



Audit and Risk Management Committee

Date:	Monday, 26 September 2016
Time:	6.00 pm
Venue:	Committee Room 1 - Wallasey Town Hall

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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. MINUTES (Pages 1 - 12)

To approve the accuracy of the minutes of the meeting held on 13 June 2016.

3. INTERNAL AUDIT UPDATE (Pages 13 - 26)

4. ARMC SELF ASSESSMENT (Pages 27 - 40)

5. ARRANGEMENTS FOR THE APPOINTMENT OF EXTERNAL AUDITORS (Pages 41 - 46)

6. ANNUAL GOVERNANCE STATEMENT 2015-16 (Pages 47 - 74)

7. CORPORATE RISK REGISTER: Q1 2016/17 UPDATE (Pages 75 - 88)

8. **MANAGEMENT OF INSURANCE AND CORPORATE RISK**
(Pages 89 - 94)
9. **CORPORATE RISK MANAGEMENT POLICY**
(Pages 95 - 138)
10. **EXTERNAL AUDIT FINDINGS**
(to follow)
11. **EXTERNAL AUDIT FINDINGS - PENSION FUND**
(Pages 139 - 164)
12. **PENSION FUND STATEMENT OF ACCOUNTS**
(Pages 165 - 172)
13. **STATEMENT OF ACCOUNTS**
(Pages 173 - 370)
14. **ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR
(PART 1)**
15. **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.

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

AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 13 June 2016

<u>Present:</u>	Councillor	AER Jones (Chair)	
	Councillors	A Davies RL Abbey P Doughty	D Elderton P Gilchrist L Rowlands
<u>Deputies:</u>	Councillors	P Brightmore (In place of C Muspratt) G Watt (In place of J Hale)	
<u>Visiting Member:</u>	Councillor	I Lewis	

1 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members were asked to consider whether they had 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 what they were.

No such declarations were made.

2 MINUTES

Resolved – That the minutes of the meeting held on 15 March 2016, be approved.

3 INTERNAL AUDIT UPDATE

The Chief Internal Auditor introduced his report that identified and evaluated the performance of the Internal Audit Section and included items of note arising from the actual work undertaken during the period 1 March to 31 May 2016. The report focused upon:

- Any items of note arising from audit work conducted;
- Any issues arising that require actions to be taken by Members;
- Performance information relating to the Internal Audit Service;
- Developments being undertaken to improve the effectiveness of the Internal Audit Service.

Members' attention was drawn specifically to a number of items of note that had been identified, which included:

Risk Management – the report informed that this audit had resulted in an overall organisational risk opinion of ‘moderate’ with a number of recommendations to improve systems across the following themes:

- Management and maintenance of Risk Registers;
- Compliance with Risk Management Policy;
- Consistency of approach across the Council;
- Risk Appetite.

Organisational Culture – Members were informed that a follow up audit had been undertaken to verify implementation of recommendations included in the 2015 report.

Members noted that whilst none of the recommendations had been fully implemented, progress continues and further audit work is planned for later in the year to confirm continued implementation, broadening the focus of the work into other areas of organisational culture.

Annual Governance Statement – The Chief Internal Auditor informed that the Annual Governance Statement 2015/16 (draft) was listed as a separate item on the Committee Agenda.

In terms of this update report, Internal Audit had undertaken work to review adequacy and effectiveness of the Council’s governance arrangements and had concluded that the arrangements were adequate.

Safeguarding – the report informed that findings and actions arising from a review of governance arrangements as contained within the ‘Safeguarding Children in Wirral Scrutiny Review’ would be reported to the relevant Strategic Director and the Audit and Risk Management Committee upon completion.

Merseyside Pension Fund: Contract Procedures – The Chief Internal Auditor reported that following an audit into the Merseyside Pension Fund (MPF) 2015/16 it was concluded that the contract processes within MPF are effective, although a number of improvements to the current control environment had been agreed as a result of the audit.

