 target for completion of performance appraisals has not been achieved and this will be considered as part of the Council's approach to organisational culture as set out in the governance issues section of this statement. Targets have been agreed and a timetable is in place for completing performance appraisals during 2015/16.

The Council's Constitution sets out a Code of Conduct for Members to ensure there is clear accountability and clarity. During the 2014/15 municipal year, the Standards and Constitutional Working Group has reviewed the protocol on Member / Officer relations to provide a framework to govern how Members and Officers work together. The protocol gained Council approval in March 2015 and will be embedded into the Council's Constitution.

The Council refreshed its grievance and confidential reporting policies during 2014/15 and the application of the Council's grievance policies received a positive audit report during 2014/15 marking a significant improvement from the previous position.

The Council has launched a new intranet which gives prominence to these policies and others including information security. The Council's Code of Corporate Governance was also made available on the intranet site to provide visibility to all employees.

A new 'dignity at work' policy has also been implemented during 2014/15 to support the Employee Code of Conduct. The policy provides a process to follow when dealing with allegations of bullying and harassment and has been fully communicated to all staff with a briefing session provided to senior managers in October 2014. The Council has also introduced dignity at work advisors to support employees through these processes.

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

The Council reviewed and refreshed its Corporate Risk Management policy during 2014/15 to ensure that the policy sets out clear roles, responsibilities and reporting lines within the Council. The policy was approved by Audit and Risk Management Committee in March 2015 and will be presented to Cabinet for approval in June 2015.

The Council has participated in a benchmarking exercise with other authorities during 2014/15 to further develop its approach to managing risks and incorporating best practice from others. Risk monitoring reports are routinely reported to the Council's Corporate Governance Group and Strategic Leadership Team, as well as regularly presented to the Audit and Risk Management Committee for their review of assurance requirements.

The Audit and Risk Management Committee also has responsibilities to ensure there is compliance and robust arrangements for Financial Regulations and Contract Procedure Rules. The Council is currently reviewing its Contract Procedure Rules which will be incorporated into a revised Constitution which will be presented to Audit and Risk Management Committee before being referred to Council for approval. There is still further work required to further strengthen the Council's procurement arrangements and action will be taken during 2015/16 to progress this work.

The Local Audit Accountability Act requires local public bodies to have in place an independent Auditor Panel to oversee the appointment and monitoring of external audit services by 31 March 2017. A statement by the Secretary of State is scheduled for autumn 2015 and early indications are that an extension to the current arrangements is likely to be announced as well as a national sector wide opt-in arrangement for the collective procurement of these services in the future.

The Council has previously considered proposals to strengthen the independent nature of the Audit and Risk Management Committee through the appointment of a majority of external members. Significant steps have also been taken by the organisation to improve its overall governance arrangements including many actions directly involving this committee and its operation that have greatly improved its effectiveness and overall contribution to good governance across the Council.

Discussions are also taking place with colleagues from across the North West Councils which have identified that only two of the twenty six Councils represented currently utilise independent external members on their audit committees with varying degrees of success. It is not therefore considered necessary at this moment in time to proceed with this action, however, the operation of the committee will continue to be monitored and evaluated annually against the CIPFA Code of Best Practice for Audit Committees and any Secretary of States direction/guidance. All necessary improvements will be implemented as required

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

In January 2014, Wirral began an ambitious programme of transformation designed to remodel the authority in line with the Council's priorities. This programme included a review of all Council services and officer structures to ensure they deliver the Corporate Plan vision and meet the needs and outcomes of Wirral's community, whilst at the same time identifying the savings that the Council must make in future years.

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

The Council has a 'Skills for Wirral' training and development programme for managers and employees with regular sessions held every month on subjects including demystifying stress, resilient leadership, coaching skills and wellness and recovery action planning.

The agreed set of management expectations are in place and linked to performance appraisals. The' Wirral Management Development Programme' provides essential training for managers to ensure that they have the support to meet the expectations framework. The Framework has nine essential modules which contain a mixture of workshops and e-learning modules. A new online training needs analysis assists in identifying priorities for managers, alongside specific targeted programmes. A calendar of upcoming training sessions is advertised prominently on the new intranet.

The Authority offers members, including the newly elected, a programme of training covering the Member Charter, Code of Conduct, Code of Corporate Governance, Regulatory Framework. All Elected Members also have the opportunity to complete a personal development plan.

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

As set out in the Corporate Plan 2013-16, the Council is committed to engaging and empowering individuals and communities in both the design and delivery of local services. The Council completed a major budget consultation initiative in autumn 2014 to ask local residents, staff and stakeholders for their views on proposals for where the Council could deliver savings. Over 8,000 responses were received on a range of budget options during an extensive consultation process and in December 2014, the results of the consultation were reported to Cabinet for recommendations to be approved at Council.

The consultation achieved amongst the highest levels of participation in the UK compared to similar exercises and informed the budget decisions recommended for approval by Council. These decisions led to further detailed engagement work with residents, stakeholders and service users.

The Council moved forward its neighbourhood working arrangements which are designed to bring communities closer to the decision-making process via four

constituency areas. Constituency Managers work in partnership with the Police, Fire and Rescue, Health and Social Care sectors. Each constituency committee has developed a neighbourhood plan and has been allocated an initial 'start up' grant to spend according to constituency priorities.

5. Review of Effectiveness

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

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

Corporate Management Assurance

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

An officer Corporate Governance Group is chaired by the Strategic Director for Transformation and Resources. The group includes strategic leads for Performance, Risk, Internal Audit, Improvement and Strategy to ensure it has an appropriate profile within the organisation and significant governance issues are monitored and responded to in a timely manner.

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

Arrangements are in place to ensure the Head of Paid Service and Monitoring Officer role and functions are discharged effectively and these functions are set out in the Council's Constitution. This ensures that there is compliance with relevant laws and regulations and internal policies and procedures. The Council complies with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government 2010.

The Council also complies with the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations 2010. The Chief Internal Auditor provides reports to the Council's Strategic Leadership Team and Audit and Risk Management Committee on a monthly basis. On the basis of the programme of work undertaken, the Chief Internal Auditor has concluded that there is a sound system of internal control, designed to meet the Council's objectives, and that controls are generally being applied consistently.

Council

Council sets the authority's overall policies and budget each year and holds the Cabinet to account. Annual Policy Council meets in July to discuss, debate and further shape the future purpose of the organisation through the consideration of the Council's corporate plan.

Cabinet

Cabinet has a leading role in ensuring good governance arrangements are in place to drive forward transformation and improvements across the Council. The Deputy Leader holds the Governance, Commissioning and Improvement portfolio to ensure that there is a strong and robust leadership approach to governance and compliance across the organisation.

Audit and Risk Management Committee

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

External Audit

Grant Thornton is the Council's independently appointed External Auditor with a broad remit covering the Council's finance and governance matters. The annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. The Auditors work considers the Council's key risks when reaching its conclusions under the Code.

Grant Thornton works closely with the Council to review its governance arrangements and regularly meets with the Strategic Director for Transformation and Resources and other statutory officers to review progress and ensure the Council is fulfilling its responsibilities.

The Council secured an unqualified external audit opinion on its value for money conclusion for 2013/14 and feels confident that it will receive the same opinion for 2014/15.

Standards and Constitutional Oversight Committee

The Standards and Constitutional Oversight Committee is responsible for keeping the Council's constitutional arrangements under review and making recommendations to the Council for ways in which the Constitution should be amended in order to better achieve its purposes. The Committee also oversees and agrees minor changes to the Council's constitutional arrangements as recommended by the Monitoring Officer.

Merseyside Pension Fund

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

6. Significant Governance Issues

The following governance issues have been identified as 'significant' during 2014/15 and will be addressed through appropriate actions.

ICT Business Continuity and Resilience Plans

The Council has identified weaknesses in its business continuity arrangements which may be susceptible due to the Council not having in place robust ICT business continuity plans. The Council must ensure these plans are in place for its identified critical services to ensure these services can function effectively in the event of an incident.

The Council has identified the need to strengthen its ICT resilience and respond to risks related to the current location of its data centres.

Corporate Procurement Arrangements

The Council must continue to take action to address identified weaknesses in relation to its corporate procurement arrangements.

Absence Management

The organisation failed to meet its absence target for 2014/15.

The Council must now review its approach to ensure that absence is reported and managed effectively in accordance with Council policies.

Culture

The Council has identified issues relating to staff and management adherence to internal controls.

The Council is developing plans to reinforce its expectations of all staff in relation to the Council's internal controls and ensure that managers are committed to creating a culture where these controls are visible and understood.

Issues identified in this statement are already being addressed through robust and planned activity. Over the coming year we will continue to ensure that these actions continue to be delivered to further enhance our governance arrangements, and ensure that we are satisfied that they will address the improvements required.

The Council will monitor their implementation and operation as part of our next annual review.

Signed: Date

Eric Robinson
Chief Executive

Signed: Date:

Phil Davies
Leader of the Council

ANNUAL GOVERNANCE STATEMENT 2014/15: SIGNIFICANT GOVERNANCE ISSUES ACTION PLAN

Governance Issue	Action Being Taken	Performance Measure(s)	Lead Officer	Oversight Body	Expected Completion Date
ICTBusiness Continuity and Resilience Plans					
The Council has identified weaknesses in its business continuity arrangements, which may be susceptible due to the Council not having in place robust ICT business continuity plans. The Council must ensure that these plans are in place for its identified critical services to ensure these services can function effectively in the event of an incident.	A Business Continuity Policy has been produced and publicised on the Council's Intranet. This accompanies a business continuity planning template which is in the process of being completed for all those services deemed to be critical. The content of the plans will be used to inform the work plans for the IT service in the event of data loss of one or a number of systems.	Effective and tested Business Continuity Plans in place for all critical services.	Head of Corporate and Community Safety	SLT	Q4 2015/16
The Council has identified the need to strengthen its ICT resilience and respond to risks related to the current location of its data centres.	The project to move one of the Council's data centres is being initiated, with a number of options being researched. These options include: • Co-location with a public sector organisation • Co-location with a commercial organisation • Use of Wirral-owned assets.	Completion of relocation project.	Chief Information Officer	SLT	Q4 2015/16

Governance Issue	Action Being Taken	Performance Measure(s)	Lead Officer	Oversight Body	Expected Completion Date
Corporate Procurement Arrangements The Council must continue to take action to address identified weaknesses in relation to its corporate procurement arrangements.	The organisation's capacity to respond and adhere to policy and legislative requirements is being strengthened.	Adherence to corporate procurement procedures (Contract Procedure Rules / Procurement Toolkit) which should include all national and European policy and legislative requirements.	Strategic Director: Transformation and Resources	SLT	Q4 2015/16
Absence Management The organisation failed to meet its absence target for 2014/15. The Council must now review its approach to ensure that absence is reported and managed effectively in accordance with Council policies.	A range of measures are being taken to reinforce the Council's absence management policy with managers and employees. This includes strengthening management information and the completion of a mandatory e-learning package on attendance management by all staff. Data provided by North West Employers shows that the Council's performance in comparison with other authorities has improved in recent years.	Achievement of the absence target for 2015/16 of 9.75 days per person. Comparative position with other North West councils.	Head of Human Resources and Organisational Development	SLT	Q4 2015/16

Governance Issue	Action Being Taken	Performance Measure(s)	Lead Officer	Oversight Body	Expected Completion Date
Culture The Council has identified issues relating to staff and management adherence to internal controls. The Council is developing plans to reinforce its expectations of all staff in relation to internal controls and ensure that managers are committed to creating a culture where these controls are visible and understood.	The People Strategy 2015 is being developed to support a refreshed leadership and culture framework, linked to the Council's target operating model. This will include a diagnosis of the required changes to culture, structure, systems and processes, underpinned by a new form of leadership for the future.	Delivery and embededness of the People Strategy.	Head of Human Resources and Organisational Development	SLT	Q4 2015/16

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Core Financial Statements

MOVEMENT IN RESERVES STATEMENT

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to, or from, earmarked Reserves undertaken by the Council. The statement of 2013/14 has been re-stated to include Voluntary Aided and Foundation schools required by changes to the 2014/15 Local Authority Accounting Code of Practice

Re-stated	**General Fund Balance**	**Ear-marked General Fund Reserves**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Total Usable Reserves**	**Unusable Reserves**	**Total Council Reserves**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 31 March 2013	**27,411**	**64,776**	**8,023**	**21,348**	**121,558**	**(120,265)**	**1,293**
Movement in reserves during 2013/14							
Surplus or (deficit) on the provision of services	(48,621)	-	-	-	(48,621)	-	(48,621)
Other Comprehensive Income and Expenditure	-	-	-	-	-	152,438	152,438
Total Comprehensive Income and Expenditure	**(48,621)**	**-**	**-**	**-**	**(48,621)**	**152,438**	**103,817**
Recognise Foundation and Voluntary Aided Schools	**-**	**-**	**-**		**-**	**29,131**	**29,131**
Adjustments between accounting basis and funding basis under regulations (Note 8)	56,887	-	766	(7,146)	50,507	(50,507)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**8,266**	**-**	**766**	**(7,146)**	**1,886**	**131,062**	**132,948**
Transfers to/from Earmarked Reserves (Note 9)	(18,854)	18,854	-	-	-	-	-
Transfer from Capital Grants Unappied	376	-	-	(376)	-	-	-
Increase/ Decrease in 2013/14	**(10,212)**	**18,854**	**766**	**(7,522)**	**1,886**	**131,062**	**132,948**
Balance at 31 March 2014	**17,199**	**83,630**	**8,789**	**13,826**	**123,444**	**10,797**	**134,241**

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

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.

2013/14				2014/15		
Gross Exp-enditure	Gross Income	Net Exp-enditure		Gross Exp-enditure	Gross Income	Net Exp-enditure
£'000	£'000	£'000		£'000	£'000	£'000
			Continuing Operations			
6,922	2,687	4,235	Central services to the public	6,827	1,880	4,947
35,856	6,465	29,391	Cultural and related services	33,507	10,045	23,462
11,272	3,503	7,769	Planning services	15,486	8,050	7,436
27,563	8,788	18,775	Environmental and regulatory services	23,549	14,497	9,052
334,477	236,844	97,633	Children's and education services	321,969	243,706	78,263
17,267	4,246	13,021	Highways and transport services	17,966	5,325	12,641
160,071	144,709	15,362	Housing services	158,872	145,232	13,640
115,903	31,639	84,264	Adult social care	110,327	29,947	80,380
26,255	28,994	(2,739)	Public health	28,205	28,385	(180)
5,022	41	4,981	Corporate and democratic core	4,962	538	4,424
3,184	-	3,184	Non distributed costs	75	-	75
743,792	**467,916**	**275,876**	**Cost of Services**	**721,745**	**487,605**	**234,140**
65,147	-	65,147	Other operating expenditure (Note 10)	57,962	-	57,962
32,408	3,010	29,398	Financing and investment income and expenditure (Note 11)	28,905	1,940	26,965
-	321,800	(321,800)	Taxation and non specific grant income (Note 12)	-	305,705	(305,705)
841,347	**792,726**	**48,621**	**(Surplus) or Deficit on Provision of Services**	**808,612**	**795,250**	**13,362**
		(32,788)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			(11,862)
		(49)	Surplus on revaluation of PFI liability			201
		5	Surplus or deficit on revaluation of available for sale financial assets			(4)
		(119,606)	Re-measurement of the net defined benefit liability			126,906
		(152,438)	**Other Comprehensive Income and Expenditure**			**115,241**
		(103,817)	**Total Comprehensive Income and Expenditure**			**128,603**

BALANCE SHEET

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

Re-stated 31 March 2014		Notes	31 March 2015
£'000			£'000
638,434	Property, Plant & Equipment	13	632,074
12,686	Heritage Assets	14	12,980
16,545	Investment Property	15	16,666
133	Intangible Assets	16	1,412
2,009	Long Term Investments	17	-
54,946	Long Term Debtors	40	50,762
724,753	**Long Term Assets**		**713,894**
27,197	Short Term Investments	17	27,242
9,708	Assets Held for Sale	20	9,190
292	Inventories		232
50,913	Short Term Debtors	18	50,513
30,994	Cash and Cash Equivalents	19	36,403
119,104	**Current Assets**		**123,580**
15,589	Short Term Borrowing	17	10,043
58,045	Short Term Creditors	21	61,184
785	Short Term Deferred Credit		726
4,201	Provisions	22	5,657
78,620	**Current Liabilities**		**77,610**
4,301	Provisions	22	2,547
201,302	Long Term Borrowing	17	193,880
422,203	Other Long Term Liabilities	41	552,977
3,190	Capital Grants Receipts in Advance	35	4,822
630,996	**Long Term Liabilities**		**754,226**
134,241	**Net Assets**		**5,638**
123,444	Usable Reserves	23	124,411
10,797	Unusable Reserves	24	(118,773)
134,241	**Total Reserves**		**5,638**

The unaudited accounts were issued on 30 June 2015 and the audited accounts were authorised for issue on 30 September 2015.

Tom Sault
Acting Section 151 Officer

CASH FLOW STATEMENT

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

2013/14		2014/15
£'000		£'000
48,621	Net (surplus) / deficit on the provision of services	13,362
(86,783)	Adjust net (surplus)/ deficit on the provision of services for non cash movements (Note 25)	(49,459)
16,129	Adjust for items in the net (surplus)/ deficit on the provision of services that are investing or financing activities (Note 25)	11,927
(22,033)	Net Cash Flow From Operating Activities	(24,170)
(21,710)	Net Cash Flows From Investing Activities (Note 26)	4,163
31,684	Net Cash Flows From Financing Activities (Note 27)	14,598
(12,059)	Net increase or decrease in cash and cash equivalents	(5,409)
(18,935)	Cash and cash equivalents at the beginning of the reporting period	(30,994)
(30,994)	**Cash and cash equivalents at the end of the reporting period**	**(36,403)**

Notes to the

Core Financial Statements

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Council is required to produce an Annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) and the Service Reporting Code of Practice for Local Authorities 2014/15 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

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

In accordance with the Code, the Council has adopted a number of principles to be followed in selecting accounting policies to be used and the corresponding disclosures needed to help users to understand those selected policies and how they have been implemented. In doing so, the Council tries to ensure that the policies selected are the most suitable to its particular circumstances for the purpose of providing a true and fair view of the financial position and transactions of the Council. Policies are reviewed regularly to ensure their appropriateness and are changed as necessary to maintain this position. In such cases a full disclosure will be provided.

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

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.

Changes to Accounting Policies

Voluntary Aided, Voluntary Controlled and Foundation Schools

The 2014/15 Code of Practice on Local Authority Accounting in the United Kingdom has introduced a change to 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. Therefore the Council has brought into its balance sheet the value of the land and buildings in respect of three Foundation Schools and one Voluntary Aided School to comply with this policy. Revenue transactions, cash flows and balances are already recognised within these financial statements as if they were transactions, cash flows and balances of the Council. However, as the Council does not exercise control over the remaining Voluntary Aided and Voluntary Controlled Schools within the Council area through ownership, the capital value of these schools is not included within fixed assets in the balance sheet.

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

Type of School	Nursery	Primary	Secondary	Special	Total
Community	3	58	3	12	76
Voluntary Aided	-	26	-	-	26
Voluntary Controlled	-	4	-	-	4
Foundation	-	-	3	-	3
Total	**3**	**88**	**6**	**12**	**109**

Note 47 on page 132, provides information on the adjustments made to the financial statements for 2013/14 to reflect the change in accounting policy.

There are a number of other schools within the Council area which are not included within the financial statements because either they have been set up as academies with direct government funding or are independent schools. The numbers for these schools are as follows:

Type of School	Primary	Secondary	Special	Total
Academies	2	16	1	19
Independent Schools	1	3	1	5
Total	**3**	**19**	**2**	**24**

Carbon Reduction Scheme

There are updated accounting requirements for the second phase of the scheme, which commenced in April 2014 and runs to March 2019. These are reflected in a revised accounting policy in relation to the scheme.

Group Accounts

The adoption from 2014/15 of new IFRS Standard 10 – Consolidated Financial Statements, IFRS Standard 11 – Joint Arrangements, IFRS 12 - Disclosure of Interests in Other Entities, IAS 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures has meant that the Council has had to re-assess its position in respect of entities where it has an interest of some form to determine if it is necessary to consolidate one or more entities into its financial statements. Following

this re-assessment the Council has decided that existing arrangements fall outside the requirements of the new accounting standards and therefore that there are no changes required to the existing disclosures in relation to Group Accounts.

Accruals of Income and Expenditure

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

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

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

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

Capital Receipts

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

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

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

Carbon Reduction Commitment Scheme

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

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

Cash and Cash Equivalents

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

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

Contingent Assets and Liabilities

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

Debt Redemption through the Minimum Revenue Provision (MRP)

Debt is redeemed as and when it falls due. Under regulations issued by the Department for Communities and Local Government, the Council has approved an MRP Statement. Detailed rules place a single duty to charge an amount of MRP which the Council considers ‘prudent’.

The Council approved the following MRP policy for the 2014/15 financial year:

(a) The Council will apply the regulatory method in respect of supported capital expenditure and the asset life method in respect of unsupported capital expenditure.
(b) For prudence, when the asset life method is applied to funding of an asset with a life of greater than 25 years the Council will apply a default asset life of 25 years.
(c) MRP in respect of Private Finance Initiatives (PFI) and leases brought on to the Balance Sheet under International Financial Reporting Standards will also be calculated using the asset life method and will match the annual principal repayment for associated deferred 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 37 years commencing 1 April 1988.

Employee Benefits

Benefits payable during employment

Short-term employee benefits (other than termination benefits) are those that are due to be settled within 12 months of the year end. They include benefits such as salaries and paid annual leave and are recognised as an expense for services in the year in which

employees render service to the Council. An accrual is made for the cost of outstanding annual leave that staff have earned but not taken before the year end. The accrual is charged to the service lines within the Comprehensive Income and Expenditure Accounts but then reversed out through the Movement in Reserves Statement so that annual leave benefits are charged to revenue in the financial year in which the annual leave absence occurs.

Termination benefits

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

- the Council's decision to terminate an employee's employment before the normal retirement date, or

- an employee's decision to accept voluntary redundancy in exchange for those benefits. Termination benefits are often lump-sum payments.

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

Post-employment benefits

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

- The Teachers' Pension Scheme, administered by Capita on behalf of the Department for Education. The arrangements for this scheme mean that liabilities for these benefits cannot be identified by the Council. The scheme is, therefore, accounted for as if it were a defined contributions scheme and therefore no liability for future payments of benefits is recognised in the Balance Sheet and the Education and Children's Services line within the Comprehensive Income and Expenditure Account is charged with the employer's contributions payable to the Teachers' Pensions Scheme in the year. The pension cost charged to the accounts is the contribution rate set on the basis of a notional fund.

- The NHS Pension Scheme, which is an unfunded defined benefit scheme that covers NHS employers, general practices and other bodies allowed under the direction of the Secretary of State for England and Wales. This scheme covers staff transferred to the employment of the Council following the transfer of public health services to the Council on 1 April 2013. It is not possible for the Council to identify its share of the underlying scheme liabilities. The scheme is, therefore, accounted for as if it were a defined contributions scheme and therefore no liability for future payments of benefits is recognised in the Balance Sheet. In 2014/15 the employers contributions payable to the NHS Pensions Scheme in the year have been charged to the Public Health service line within the Comprehensive Income and Expenditure Statement.

- The Local Government Pension Scheme, administered by the Merseyside Pension Fund for all other employees. From 1 October 1987 the Council has administered this Fund on behalf of all scheduled and admitted bodies. This operates as a

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

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

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

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

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

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

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

- the return on plan assets charged to the Pensions Reserve, excluding amounts in net interest on the net defined benefit liability.

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.

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

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

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

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

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

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

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

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

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

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

Financial Liabilities
Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. Liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument.

Financial Assets
Financial Assets are classified into two types:-

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

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

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

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

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

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

Instruments entered into before 1 April 2006
The Council has entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts if either a provision or a contingent liability note is required.

Disclosure of the nature and risk arising from Financial Instruments
The Council activities expose it to a variety of financial risks such as:

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

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

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

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

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

Grants related to the funding of capital expenditure are credited to the Comprehensive Income and Expenditure Statement, also within Taxation and Non-specific Grant Income, when the conditions regarding their use are met. This income is reversed out

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

Group Accounts

Group Accounts are covered by IFRS Standard 10 – Consolidated Financial Statements, IFRS Standard 11 – Joint Arrangements, IFRS 12 - Disclosure of Interests in Other Entities, IAS 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures. An assessment of the criteria for the completion of Group Accounts has been undertaken and the conclusion reached that there was no requirement to produce such accounts. Only the Council's share of Joint Operations has been included in the Statement of Accounts.

Joint Operations

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

Heritage Assets

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

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

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

Intangible Assets

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

A purchased intangible asset is capitalised at cost. Internally developed intangible assets are only capitalised if there is a readily ascertainable market. They are reviewed for impairment at the end of the first full financial year following operation.

The balance is amortised to the relevant service revenue line in the Comprehensive Income and Expenditure Statement over the economic life of the investment to reflect the pattern of consumption of benefits. Any impairment loss recognised is similarly treated in the Comprehensive Income and Expenditure Statement. Any gain or loss on the disposal of an intangible asset is shown within the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

When expenditure on intangible assets qualifies under statutory definition as capital expenditure, amortisation, impairment losses and gains / losses on disposal are not permitted to have an impact on the General Fund balance. Gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve for receipts over £10,000.

Investment Properties

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

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

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

Leasing

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

The Council as Lessee

Finance Lease

The Council, as lessee, recognises finance leases as assets and liabilities on the Balance Sheet at amounts equal to the fair value of minimum lease payments. Minimum lease payments are apportioned between the finance charged and the reduction of the outstanding liability. The finance charge is calculated so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

The depreciation policy for assets held under finance leases is consistent with the depreciation policy for Council owned assets.

Operating Leases
Lease payments under an operating lease are recognised in the Cost of Services within the Comprehensive Income and Expenditure Statement as an expense and charged on a straight line basis over the lease term.

The Council as Lessor

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

Operating Lease
Items of property, plant and equipment subject to operating leases are presented according to the nature of the asset. The asset is retained on the Balance Sheet. Income from operating leases is recognised in the Cost of Services within the Comprehensive income and Expenditure Statement on a straight line basis over the lease term.

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

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

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

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

Non-Current Assets Held for Sale
The Council classifies assets as non-current assets held for sale if the carrying amount is to be recovered through a sale rather than through continued use. The criteria for such a classification also includes the asset being available for immediate sale in its present condition, the sale must be highly probable, there must be a management plan to sell the asset and it is being actively marketed. The sale also has to be expected to be completed within one year from the date of classification, although there are exceptions.

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

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

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

Overheads
In accordance with the Service Reporting Code of Practice (SeRCOP) 2014/15, charges or apportionments for the costs of support services are made to those who benefit from the supply or service.

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

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

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

Private Finance Initiatives (PFI) and Similar Contracts
Where the Council has entered into a PFI or similar contract then the Council will recognise the asset and liability on the Balance Sheet and account for it as if it was a finance lease if:-

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

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

Property, Plant and Equipment

Recognition

Expenditure over £10,000, the Council's de-minimis level for the recognition of capital spending on the acquisition, creation or enhancement of property, plant and equipment, is capitalised on an accruals basis in the accounts provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost can be measured reliably.

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

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

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

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

Measurement

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

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

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

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

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

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

Impairment

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

Impairment losses are accounted for by either

- Charging the Revaluation Reserve with the value of any impairment, up to the level of historical revaluations held within the Reserve for that particular asset; or

- Charging service revenue accounts within the Comprehensive Income and Expenditure Account for all impairments that are not covered by historical revaluations within the Revaluation Reserve.

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

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

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

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

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

Charges to Revenue for Property, Plant and Equipment
All general fund service revenue accounts, including support services and trading accounts, are charged with the following amounts to record the real cost of all assets used in the provision of services:-

- Depreciation attributable to the assets used by the relevant service;
- Impairment/revaluation losses attributable to the clear consumption of economic benefits on non-current assets used by the service;
- Amortisation of intangible assets attributable to the service.

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

Provisions

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

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

The principal provisions relate to Business Rates appeals, bad debts and insurance.

The provision for Business Rates appeals relates to the impact of successful appeals in 2014/15 and backdated amounts in relation to earlier years. It is required following the introduction of the Business Rates Retention Scheme on 1 April 2013.

The bad debts provision is deducted from debtors in the Balance Sheet, rather than being shown in provisions. As part of compliance with IFRS 7, “Financial Instruments: Disclosure”, amounts shown as due from debtors are individually or collectively (for debts that are not significant) reviewed for impairment annually and the level of the bad debt provision is adjusted accordingly. Debts due to the Council that become uncollectable are charged to the provision when the debt is approved for write-off. Debts which are found to have been raised in error, rather than being uncollectable, are charged back directly to services that raised the initial debt.

The insurance provision relates to outstanding liability claims. The figure is the sum indicated by actuaries, updated by an internal assessment, as being required to fund claims for years up to and including 2014/15.

Repurchase of Borrowing

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

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

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

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

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

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

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

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

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

2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

For 2014/15 there are amendments to the following Accounting Standards, which will become effective from financial year 2015/16:

IFRS 13 – Fair Value Measurement;
IFRIC 21 – Levies;
Annual Improvements to IFRSs (2011-2013 cycle), particularly in relation to:

- IFRS 1 – the meaning of effective IFRSs;
- IFRS 3 – Scope exceptions for joint ventures;
- IFRS 13 – Portfolio Exceptions
- IAS 40 – Clarification of the relationship between business combinations under IFRS 3 and Investment Properties under IAS 40 when classifying property as either investment or owner-occupied property.

The changes to the financial statements arising from the introduction of these standards relate to the use of fair value when measuring the value of assets and liabilities held by the Council. The main change identified relates to surplus assets held by the Council, which will now be valued for their economic benefit at fair value rather than their existing use value based on their use as operational assets. The financial impact of this change is not currently quantifiable.

The introduction of the other changes to the accounting standards are not expected to materially affect the financial statements of the Council.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

- The Council will make a provision where a future event is uncertain but there is a legal or constructive obligation.

- In order to deliver Education Services to Wirral residents, the Council provides funding through the Dedicated School Grant to 106 schools. Of these, a total of 33 schools are either Voluntary Aided, Voluntary Controlled or Foundation Schools. The Council has made a judgement, based on information provided by the Roman Catholic Church and the Church of England that it does not exercise a balance of control over 29 of these schools, which therefore fall outside the revised accounting requirements of IFRS10 Consolidated Financial Statements and IFRS12 Disclosure of Interests in Other Entities. The Council does however include within its balance sheet the value of the land and buildings for 3 Foundation Schools and 1 Voluntary Aided School, where control through ownership remains. However running costs and income for all schools used by the Council to deliver Education Services are included within the Education and Children's Service within the Comprehensive Income and Expenditure Statement, including Voluntary Aided and Voluntary Controlled Schools where the Council has no legal right to the control of the school premises.

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 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £24.665 million. However, the assumptions interact in complex ways. During 2014/15, the Council's actuaries advised that the net pensions liability had increased by £133.278 million. This change includes: • An increase in the year of £97.047 million in the actuarial valuation of scheme assets; • An increase in the year of £41.494 million in the pensions costs recognised within the scheme; • Employer contributions actually paid in the year of £33.557 million.
Property, Plant and Equipment	Land and buildings are revalued using a 5–year rolling programme ensuring that the fair value of the assets is reflected in the Balance Sheet. New guidance states that assets should be revalued with sufficient regularity to ensure that their carrying value does not differ materially from fair value at the year-end. The uncertainty relates to the potential difference between current value and fair value as assets with a high value are currently only revalued once every 5 years.	If the carrying value of the land and buildings is under-stated by 1% then the carrying value within the Balance Sheet would change by +/- £4.7 million and would be matched by a corresponding change to the balance within the Revaluation Reserve.

Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.89 million for every year that useful lives had to be reduced.

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

5. MATERIAL ITEMS OF INCOME AND EXPENSE

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

6. EXCEPTIONAL ITEMS

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

7. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2015, up to the date when these accounts were authorised by the Acting Section 151 Officer on 30 September 2015, that require any adjustment to these accounts.

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2013/14	Usable Reserves			Movement in Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account					
Recognise Foundation and Voluntary Aided Schools	-	-	-	-	29,131
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement					
Depreciation of non current assets	17,564	-	-	17,564	(17,564)
Impairment and revaluation losses of non current assets	25,937	-	-	25,937	(25,937)
Movement in market value of investment properties	(368)	-	-	(368)	368
Amortisation of intangible assets	218	-	-	218	(218)
Capital grants and contributions	(13,915)	-	-	(13,915)	13,915
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	4,352	-	-	4,352	(4,352)
Application of grants to fund REFCUS	(1,823)	-	-	(1,823)	1,823
Amount 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	21,435	-	-	21,435	(21,435)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the repayment of debt (Minimum Revenue Provision)	(10,275)	-	-	(10,275)	10,275
Statutory repayment of debt (Finance Lease Liabilities)	(395)	-	-	(395)	395
Statutory repayment of debt (PFI)	(2,138)	-	-	(2,138)	2,138
Capital expenditure charged against the General Fund	(4)	-	-	(4)	4
Adjustments primarily involving the Capital Grants Unapplied Account					
Capital grants unapplied credited to the Comprehensive Income and Expenditure Statement	(7)	-	7	-	-
Application of grants through the Capital Adjustment Account	-	-	(5,801)	(5,801)	5,801
Application of previour years grants to fund REFCUS	-	-	(1,352)	(1,352)	1,352

(Table continues on next page)

(Table continued from previous page)

2013/14	Usable Reserves			Movement in Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,319)	2,319	-	-	-
Use of the Capital Receipts Reserve to finance capital expenditure	-	(1,543)	-	(1,543)	1,543
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipt pool	10	(10)	-	-	-
Adjustments primarily involving the Financial Instruments Adjustment Account					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year with statutory requirements	(39)	-	-	(39)	39
Adjustments primarily involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	49,987	-	-	49,987	(49,987)
Employers pension contributions and direct payments to pensioners in the year	(33,227)	-	-	(33,227)	33,227
Adjustments primarily involving the Collection Fund Adjustment Account					
Amount by which council tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from council tax and NNDR income calculated for the year in accordance with statutory requirements	232	-	-	232	(232)
Adjustments primarily involving the Accumulated Absences Account					
Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is Different from the remuneration chargeable in the year in accordance with statutory requirements	1,662	-	-	1,662	(1,662)
Total adjustments	**56,887**	**766**	**(7,146)**	**50,507**	**(50,507)**

2014/15	Usable Reserves			Movement in Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Depreciation of non current assets	17,532	-	-	17,532	(17,532)
Impairment and revaluation losses of non current assets	6,442	-	-	6,442	(6,442)
Movement in market value of investment property	(320)	-	-	(320)	320
Amortisation of intangible assets	62	-	-	62	(62)
Capital grant and contributions applied	(6,007)	-	-	(6,007)	6,007
Revenue Expenditure Funded from Capital under Statute (REFCUS)	9,568	-	-	9,568	(9,568)
Application of grants to fund REFCUS	(7,814)	-	-	(7,814)	7,814
Amount on non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	15,927	-	-	15,927	(15,927)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory Provision for the repayment of debt - (Minimum revenue provision)	(12,792)	-	-	(12,792)	12,792
Capital expenditure charged against the General Fund	(798)	-	-	(798)	798
Adjustments primarily involving the Capital Grants Unapplied Account					
Capital grants unapplied credited to the Comprehensive Income and Expenditure Statement	(4,492)	-	4,492	-	-
Application of grants through the Capital Adjustment Account.	-	-	(7,918)	(7,918)	7,918
Application of previous year's grants to fund de-minims capital expenditure	452	-	(452)	-	-
Adjustments primarily involving the Capital Receipts Reserve	-	-	-	-	-
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,437)	3,437	-	-	-
Use of the Capital Receipts Reserve to finance capital expenditure	-	(3,942)	-	(3,942)	3,942
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipt pool	6	(6)	-	-	-

(Table continued from previous page)

2014/15	Usable Reserves			Movement in Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied		
	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Deferred Capital Receipts Reserve					
Transfer of deferred sale proceeds as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3	-	-	3	(3)
Adjustments primarily involving the Financial Instruments Adjustment Account					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year with statutory requirements	(43)	-	-	(43)	43
Adjustments primarily involving the Pensions Reserve				-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	42,910	-	-	42,910	(42,910)
Employers pension contributions and direct payments to pensioners in the year	(36,538)	-	-	(36,538)	36,538
Adjustments primarily involving the Collection Fund Adjustment Account					
Amount by which council tax and NNDR income credited to the Comprehensive Income and Expendiiture Statement is different from council tax and NNDR income calculated for the year in accordance with statutory requirements	(2,486)	-	-	(2,486)	2,486
Adjustments primarily involving the Accumulated Absences Account					
Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	543	-	-	543	(543)
Total adjustments	**18,718**	**(511)**	**(3,878)**	**14,329**	**(14,329)**

9. TRANSFERS TO/FROM EARMARKED RESERVES

The Council keeps a number of reserves in the Balance Sheet that have been set up to earmark funding for future spending plans. These are held for costs which are likely to be incurred but their timing is not certain and they cannot be met from annual budgets. A review of reserves was carried out as part of the 2014/15 budget setting process. The following table discloses each earmarked reserve where the balance is in excess of £0.25 million on either 31 March 2014 or 31 March 2015.

Earmarked Reserves	Balance at 31 March 2013	Movement 2013/14	Balance at 31 March 2014	Movement 2014/15	Balance at 31 March 2015
	£'000	£'000	£'000	£'000	£'000
Remodelling	-	14,156	14,156	(1,307)	12,849
Schools Balances	11,936	(254)	11,682	(958)	10,724
Insurance Fund	7,821	1,330	9,151	1,055	10,206
Housing Benefit	10,155	(3,267)	6,888	(954)	5,934
Waste Development Fund	-	-	-	6,502	6,502
Families & Well Being Budget Stabilisation	-	3,431	3,431	-	3,431
Business Rates Equalisation	-	3,259	3,259	4,621	7,880
Dedicated Schools Grant	472	930	1,402	656	2,058
Public Health Outcomes	-	1,953	1,953	(90)	1,863
One Stop Shop/Libraries IT Networks	1,878	-	1,878	(137)	1,741
Efficiency Investment Rolling Fund	2,000	(711)	1,289	250	1,539
Community Asset Transfer	2,146	(615)	1,531	(213)	1,318
Support and Assistance to Public in Need	-	626	626	577	1,203
Intensive Family Intervention Project	914	-	914	104	1,018
Business Rates Appeals	-	1,000	1,000	-	1,000
IT Development	3,161	631	3,792	(2,855)	937
Stay, Work, Learn Wise	908	-	908	-	908
Supporting People Programme	1,105	(200)	905	-	905
Property Development Framework	-	-	-	700	700
School Harmonisation	668	409	1,077	(416)	661
Schools Capital Schemes	581	169	750	(116)	634
Public Health - Information and Performance	-	564	564	-	564
Early Years - 2 Year Olds Funding	-	-	-	510	510
Waste Efficiencies Fund	-	-	-	500	500
Major Infrastructure Project Development	-	-	-	500	500
Home Adaptations	518	(23)	495	-	495
Flood Prevention	-	284	284	201	485
Schools Contingency	370	(2)	368	-	368
Childrens Workforce Development Council	558	(89)	469	(146)	323
Business Improvement Grant	342	(14)	328	-	328
Children Centre Nurseries	-	322	322	-	322
Parks & Countryside	-	311	311	-	311
Local Pay Review	2,296	(2,000)	296	-	296
Schools Service IT	294	-	294	-	294
Homeless Prevention	271	-	271	-	271
Champs Innovation Fund	-	186	186	81	267
New Homes Bonus	156	(11)	145	120	265
Budget Equalisation	-	1,860	1,860	(1,860)	-
Schools - PFI Affordability Gap	-	600	600	(600)	-
Child Poverty	350	(100)	250	(250)	-
Other Reserves	10,207	(212)	9,995	(2,720)	7,275
	59,107	**24,523**	**83,630**	**3,755**	**87,385**

The purposes for the individual earmarked reserves

Remodelling

The Council over the coming financial years will need to rationalise and restructure its services. This reserve was established in 2013/14 and it is being used to fund the costs of changes to Council services. These costs are expected to include employee related payments and investment in services to yield efficiencies.

Schools Balances

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

	2013/14	2014/15
	£'000	£'000
Schools underspending	11,860	11,063
Schools overspending	(178)	(339)
Net Schools balances	**11,682**	**10,724**

	Number of schools with in hand balances	Number of schools with overdrawn balances
Nursery	3	-
Primary	76	12
Secondary	6	-
Special	11	1

Insurance Fund

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

Housing Benefit

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

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.

Families and Well Being – Budget Stabilisation

The set aside of budget under-spends to meet potential budget pressures within the Children and Young People and Adult Social Services areas.