Members discussed the content of the report, items of note, outstanding audit recommendations, performance indicators and audit developments. A Member pointed out that a number of items rated as ‘major risk’ contained within the report continued to appear in the action summary, and questioned why, after continued monitoring these issues remained. Another Member questioned whether, if areas showed no apparent significant improvement, why detailed reports should not be submitted to the Audit and Risk Management Committee and Officers questioned.

A Member pointed out that Internal Audit had been proactive in its actions to identify and bring matters of note before the Audit and Risk Management Committee, and it was correct that Members should be calling officers to account if they were not seemingly considering the advice of Internal Audit or the Committee.

The Chief Internal Auditor stated that the 'major risk' reference was from the initial audit work that had been undertaken. The subsequent follow-up work identified those actions which had been implemented and led to the revised RAG (red, amber, green) rating. In his report he highlighted his areas of concern for the Members of the Committee. His report informed in summary format that although some items had been listed for a period of time, recommendations continued to be monitored and assessed, and where necessary further steps would be followed to ensure full implementation. The Chief Internal Auditor additionally reported that recommendations for action, and exception reporting, would continue to form the basis of the Internal Audit Work Programme. He further informed that the residual RAG (Red, Amber, Green) rating for all outstanding Audit Recommendations were identified as 'Amber'.

Resolved - That the report be noted.

4 CHIEF INTERNAL AUDITORS REPORT

The Chief Internal Auditor introduced his Annual Report that set out the Internal Audit assurance opinion on key areas of the Council's activity for 2015/16.

The report informed that audits conducted during the year were principally planned to review the financial control systems in accordance with the professional standards set out by the Audit Practices Board, CIPFA and the Chartered Institute of Internal Auditors. The report summarised attention paid to key risks in the following areas:

- Performance Management;
- Counter Fraud and Corruption;
- Corporate Governance;
- Risk Management;
- ICT Systems; and
- Service Delivery.

The report further detailed the audit outcomes, and the effectiveness of internal audit and internal control framework that assists the Council's management in the effective discharge of its responsibilities and functions to provide Members with assurance of compliance to statutory requirements.

A Member questioned the Chief Internal Auditor (CIA) on the types of risk associated with selected audits listed in the report under 'minor organisational risk'. The Chief Internal Auditor informed that in the examples highlighted the risks identified had primarily been those associated with financial and/or banking procedures.

The Member further questioned the CIA on the matters listed in the report as 'moderate', specifically the separate items relating to contract tenders, procurement and elections. The CIA informed of follow up work in progress with regard to contract procedures and further assurances across affected areas, he also informed that the specific allegation raised in respect of elections related to interpretation of government advice, as opposed to accuracy of the electoral process. He advised that the guidance had lacked clarity and a number of councils had been similarly affected.

The CIA advised the Committee of four key audits that contained 'major organisational risk opinions' out of the total of 97 produced during the year, namely:

- Organisational Culture
- MPF – contract procedures
- Direct Payments
- Sport and Recreation Income

Members noted that continued monitoring and improvement had ensured that the listed outcomes were in a significantly better position than had been in the past.

Resolved – That the Chief Internal Auditor's Annual Report and Opinion on the System of Internal Control 2015/16 be noted.

5 ARMC ANNUAL REPORT

The Chair, supported by the Chief Internal Auditor, introduced the Audit and Risk Management Committee Chair's Annual Report 2015/16.

Prepared in consultation with Internal Audit, the Chair's Annual Report for 2015/16 had been compiled in accordance with the CIPFA best practice publication 'A Toolkit for Local Authority Audit Committees'.

The report informed how the Audit and Risk Management Committee had fulfilled its terms of reference during a challenging year and noted Member's commitment to helping the development of standards and protocols across a wide range of governance areas, further assisting with improvements across the Council's governance and control environments in a timely manner.

The Chair's Annual Report further informed Members of specific matters regarding the Audit and Risk Management Committee's Core Activities during the year, covering the Committee Terms of Reference, reports, activities and key outcomes for the Municipal Year 2015/16.

Resolved - That the Annual Report 2015/16 of the Audit and Risk Management Committee be approved and submitted to Cabinet.