Business Rates Equalisation

To create a reserve to meet fluctuations in the income received from business rates following the introduction of the Business Rates Retention Scheme on 1 April 2013.

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.

Public Health Outcomes
To meet future commitments in relation to Public Health in accordance with the terms of the Public Health Grant provided by the Department of Health.

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

Efficiency Investment Rolling Fund
This Fund was established to facilitate investment in efficient practices by “loaning” pump-priming funding at the start of a revenue saving project which would repay the loan out of savings in later years.

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

Support and Assistance to the Public in Need
The reserve was set up from the balance of the grant received from the Government in 2013/14 to provide Local Welfare Assistance to Wirral residents in cases of disaster or emergency, where financial support is needed to meet one-off costs as opposed to ongoing expenses. The balance on the reserve represents the balance of the grant which was not distributed in 2014/15 and will be used in future years.

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.

Business Rates Appeals
Following the introduction of the Business Rates Retention Scheme from 1 April 2013, billing authorities are required to make an estimate of the impact of successful appeals covering not only 2014/15 but also any backdated amount relating to earlier years. This sum has been provided, in addition to the provision relating to the liability in respect of likely known levels of appeals, to meet unforeseen liabilities in future years.

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

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

Supporting People
Permission has been granted by the Department of Communities and Local Government to retain any administration and specific programme grant for use in future years. This reserve is to be spent on a number of initiatives to support people in need to live in their own homes.

Implementation of the programme commenced in 2013/14 and the programme and funding has been re-profiled.

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

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

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

Public Health – Information and Performance
This reserve is to meet future commitments with Public Health, particularly in relation to NHS sexual health spending.

Early Years – 2 Year Olds Funding
Early Years reserve created to fund the expansion of the free Early Education for two year olds.

Waste Efficiencies Fund
Funding has been allocated from contract savings to enable further efficiencies within the Waste Collection Service to be implemented in 2016/17.

Major Infrastructure Project Development
To fund the research and development of major development projects in line with Corporate and Regeneration priorities

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

Flood Prevention
This funding was provided to cater for the LA's new responsibilities and burdens under the Flood and Water Management Act. This reserve is also earmarked as the partnership contribution to the West Kirby Flood Alleviation Scheme total cost of £2.2 million with the works commencing in 2015/16.

Schools Contingency
Created to cover formula errors that would have been unknown at the time schools budgets were set. Such adjustments may result in an additional budget being allocated from this reserve.

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

Business Improvement Grant
Grants are awarded by a Business Support panel and are funded from the revenue budget. This reserve will fund outstanding valid claims, which are expected to be settled in the 2014/15 financial year.

Children's Centre Nurseries
The budget for Children Centre Nurseries was reduced by 7/12ths in 2013/14 and a further 5/12ths in 2014/15 to remove the budget in full. After an unsuccessful tendering period the nurseries are still operating and therefore a proportion of the income carried forward is still needed as work continues with schools to transfer the function over to them by September 2015.

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

Local Pay Review
The amount identified, and set-aside, to fund the costs of implementing proposals to harmonise and simplify working arrangements as well as meeting the requirements arising from the implementation of equal pay legislation.

Schools Service IT
The service is fully funded from schools contributions and this reserve supports the service in the event of changing demands for IT services from schools.

Homeless Prevention
The fund is used to offer loans to prevent repossessions and evictions.

Champs Innovation Fund
This is collective funding from the 9 Local Authorities for the Champs-Public Health team whom Wirral host. The objective is to pool funding for collective Public Health investments. At present the reserve is in place awaiting funding agreement from the Cheshire and Merseyside Directors of Public Health.

New Homes Bonus
The Fund will be used to provide resources for future use on housing capital projects.

Budget Equalisation
To provide resources to meet budget pressures that may occur in the future to avoid significant annual budget increases. This reserve was fully utilised in 2014/15.

Schools PFI Affordability Gap
This reserve was set up to meet potential budget shortfalls in relation to spending on the schools PFI schemes as was fully utilised in 2014/15.

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

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

10. OTHER OPERATING EXPENDITURE

2013/14 £'000		2014/15 £'000
45,438	Levies	44,808
10	Payments to the Government Housing Capital Receipts Pool	6
587	Pensions Scheme – Administration Costs	587
19,112	Gains / losses on the disposal of non-current assets	12,561
65,147	**Total**	**57,962**

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2013/14 £'000		2014/15 £'000
13,324	Interest payable and similar charges	13,179
18,929	Pensions – net interest cost	15,726
(1,054)	Interest receivable and similar income	(902)
(1,095)	Income and expenditure in relation to investment properties and changes in their fair value	(1,180)
(706)	Gains and losses on trading accounts	142
29,398	**Total**	**26,965**

12. TAXATION AND NON SPECIFIC GRANT INCOME

2013/14 £'000		2014/15 £'000
111,126	Council tax income	114,712
72,874	Non domestic rates income	72,552
123,879	Non ring-fenced government grants	107,942
13,921	Capital grants and contributions	10,499
321,800	**Total**	**305,705**

Further details on grants are contained in note 35 on page 107.

13. PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

Movements in 2014/15:

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

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	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Depreciation written out on revaluation taken to the surplus/deficit on the Provision of Services	(3,979)	-	-	-	-	-	(3,979)
Impairment losses/(reversals recognised in the surplus/deficit on the Provision of Services	(656)	-	-	-	-	-	(656)
Derecognition disposals	(1,027)	-	-	-	-	-	(1,027)
Other movements in depreciation and impairment	(6)	-	-	-	-	-	(6)
At 31 March 2015	**9,529**	**16,226**	**38,376**	**-**	**74**	**-**	**64,205**
Net Book Value							
At 31 March 2014	**480,360**	**6,812**	**110,130**	**25,777**	**6,694**	**8,661**	**638,434**
At 31 March 2015	**467,080**	**9,140**	**112,011**	**26,557**	**7,126**	**10,160**	**632,074**

Comparative Movements in 2013/14:

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2013	476,300	21,113	137,671	27,417	3,316	28,190	694,007
Additions	37,778	3,255	6,742	294	43	1,898	50,010
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	12,838	-	-	-	181	8,022	21,041
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(30,683)	(2,848)	-	(719)	(21)	-	(34,271)
Derecognition - disposals	(6,409)	-	-	(1,373)	(13,715)	-	(21,497)
Assets reclassified (to)/from Held for Sale	(9,620)	-	-	-	-	-	(9,620)
Other movements in cost or valuation	12,301	-	-	158	16,926	(29,449)	(64)
At 31 March 2014	**492,505**	**21,520**	**144,413**	**25,777**	**6,730**	**8,661**	**699,606**
Accumulated Depreciation and Impairment							
At 1 April 2012	19,058	14,830	30,535	-	22	-	64,445
Depreciation charge	11,840	1,901	3,748	-	75	-	17,564
Depreciation written out to the Revaluation Reserve	(11,747)	-	-	-	-	-	(11,747)

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	Land and Buildings	Vehicles, Plant, Furniture & Equip-ment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Con-struction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Impairment losses /(reversals) recognised in the Surplus/Deficit on the Provision of Services	(6,310)	(2,023)	-	-	-	-	(8,333)
Derecognition - disposals	(630)	-	-	-	(61)	-	(691)
Other movements in depreciation and impairment	(66)	-	-	-	-	-	(66)
At 31 March 2014	**12,145**	**14,708**	**34,283**	**-**	**36**	**-**	**61,172**
Net Book Value							
At 31 March 2013	**457,242**	**6,283**	**107,136**	**27,417**	**3,294**	**28,190**	**629,562**
At 31 March 2014	**480,360**	**6,812**	**110,130**	**25,777**	**6,694**	**8,661**	**638,434**

Depreciation

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

Land and Buildings - 1-60 years
Vehicles, Plant, Furniture & Equipment – 3-40 years
Infrastructure – 10-120 years
Surplus Assets – 5 years

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

Revaluations

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

In 2014/15, 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. This process does not strictly comply with requirements but as all the high value assets, such as schools and leisure centres, were revalued in 2012/13, any changes to the carrying value of assets arising from the revised guidance in 2014/15 is not deemed to be a material amount.

Carrying Value measured against fair value

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

	Land and Buildings	Surplus Assets	Total
	£'000	£'000	£'000
Carried at historical cost	3,031	5,154	8,185
Valued at fair value as at:			
31 March 2015	251,378	525	251,903
31 March 2014	189,396	585	189,981
31 March 2013	15,920	475	16,395
31 March 2012	8,960	427	9,387
31 March 2011	7,924	34	7,958
Total Cost or Valuation	**476,609**	**7,200**	**483,809**

14. HERITAGE ASSETS

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

	Decorative Art and Other Collections	Buildings	Civic Regalia	Transport	Fine Art	Total Assets
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
1 April 2013	3,130	937	408	436	7,775	12,686
Changes in Year	-	-	-	-	-	-
31 March 2014	**3,130**	**937**	**408**	**436**	**7,775**	**12,686**
Cost or Valuation						
1 April 2014	3,130	937	408	436	7,775	12,686
Changes in Year	-	-	-	294	-	294
Depreciation	-	-	-	-	-	-
31 March 2015	**3,130**	**937**	**408**	**730**	**7,775**	**12,980**

Heritage Assets: Five-Year Summary of Transactions

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
Cost of Acquisitions	-	-	-	-	-
Value Acquired by Donation					
Fine Art	-	35	-	-	-
Disposals					
Transport	-	-	(3)	-	-
Impairment recognised in the period					
Civic Regalia	-	116	-	-	-
Transport	-	10	-	-	-

Fine Art, Decorative Art and Other Collections

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

Fine Art

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

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

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

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

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

Decorative art and other collections

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

- The Knowles Boney collection of some 300 pieces is very comprehensive and was presented to the Museum some 55 years ago and represents examples of work from several factories that were producing porcelain of various types and quality in Liverpool between 1750 and 1800;

- The collection of Della Robbia pottery forms an unrivalled addition to the history of Merseyside ceramics. Produced in Birkenhead between 1894 and 1906, items purchased in the 1920's from the founder Harold Rathbone form the basis of this comprehensive collection.

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

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

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

Acquisition policy

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

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

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

Disposal procedure

The Museum does not undertake disposal motivated principally by financial reasons. The decision to dispose of material from the collections will be taken after full consideration of the reasons for disposal. This includes curatorial and financial reasons as well as the public benefit, the implication for the Museum's collections and collections held by museums and other organisations collecting the same material. External expert advice will be obtained and the views of stakeholders such as donors, researchers, local and source communities served by the Museum will also be sought.

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

There have been no disposals in 2014/15.

Conservation and storage

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

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

Exhibition and public services

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

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

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

The latest comprehensive valuation was undertaken during the 2008/09 financial year. The present Collection Management Plan suggests valuations to be reconsidered every ten years. This period is retained for the general overview, but consideration may be given to individual items in the interim, especially with regard to adjustments of attribution or identification. Valuations are based on the knowledge of the Curator of Museums.

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

Transport

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

Valuations are based on the technical expertise of the transport museum's technical custodian and reflect an insurance write-off value based on the original funding less any labour costs to restore the vehicle, coupled with the expectation of market value in an open trade related auction. The latest valuation took place in January 2012. There is no specific time frame within which revaluations must take place, however they will be undertaken at regular intervals.

Civic Regalia

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

Buildings

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

Valuations have been undertaken by the Council's own valuers and are based on their fair value. Valuations were undertaken between January 2008 and March 2012.

Heritage Assets not reported in the Balance Sheet

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

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

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

15. INVESTMENT PROPERTIES

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

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

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

	2013/14	2014/15
	£'000	£'000
Balance at start of the year	16,288	16,545
Additions:	-	-
Disposals	(111)	(458)
Net gains / (losses) from fair value adjustments	368	320
Transfers:		
To / (from) Property, Plant and Equipment	-	259
From Assets Held for Sale	-	-
Balance at 31 March	**16,545**	**16,666**

16. INTANGIBLE ASSETS

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.062 million charged to revenue in 2014/15 (2013/14 £0.218 million).

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

Intangible Assets	**2013/14**	**2014/15**
	£'000	**£'000**
Balance at 1 April	351	133
Purchases	-	1,341
Amortisation for the year	(218)	(62)
Balance at 31 March	**133**	**1,412**

17. FINANCIAL INSTRUMENTS

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

Long Term	**Short Term**		**Long Term**	**Short Term**
31 March 2014	**31 March 2014**		**31 March 2015**	**31 March 2015**
£'000	**£'000**		**£'000**	**£'000**
		Financial Liabilities		
201,302	15,589	Borrowings	193,880	10,043
52,988	2,122	PFI Liability	50,493	2,333
18	54	Finance Lease Liability	9	9
254,308	**17,765**	**Total Financial Liabilities**	**244,382**	**12,385**
		Financial Assets		
2,009	26,188	Loans and Receivables	-	26,229
-	1,009	Available for Sale	-	1,013
2,009	**27,197**	**Total Financial Assets**	-	**27,242**

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

Long Term 31 March 2014 £'000	Short Term 31 March 2014 £'000		Long Term 31 March 2015 £'000	Short Term 31 March 2015 £'000
		Borrowings		
204,156	13,007	Nominal Amount	196,649	7,507
-	2,582	Accrued Interest	-	2,536
(2,854)	-	EIR Adjustments	(2,769)	-
201,302	**15,589**	**Total Amortised Cost**	**193,880**	**10,043**

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

Long Term 31 March 2014 £'000	Short Term 31 March 2014 £'000		Long Term 31 March 2015 £'000	Short Term 31 March 2015 £'000
		Loans and Receivables		
2,000	26,009	Nominal Amount	-	26,000
9	179	Accrued Interest	-	229
-	-	Impairment/ Revaluation	-	-
2,009	**26,188**	**Total Amortised Cost**	**0**	**26,229**
		Available for Sale		
-	1,000	Nominal Amount	-	1,000
-	9	Impairment/ Revaluation	-	13
-	**1,009**	**Total Fair Value**	**-**	**1,013**
2,009	**27,197**	**TOTAL INVESTMENTS**	**0**	**27,242**

Gains and Losses on Financial Instruments

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

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

This compares with the gains and losses recognised in 2013/14:

2013/14	Financial Liabilities	Financial Assets		Total
	Liabilities Measured at amortised cost	Loans and Receivables	Available for sale assets	
	£'000	£'000	£'000	£'000
Interest expense	(13,324)	-	-	(13,324)
Impairment losses	-	-	-	-
Interest payable and similar charges	**(13,324)**	**-**	**-**	**(13,324)**
Interest Income	-	589	135	724
Gains on derecognition	-	-	-	-
Total Interest and Investment Income	**-**	**589**	**135**	**724**
Gains on revaluation	-	-	(1)	**(1)**
Surplus arising on revaluation of financial assets	**-**	**-**	**(1)**	(1)
Net gain/ (loss) for the year	**(13,324)**	**589**	**134**	**(12,601)**

Fair Value of Assets Carried at Amortised Cost

For each class of financial assets and financial liability, the Council is required to disclose the fair value of that class of assets and liabilities in such a way that a comparison with the carrying amount is possible.

The Council's borrowings are carried in the Balance Sheet at amortised cost. Investments consist of loan and receivables and available for sale financial assets. Loans and receivables are carried on the Balance Sheet at amortised cost. Available for sale assets are carried at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The fair value of a financial instrument on initial recognition is generally the transaction price.

The Council's debt outstanding at 31 March 2015 consisted of loans from the Public Works Loan Board (PWLB), market loans from banks and loans from other public bodies. The PWLB has provided the Council with fair value amounts in relation to its debt portfolio. The PWLB has assessed the fair values by calculating the amounts the Council would have had to pay to extinguish the loans on 31 March 2015. For the Council's market and other public bodies loans an assessment of the fair value has been undertaken by the Council advisors Arlingclose.

The Council's investment portfolio at the Balance Sheet date consisted almost entirely of term deposits with Banks, call account deposits, Money Market Fund investment and a European Investment Bank (EIB) bond. The Money Market Fund investment and EIB bond are Available for Sale assets and are already shown in the Balance Sheet at fair value based on their quoted market price.

In the case of short term instruments and deferred liabilities (PFI, finance lease, etc) the authority deems the carrying amount to be a reasonable approximation of the fair value.

Carrying Amount as at 31 March 2014	Fair Value as at 31 March 2014		Carrying Amount as at 31 March 2015	Fair Value as at 31 March 2015
£'000	**£'000**		**£'000**	**£'000**
		Financial Liabilities:		
216,891	308,410	Borrowings	203,923	343,087
20,416	20,416	Trade Payables	16,524	16,524
237,307	**328,826**	**Total Financial Liabilities**	**220,447**	**359,611**
		Financial Assets:		
28,197	28,203	Loans and Receivables	26,229	26,229
8,653	8,653	Trade Receivables	13,097	13,097
36,850	**36,856**	**Total Financial Assets**	**39,326**	**39,326**

The fair value of financial liabilities is higher than the carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the balance sheet date.

The fair value for financial assets at the Balance Sheet date is higher than the carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

18. DEBTORS

	31 March 2014	31 March 2015
	£'000	£'000
Central government bodies	7,873	6,461
Other local authorities	5,332	4,372
NHS bodies	2,831	7,301
Collection Fund	6,139	5,688
Other entities and individuals	28,738	26,691
Total	**50,913**	**50,513**

19. CASH AND CASH EQUIVALENTS

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

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

	31 March 2014	31 March 2015
	£'000	£'000
Cash held by Authority	1,534	2,261
Call accounts (same day access funds)	29,460	34,142
Total Cash and Cash Equivalents	**30,994**	**36,403**

20. ASSETS HELD FOR SALE

	2013/14	2014/15
	£'000	£'000
Balance outstanding at start of year	**589**	**9,708**
Assets newly classified as held for sale	9,622	67
Disposals	(503)	(585)
Balance outstanding at year-end	**9,708**	**9,190**

21. CREDITORS

	31 March 2014 £'000	31 March 2015 £'000
Central government bodies	8,670	5,421
Other local authorities	4,310	565
NHS bodies	3,845	1,689
Public corporations and trading funds	7	-
Other entities and individuals	41,213	53,509
Total	**58,045**	**61,184**

22. PROVISIONS

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

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

	Balance at 1 April 2014	Utilised in 2014/15	Additions in 2014/15	Released in 2014/15	Balance at 31 March 2015
	£'000	£'000	£'000	£'000	£'000
Council Tax	9,527	(3,040)	4,771	-	11,258
NNDR	1,761	(650)	604	-	1,715
Housing Benefit	7,837	-	1,160	-	8,997
Sundry Debtors	7,208	(802)	1,537	-	7,943
Summons Costs	506	(190)	305	-	621
Total	**26,839**	**(4,682)**	**8,377**	**-**	**30,534**

Others
The provisions figure shown in the Balance Sheet comprises:-

	Balance at 1 April 2014	Utilised in 2014/15	Additions in 2014/15	Released in 2014/15	Balance at 31 March 2015
	£'000	£'000	£'000	£'000	£'000
Short Term					
Insurance Fund	1,550	(1,346)	1,346	(50)	1,500
NNDR Appeals	1,564	(388)	1,454	-	2,630
Severance Pay	19	(19)	723	-	723
Carbon Reduction Commitment	488	(488)	449	-	449
Land Charges	250	-	100	-	350
Other	330	(88)	1	(238)	5
	4,201	**(2,329)**	**4,073**	**(288)**	**5,657**
Long Term					
Insurance Fund	4,279	-	-	(1,732)	2,547
Other	22	(22)	-	-	-
	4,301	(22)	-	(1,732)	2,547

Insurance Fund

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

NNDR Appeals

Following the introduction of the Business Rates Retention Scheme from 1 April 2013, billing authorities are required to make an estimate of the impact of successful appeals covering not only 2014/15 but also any backdated amount relating to earlier years. This will include decisions made in future years regarding appeals which may affect the 2014/15 and earlier financial years' business rates charges. The provision calculation is based upon data supplied by the Valuation Office at 31 March 2015 regarding outstanding and settled appeals.

Severance

The Council has identified funding that will be required for staff reductions in financial year 2014/15 that will cost £0.723 million and has therefore made provision for this liability.

Carbon Reduction Commitment

To fund carbon reduction payments to the Government which are paid in arrears but which need to be reflected in the correct financial year. Payments relating to 2013/14 have been met from this provision in 2014/15.

Land Charges

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

Other Provisions

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

23. USABLE RESERVES

Usable Reserve	Balance at 1 April 2014	Movement in Year	Balance at 31 March 2015	Purpose of Reserve
	£'000	£'000	£'000	
General Fund	17,199	1,601	18,800	Resources available to meet future running costs for services.
Earmarked General Fund Reserves	83,630	3,755	87,385	See note 9 for further details.
Capital Receipts Reserve	8,789	(511)	8,278	Contains the proceeds of fixed asset sales that are available to meet future capital investment.
Capital Grants Unapplied	13,826	(3,878)	9,948	Government Grants and contributions received in year for projects.
Total	**123,444**	**967**	**124,411**	

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

24. UNUSABLE RESERVES

Unusable Reserves (Re-stated)	Balance at 1 April 2014	Movement in Year	Balance at 31 March 2015
	£'000	£'000	£'000
Revaluation Reserve	189,957	5,373	195,330
Capital Adjustment Account	195,221	(3,652)	191,569
Pensions Reserve	(369,197)	(133,278)	(502,475)
Other	(5,184)	1,987	(3,197)
Total Unusable Reserves	**10,797**	**(129,570)**	**(118,773)**

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

2013/14		2014/15	
£'000		£'000	£'000
162,378	**Balance at 1 April**		**189,957**
52,698	Upward revaluation of assets	31,599	
(19,910)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(19,737)	
32,788	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**11,862**
(2,673)	Difference between fair value depreciation and historical cost depreciation	(3,389)	
(2,536)	Accumulated gains on assets sold or scrapped	(3,100)	
(5,209)	**Total amount written off to the Capital Adjustment Account**		**(6,489)**
189,957	**Balance at 31 March**		**195,330**

Revaluation Reserve Adjustments

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

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

Capital Adjustment Account

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

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

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

The opening balance on the Capital Adjustment Account for 2013/14 has been re-stated to include the value of Voluntary Aided, Voluntary Controlled and Foundation Schools

that were brought onto the Council's Balance Sheet retrospectively on 1 April 2013 to comply with revised accounting treatment guidance issued by CIPFA.

2013/14		2014/15	
£'000		£'000	£'000
192,721	**Balance at 1 April**		**195,221**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(43,501)	Charges for depreciation, revaluation losses and impairment of non-current assets	(23,974)	
2,673	Historic cost adjustment on Revaluation losses on Property, Plant and Equipment	3,389	
(218)	Amortisation of intangible assets	(62)	
(2,526)	Revenue expenditure funded from capital under statute	(1,754)	
(21,419)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(15,927)	
(64,991)			**(38,328)**
	Capital financing applied in the year:		
1,543	Use of the Capital Receipts Reserve to finance new capital expenditure	3,942	
21,051	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	13,925	
12,857	Statutory provision for the financing of capital investment charged against the General Fund	12,792	
4	Capital expenditure charged against the General Fund and other balances	798	
35,455			**31,457**
2,536	Balance in Revaluation Reserve written off on disposal of assets	3,100	
369	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	320	
29,131	Addition of Foundation and Voluntary Aided Schools	-	
-	Movement in Value of PFI Liability	(201)	
32,036			**3,219**
195,221	**Balance at 31 March**		**191,569**

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

2013/14		2014/15
£'000		£'000
(472,043)	**Balance at 1 April**	(369,197)
119,606	Re-measurement of pensions assets and liabilities	(126,906)
(49,987)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(42,910)
33,227	Employer's pensions contributions and direct payments to pensioners payable in the year	36,538
(369,197)	**Balance at 31 March**	**(502,475)**

Other Reserves

Financial Instrument Adjustment Account

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The balance in the Financial Instrument Adjustment Account at the end of the year represents the amount that should have been charged to the Comprehensive Income and Expenditure Statement in accordance with proper accounting practices under the Code of Practice, but which Statutory Provisions allow or require to be deferred over future years. At 31 March 2015 the account had a credit balance of £3.641 million (2013/14 credit £3.683 million)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and National Non-Domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. At 31 March 2015, the account had a balance of £2.639 million (2013/14 £0.153 million).

Accumulated Absences Account

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

arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account. The account had a credit balance of £4.877 million at 31 March 2015 (2013/14 credit £4.334 million).

Available for Sale Financial Instrument Reserve
The Available for Sale Financial Instrument Reserve contains gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. At 31 March 2015, the reserve had a credit balance of £0.01 million (2013/14 credit £0.007 million).

Deferred Capital Receipts
Deferred capital receipts relate to the principal element of loans provided by the Council, which are repaid over a number of years. The capital receipt is only recognised as and when the principal sum is repaid. At 31 March 2015 the reserve had a balance of £2.671 million (2013/14 £2.674 million).

25. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2013/14		2014/15
£'000		£'000
(4,817)	Interest received	(473)
17,332	Interest paid	12,878
	Adjust net (surplus)/ deficit on the provision of services for non cash movements:	
(17,564)	Depreciation	(18,192)
(25,937)	Impairment	(5,330)
(218)	Amortisations of intangible assets	(62)
(13,736)	(Increase) / decrease in long & short term creditors	(2,157)
5,489	Increase / (decrease) in long & short term debtors	(1,939)
16	Increase / (decrease) in stock / WIP	(60)
(16,760)	Movement in Pensions Liability	(6,372)
(21,435)	Non cash items relating to the disposal of fixed assets	(15,931)
3,362	Other non-cash items charged to the net surpklus or deficit on the provision of services	585
(86,783)		**(49,459)**
	Adjust for items in the net (surplus)/ deficit on the provision of services that are investing or financing activities	
2,319	Proceeds from the sale of property, plant and equip., investment property and intangible assets	3,436
12,932	Grants applied to the financing of capital expenditure	10,500
7	Any other items for which the cash effects are investing or financing cash flows.	(2,009)
871	Billing Authority NNDR adjustments	-
16,129	***Net cash flow from operating activities***	**11,927**

26. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2013/14		2014/15
£'000		£'000
22,201	Purchase of property, plant and equipment, investment property and intangible assets.	22,121
11,508	Purchase of short-term and long-term investments	45
-	Other payments for investing activities	300
(2,319)	Proceeds from sale of property, plant and equipment, investment property and intangible assets	(3,436)
(39,853)	Proceeds from short-term and long-term investments	-
(13,247)	Other receipts from investing activities	(14,867)
(21,710)	**Net cash flows from investing activities**	**4,163**

27. CASH FLOW STATEMENT - FINANCING ACTIVITIES

2013/14		2014/15
£'000		£'000
-	Cash Receipts from short and long-term borrowing	(500)
-	Other receipts from financing activities	(60)
2,533	Cash payments for the reduction of outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	2,293
30,018	Repayment of short- and long-term borrowing	13,500
(871)	Billing Authority Council Tax and NNDR adjustments	(635)
4	Other payments for financing activities	-
31,684	**Net cash flows from financing activities**	**14,598**

28. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

The income and expenditure by Council services recorded in the budget reports for the year 2014/15 is as follows:

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

Comparative information for the year 2013/14 is as follows:

Directorate Income and Expenditure 2013/14	Adult Social Services	Children and Young People	Regeneration & Environment	Transformation & Resources	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(29,939)	(49,413)	(22,059)	(557)	2,847	(99,121)
Government grants	(418)	(197,795)	(746)	(143,540)	(25,943)	(368,442)
Total Income	**(30,357)**	**(247,208)**	**(22,805)**	**(144,097)**	**(23,096)**	**(467,563)**
Employee expenses	20,892	194,017	23,892	32,717	13,100	284,618
Other service expenses	79,681	97,775	29,585	126,364	23,355	356,760
Support service recharges	11,836	24,642	10,402	18,522	1,883	67,285
Total Expenditure	**112,409**	**316,434**	**63,879**	**177,603**	**38,338**	**708,663**
Net Expenditure	**82,052**	**69,226**	**41,074**	**33,506**	**15,242**	**241,100**

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

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

	2013/14	2014/15
	£'000	£'000
Net expenditure in the Directorate Analysis	241,100	218,047
Net expenditure on services and support services not included in the Analysis	-	-
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	34,776	16,093
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	-	-
Cost of Services in Comprehensive Income and Expenditure Statement	**275,876**	**234,140**

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

2013/14	Directorate Analysis	Amounts not reported to management for decision making	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(99,121)	-	(99,121)	(1,956)	(101,077)
Interest and investment income	-	-	-	(1,054)	(1,054)
Income from council tax/NNDR	-	-	-	(184,000)	(184,000)
Government grants and contributions	(368,442)	(1,823)	(370,265)	(137,800)	(508,065)
Total Income	**(467,563)**	**(1,823)**	**(469,386)**	**(324,810)**	**(794,196)**
					-
Employee expenses	284,618	1,380	285,998	587	286,585
Other service expenses	356,760	-	356,760	155	356,915
Support Service recharges	67,285	-	67,285	-	67,285
Depreciation, amortisation and impairment	-	35,219	35,219	-	35,219
Interest Payments	-	-	-	32,253	32,253
Precepts & Levies	-	-	-	45,438	45,438
Payments to Housing Capital Receipts Pool	-	-	-	10	10
Gain or Loss on Disposal of Fixed Assets	-	-	-	19,112	19,112
Total expenditure	**708,663**	**36,599**	**745,262**	**97,555**	**842,817**
Surplus or (deficit) on the provision of services	**241,100**	**34,776**	**275,876**	**(227,255)**	**48,621**

29. TRADING ACCOUNTS

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

	2013/14	2014/15
	£'000	£'000
Turnover	(770)	(771)
Expenditure	64	913
Surplus / (Deficit)	(706)	142

30. POOLED BUDGETS

The Council has entered into a pooled budget arrangement with the Wirral NHS Clinical Commissioning Group for integrated community equipment services that is provided by Wirral Community Trust.

The pooled budget is hosted by the Trust on behalf of the two partners to the agreement.

	2013/14	2014/15
	£'000	£'000
Funding provided to the pooled budget		
Wirral Council	520	520
Wirral Community Trust	1,583	1,400
	2,103	**1,920**
Expendiiture met from the pooled budget		
Wirral Council	705	846
Wirral Community Trust	1,411	1,693
	2,116	**2,539**
Net deficit arising on the pooled budget during the year	**13**	**619**
Cost of the Council's share of the deficit on the pooled	**5**	**326**

31. MEMBERS' ALLOWANCES

The Council paid the following amounts to Members during the year.

	2013/14	2014/15
	£'000	£'000
Salaries	12	12
Allowances	747	744
Expenses	10	6
Total	**769**	**762**

32. OFFICERS' REMUNERATION

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

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

Note (a) – Acting Chief Executive in place 1 January 2015 to 6 April 2015;
Note (b) – Since 1 December 2014, an Acting Section 151 Officer has been in place covering this post;
Note (c) – The Chief Executive left the Council on 31 December 2014. The Assistant Chief Executive acted as Interim Chief Executive between 1 January 2015 and 6 April 2015, the date when the new Chief Executive took up the post.

	Employment Period	Notes	Salary	Allow-ances	Comp-ensation for loss of Office	Pension Contrib-utions	Total inc Pension Contrib-utions
			£	£	£	£	£
Financial Year 2013/14							
Chief Executive	01/04/13-31/03/14		134,804	308	-	-	135,112
Strategic Director : Transformation & Resources	01/04/13-31/03/14		120,273	105	-	14,617	134,995
Strategic Director: Families & Wellbeing	01/04/13-31/03/14		120,635	422	-	14,617	135,674
Strategic Director: Regeneration & Environment	01/04/13-31/03/14		120,505	-	-	14,654	135,159
Head of Policy & Performance/Director of Public Health	01/04/13-31/03/14		89,240	-	-	12,494	101,734
Head of Neighbourhood and Engagement	01/04/13-31/03/14		83,491	-	-	10,156	93,647
Director of Resources	04/11/13-31/03/14	(a)	35,621	-	-	4,350	39,971
Director of Adult Social Services	01/04/13-31/03/14		107,262	1,488	-	12,865	121,615
Director of Children & Young People's Services	01/04/13-31/03/14		102,972	-	-	12,526	115,498
Assistant Chief Executive/ Head of Universal Services/Infrastructure	01/04/13-31/03/14		102,272	447	-	12,387	115,106
Monitoring Officer	01/04/13-31/03/14		75,411	-	-	-	75,411
Total			**1,092,486**	**2,770**	**0**	**108,666**	**1,203,922**

Note (a) – Interim Director of Resources in place 1/4/2013 to 03/11/2013

The following table shows remuneration over £50,000 to employees in bands of £5,000. 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	**2013/14 Number of Employees**			**2014/15 Number of Employees**		
	General	Teaching	Total	General	Teaching	Total
£50,001 - £55,000	45	45	90	22	44	66
£55,001 - £60,000	19	36	55	22	37	59
£60,001 - £65,000	14	34	48	7	41	48
£65,001 - £70,000	4	15	19	4	17	21
£70,001 - £75,000	13	4	17	12	9	21
£75,001 - £80,000	5	10	15	2	3	5
£80,001 - £85,000	7	1	8	6	3	9
£85,001 - £90,000	1	1	2	2	1	3
£90,001 - £95,000	-	1	1	1	-	1
£95,001 - £100,000	-	2	2	-	2	2
£100,001 - £105,000	2	1	3	1	1	2
£105,001 - £110,000	2	-	2	4	-	4
£110,001 - £115,000	-	-	-	-	-	-
£115,001 - £120,000	-	-	-	2	-	2
£120,001 - £125,000	4	-	4	2	-	2
£125,001 - £130,000	-	-	-	-	1	1
£175,001 - £180,000	3	-	3	1	-	1
	119	**150**	**269**	**88**	**159**	**247**

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

(a) Exit Package cost band (including special payments)	**(b) Number of compulsory redundancies**		**(c) Number of other departures agreed**		**(d) Total number of exit packages by cost band**		**(e) Total cost of exit packages in each band**	
	2013/14	**2014/15**	**2013/14**	**2014/15**	**2013/14**	**2014/15**	**2013/14 £'000**	**2014/15 £'000**
£ 0 - £ 20,000	2	3	95	213	97	216	977	1,952
£ 20,001 - £ 40,000	-	-	47	56	47	56	1,308	1,367
£ 40,001 - £ 60,000	-	-	3	4	3	4	148	211
£ 60,001 - £ 80,000	-	-	1	3	1	3	66	205
£ 80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	1	-	1	-	129
	2	**3**	**146**	**277**	**148**	**280**	**2,499**	**3,864**

Termination Benefits

In 2013/14 the Council commenced a major restructuring of its departmental operations. This continued in 2014/15 and has seen changes in the operational arrangements at director, head of service and senior manager level. The requirement to make budget reductions in 2014/15 and beyond has also seen further reviews and restructuring of a number of Council services.

As a consequence of these changes to the Councils organisation Wirral has incurred termination payments and liabilities of £3.86 million in 2014/15 (2013/14 £2.5 million). This covers the costs of staff severance packages where the detailed restructuring of a service area has either occurred in 2014/15 or is demonstrably committed to take place in 2014/15.

33. EXTERNAL AUDIT COSTS

In 2014/15 the following fees were paid relating to external audit and inspection:

	2013/14	2014/15
	£'000	£'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	212	213
Fees payable to Grant Thornton for the certification of grant claims and returns	40	36
Fees payable to Grant Thornton in respect of other services provided by the appointed auditor	2	10
Total	**254**	**259**

34. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2011.

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

Details of the deployment of DSG receivable for 2014/15 are as follows:

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

Comparative figures for 2013/14 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£'000	£'000	£'000
Final DSG for 2013/14 (prior to Academy Recoupment)			234,905
Academy figure recouped for 2013/14			(59,552)
Final DSG for 2013/14			175,353
Brought forward from 2012/13			2,000
Carry forward to 2014/15 agreed in advance			(2,402)
Agreed initial budgeted distribution 2013/14	25,278	149,673	174,951
In year adjustments	(80)	80	-
Final budgeted distribution for 2013/14	25,198	149,753	174,951
less: Actual central expenditure	(23,797)		(23,797)
less: Actual ISB deployed to schools		(149,753)	(149,753)
Authority contribution for 2013/14	-	-	-
Carry forward to 2014/15 agreed in advance			2,402
Total carried forward to 2014/15	**1,401**	**-**	**3,803**

35. GRANT INCOME

The Council credited the following grants and contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

Credited to Taxation and Non Specific Grant Income:	**2013/14**		**2014/15**	
	£'000	**£'000**	**£'000**	**£'000**
Revenue Grants :				
Revenue Support Grant	106,967		87,493	
Schools Private Finance Initiative	5,471		5,471	
Education Services Grant	5,006		4,857	
Grant to Compensate for Changes to Business Rates	1,206		2,971	
New Homes Bonus Grant	2,120		2,010	
Council Tax Freeze Grant	-		1,354	
Troubled Families Grant	1,148		903	
Local Council Tax Support Admin Grant	-		565	
14-15 SEN-RG	-		364	
Local Reform and Community Voices	-		315	
Adoption Reform Grant	520		260	
SEND Implementation	-		260	
Local Services Support Grant	257		184	
Capitalisation Provision Redistribution Grant	564		-	
Severe Flooding Payments for Business Rate	337		-	
Other Revenue Grants	283		935	
Total Revenue Grants		**123,879**		**107,942**
Capital Grants :				
Transport Supplementary Grant	4,527		4,995	
Standards Fund	4,858		3,113	
Other Capital Grants (less than £250k)	377		1,315	
LSTF Major Bid	1,197		485	
Universal Free School Meals	-		410	
Heritage Lottery Fund	-		181	
LAA Reward Grant	1,811		-	
Community Capacity	968		-	
LSTF Key Components	183		-	
Total Capital Grants		**13,921**		**10,499**
Total Credited to Taxation and Non Specific Grant Income		**137,800**		**118,441**

	2013/14	2014/15
	£'000	£'000
Credited to Services:		
Dedicated Schools Grant	175,353	174,635
Housing Benefits	136,573	137,832
Public Health Grant	25,720	26,440
Pupil Premium	10,660	14,407
16-19 Further Education YPLA	6,854	6,371
Housing Benefits Admin Grant	2,824	2,041
Universal Infant Free School Meals (UIFSM)	-	1,903
Local Welfare Assistance Scheme	1,630	1,607
Discretionary Housing Payments	1,103	996
PE & Sports Grant	548	840
Adult Safeguarded Learning	840	839
Youth Justice Board	775	776
Local Sustainable Transport Fund	711	731
Music Grant	808	724
Pot Hole Grant	-	463
Crime and Disorder Reduction Grant	407	432
Rates Relief	340	357
Step Up to Social Work	754	339
Youth Employment Gateway	-	308
Worklessness Grant	377	-
Other	2,623	1,123
Total Credited to Services	**368,900**	**373,164**

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them. These will require the monies to be returned to the giver, if not spent in accordance with the conditions. The balances at the year-end totalled £4.8 million:

	31 March 2014	31 March 2015
	£'000	£'000
Grants Receipts in Advance		
Regional Growth Fund	1,323	2,883
Cluster of Empty Homes	1,254	1,254
Milberry Properties	275	266
Aiming Higher - Disabled Children	233	233
Other	105	186
Total Grant Receipts in Advance	**3,190**	**4,822**

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

36. RELATED PARTY TRANSACTIONS

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

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

Members
Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2014/15 is shown in note 31. Members have also declared interests, where required, in a number of organisations which received funding or payments for works and services in the year. These particularly related to payments to Magenta Living with a value of £0.69 million (£0.8 million 2013/14) and various voluntary organisations to which the Council made payments of £0.18 million in the year (£0.2 million in 2013/14).

The relevant Members did not take part in any discussion or decision relating to these payments. Details of all these interests are recorded in the Council's Register of Members' Interest which is open to public inspection.

Officers
No material declarations of interest were made in the year.

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

Wirral Council received grants of £3.0 million (2013/14 £1.5 million) to fund support for housing and homelessness initiatives and schemes tackling domestic abuse. The balance on the Community Fund at 31 March 2015 stood at £8.192 million (31 March 2014 £9.236 million).

The balance on the Community Fund is also being held to meet costs in respect of an environmental warranty, which was set up with Magenta Living at the time of the housing stock transfer in 2005 to meet the costs of remediation of environmental contamination.

Other Public Bodies

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

	Number of Repre-sentatives	Precept/Levy 2013/14 £'000	Precept/Levy 2014/15 £'000
Merseyside Police Authority	3	13,384	13,750
Merseyside Fire and Rescue Service	4	6,661	6,151
Merseyside Recycling and Waste Authority	2	15,573	15,085
Merseyside Port Health	6	62	44
Merseytravel	4	29,497	29,433

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

The Council acts as the administering authority to Merseyside Pension Fund and charged the Fund £3.4 million (2013/14 £3.7 million) for administration and investment management costs.