6 DRAFT ANNUAL GOVERNANCE STATEMENT

The Head of Financial Services and Acting S151 Officer presented the report of the Strategic Director Transformation & Resources, which identified and explained the planned approach for the production of the Council's Annual Governance Statement for 2015/16. The report (in draft) provided an outline of the work required to prepare the Statement in compliance with statutory requirements set out in the Accounts and Audit Regulations 2011 and the principles identified in the CIPFA SOLACE Framework – Delivering Good Governance in Local Government. Members were invited to comment on the draft report with a final version of the Annual Governance Statement to be reported to the Committee in September 2016.

The Head of Financial Services informed that the report outlined the approach and evidential basis used in the production of a robust and accurate Statement. The report explained how, using the six principles of good governance as listed in the document, that the Annual Governance Statement was not owned by the Audit Function, but remained a Council statement on the effectiveness of its governance processes.

The report set out, in a prescribed format, information on the following key areas:

- Scope of Responsibility;
- Purpose of the Governance Framework;
- Overview of Council Progress;
- The Governance Framework (6 principles);
- Reviewing Effectiveness; and
- Significant Governance Issues.

Members were advised and noted, that the number of significant governance issues had reduced further in 2015/16. One issue remained, and that further action was required to address organisational and managerial compliance with certain Council processes and procedures, including performance appraisals, absence management, contract procedure rules and mandatory training. Members noted that a Corporate Governance Group will lead the development of a robust action plan to address this particular issue).

Members commented on the subject of absence management, concerns regarding the descriptors used in the resident's survey and various exchanges relating to these subjects in the past. A Member questioned whether matters had been understated or if procedures had not been followed or if organisational 'culture' was at the heart of the matter. The Head of Financial Services advised that the compliance issue, which could be viewed as covering 'culture', remained as the outstanding significant governance issue. Members noted that the draft Statement would be signed by the Leader and the Chief Executive. The final version of the Annual Governance Statement 2015/16 would be presented to the next meeting of the Audit and Risk Management Committee.

A Member expressed his wish to challenge the report and requested that a vote be taken on the item.

Following a show of hands, the vote was taken and carried (7:1)

Resolved – That

- 1) the approach outlined with regard to the production of the Annual Governance Statement 2015/16, be endorsed and supported; and**
- 2) a final version of the Annual Governance Statement 2015/16 be presented to the Audit and Risk Management Committee in September 2016.**

7 CORPORATE RISK REGISTER

The Head of Financial Services and Acting S151 Officer presented the report of the Chief Executive, which advised that under the terms of the Council's Constitution, one of the functions of the Audit and Risk Management Committee was to provide independent assurance that the Council's Risk Management Framework was effective.

The report informed that the Corporate Risk Register formed a key component to the framework and that to ensure that the Council continued to focus on the most critical risks to the delivery of its objectives the Strategic Leadership Team had produced a revised set of corporate risks aligned to the Wirral Plan.

The Head of Financial Services informed the Audit and Risk Management Committee that in the past year the Council and its partners had adopted the Wirral Plan: A 2020 Vision. This set out a refreshed set of priorities and a different approach to the delivery of outcomes and recognised that given such major changes the most significant threats to the delivery of the Plan could differ substantially from those which the Council has faced previously.

The report informed that, as a result, the Strategic Leadership Team and Risk and Insurance Manager had collated and considered information about how various risks might impact on the Council and its partners. Having considered the information and with reference to the Council's risk scoring matrix and in accordance with its Risk Management Policy scores had been allocated, key officers tasked and actions / controls identified.

The report provided a one page summary for each of the following identified corporate risks, as follows:

- 1) Financial Resilience
- 2) Organisation Development and Pace of Transformational Change
- 3) Partnerships
- 4) Devolution
- 5) Integration of Health and Social Care
- 6) Effect of demographic changes on demand for services
- 7) Safeguarding
- 8) Governance (including information governance)
- 9) Economic Activity
- 10) Resources and Infrastructure

Members considered the content and new format summary, and commented favourably on the clear layout and easy to understand format.