37. CAPITAL EXPENDITURE AND CAPITAL FINANCING

Summary of Capital Expenditure and Financing	**2013/14**	**2014/15**
	£'000	**£'000**
Opening Capital Financing Requirement	**367,196**	**355,136**
Capital Investment		
Property, Plant & Equipment	20,881	21,248
Revenue Expenditure Funded from Capital under Statute	4,352	9,568
Intangible Assets	-	1,341
Long Term Debtors	469	300
	25,702	**32,457**
Sources of Finance		
Capital Receipts	(1,543)	(3,942)
Government Grants transferred from Capital Grants Unapplied	(1,962)	(7,918)
Government Grants and Other Contributions received and applied in year	(21,443)	(13,821)
Sums Set Aside from Revenue		
Minimum Revenue Provision	(12,808)	(12,792)
Revenue Contributions	(6)	(798)
	(37,762)	**(39,271)**
Closing Capital Financing Requirement	**355,136**	**348,322**
Explanation of the Movement in Year		
Increase/(Reduction) in the underlying need to borrow	**(12,060)**	**(6,814)**

38. LEASES

Council as Lessor

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

Property	Lessor	Remaining Term
Birkenhead Market	Birkenhead Market Ltd	113 years
Wirral Country Park Caravan Site (Touring)	The Caravan Club Ltd	14 years
Wirral Country Park Caravan Site (Static)	The Caravan Club Ltd	34 years
New Brighton Marine Point	Neptune Developments	247 years

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

	31 March 2014	31 March 2015
	£'000	£'000
Finance lease debtor (net present value of minimum lease payments):		
• current	3	3
• non-current	2,670	2,667
Unearned finance income	26,390	26,107
Gross investment in the lease	**29,063**	**28,777**

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

	Investment in the Lease 31 March 2014 £000	Lease Payments 31 March 2014 £000	Investment in the Lease 31 March 2015 £000	Lease Payments 31 March 2015 £000
	£'000	£'000	£'000	£'000
Not later than one year	287	174	287	162
Later than one year and not later than five years	1,146	580	1,146	538
Later than five years	27,630	1,650	27,343	1,530
	29,063	**2,404**	**28,776**	**2,230**

39. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

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

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

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

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

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

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

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

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

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

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

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

Valuation information for PFI assets recognised in the Balance Sheet:

	Leasowe Primary	Wallasey High	Total
	£'000	£'000	£'000
Movement in 2014/15			
Valuation			
Valuation at 1 April 2014	1,053	3,235	4,288
Revaluations	-	(3,235)	(3,235)
Accumulated Depreciation at 1 April 2014	(22)	(7)	(29)
Depreciation 2014/15	(13)	(83)	(96)
Disposals	-	90	90
Accumulated Depreciation at 31 March 2015	(35)	-	(35)
Net Book Value			
at 31 March 2015	1,018	-	1,018
at 31 March 2014	1,031	3,228	4,259
Comparative Movement in 2013/14			
Valuation at 1 April 2013	3,065	9,550	12,615
Additions	(2,012)	(6,315)	(8,327)
Accumulated Depreciation at 1 April 2013	(396)	(1,242)	(1,638)
Depreciation 2013/14	(48)	(225)	(273)
Depreciation adjustment due to revaluation	422	1,460	1,882
Accumulated Depreciation at 31 March 2014	(22)	(7)	(29)

Leasowe Primary School is held on a 30 year lease and is leased back to the Council. In 2014/15, a different valuation approach has been used to reflect the lease in the accounts, which effectively defers the value until the end of the lease. This change in the valuation method accounts for the reduction in the value of the schools reflected in the Balance Sheet. Wallasey High School transferred to Academy status during the year.

Payments

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

	Services	Lease Liability	Interest	Life cycle costs	Total
	£'000	£'000	£'000	£'000	£'000
Payable in 2015/16	2,865	2,333	1,810	886	7,894
Payable within 2 - 5 years	11,539	10,897	6,367	2,780	31,583
Payable within 6 - 10 years	14,598	14,853	5,768	4,259	39,478
Payable within 11 - 15 years	14,795	19,799	2,830	2,055	39,479
Payable within 16 - 20 years	3,970	4,944	138	269	9,321
Total	**47,767**	**52,826**	**16,913**	**10,249**	**127,755**

The unitary payment in 2014/15 is £11.184 million, allocated as follows

	2013/14	2014/15
	£'000	£'000
Service costs	4,284	4,413
Interest and similar charges	3,509	3,719
Lease liability	991	2,483
Life cycle costs	2,138	569
	10,922	**11,184**

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

	2013/14	2014/15
	£'000	£'000
Balance outstanding at start of year	57,239	55,109
Lease payments during the year	(2,138)	(2,484)
Other movements	8	201
	55,109	**52,826**

In calculating the future unitary payments to the end of the contract from 2014/15 onwards, the most up to date information available has been used. This gives a more accurate estimate of the total outstanding liability. However, substituting this information effectively increased the calculation of the liability at 31 March 2015 by £0.201 million. The annual unitary payment is increased by the Retail Price Index less 10%. For 2015/16 onward the RPI has been estimated using the most up to date information as opposed to the estimates in the operator's financial model.

40. LONG TERM DEBTORS

	Repay-ment of former MCC Debt	Regen-eration Property Loans	Repay-ment of Council Mortgages	Leases	Total
	£'000	£'000	£'000	£'000	£'000
Balance 1.4.2013	**53,622**	**2,622**	**42**	**2,675**	**58,961**
Advances	-	469	-	-	469
Repaid/reclassified	(4,469)	-	(14)	(1)	(4,484)
Balances 31.3.2014	**49,153**	**3,091**	**28**	**2,674**	**54,946**
Balance 1.4.2014	**49,153**	**3,091**	**28**	**2,674**	**54,946**
Advances	-	300	-	-	300
Repaid/reclassified	(4,468)	-	(9)	(7)	(4,484)
Balances 31.3.2015	**44,685**	**3,391**	**19**	**2,667**	**50,762**

41. OTHER LONG TERM LIABILITIES

	PFI Long term liability	Other lease liability	Pensions liability	Total
	£'000	£'000	£'000	£'000
Balance 1.4.2013	**55,138**	**539**	**472,043**	**527,720**
Advances	-	-	-	-
Repayments	(2,150)	(521)	-	(2,671)
Deficit funding	-	-	(102,846)	(102,846)
Balance 31.3.2014	**52,988**	**18**	**369,197**	**422,203**
Balance 1.4.2014	**52,988**	**18**	**369,197**	**422,203**
Advances	-	-	-	-
Repayments	(2,495)	(9)	-	(2,504)
Deficit funding	-	-	133,278	133,278
Balance 31.3.2015	**50,493**	**9**	**502,475**	**552,977**

42. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers

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

The Scheme is technically a 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 Council is not able to identify its share of the

underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contribution into the Teacher's Pension Scheme during the year ending 31 March 2015, the Council's own contributions are negligible.

In 2014/15, the Council paid £9.57 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.5% of pensionable pay. The comparable figures for 2013/14 were £9.49 million and 14.5% respectively. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 43.

In 2014/15 the Council paid £2.98 million by way of enhanced pensions, with the equivalent figure in 2013/14 being £3 million.

Public Health

Public Health staff who transferred to the Council on 1 April 2013 remained members of the NHS Pension Fund. The Scheme provides members with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is an unfunded defined contributions scheme. The Council is not able to identify its share of underlying financial position and performance of the Scheme 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.

In 2014/15, the Council paid £0.169 million to the NHS Pension Fund in respect of retirement benefits, representing 14% of pensionable pay (2013/14 £0.2 million 14% of pensionable pay). There were no contributions remaining payable at the year-end.

43. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

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

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made 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 in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		**Discretionary Benefits Arrangements**		**Unfunded Teachers Scheme**	
	2013/14 £'000	**2014/15 £'000**	**2013/14 £'000**	**2014/15 £'000**	**2013/14 £'000**	**2014/15 £'000**
Comprehensive Income and Expenditure Statement						
Cost of Services:						
• current service costs	27,141	24,302	-	-	-	-
• past service costs	2	-	-	-	-	-
• settlements and curtailments	3,328	2,295	-	-	-	-
Other Operating Expenditure:						
• Administration costs	587	587	-	-	-	-
Financing and Investment Income and Expenditure						
• Net interest cost	15,957	12,570	1,630	1,740	1,342	1,416
Total Post Employment Benefits charged to the Surplus or Deficit on the Provision of Services	**47,015**	**39,754**	**1,630**	**1,740**	**1,342**	**1,416**

(Table continues on the following page)

(Table continued from the previous page)

	Local Government Pension Scheme		Discretionary Benefits Arrangements		Unfunded Teachers Scheme	
	2013/14	**2014/15**	**2013/14**	**2014/15**	**2013/14**	**2014/15**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement						
• Remeasurement of the net defined benefit liability						
- return on plan assets	2,712	(62,253)	-	-	-	-
- actuarial gains and losses arising from changes to demographic assumptions	6,283	-	521	-	395	-
- actuarial gains and losses arising from changes to financial assumptions	(94,071)	183,152	(1,322)	3,703	(1,792)	2,304
- actuarial gains and losses arising from experience	(33,934)	-	1,872	-	(270)	-
• Total remeasurement of the net defined benefit liability	(119,010)	120,899	1,071	3,703	(1,667)	2,304
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(71,995)	160,653	2,701	5,443	(325)	3,720
Movement in Reserves Statement						
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(47,015)	(39,754)	(1,630)	(1,740)	(1,342)	(1,416)
Actual amount charged against the General Fund Balance for pensions in the year:						
• employers' contributions payable to scheme	27,407	30,736	-	-	3,018	2,981
• retirement benefits payable to pensioners	-	-	2,802	2,821	-	-

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2015 is a loss of £126.9 million.

Pensions Assets and Liabilities recognised in the Balance Sheet

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

	2013/14	2014/15
	£'000	£'000
Present value of liabilities:		
Local Government Pension Scheme	1,098,683	1,325,647
Discretionary Benefits	40,099	42,721
Teachers pension scheme	34,429	35,168
	1,173,211	**1,403,536**
Fair value of assets:		
Local Government Pension Scheme	804,014	901,061
Net Liability arising from defined benefit obligation		
Local Government Pension Scheme	(294,669)	(424,586)
Discretionary Benefits	(40,099)	(42,721)
Teachers pension scheme	(34,429)	(35,168)
Total	**(369,197)**	**(502,475)**

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

	Local Government Pension Scheme		Unfunded liabilities Discretionary Benefits	
	2013/14	2014/15	2013/14	2014/15
	£'000	£'000	£'000	£'000
Opening balance at 1 April	780,285	804,014	-	-
Interest on plan assets	32,654	36,163	-	-
Remeasurements (Assets)	(2,712)	62,253	-	-
Employer contributions	27,395	30,736	2,802	2,821
Contributions by scheme participants	7,428	7,310	-	-
Benefits paid	(40,427)	(38,828)	(2,802)	(2,821)
Administration costs	(587)	(587)	-	-
Settlements	(22)	-	-	-
Closing balance at 31 March	**804,014**	**901,061**	**-**	**-**

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits		Unfunded Teachers Scheme	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance at 1 April	1,174,356	1,098,683	40,200	40,099	37,772	34,429
Current service cost	27,141	24,302	-	-	-	-
Interest cost on liabilities	48,611	48,733	1,630	1,740	1,342	1,416
Contributions by scheme participants	7,428	7,310	-	-	-	-
Remeasurements (Liabilities)	(121,722)	183,152	1,071	3,703	(1,667)	2,304
Benefits paid	(40,439)	(38,828)	(2,802)	(2,821)	(3,018)	(2,981)
Past service costs/	2	-	-	-	-	-
Curtailments	3,983	2,295	-	-	-	-
Settlements	(677)	-	-	-	-	-
Closing balance at 31 March	**1,098,683**	**1,325,647**	**40,099**	**42,721**	**34,429**	**35,168**

Local Government Pension Scheme Assets comprised:

	Fair Value of Scheme Assets	
	2013/14	2014/15
	£'000	£'000
Equities		
UK quoted	212,581	214,993
Global quoted	244,822	271,400
	457,403	**486,393**
Bonds		
UK Government	33,929	45,053
UK Corporate	21,226	23,337
UK Index-Linked	76,542	87,943
	131,697	**156,333**
Property		
UK Direct Property	39,236	50,459
UK Quoted Managed Property	4,985	2,974
UK Unquoted Managed Property	12,703	11,984
Global Managed Properties	7,558	9,011
	64,482	**74,428**

(Table continues on the following page)

(Table continued from the previous page)

	Fair Value of Scheme Assets	
	2013/14	**2014/15**
	£'000	**£'000**
Private Equity		
UK Quoted	563	360
UK Unquoted	20,663	26,942
Global Unquoted	19,538	24,689
	40,764	**51,991**
Hedge Funds		
UK Quoted	2,251	2,253
UK Unquoted	32,884	4,866
Global Unquoted	1,206	27,482
	36,341	**34,601**
Infrastructure		
UK Unquoted	7,317	12,615
Global Quoted	2,412	2,433
Global Unquoted	6,352	7,479
	16,081	**22,527**
Opportunities		
UK Quoted	11,739	16,489
UK Unquoted	11,176	18,472
Global Quoted	6,915	2,703
Global Unquoted	6,111	9,822
	35,941	**47,486**
Cash Instruments	**21,305**	**27,302**
Total	**804,014**	**901,061**

Asset Breakdown

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

	2013/14	**2014/15**
	%	**%**
Equities	56.9	54.0
Government Bonds	4.2	5.0
Other Bonds	12.2	12.3
Property	8.0	8.3
Alternatives	16.1	17.4
Cash Instruments	2.6	3.0
	100.0	100.0

Discretionary benefits arrangements have no assets to cover its liabilities.

Basis for Estimating Assets and Liabilities

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

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

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

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2013/14	**2014/15**
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.0%	6.5%
Government Bonds	3.4%	2.2%
Other Bonds	4.3%	2.9%
Property	6.2%	5.9%
Cash / Liquidity	0.5%	0.5%
Other	Variable	Variable
Mortality assumptions:		
Longevity at 65 for current pensioners in years*:		
• Men	22.3	22.4
• Women	25.2	25.3
Longevity at 65 for future pensioners in years:		
• Men	24.7	24.8
• Women	28.0	28.1
Rate of CPI inflation*	2.4%	2.0%
Rate of increase in salaries	3.9%	3.5%
Rate of increase in pensions*	2.4%	2.0%
Rate for discounting scheme liabilities (Main Funded Scheme)	4.5%	3.3%
Rate for discounting scheme liabilities (Teachers Unfunded)	4.3%	3.1%

* Note: The assumptions made for longevity at 65 for current pensioners, the rate of CPI inflation and the rate of increase in pensions are the same for both the main funded scheme and teachers additional unfunded benefits.

The estimate of the defined benefit obligation is sensitive to the actuarial assumptions contained in the above table. An analysis has been made of the sensitivity of the assumptions made based on reasonably possible changes occurring at the end of the reporting period. The sensitivity analysis assumes for each change that only the assumptions for each individual part might vary, with all other assumptions remaining constant. The assumptions for longevity, for example, assume that life expectancy increases or decreases for both men and women. In practice this may not occur and changes to some of the assumptions may be inter-related.

The estimates and assumptions used to prepare the sensitivity analysis contained in the following table have followed the accounting policies for the scheme having been calculated using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity Analysis

	Impact on the Defined Benefit		**Teachers Additional Unfunded pensions**	
	Increase in assumption £'000	**Decrease in assumption £'000**	**Increase in assumption £'000**	**Decrease in assumption £'000**
Longevity (increase or decrease in one year)	(26,983)	26,983	(1,487)	1,487
Rate of inflation (increase or decrease by 0.1%)	(25,119)	25,119	(299)	299
Rate of increase in salaries (increase or decrease by 0.1%)	(6,129)	6,129	-	-
Rate of increase in pensions (increase or decrease by 0.1%)	-	-	-	-
Rate for discounting liabilities (increase or decrease by 0.1%)	(24,665)	24,665	(297)	297

Asset and Liability Matching Strategy

The Pensions Committee of the Merseyside Pensions Fund has agreed to an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The fund has matched assets to the pensions' obligations by investing in long-term fixed interest securities and index linked gilt edged investment with maturities that match the benefits payments as they fall due. This is balanced with a need to maintain the liquidity of the fund to ensure that it is able to make current payments. As is required by the pensions and (where relevant) investment regulations the suitability of various types of investment have been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range. A large proportion of the assets relate to equities (54% of scheme assets) and bonds (17%).

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

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

Impact on the Authority's cashflows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 22 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

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

In 2015/16 the Council expects to pay contributions of £30.707 million to the funded scheme and a further £2.981 million in relation to teachers additional unfunded benefits, giving a total employer contribution of £33.688 million to the scheme for 2015/16. Expected contributions relating to discretionary benefits in 2014/15 are £2.8 million and the weighted average duration of the defined benefit obligation for scheme members is 18 years.

Qualitative Disclosures required under IAS19

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

Retirement benefit obligations

At 31 March 2015 the Council's principal pension arrangement for its employees was the Merseyside Pension Fund, which is part of the Local Government Pension Scheme (LGPS). The LGPS is a funded defined benefit pension arrangement for local authorities and related employers, and is governed by statute (principally now the Local Government Pension Scheme Regulations 2013).

The Merseyside Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees. Each employer's contributions to the Fund are calculated in accordance with the LGPS Regulations, which require an actuarial valuation to be carried out every three years. The latest actuarial valuation of the Fund was carried out at 31 March 2013, and at that date showed a funding level of 76% (assets of £5.82 bn against accrued liabilities of about £7.69 bn). The weighted average duration of the liabilities of the Fund as a whole is 18 years, measured on the IAS19 actuarial assumptions. The duration of the liabilities for the individual employers which participate in the scheme can be significantly different from this, reflecting the profile of its employees and former employees.

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

- Teachers. The authority's costs in relation to this arrangement are set by central government as a percentage of contributing members' pay. The related funding risks are borne by central government. The authority is, however, responsible for paying some additional pensions to retired teachers which were awarded at the point of retirement.
- Health workers. Again, 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 authority, as is the cash funding required. The details in relation to each arrangement, including the relevant provisions for governance and risk management, are set out below.

Nature of Fund

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

Governance

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

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

Funding the liabilities

Regulations governing the Fund require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the Fund's solvency, and the detailed provisions are set out in the Fund's Funding Strategy Statement. The most recent valuation was carried out as at 31 March 2013, which showed a shortfall of assets against liabilities of £1.87 bn as at that date, equivalent to a funding level of 76%. The fund's employers are paying additional contributions over a period of up to 22 years in order to meet the shortfall.

The weighted average duration of the authority's defined benefit obligation is 21 years, measured on the actuarial assumptions used for IAS19 purposes.

Risks and Investment strategy

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

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

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

Market Price / Interest rate / Currency risk

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

Credit risk

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

Liquidity risk

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

borrowing facilities. The management of the Fund also prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows.

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

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

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

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

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

Schemes for Teachers and Health Workers

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

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

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

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

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

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

44. TRUST FUNDS

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

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

	Income	Expenditure	Assets	Liabilities
	£'000	£'000	£'000	£'000
EF Callister	-	-	373	-
Stitt Scholarship	-	-	37	-
Criminal Injuries	-	-	6	-
Other	-	-	90	-
	-	-	506	-

45. CONTINGENT ASSETS AND LIABILITIES

Magenta Living (Wirral Partnership Homes)
On the transfer of the Council housing stock in 2005, an environmental warranty was agreed with Magenta Living (formerly Wirral Partnership Homes). This warranty requires remediation of any environmental contamination. It has been agreed that the funding of such costs will be from the Community Fund (see Note 36 - Related Parties page 109).

Pay Review
As a consequence of the National Joint Council (NJC) for Local Government Services pay award the Council is implementing a Local Pay Review which is being backdated to 1 April 2007. The review is addressing any equality issue in relation to equal pay for work of equal value and has been incorporated into the Future Council project. This is examining all Council services and will, in 2014/15, assess the cost of restructuring a range of Council services. The accounts include sums set aside as a contribution towards these additional costs, which will become payable in the coming financial years.

NNDR Appeals

The Council has made a provision for NNDR appeals based upon its best estimate of the actual liability in known appeals at 31 March 2015. However, as appeals can be backdated for several years it is possible that additional costs could be incurred by the Council if any subsequent appeals are successful.

46. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council has adopted CIPFA's Code of Practice on Treasury Management and complies with The Prudential Code of Capital Finance for Local Authorities (both revised in November 2011).

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

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Department for Communities and Local Government Investment Guidance for Local Authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

- Credit Risk: The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party;
- Liquidity Risk: The possibility that a party will be unable to raise funds to meet the commitments associated with Financial Instruments;
- Market Risk: The possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices etc.

Credit Risk

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, and other local authorities without credit ratings. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial organisations for investment.

A limit is placed on the amount of money that can be invested with a single counterparty. The Council also sets a total group investment limit for institutions that are part of the same banking group. No more than £30 million in total can be invested for a period longer than one year.

The Council's maximum exposure to credit risk in relation to its investments cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk

applies to all of the Council's deposits, whereby they may become irrecoverable but there was no evidence at the 31 March 2014 that this was likely to crystallise.

The table below summarises the nominal value of the Council's investment portfolio as at 31 March 2015 by the counterparty's country of origin and its credit rating. The table confirms that all investments were made in line with the Council's approved credit rating criteria at the time of placing the investment:

Financial Institution / Instrument and Country	Credit Rating *	Maturity of Investment					Balance Invested as at 31.03.15
	Long Term Rating	Cash Equivalent	0-3 Months	3-6 Months	6-12 Months	Over 12 Months	
		£'000	£'000	£'000	£'000	£'000	£'000
Loans & Receivables							
Banks							
UK	A	5,000	8,000	-	-	-	13,000
UK	A-	-	2,000	-	-	-	2,000
Non-UK	AA-	1,000	4,000	-	-	-	5,000
Building Societies							
UK	A	-	-	2,000	-	-	2,000
UK	A-	-	1,000	1,000	-	-	2,000
UK	Unrated	-	1,000	-	-	-	1,000
Other Local Authorities	n/a	-	-	2,000	5,000	-	7,000
Total Loans & Receivables		**6,000**	**16,000**	**5,000**	**5,000**	**-**	**32,000**
Available for sale financial assets							
Money Market Fund	AAA	28,142	-	-	-	-	28,142
Other Externally Managed Funds	AAA	-	1,000	-	-	-	1,000
Total Available for sale financial assets		**28,142**	**1,000**	**-**	**-**	**-**	**29,142**
Total Financial Instruments		**34,142**	**17,000**	**5,000**	**5,000**	**-**	**61,142**

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

Trade Debtors

Trade debtors are also subject to non-payment, a bad debt provision is calculated for these based on the historic experience of levels of default. By including these provisions within the accounts the credit risk is recognised in the accounts.

2013/14	Trade Debtors	2014/15
£'000		£'000
15,861	Gross Debtors	21,040
(7,208)	Bad Debt Provision	(7,943)
8,653	**Net Trade Debtors**	**13,097**

Liquidity Risk

The Council has access to borrowing facilities from the Public Works Loan Board. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council also has to manage the risk that it will not 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 2015 was as follows

	31 March 2015	
Maturity of Borrowing (Years)	**£'000**	**%**
Short Term Borrowing		
Less than 1 year	10,043	4.92
Total Short Term Borrowing	**10,043**	**4.92**
Long Term Borrowing:-		
Over 1 year under 2 years	8,032	3.93
Over 2 years under 3 years	8,532	4.17
Over 3 years under 4 years	6,759	3.31
Over 4 years under 5 years	2,000	0.98
Over 5 years under 10 years	27,033	13.26
Over 10 years under 20 years	13,228	6.49
Over 20 years under 40 years	75,347	36.96
Over 40 years under 60 years	34,549	16.94
Over 60 years under 70 years	18,400	9.02
Total Long Term Borrowing	**193,880**	**95.08**
Total Borrowing	**203,923**	**100.00**

Market Risk

(a) Interest Rate Risk:

The Council is exposed to risks arising from movements in interest rates. To give the Authority maximum flexibility during the year's unsettled market conditions the Treasury Management Strategy did not place limits on the amount of debt that can be exposed to fixed or variable interest rates. At 31 March 2015 100% of the debt portfolio was held in fixed rate instruments.

Investments are also subject to movements in interest rates. As investments are made at fixed rates, but for shorter periods of time, there is greater exposure to interest rate movements. This risk has to be balanced against actions taken to mitigate credit risk.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect on investment income would have been an increase of approximately £1.18 million. There would be no effect on interest payable on borrowings as all borrowings held are at fixed rates of interest.

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

(b) Price risk:
The Council only invests in AAA rated money market funds with a Constant Net Asset Value (CNAV) and, therefore, is only subject to very minimal price risk (i.e. the risk that the Council will suffer loss as a result of adverse movements in the price of financial instruments).

(c) Foreign exchange risk
The Council has no financial assets or liabilities denominated in a foreign currency. It, therefore, has no exposure to loss arising as a result of adverse movements in exchange rates.

47. Prior Period Adjustments

The change to accounting policy in relation to the recognition of Foundation, Voluntary Aided and Voluntary Controlled Schools has resulted in a prior year adjustment to the carrying value of land and buildings within Property, Plant and Equipment and the balance on the Capital Adjustment Account within the Balance Sheet for 2013/14. The value of the changes is as follows:-

	Closing balance from 2013/14 Audited Accounts	**Adjustment required**	**Revised closing balance for 2013/14**
	£'000	**£'000**	**£'000**
Movement in Reserves Statement			
Unusable Reserves	(18,334)	29,131	10,797
Total Council Reserves	105,110	29,131	134,241
Balance Sheet			
Property, Plant and Equipment	609,303	29,131	638,434
Capital Adjustment Account	166,090	29,131	195,221

The adjustment to the carrying value of Property, Plant and Equipment reflected In the Balance Sheet would usually result in a change to the value of depreciation charged to the Comprehensive Income and Expenditure Statement for 2013/14. The Council has assessed the value of the additional depreciation to be £0.75 million and has determined that this sum would not materially affect the Council's financial position for 2013/14. There has therefore been no change to the Comprehensive Income and Account as a result of this adjustment.

Additional Financial Statements

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

	2013/14		2014/15	
	£'000	£'000	£'000	£'000
Council Tax				
Income				
Council Tax due for the Year (Note 2)		135,019		137,358
Transfers from the General Fund:				
- Pensioner Discounts		1,321		608
		136,340		137,966
Expenditure				
Precepts (Note 2):				
- Wirral Council	111,358		112,214	
- Police & Crime Commissioner for Merseyside	13,383		13,750	
- Merseyside Fire & Rescue Service	5,985	130,726	6,151	132,115
Provision for Bad and Doubtful Debts (Note 4)		3,182		2,906
		133,908		135,021
Council Tax - Net Expenditure / (Income) in the year		**(2,432)**		**(2,945)**
NNDR (Business Rates)				
Income				
NNDR due for the year (Note 3)		68,305		69,515
		68,305		69,515
Expenditure				
Cost of Collection		340		339
Transitional Arrangements		263		375
Payment to Central Government (Note 3)		33,812		33,545
Payments to Major Precepting Authorities (Note 3):				
- Wirral Council	33,135		32,874	
- Merseyside Fire & Rescue Service	676	33,811	671	33,545
Interest on Refunds		-		4
Provision for Bad and Doubtful Debts (Note 4)		1,574		1,233
Provision for Appeals (Note 4)		3,192		2,176
Apportionment of previous year surplus / (deficit) (Note 5):				
- Central Government	-		(840)	
- Wirral Council	-		(823)	
- Merseyside Fire & Rescue Service	-	-	(17)	(1,680)
		72,992		69,537
NNDR - Net Expenditure / (income) in the year		**4,687**		**22**
Total Net Expenditure / (Income) in the Collection Fund for the year		**2,255**		**(2,923)**

	2013/14 £'000	2014/15 £'000
Council Tax		
Opening balance at 1 April	(452)	(2,884)
Movement in Year	(2,432)	(2,945)
Closing balance at 31 March	(2,884)	(5,829)
NNDR (Business Rates)		
Opening balance at 1 April	-	4,687
Movement in Year	4,687	22
Closing balance at 31 March	4,687	4,709
Overall Collection Fund balance 31 March	**1,803**	**(1,120)**

In accordance with proper accounting practice, the Collection Fund balance has been allocated in 2014/15 to individual preceptors, which includes Wirral Council (see Note 6).

NOTES TO THE COLLECTION FUND

1. GENERAL

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

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

2014/15 was the second year of the Business Rates Retention Scheme. Under the scheme NNDR income is collected and apportioned between Wirral Council (49%), Merseyside Fire and Rescue Service (1%) and Central Government (50%). The main aim of the scheme is to give the Council more incentive to grow the economy in the Borough. However financial risk is also increased due to the volatile nature of the National Non-Domestic Rates tax base and non-collection.

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

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

2. INCOME FROM COUNCIL TAX

The Council set a Council Tax in 2014/15 for each band of dwelling as shown below:

Band	£ . p	Band	£ . p	Band	£ . p	Band	£ . p
A	1,003.30	B	1,170.52	C	1,337.54	D	1,504.96
E	1,839.40	F	2,173.83	G	2,508.26	H	3,009.92

The Council Tax was set 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, the minimum being Band A which is 2/3 of Band D.

The 3.25% provision for non-collection remains unchanged from 2013/14. The properties making up the estimated tax base are shown below. A number of adjustments are made to reflect the estimated reductions, reliefs and exemptions that apply to properties in each band. This gives the number of effective properties in each band, which is converted to the Band D equivalent using the ratios given:

Band	No. of Properties	Less Discounts	Effective Properties	Band Ratio	Band D Equivalent
A	58,697	26,871.6	31,825.4	6/9	21,216.9
B	31,629	8,058.1	23,570.9	7/9	18,332.9
C	27,134	4,664.3	22,469.7	8/9	19,973.1
D	13,135	1,700.5	11,434.5	1	11,434.5
E	8,053	774.9	7,278.1	11/9	8,895.4
F	4,233	354.8	3,878.2	13/9	5,601.8
G	3,087	213.7	2,873.3	15/9	4,788.9
H	268	35.6	232.4	18/9	464.7
	146,236	42,673.5	103,562.5		90,708.2
Add Band A Disabled Relief Band D Equivalent					26.9
Total					90,735.1
Estimated Collection Rate					96.75%
Adjusted Council Tax Base					**87,786.2**

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:

	2013/14	2014/15
Precepts (£'000)		
- Wirral Council	111,358	112,214
- Police & Crime Commissioner for Merseyside	13,383	13,750
- Merseyside Fire & Rescue Service	5,985	6,151
Total Precepts	**130,726**	**132,115**
Council Tax Base	**87,116.4**	**87,786.2**
Band D Equivalent (Precepts divided by Council Tax Base)	**£1,500.59**	**£1,504.96**

3. INCOME FROM NATIONAL NON-DOMESTIC RATES (BUSINESS RATES)

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

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

The estimated rateable value is split between general and small businesses. For 2014/15, the initial bills raised were based on a total rateable value of £180,496,567 (2013/14 £181,030,228). Of this figure £149,643,566 related to general business rates, which are charged at 48.2p in the £ (2013/14 47.1p). The total value of small business rates was £30,853,001, charged at 47.1p in the £ (2013/14 46.2p). This gave an opening charge for 2014/15 of £86.66 million (2013/14 £84.99 million).

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

NNDR Income Due	2013/14 £'000	2014/15 £'000
Opening charge	84,990	86,660
Adjustments	(5,172)	(4,376)
Small Business Rate Relief	(5,992)	(6,340)
Mandatory Relief	(4,819)	(4,653)
Discretionary Relief	(702)	(2,068)
Income deferred from previous years	-	292
NNDR Income Due:	**68,305**	**69,515**

The total rateable value of all hereditaments within the Council area as at 31 March 2015 was £180,338,970 (2013/14 £181,379,353).

The locally retained business rates are paid into the Council's General Fund. The calculated shares of receipts for 2014/15 are as follows:

	2013/14 £'000	2014/15 £'000
Wirral Council	30,839	32,040
Central Government	31,468	32,694
Merseyside Fire & Rescue Service	629	654
	62,936	**65,388**

The Collection Fund paid the following precepts during the year:

	2013/14 £'000	2014/15 £'000
Wirral Council	33,135	32,874
Central Government	33,812	33,545
Merseyside Fire & Rescue Service	676	671
Contribution to previous years estimated deficit:		
Wirral Council	-	(823)
Central Government	-	(840)
Merseyside Fire & Rescue Service	-	(17)
	67,623	**65,410**

4. PROVISION FOR APPEALS AND BAD AND DOUBTFUL DEBTS

Appeals

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

Following the introduction of the Business Rates Retention Scheme billing authorities are required to make an estimate of the impact of successful appeals covering not only 2014/15, but also the backdated amounts relating to earlier years. 2013/14 was the first year the Collection Fund provided a provision against such appeals. The provision for appeals will be closely monitored in future years to ensure it is sufficient, whilst not being excessive. £3.192 million was placed in the provision in 2013/14, which has been increased by a further £2.176 million in 2014/15 to reflect current potential business

rates reductions. This increase reflects a large number of speculative appeals being lodged prior to the VOA deadline of 31st March 2015 for backdating successful appeals to 2010, which more than doubled the rateable value under appeal in the Wirral Council area. The provision is split between the Collection Fund preceptors based on their precept shares.

NNDR Appeals Provision	2013/14	2014/15
	£'000	£'000
Balance at 1 April	-	3,192
Settled appeals	-	(792)
Movement in Provision	3,192	2,968
Balance at 31 March	**3,192**	**5,368**

Bad and doubtful debts

Council Tax

A provision for Council Tax bad debts is made each year for uncollectable amounts. The Council assumed a general collection rate of 96.75% for 2014/15. The bad debt provision is assessed annually and amounts set aside adjusted on an age profile of outstanding debt and other factors.

In 2014/15 an additional £2.906 million has been placed in the provision which reflects increased billing arising from the charging for empty properties, potential future liabilities for non-payment as a result of the introduction of the localised Council Tax Support Scheme, and changes to discounts and exemptions.

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

Council Tax Bad Debt Provision	2013/14	2014/15
	£'000	£'000
Balance at 1 April	8,803	11,218
Write-offs	(767)	(829)
Movement in Provision	3,182	2,906
Balance at 31 March	**11,218**	**13,295**

NNDR

The Collection Fund also provides for bad debts on NNDR arrears which is assessed annually and amounts set aside adjusted on an age profile of outstanding debt. In 2014/15 an additional £1.233 million has been placed in the provision to reflect potential future liabilities for non-payment. The cost of bad and doubtful debts is split between the Collection Fund preceptors based upon their precept shares.

NNDR Bad Debt Provision	2013/14	2014/15
	£'000	£'000
Balance at 1 April	3,030	3,593
Write-offs	(1,011)	(1,327)
Movement in Provision	1,574	1,233
Balance at 31 March	**3,593**	**3,499**

5. CONTRIBUTION FROM/TO THE COLLECTION FUND

Council Tax

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

At 31 March 2015, there was a surplus of £5.829 million (2013/14 £2.884 million) which has been allocated amongst the precepting authorities on the basis of the 2014/15 precept proportions.

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

NNDR

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

As at 31 March 2015 there was a deficit of £4.709 million (2013/14 £4.687 million), which has been allocated amongst the precepting authorities based on the relevant percentages set out in the Non-Domestic Rating (Rates Retention) Regulations 2013.

6. ALLOCATION OF YEAR END BALANCES

The year-end balance on the Collection Fund is in respect of Council Tax and NNDR and is shared in proportion to the precepts on the Collection Fund. The Council Tax surplus is allocated on two bases - the balance that was reported in January 2015 (for 2014/15 the estimated position was a £4.389 million surplus) is apportioned using the 2014/15 precept shares, whereas the additional surplus resulting from the final position as at 31 March 2015, is apportioned using the 2015/16 precept shares. The NNDR deficit is allocated based on the relevant percentages set out in the Non-Domestic Rating (Rates Retention) Regulations 2013.

Payable to / (Received from):	**Council Tax 31 Mar 15**	**NNDR 31 Mar 15**	**Total Allocation**
	£'000	**£'000**	**£'000**
Wirral Council	(4,948)	2,307	(2,641)
Central Government	-	2,355	2,355
Police & Crime Commissioner	(609)	-	(609)
Merseyside Fire and Rescue Service	(272)	47	(225)
	(5,829)	**4,709**	**(1,120)**

The share of any Collection Fund surplus or deficit is reflected within the precepting organisation's 2014/15 accounts. Wirral Council's element is included within the Taxation and Non-Specific Grant Income line within the Comprehensive Income and Expenditure Statement.

Merseyside Pension Fund Accounts

MERSEYSIDE PENSION FUND ACCOUNTS

FINANCIAL STATEMENTS

FUND ACCOUNT For the year ended 31 March 2015	Note	2013/14 £'000	2014/15 £'000
		Reanalysed	
Contributions and Benefits:			
Contributions receivable	7	246,221	365,003
Transfers in	8	10,929	45,937
		257,150	**410,940**
Benefits payable	9	(275,764)	(291,685)
Payments to and on account of leavers	10	(15,742)	(124,520)
		(291,506)	**(416,205)**
Additions/(withdrawals) from dealing with members		**(34,356)**	**(5,265)**
Management Expenses*	11		
Administration expenses		(2,564)	(2,369)
Investment expenses		(12,403)	(13,519)
Oversight and governance expenses		(1,984)	(1,620)
Other income		255	267
Net management expenses		**(16,696)**	**(17,241)**
Return on Investments:			
Investment Income	12	110,048	121,408
Profit and losses on disposal of investments and change in market value of investments	13	247,638	639,978
Taxes on income	12	(1,241)	(469)
Return on Investments		**356,445**	**760,917**
Net increase/(decrease) in the Fund during the year		305,393	738,411
Net Assets of the Fund at the start of the year		5,818,901	6,124,294
Net Assets of the Fund at the end of the year		**6,124,294**	**6,862,705**

*For 2013/14 Management Expenses have been reanalysed as explained in Note 11.

NET ASSETS STATEMENT For the year ended 31 March 2015	Note	2013/14 £'000	2014/15 £'000
Investment Assets	13		
Equities		1,838,855	2,053,353
Pooled Investment Vehicles		3,822,027	4,275,613
Derivative Contracts		4,131	2,233
Direct Property		310,650	382,210
Short Term Cash Deposits		31,780	47,098
Other Investment Balances		52,889	92,169
		6,060,332	**6,852,676**
Investment Liabilities	17	(8,666)	(24,868)
		6,051,666	**6,827,808**
Long Term Assets	18	12,638	11,655
Current Assets	19	72,405	39,635
Current Liabilities	19	(12,415)	(16,393)
Net Assets of the Fund as at 31 March		**6,124,294**	**6,862,705**

NOTES TO THE ACCOUNTS

1. DESCRIPTION OF THE FUND

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

The overall responsibility for the management of the Fund rests with the Pensions Committee, which for 2014/15 included 10 councillors from Wirral Council, the administering authority, plus one councillor from each of the 4 other Borough Councils, and one member representing the other employers in the scheme. Representatives of trade unions also attend. The more detailed consideration of investment strategy and asset allocation of the Fund's portfolios is considered by the Investment Monitoring Working Party, which includes two external advisers and a consultant. The more detailed consideration of governance and risk issues is considered by the Governance and Risk Working Party.

The following description of the Fund is a summary only. For more detail, reference should be made to Merseyside Pension Fund Annual Report 2014/15 and the underlying statutory powers underpinning the Scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

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

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

The Fund is a contributory defined benefit pension scheme 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 162 employer organisations within Merseyside Pension Fund including Wirral Council itself as detailed below:

	31-Mar-14	**31-Mar-15**
Number of employers with active members	154	**162**
Number of employees in scheme	45,583	**45,417**
Number of pensioners	39,094	**39,918**
Number of dependants	6,725	**6,682**
Number of deferred pensioners	35,786	**36,237**
Total	127,188	**128,254**

c) Funding

Benefits are funded by employee and employer contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS and are matched by employers' contributions which are set based on triennial actuarial funding valuations.

d) Benefits

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

	Service pre 1 April 2008	**Service post 31 March 2008**
Pension	Each year worked is worth 1/80 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.

2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2014/15 financial year and its position at year end as at 31 March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 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, is shown within the statement by the Actuary, which is published as an addendum to the accounts.

3. ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

Management expenses
The Fund discloses its management expenses split between administration expenses, investment management expenses and oversight and governance costs.

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

Investment management expenses
All investment management expenses are accounted for on an accruals 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 management 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.

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

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

Investment income
Income from Equities is accounted for when the related investment is quoted ex dividend. Income from Pooled Investment Vehicles and interest on Short Term Deposits has been accounted for on an accruals basis. Distributions from Private Equity are treated as return of capital until the book value is nil then treated as income on an accruals basis.

Rental income from properties is taken into account by reference to the periods to which the rents relate and is shown net of related expenses. The Fund accrues rent up to 24 March each year. Rent received on the Quarter Day, 25 March, is accounted for in full in the following year.