A Member requested that in future reports abbreviations and acronyms be kept to a minimum and another questioned the source of some of the planned additional controls. The Head of Financial Services confirmed that Member suggestions would be actioned and that the planned controls had been sourced from management, service officers and previously identified best practice (ARM, Minute No. 55, 15 March 2016 also refers).

Resolved – That

- 1) the refreshed set of corporate risks be noted; and**
- 2) future updates on the Corporate Risk Register be presented to this Committee.**

8 MANAGEMENT OF INSURANCE AND CORPORATE RISK

The Head of Financial Services and Acting S151 Officer introduced his report that set out progress made since his previous report to the Audit and Risk Management Committee in March 2016 (Minute No. 56 refers) and key actions planned for 2016/17.

The Head of Financial Services provided an update to Members of the Audit and Risk Management Committee (ARMC) that the increased crime insurance premium as reported in paragraph 3.2.1 also included enhanced cover, which had since been confirmed.

The Committee received a summary update on Policy renewals for the period April to June 2016 that included information on premiums and work undertaken to ensure prior agreement on renewal terms to ensure continuity of cover on various policies – Property, Terrorism, Business Interruption, Computer, Museums and Personal Accident.

A Member queried the impact of academy schools on the Council's insurance cover. It was noted that such schools could not be covered by the Council insurance, but Officers had been aiding/advising academy schools on the procurement of replacement insurance cover.

Resolved – That the report be noted.

9 **INSURANCE FUND ANNUAL REPORT**

The Audit and Risk Management Committee considered the report of the Head of Financial Services and Acting S151 Officer that provided a review of the Risk and Insurance activity during 2015/16 and the plans for 2016/17 and beyond. The report detailed the underwriting arrangements and recent loss histories for the principal areas of insured risk and described the impact of measures taken to improve their management. The provisions and reserves within the Insurance Fund at the end of 2015/16 were also confirmed.

The Head of Financial Services informed the Audit and Risk Management Committee that the rate of receipt of new Public Liability claims had continued to fall, with overall costs reducing accordingly - the exception to this had been in 2012/13 which was the result of two large claims.

The Committee noted that annual reassessment of the Insurance Fund (sums held in respect of uninsured liability risks and to pay for risk improvement measures) had been broadly in line with the estimate and that the credit balance in this Reserve at the end of March 2016 was therefore not required and had been returned to the General Fund balances for 2015/16. Members also noted that the Risk and Insurance Services had also achieved an operating surplus and this too had been returned to the General Fund balances for 2015/16. Members were asked to endorse the release of the budget surplus and operating surplus as detailed in the report (paragraph 3.45).

The Head of Financial Services brought the Committee's attention to the key tasks and targets for Insurance Management 2016/17 and beyond, and

informed that regular reports on the progress would continue to be presented to the Audit and Risk Management Committee as part of its regular work programme.

Resolved - That

- 1) the report be noted;**
- 2) members endorse the release of monies from the Insurance Fund to the General Fund as follows:**
 - i) The release of the budget surplus of £82,993 to the General Fund;**
 - ii) The release of the operating surplus of £268,947 to the General Fund; and**
- 3) the Insurance Fund Budget 2017/18 be prepared for presentation to the Audit and Risk Management Committee in January 2017.**

10 ORDER OF BUSINESS

Order of Business - The Chair suggested and it was agreed that, with regard to the two External Auditor reports, the order of business be varied and that item 11 on the agenda (External Audit Plan) be considered first.

11 EXTERNAL AUDIT PLAN

Mr Chris Whittingham of Grant Thornton UK LLP, the Council's external auditors, presented a report to Members on work undertaken with regard to the Audit Plan for Wirral Council, Year ending 31 March 2016.