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Taxation

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

Valuation of investments

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

- Listed securities are valued at quoted bid market prices on the final day of the accounting period. The bid price is the price which the Fund would have obtained should the securities have been sold at that date.
- For unlisted investments wherever possible valuations are obtained via the Independent Administrator. Valuations that are obtained direct from the Manager are verified against the latest available audited accounts adjusted for any cash flows up to the reporting date.
- Hedge Funds and Infrastructure are recorded at fair value based on net asset values provided by Fund Administrators or using latest financial statements published by respective Fund Managers adjusted for any cash flows.
- Private Equity valuations are in accordance with the guidelines and conventions of the British Venture Capital Association/International Private Equity guidelines or equivalent.
- Indirect Property is valued at net asset value or capital fair value basis provided by the Fund Manager. For listed Funds the net asset value per unit is obtained through data vendors.
- Direct Property is valued at fair value as defined by the IASB and market rent as set out in VS 3.3 of the Professional Standards, as at the reporting date. Direct Properties have been valued independently by Colliers International in accordance with Royal Institute of Chartered Surveyors Valuation Professional Standards as at 31 March 2015.
- Pooled Investment Vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of Pooled Investment Vehicles that are Accumulation Funds, change in market value also includes income which is reinvested by the Manager of the vehicle in the underlying investment, net of applicable withholding tax.

Translation of foreign currencies

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

Derivatives

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

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

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

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

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

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

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

Additional voluntary contributions
The Committee holds assets invested separately from the main Fund. In accordance with regulation 4 (2) (b) of the Pensions Schemes (Management and Investment of Funds) Regulations 2009, these assets are excluded from the Pension Fund accounts.

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

4. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Fund has not applied any critical judgments.

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 2015 was £1,540 million (£1,261 million at 31 March 2014).

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

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

6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2015, and up to the date when these accounts were authorised, which require any adjustments to these accounts.

7. CONTRIBUTIONS RECEIVABLE

	2013/14	2014/15
	£'000	£'000
Employers		
Normal	96,049	108,369
Augmentation	22	-
Pension Strain	15,772	15,334
Deficit Funding	82,232	187,858
Employees		
Normal	52,146	53,442
	246,221	**365,003**
Relating to:		
Administering Authority	35,925	38,375
Statutory Bodies	169,607	290,324
Admission Bodies	40,689	36,304
	246,221	**365,003**

Contributions are made by active members of the Fund in accordance with the LGPS and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2015. Employee contributions are matched by employers' contributions which are based on triennial actuarial valuations. The 2015 contributions above were calculated at the valuation dated 31 March 2013. The 2013 actuarial valuation calculated the notional average employer contribution of 22.5% (2010 18%).

"Augmentation" represents payments by employers to the Fund for the costs of additional membership benefits awarded under LGPS regulations.

"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 2014/15, the Fund has received additional and upfront payments covering a three year period until the next actuarial valuation in 2016, totalling £97 million (2014 £10 million).

The Fund does reserve the right to levy interest charges on late receipt of contributions from employers. In 2014/15 no such charges were levied.

8. TRANSFERS IN

	2013/14	2014/15
	£'000	£'000
Group transfers	-	39,832
Individual transfers	10,929	6,105
	10,929	**45,937**

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

9. BENEFITS PAYABLE

	2013/14 £'000	2014/15 £'000
Pensions	224,767	235,364
Lump sum retiring allowances	45,745	50,118
Lump sum death benefits	5,252	6,203
	275,764	**291,685**
Relating to:		
Administering Authority	41,291	40,478
Statutory Bodies	197,079	206,877
Admission Bodies	37,394	44,330
	275,764	**291,685**

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2013/14 £'000	2014/15 £'000
Refunds to members leaving service	18	172
Payment for members joining State scheme	4	84
Income for members from State scheme	(7)	(1)
Group transfers to other schemes	-	116,523
Individual transfers to other schemes	15,727	7,742
	15,742	**124,520**

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

11. MANAGEMENT EXPENSES

	2013/14 £'000	2014/15 £'000
	Reanalysed	
Administration expenses	2,564	2,369
Investment expenses	12,403	13,519
Oversight and governance expenses	1,984	1,620
Other Income	(255)	(267)
	16,696	**17,241**

Management expenses have been reanalysed into three categories in accordance with CIPFA "Accounting for local government management costs".

11a. ADMINISTRATION EXPENSES

	2013/14 £'000	2014/15 £'000
Employee costs	1,546	1,576
IT costs	481	457
General costs	300	261
Other costs	237	75
	2,564	**2,369**

11b. INVESTMENT EXPENSES

	2013/14 £'000	2014/15 £'000
External investment management fees	11,302	12,301
External services	564	718
Internal investment management fees	537	500
	12,403	**13,519**

11c. OVERSIGHT AND GOVERNANCE EXPENSES

	2013/14 £'000	2014/15 £'000
Employee Costs	387	418
External Services	731	495
Internal Audit	32	28
External Audit	31	39
Other Costs	803	640
	1,984	**1,620**

Actuarial fees included within External Services above (note 11c) are shown gross of any fees that have been recharged to employers. Included within Other Income for 2014/15 is £146,172 relating to recharged Actuarial fees (2013/14 £163,061).

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

12. INVESTMENT INCOME

	2013/14 £'000	2014/15 £'000
Dividends from Equities	57,219	55,896
Income from Pooled Investment Vehicles	26,254	36,316
Net Rents from Properties	21,646	17,346
Interest on Short Term Cash Deposits	927	837
Income from Private Equity	2,824	9,840
Income from Derivatives	67	35
Other	1,111	1,138
	110,048	**121,408**
Irrecoverable Withholding Tax	(1,241)	(469)
	108,807	**120,939**

Investment income figures are shown gross of tax. Included in these figures is recoverable taxation of £2.7 million (2013/14 £2.5 million).

The Fund is seeking to recover tax withheld by UK and overseas tax regimes under the EU principle of free movement of capital within its borders, but is not accruing for future receipt of such income within these accounts. Repayments received in 2014/15 £0.233 million (2013/14 £0.343 million).

12a. PROPERTY INCOME

	2013/14 £'000	2014/15 £'000
Rental income	26,865	22,180
Direct operating expenses	(5,219)	(4,834)
Net rent from properties	**21,646**	**17,346**

Rental income for 2013/14 includes £3.2 million relating to 2012/13.

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

12b. PROPERTY OPERATING LEASES

The Fund's property portfolio comprises a variety of units which are leased to organisations with the objective of generating appropriate investment returns.

These leases are all categorised as operating leases due to the relatively short length of the agreements i.e. relative to the overall life of the asset and proportion of the assets overall value. The leases do not meet the assessment criteria for finance leases, and the risks and rewards of ownership of the leased assets are retained by the Fund and reflected in the Net Assets Statement.

The properties comprise a mix of office, retail and industrial buildings. These leases vary in length from short term to over 25 years.

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

Age profile of lease income	2013/14 £'000	2014/15 £'000
No later than one year	519	2,510
Between one and five years	1,705	4,821
Later than five years	15,935	13,313
Total	**18,159**	**20,644**

With regards to the properties owned and leased by the Fund, all are leased to the tenants under contracts that have been assessed as operating leases and which may include periodic rent reviews etc. The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease entered into, such as adjustments following rent reviews.

13. INVESTMENTS

2014/15	Market Value 31.3.2014 £'000	Purchases at cost & Derivative Payments £'000	Sale Proceeds & Derivative Receipts £'000	Change in Market Value * £'000	Market Value 31.3.2015 £'000
Equities	1,838,855	936,125	(872,689)	151,062	2,053,353
Pooled Investment Vehicles	3,822,027	318,536	(295,485)	430,535	4,275,613
Derivative Contracts	4,131	2,893,922	(2,916,839)	21,019	2,233
Direct Property	310,650	57,326	(23,240)	37,474	382,210
	5,975,663	**4,205,909**	**(4,108,253)**	**640,090**	**6,713,409**
Short term cash deposits	31,780			380	47,098
Other investment balances	52,889			(492)	92,169
	6,060,332			**639,978**	**6,852,676**

2013/14	Market Value 31.3.2013 £'000	Purchases at cost & Derivative Payments £'000	Sale Proceeds & Derivative Receipts £'000	Change in Market Value * £'000	Market Value 31.3.2014 £'000
Equities	1,759,476	758,691	(774,123)	94,811	1,838,855
Pooled Investment Vehicles	3,614,051	414,008	(314,912)	108,880	3,822,027
Derivative Contracts	1,823	902,610	(918,034)	17,732	4,131
Direct Property	283,615	25,109	(26,276)	28,202	310,650
	5,658,965	**2,100,418**	**(2,033,345)**	**249,625**	**5,975,663**
Short term cash deposits	62,329			5	31,780
Other investment balances	50,734			(1,992)	52,889
	5,772,028			**247,638**	**6,060,332**

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

Transaction costs include fees and commissions paid to Agents, Advisers, Brokers and Dealers, levies by regulatory agencies and securities exchanges, transfer taxes and duties. They have been added to purchases and netted against sales proceeds as appropriate. Transaction costs during the year amounted to £3.7 million (2013/14 £3.1 million). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments in pooled vehicles. The amount of indirect costs is not provided directly to the Fund.

13a Analysis of investments

	2013/14 £'000	2014/15 £'000
Equities (segregated holdings)		
UK Quoted	823,202	863,066
Overseas Quoted	1,015,653	1,190,287
	1,838,855	**2,053,353**
Pooled Investment Vehicles		
UK Managed Funds:		
Property	3,000	3,000
Equities	267,606	260,501
Private Equity	189,094	218,173
Hedge Funds	60,085	52,724
Corporate Bonds	208,191	236,946
Infrastructure	51,735	78,304
Opportunities	199,613	237,918
Overseas Managed Funds:		
Equities	328,730	365,471
Private Equity	138,381	175,779
Hedge Funds	210,046	214,935
Infastructure	74,750	108,225
Opportunities	76,538	105,452
UK Unit Trusts:		
Property	83,032	82,913
Overseas Unit Trusts:		
Property	71,271	82,954
Other Unitised Funds	1,859,955	2,052,318
	3,822,027	**4,275,613**
UK Properties		
Freehold	276,150	344,560
Leasehold	34,500	37,650
	310,650	**382,210**
Balance at 1 April	283,615	310,650
Additions	25,109	57,326
Disposals	(26,276)	(23,240)
Net gain/(loss) of fair value	(12,850)	459
Transfers in/(out)	-	-
Other changes in fair value	41,052	37,015
Balance at 31 March	**310,650**	**382,210**

As at 31 March 2015 there were no amounts of restrictions on the realisability of investment property or of income and proceeds of disposal.

Contractual obligations for development, repairs and maintenance amounted to £28,648 (2013/14 £201,888). There were no obligations to purchase new properties.

As at 31 March 2015 the Fund had committed to a redevelopment project of an existing retail centre at Guildford, approved expenditure for the redevelopment is £20 million.

	2013/14 £'000	2014/15 £'000
Short term cash deposits		
Sterling	30,750	46,067
Foreign currency	1,030	1,031
	31,780	**47,098**

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

	2013/14 £'000	2014/15 £'000
Other investment balances		
Amounts due from brokers	83	35
Outstanding trades	7,397	18,495
Outstanding dividends entitlements and recoverable withholding tax	11,768	12,005
Cash deposits	33,641	61,634
	52,889	**92,169**

13b Analysis of derivatives

Derivatives as at 31 March 2015		£'000	£'000
Futures			
Type of Contract	**Expires**	**Economic Exposure**	**Market Value**
Assets			
EURO STOXX 50 Index Futures	Jun-15	350	35
Total Assets			**35**
Liabilities			-
Total Liabilities			**-**
Net futures			**35**
Derivatives as at 31 March 2014		**£'000**	**£'000**
Futures			
Type of Contract	**Expires**	**Economic Exposure**	**Market Value**
Assets			
EURO STOXX 50 Index Futures	Jun-14	830	83
Total Assets			**83**
Liabilities			-
Total Liabilities			**-**
Net futures			**83**

A Futures contract is the obligation under a legal agreement to make or take delivery of a specified instrument at a fixed future date, at a price determined at the time of dealing. Merseyside Pension Fund's Index Futures Contracts are externally managed and their objective is to hedge overseas investment positions against adverse index movements.

Futures dealing requires the posting of margin. Initial margin which must be posted before you can trade and variation margin, the mark-to-market value of the futures contracts you hold. Variation margin is exchanged daily and exists to reduce counterparty credit exposure. Collateral is held in EUR currency and the sterling equivalent is £337,972. DJ Euro STOXX 50 have a contract multiplier of x10 therefore the notional value underlying the futures contracts is £0.35 million.

Forward currency contracts

The Fund's forward currency contracts are exchange traded and are used by a number of our external Investment Managers to hedge exposures to foreign currency back into sterling.

Settlement date	Currency bought 000	Currency sold 000	Asset £'000	Liability £'000
Up to 3 months	GBP 7,002	EUR 9,590	58	-
Up to 3 months	GBP 2,384	NOK 27,945	50	-
Up to 1 month	JPY 17,900,000	GBP 98,035	2,539	-
Up to 1 month	GBP 100,125	JPY 17,900,000	-	(449)
			2,647	(449)
Net forward currency contracts at 31 March 2015				**2,198**
Prior year comparative				
Open forward currency contracts at 31 March 2014			4,048	-
Net forward currency contracts at 31 March 2014				**4,048**

13c Summary of Managers' Portfolio Values at 31 March 2015

	2013/14		2014/15	
Externally Managed	**£million**	**%**	**£million**	**%**
JP Morgan (European equities)	191	3.1	220	3.2
Nomura (Japan)	239	4.0	317	4.6
Schroders (fixed income)	208	3.4	237	3.5
Legal & General (fixed income)	239	3.9	270	3.9
Unigestion (European equities and pooled Emerging Markets)	233	3.8	262	3.8
M&G (UK equities)	179	2.9	168	2.5
M&G (global emerging markets)	130	2.1	138	2.0
TT International (UK equities)	186	3.1	197	2.9
Blackrock (UK equities)	190	3.1	212	3.1
Blackrock (Pacific Rim)	121	2.0	133	1.9
Blackrock (QIF)	60	1.0	66	1.0
Newton (UK equities)	191	3.1	216	3.2
Amundi (global emerging markets)	117	1.9	137	2.0
Maple-Brown Abbot (Pacific Rim equities)	124	2.0	136	2.0
State Street Global Advisor (Passive Manager)	1,620	26.9	1,782	26.0
	4,028	**66.3**	**4,491**	**65.6**
Internally Managed				
UK equities	318	5.3	328	4.8
European equities	176	2.9	186	2.7
Property (direct)	311	5.1	382	5.6
Property (indirect)	161	2.7	176	2.6
Private equity	327	5.5	394	5.7
Hedge funds	270	4.5	268	3.9
Infrastructure	126	2.1	187	2.7
Opportunities	292	4.8	363	5.3
Short term deposits & other investments	51	0.8	78	1.1
	2,032	**33.7**	**2,362**	**34.4**
	6,060	**100.0**	**6,853**	**100.0**

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

	2013/14		2014/15	
	£'000	**%**	**£'000**	**%**
SSGA Pooled UK Index Linked Gilts	581,169	9.7	637,350	9.3
SSGA USA Equity Tracker	527,598	8.8	543,527	7.9
SSGA Pooled UK Equities	511,270	8.4	445,381	6.5

13d Stock lending

As at 31 March 2015, £156.1 million of stock was on loan to market makers, which was covered by cash and non-cash collateral, totalling £173.9 million. Collateral is marked to market, and adjusted daily. Income from Stock Lending amounted to £1.0 million and is included within "Other" Investment Income. As the Fund retains its economic interest in stock on loan, their value remains within the Fund valuation. As the Fund has an obligation to return collateral to the borrowers, collateral is excluded from the Fund valuation. The Fund used its Custodian as agent lender, lending only to an agreed list of approved borrowers. An indemnity is in place which gives the Fund further protection against losses.

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

14. FINANCIAL INSTRUMENTS

14a Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net asset statement heading. To allow reconciliation to the Net Asset Statement and for ease to the reader all long term and current assets and current liabilities have been included in the note below, although not all are classified as financial instruments, the amounts that are not financial instruments are considered immaterial.

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

	31 March 2014		
	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit and loss
	£'000	£000	£000
Financial Assets			
Equities	-	-	1,838,855
Pooled Investment Vehicles	-	-	3,822,027
Derivatives	-	-	4,131
Cash deposits	31,780	-	-
Other investment balances	52,889	-	-
Long term and current assets	85,043	-	-
Total financial assets	**169,712**	**-**	**5,665,013**
Financial Liabilities			
Other investment balances	-	(8,666)	-
Creditors	-	(12,415)	-
Total financial liabilities	**-**	**(21,081)**	**-**
Net	**169,712**	**(21,081)**	**5,665,013**

14b Net gains and losses on financial instruments

	2013/14 £'000	2014/15 £'000
Financial Assets		
Fair Value through profit and loss	221,423	602,616
Loans and receivables	5	380
Total financial assets	**221,428**	**602,996**
Financial Liabilities		
Financial liabilities at amortised cost	(1,992)	(492)
Loans and receivables	-	-
Total financial liabilities	**(1,992)**	**(492)**
Net	**219,436**	**602,504**

14c Fair value of financial instruments

There is no material difference between the carrying value and fair value of financial instruments. The majority of financial instruments are held at fair value and for those which are not their amortised cost is considered to be equivalent to an approximation of fair value.

14d Valuation of financial instruments carried at fair value

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

Level 1

Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the market quotation of the relevant stock exchange.

Level 2

Financial instruments at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgment 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 and liabilities of the pension Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

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

Values at 31 March 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Financial assets at fair value through profit and loss	4,714,290	47,900	902,823	5,665,013
Total financial assets	**4,714,290**	**47,900**	**902,823**	**5,665,013**

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

	2013/14 £'000	2014/15 £'000
Opening balance	792,026	902,823
Acquisitions	182,783	208,094
Disposal proceeds	(102,043)	(84,591)
Total gain/(losses) included in the fund account:		
On assets sold	(3,112)	1,890
On assets held at year end	33,169	72,022
Closing balance	**902,823**	**1,100,238**

15. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

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

Over the long term, the Fund's objective is to set policies that will seek to ensure that investment returns achieved will at least match the assumptions underlying the actuarial valuation and therefore be appropriate to the liabilities of the Fund.

Having regard to its liability profile, the Fund has determined that adopting a bespoke benchmark should best enable it to implement an effective investment strategy. This strategic benchmark is reviewed every three years, at a minimum, at the time of the actuarial valuation but will be reviewed as required particularly if there have been significant changes in the underlying liability profile or the investment environment.

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

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

The Fund believes that, over the long term, a willingness to take on volatility and illiquidity is likely to be rewarded with outperformance. The Fund considers that its strong employer covenant, maturity profile and cash flows enable it to adopt a long term investment perspective. A mix of short term assets such as bonds and cash is maintained to cover short term liabilities while equities (both passive and active), private equity and direct property are held to benefit from the potential rewards arising from volatility and illiquidity risks. The Fund recognises that risk is inherent in investment activity and seeks to manage the level of risk that it takes in an appropriate manner. The Fund manages investment risks through the following measures:

- Broad diversification of types of investment and investment managers
- Explicit mandates governing the activity of investment managers
- The use of a specific benchmark, related to liabilities of the Fund for investment asset allocation
- The appointment of independent investment advisors to the Investment Monitoring Working Party
- Comprehensive monitoring procedures for investment managers including internal officers and scrutiny by elected Members

15a Market Risk

The Fund is aware that its key risk is market risk i.e. the unpredictability of market performance in the future. The general practice to quantify these risks is to measure the volatility of historical performance. The tables below show the Fund's exposure to asset classes and their reasonable predicted variance (as provided by the Fund's investment consultants) and the resulting potential changes in net assets available to pay pensions. The figures provided are a forward looking assumption of future volatility based on analysis of previous performance and probability.

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

	Value March 2014 £million	Potential Variance	Value on increase £million	Value on decrease £million
UK Equities (all equities include pooled vehicles)	1,603	20.0%	1,924	1,282
US Equities	530	19.0%	631	429
European Equities	552	20.0%	662	442
Japan Equities	236	20.0%	283	189
Emerging Markets Equities inc Pac Rim	554	28.5%	712	396
UK Fixed Income Pooled Vehicles	448	11.0%	497	399
UK Index Linked Pooled Vehicles	581	9.0%	633	529
Pooled Property	157	14.5%	180	134
Private Equity	327	26.0%	412	242
Hedge Funds	270	8.0%	292	248
Infrastructure	126	20.0%	151	101
Other Alternative Assets	276	20.0%	331	221
Short term deposits & other investment balances	153	0.0%	153	153
	5,813			

15b Credit Risk

The Fund does not hold any fixed interest securities directly and the managers of the pooled fixed income vehicles are responsible for managing credit risk; section 15a of this note covers the market risks of these holdings.

The Fund's arrangements for derivatives, securities lending and impaired items are dealt with in other notes to the accounts.

The short term cash deposits and other investment balances are diversified with investment grade financial institutions. The Fund has a treasury management policy that is compliant with current best practice.

The Fund's cash holding under its treasury management arrangements as at 31 March 2015 was £47.1 million (31 March 2014 £31.8 million). This was held in instant access accounts with the following institutions:

	Rating (S&P)	Balances as at 31 March 2014	Balances as at 31 March 2015
		£'000	£'000
Royal Bank of Scotland	Long A- Short A-2	183	1
Lloyds Bank	Long A Short A-1	29,222	45,686
Northern Trust	Long AA- Short A-1+	1,345	-
Iceland escrow account		1,030	1,411
Total		**31,780**	**47,098**

15c Liquidity risk

The Fund's key priority is to pay pensions in the long term and in the short term and the asset allocation is the key strategy in ensuring this. The earlier sections have dealt with the longer term risks associated with market volatility.

The Fund has a cash balance at 31 March of £47.1 million. The Fund also has £5,113 million in assets which could be realised in under 7 days notice, £674 million in assets which could be realised in under 90 days notice and £544 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 2014/15 in its dealing with members of £5 million and management expenses of £17 million, this is offset by investment income of £121 million.

15d Interest rate risk

Interest rates primarily affect the Fund's liabilities through the transmission mechanism from interest rates to government bond yields and ultimately the discount rate used by the actuary to discount the liabilities; the Fund's actuary has calculated that the sensitivity of the Fund’s liabilities to a change in discount rate is a 20% increase in liabilities for a 1% p.a. reduction in the discount rate. The Fund considers both the liabilities and assets together and assesses the funding ratio and the implications for investment strategy on a quarterly basis at the IMWP.

16. FUNDING ARRANGEMENTS

In line with The Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2013. The next valuation will take place as at 31 March 2016.

The most recent Triennial Valuation by the actuary was as at 31 March 2013, when the funding level was 76% of projected actuarial liabilities (2010 78%). The funding objective is to achieve and then maintain assets equal to the funding target. The funding target is the present value of 100% of projected accrued liabilities, including allowance for projected final pay. The FSS specifies a maximum period for achieving full funding of 22 years.

The funding method adopted is the projected unit method, which implicitly allows for new entrants replacing leavers.

The key elements of the funding policy are:

- to enable employer contribution rates to be kept as nearly constant as possible and at a reasonable and affordable cost to the taxpayers, scheduled, resolution and admitted bodies
- to manage employers' liability effectively
- to ensure that sufficient resources are available to meet all liabilities as they fall due
- to maximise the returns from investments within reasonable risk parameters.

Summary of key whole Fund assumptions used for calculating funding target

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

17. INVESTMENT LIABILITIES

	2013/14 £'000	2014/15 £'000
Amounts due to stockbrokers	8,666	24,868
	8,666	**24,868**

18. LONG TERM ASSETS

	2013/14 £'000	2014/15 £'000
Assets due in more than one year	12,638	11,655
	12,638	**11,655**
Relating to:		
Central Government Bodies	4,105	3,689
Other Local Authorities	6,949	6,733
Public Corporations and Trading Funds	493	548
Bodies External to General Government	1,091	685
	12,638	**11,655**

Payments are being received in respect of pensioner and deferred members of the Magistrates Courts, which was previously an active employer in the Fund. Year 1 is shown as a current asset, but years 2 - 4 are included above. Also included are future payments of pension strain to be paid by employers in 2016/17 onwards.

19. CURRENT ASSETS AND LIABILITIES

	2013/14 £'000	2014/15 £'000
Assets		
Contributions due	24,460	21,883
Amounts due from external managers	35,270	1,126
Accrued and outstanding investment income	82	543
Sundries	12,646	13,352
Provision for bad debts	(1,022)	(32)
Cash at bank	969	2,763
	72,405	**39,635**
Relating to:		
Central Government Bodies	1,990	1,893
Other Local Authorities	18,497	15,892
NHS	2	2
Public Corporations and Trading Funds	207	202
Bodies External to General Government	51,709	21,646
	72,405	**39,635**
Liabilities		
Retirement grants due	2,612	2,185
Provisions	385	369
Miscellaneous	9,418	13,839
	12,415	**16,393**
Relating to:		
Central Government Bodies	2,532	2,290
Other Local Authorities	2,015	4,129
Public Corporations and Trading Funds	26	23
Bodies External to General Government	7,842	9,951
	12,415	**16,393**
Total current assets and liabilities	**59,990**	**23,242**

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

"Provision for bad debt" relates to property rental income, and is based on an assessment of all individual property debts as at 31 March 2015.

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.

20. CONTRACTUAL COMMITMENTS

Commitments for investments amounted to £386.17 million as at 31st March 2015. (2013/14 £457.80 million). These commitments relate to Private Equity £187.97 million, Infrastructure £70.55 million, Opportunities £42.21 million and Indirect Property £85.44 million. As some of these funds are denominated in foreign currencies, the commitment in sterling is subject to change due to currency fluctuations.

21. CONTINGENT ASSETS

When determining the appropriate fund policy for employers the different participating characteristics as either a contractor or community body or whether a guarantor of sufficient financial standing agrees to support the pension obligations is taken into consideration when setting the fiduciary strategy.

It is the policy to actively seek mechanisms to strengthen employer covenants by engaging "contingent assets" in the form of bonds/indemnity insurance, local authority guarantors, parent company guarantors or charge on assets to mitigate the risk of employers exiting the Fund leaving unrecoverable debt.

These financial undertakings are drawn in favour of Wirral Council, as the Administrating Authority of Merseyside Pension Fund and payment will only be triggered in the event of employer default.

22. RELATED PARTY TRANSACTIONS

There are three groups of related parties: transactions between Wirral Council, as Administering Authority, and the Fund, between employers within the Fund and the Fund, and between Members and Senior Officers and the Fund.

Administration and investment management costs include charges by Wirral Council in providing services in its role as administering authority to the Fund, which amount to £3.4 million. (2014 £3.5 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 £15.8 million (2014 £14.4 million) and a creditor of £2 million as at 31 March 2015 (2014 £118,149).

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 2015 payroll are included within the debtors figure in note 19.

A specific declaration has been received from Pension Committee 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; St Helens Borough Council; Wirral Council; CDS Housing; Greater Hornby Homes and Wirral Partnership Homes (also known as Magenta Living). The value of the transactions with each of these related parties, namely the routine monthly payments to the Fund of employers' and employees' contributions, is determined by the LGPS Regulations, and as such no related party transactions have been declared.

Peter Wallach, Head of Pension Fund acts in an un-remunerated board advisory capacity on 3 investment bodies in which the Fund has an interest, Eclipse (£15.2 million), Standard Life (£11.5 million) and F&C (£21.6 million).

Susannah Friar, Property Manager acts in an un-remunerated board advisory capacity on one investment body in which the Fund has an interest, Partners Group Real Estate Asia Pacific 2011 (£5.9 million), by whom travel expenses and accommodation were paid.

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

Key management personnel

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

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

Financial Year 2013/14	Employment Period	Salary	Pension Contributions	Total including Pension Contributions
		£	£	£
Head of Pension Fund	01/04/13 - 31/03/14	73,352	8,802	**82,154**
Senior Investment Manager	01/04/13 - 31/03/14	55,739	6,688	**62,427**

23. ADDITIONAL VOLUNTARY CONTRIBUTION INVESTMENTS

	2013/14 £000	2014/15 £000
The aggregate amount of AVC investments is as follows :		
Equitable Life	2,380	2,297
Standard Life	6,030	6,204
Prudential	5,231	5,417
	13,641	**13,918**
Changes during the year were as follows:		
Contributions	1,835	1,869
Repayments	2,574	2,493
Change in market values	644	901

SCHEME EMPLOYERS WITH ACTIVE MEMBERS AS AT 31 MARCH 2015

Scheduled Bodies

Academy of St Francis
Arena & Convention Centre Liverpool
Bellerive FCJ Catholic College
Belvedere Academy
Billinge Chapel End Parish Council
Birkdale High School (Academy)
Birkenhead Park School (Academy)
Birkenhead Sixth Form College
Blue Coat School (Academy)
Carmel College
Calday Grange Grammar School (Academy)
Chesterfield High School (Academy)
Chief Constable
Childwall Sports and Science Academy
Cronton Parish Council
De la Salle Academy
Deyes High School (Academy)
Enterprise South Liverpool Academy
Everton Free School (Academy)
Finch Woods Academy
Formby High School (Academy)
Greenbank High School (Academy)
Halewood Centre for Learning (Academy)
Halewood Town Council
Harmonize (Academy)
Hawthornes Free School
Hilbre High School (Academy)
Hope Academy
Hugh Baird College
King George V College
Kirkby High School
Knowsley Community College
Knowsley Lane Primary School (Academy)
Knowsley M.B.C.
Knowsley Town Council
Liverpool City Council
Liverpool College (Academy)
Liverpool Community College
Liverpool John Moores University
Liverpool Life Science UTC (Academy)
Lord Derby Academy
Maghull High School (Academy)
Merseyside Fire & Rescue Authority
Merseyside Valuation Tribunal
Merseyside Recycling and Waste Authority
Merseytravel (MPTE)
North Liverpool Academy
Office of the Police and Crime Commissioner for Merseyside (OPCCM)
Oldershaw Academy
Our Lady of Pity RC Primary School (Academy)

Prenton High School for Girls (Academy)
Prescot Town Council
Rainford Parish Council
Rainhill Parish Council
Range High School (Academy)
School Improvement Liverpool Ltd
Sefton M.B.C.
Southport College
St. Anselms College (Academy)
St. Edwards College (Academy)
St. Francis Xavier's College (Academy)
St. Helens College
St. Helens M.B.C.
St John Plessington Catholic College
St Margaret Church of England Academy
St Michael's C of E High School (Academy)
St Silas C of E Primary School (Academy)
Sutton Academy
The Studio (Academy)
Townfield Primary School (Academy)
University Academy of Liverpool
Upton Hall School (Academy)
Weatherhead High School (Academy)
West Derby School (Academy)
West Kirby Grammar School (Academy)
Whiston Town Council
Wirral Council
Wirral Grammar School for Boys (Academy)
Wirral Grammar School for Girls (Academy)
Wirral Metropolitan College
Woodchurch High School (Academy)

Admission Bodies
Addaction Ltd
Age UK - Liverpool
Agilisys Limited
Amey Services Ltd – Cleansing
Amey Services Ltd – Highways
Arriva North West
Arvato Public Sector Services Limited
Association of Police Authorities
BAM Nuttall
Balfour Beatty Fire Project
Balfour Beatty PFI SEN School
Balfour Beatty Workplace Ltd
Beechwood and Ballantyne Housing Assoc.
Berrybridge Housing Ltd
Birkenhead Market Services Ltd
Birkenhead School (2002)
Care Quality Commission
Catholic Children's Society
CDS Housing
City Health Care Partners

Cobalt Housing Ltd
Compass (Scolarest) Liverpool Schools
Compass (Scolarest) Wirral Schools
Computacenter (UK) Ltd
Comtechsa Limited
Elite Cleaning & Environmental Services Ltd
Enterprise Liverpool Neighbourhood Grounds
Friends of Birkenhead Council Kennels
Geraud Markets Liverpool Ltd
Glendale (Liverpool Parks Services) Ltd
Glenvale Transport Ltd/Stagecoach.
Graysons Restaurants
Greater Hornby Homes
Greater Merseyside Connexions
Hall Cleaning Services
Helena Partnerships Ltd.
Hochtief Liverpool Schools
Hochtief Wirral Schools
Interserve (Facilities Management) Ltd
Kingswood Colomendy Ltd.
Knowsley Housing Trust
Knowsley Youth Mutual
Lee Valley Housing Association Ltd
Liberata (UK) Ltd.
Lifeline Project Ltd
Liverpool Association for the Disabled
Liverpool Hope University
Liverpool Housing Trust
Liverpool Mutual Homes Ltd.
Liverpool Vision Limited
Local Government Association
Mack Trading
Mellors Catering Services
Mellors - St Paul & St Timothy
Merseyside Lieutenancy
Merseyside Welfare Rights
Merseyside Youth Association
Mosscroft Childcare Ltd
Mouchel (2020 Knowsley Ltd)
New Brighton Day Nursery Ltd
North Huyton Communities Future
North Liverpool Citizens Advice Bureau
Northgate Managed Services
One Vision Housing Ltd.
Partners Credit Union
Port Sunlight Village Trust
Sefton Education Business Partnership
Sefton New Directions Ltd.
South Liverpool Housing Ltd
Southern Electric Co Ltd
Southern Neighbourhood Council
Taylor Shaw (Meols Cop)
Taylor Shaw (The Grange)

Vauxhall Neighbourhood Council
Veolia ES Merseyside & Halton
Village Housing Association Ltd
Wavertree Citizens Advice Bureau
Welsh Local Government Association
Wirral Autistic Society
Wirral Partnership Homes (Magenta Living)

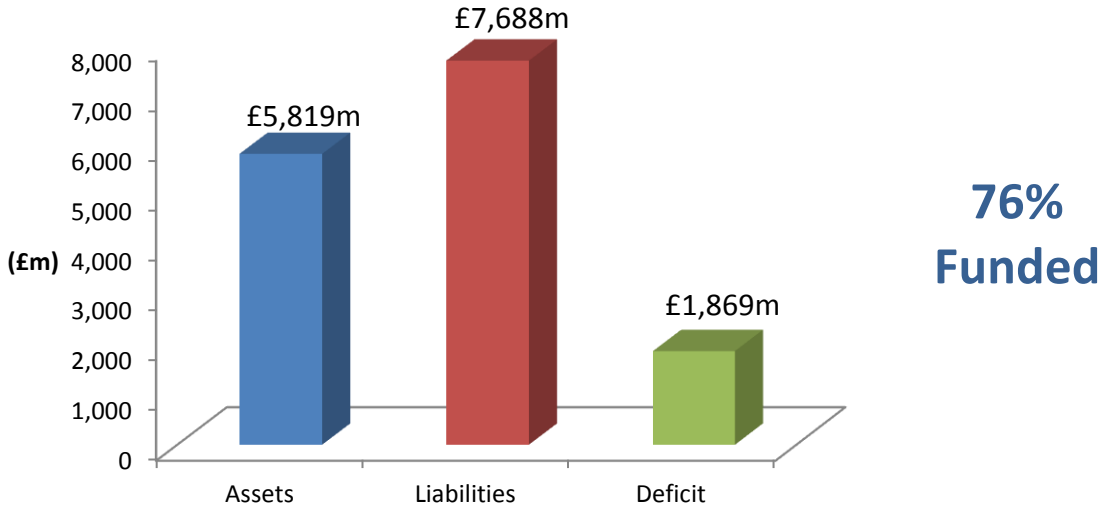
MERSEYSIDE PENSION FUND

Accounts for the year ended 31 March 2015 - Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Merseyside Pension Fund was carried out as at 31 March 2013 to determine the contribution rates for the period 1 April 2014 to 31 March 2017.

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



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

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

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

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

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

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

The assets were assessed at market value.

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

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2015 (the 31 March 2014 assumptions are included for comparison):

	31 March 2014	31 March 2015
Rate of return on investments (discount rate)	4.5% per annum	3.3% per annum
Rate of pay increases	3.9% per annum*	3.5% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% per annum	2.0% per annum

* includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields fell significantly, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (3.3% p.a. versus 4.5% p.a.). The expected long-term rate of CPI inflation also fell during the year, resulting in a lower assumption for pension increases at the year end than at the beginning of the year (2.0% p.a. versus 2.4% p.a.).

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2014 was estimated as £7,992 million.

The effect of the changes in actuarial assumptions between 31 March 2014 and 31 March 2015 as described above is to increase the liabilities by *c*£1,279 million. Adding interest over the year increases the liabilities by *c*£356 million, and allowing for net benefits accrued/paid over the period decreases the liabilities by *c*£150 million (including any increase in liabilities arising as a result of early retirements/augmentations and also allowing for the transfer of Probation Service staff to the Greater Manchester Pension Fund on 1 June 2014).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2015 is therefore £9,477 million.

Paul Middleman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2015

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Glossary of Financial Terms

GLOSSARY OF FINANCIAL TERMS

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

Actuarial Gains and Losses
Actuaries assess financial and non-financial information provided to project levels of future pension Fund requirements. Changes in actuarial deficits or surpluses that arise because:
- Events have not coincided with the actuarial assumptions made at the last valuation
- The actuarial assumptions have changed.

Appointed Auditors
The Audit Commission appoints external auditors to every local authority from one of the major firms of registered auditors. From 2013/14 the external audit function was transferred from District Audit to Grant Thornton UK LLP

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

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

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

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

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

Chartered Institute of Public Finance and Accountancy (CIPFA)
This Institute is the leading professional accountancy body for public services and produces the Accounting Standards and Code of Practice that must be followed in preparing the Council's financial statements.

Collection Fund
A Fund administered by the Council to record all income collected from local taxpayers and business ratepayers and show how this is passed on to other public authorities and Central Government.

Community Assets
These are fixed assets which the Council intends to hold in perpetuity which have no determinable finite useful life and may have restrictions on their disposal eg parks.

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

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

Current Service Costs
The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period ie the ultimate pension benefits earned by employees in the current year.

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

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

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

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

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

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

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

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

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

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

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

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

Heritage Assets
These are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained for the contribution to knowledge and culture. This includes Bidston Windmill, Civic Regalia and the art and other important collections of porcelain and pottery.

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

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

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

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

International Financial Reporting Standards (IFRS)
The Standards dictate specific accounting treatments. They must be applied to all financial statements in order to provide a true and fair view of the financial position, and a standardised method of comparison with others. The Service Reporting Code of Practice interprets the Standards for local government.

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

Minimum Revenue Provision (MRP)
This is the minimum amount that the Council is required to charge to the revenue account each year to provide for the repayment of debt.

National Non-Domestic Rates (NNDR also known as Business Rates)
A levy on business property based on national rate in the £ applied to the rateable value of the premises. The Government determines the national rate and the Rates are collected by the Council and 50% of the amount collected is paid to Central Government. The remaining 50% is retained by the Council (49%) and the Merseyside Fire and Rescue Service (1%).

Net Book Value
The amount at which assets are included in the Balance Sheet i.e. their historical cost or current value less the cumulative amount provided for depreciation.

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

Precept
The amount the Council is required to raise from Council Tax on behalf of other authorities namely the Merseyside Recycling & Waste Authority and the Merseyside Integrated Transport Authority (Merseytravel).

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

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

Public Works Loans Board (PWLB)
A Central Government body which is the main provider of loans to local authorities to fund capital expenditure.

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

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

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)
This represents items of capital expenditure where no asset exists and the cost is allowed by statute to be charged as revenue expenditure to the Consolidated Income & Expenditure Statement.

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

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

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

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

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

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

Transformation & Resources Directorate

Tom Sault
Head of Financial Services and
Acting Section 151 Officer,
PO Box No 2,
Treasury Building,
Cleveland Street,
Birkenhead,
Wirral,
Merseyside,
CH41 6BU.

to Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS

Date 22 September 2015

your ref
my ref ACCOUNTS 2014/15
service Financial Services
tel 666 3407 Please ask for Tom Sault
fax 666 3408
email tomsault@wirral.gov.uk

Dear Sirs,

Wirral Council - Financial Statements for the year ended 31 March 2015

This representation letter is provided in connection with the audit of the financial statements of Wirral Council for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

1. We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.

2. We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.

3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

5. We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.

6. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

7. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

8. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code requires adjustment or disclosure have been adjusted or disclosed.

9. We have adjusted the misstatements brought to our attention in the Audit Findings report, which are considered to be immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

10. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

11. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

12. We have provided you with:

    a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
    b. additional information that you have requested from us for the purpose of your audit; and
    c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

13. We have communicated to you all deficiencies in internal control of which management is aware.

14. All transactions have been recorded in the accounting records and are reflected in the financial statements.

15. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

16. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

    a. Management;
    b. Employees who have significant roles in internal control; or
    c. Others where the fraud could have a material effect on the financial statements.

17. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.

18. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

19. We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.

Annual Governance Statement

20. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Risk Management Committee at its meeting on 22 September 2015.

Signed on behalf of the Council

Councillor Jim Crabtree
Chair of the Audit and Risk Management Committee
Date

Tom Sault
Head of Financial Services and Acting Section 151 Officer
Date

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