The Auditor provided a brief update on a number of key areas contained within his report that included:

- Understanding the challenges and opportunities that faced the Council;
- Developments and requirements relevant to the audit – taking account of national audit requirements as set out in the Code of Audit Practice;
- The concept of 'Materiality' – and that for the purposes of planning the audit the external auditors had determined a figure of £13,713k (being 1.9% of gross revenue expenditure – compared to a figure of £14,876k the previous year); and

- Significant Risks as set out under ISA 240 – The external auditor identified two such presumed risks, and set out substantive audit procedures (completed and planned) in each case. Two additional significant risks were listed but fell outside ISA 240, again in each case, Members were apprised of planned work.

The external auditor concluded his report detailing his Value for Money assessment and fees summary.

Resolved – That the report be noted.

12 **EXTERNAL AUDITOR - AUDIT COMMITTEE UPDATE**

Following on from his earlier report, Mr Chris Whittingham of Grant Thornton UK LLP, the Council's external auditors, presented his progress report and update for the year ended 31 March 2016.

The Auditor provided a brief update on a number of subjects which formed part of his report on progress in delivering the external audit responsibilities that included:

- Fee Letter – the requirement to issue a 'Planned fee letter for 2015/16 by the end of April 2015 – completed in line with the published timetable.
- Accounts Audit Plan – the requirement to issue a detailed accounts audit plan to the Council that set out the external auditor's proposed approach in order to provide an opinion on the Council's 2015/16 financial statements – agreed with management and presented to the Audit and Risk Management Committee under the previous agenda item.
- Interim Accounts Audit – partially complete – interim audit work had been completed by the end of March, in line with the planned timetable. This included early audit testing that had not identified any issues requiring the attention of the Audit and Risk Management Committee.
- Final Accounts Audit – this element of the external auditor's work is scheduled for completion by the 31 August 2016 as part of the transition to the earlier closedown from 2018.

A Member commented on the report stating that it had been very useful in summarising the work of the external auditor.

The Chair thanked Mr Whittingham for his reports.

Resolved – That the update be noted.

13 **REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)**

The Group Solicitor introduced the report of the Head of Legal and Member Services that presented a summary of the use of covert surveillance by the Council, to detect evidence of criminal behaviour, between 1 February and 31 May 2016.

The report informed that during this period, the Council had used covert surveillance with the intention of detecting evidence of criminal behaviour, and that on 8 February and 1 March 2016 magistrates had approved authorisations to use covert surveillance to detect suspected flytipping on a site in the Wirral.

The report further informed that on 31 March 2016 a magistrate had approved the authorisation of covert surveillance by Trading Standards Section into suspected illegal trading.

Members were further informed that a flytipping offence had been detected by means of prior covert surveillance, and that on 18 April 2016 a member of the public had pleaded guilty to an offence committed on 20 April 2015 of unlawful flytipping in Riverbank Road, Bromborough and had been sentenced and fined accordingly.

Resolved – That the report be noted.

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**Audit and Risk Management Committee
Monday, 26 September 2016**

REPORT TITLE:	INTERNAL AUDIT UPDATE
REPORT OF:	CHIEF INTERNAL AUDITOR

REPORT SUMMARY

This report identifies and evaluates the performance of the Internal Audit Service and includes details of any issues arising from the actual work undertaken during the period 1st June to 31st August 2016. There are 2 items of note concerning audit work undertaken that are brought to the attention of the Members for this period and these are identified at Section 3.2.

RECOMMENDATION

Members note the report.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 To provide the Members with assurance that the Council is taking appropriate measures to ensure that the control environment is effective and to comply with statutory requirements to provide an adequate and effective internal audit service.
- 1.2 To ensure that risks to the Council are managed effectively.
- 1.3 To ensure that the Council complies with best practice guidance identified in the CIPFA publication 'A Toolkit for Local Authority Audit Committees'.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3.0 BACKGROUND AND AUDIT OUTPUT

- 3.1. Internal Audit operate an effective reporting mechanism for Members of the Audit and Risk Management Committee that summarises audit work completed and identifies issues raised on timely bi-monthly basis. This report supports these arrangements by focussing on the following:

- Any items of note arising from audit work conducted,
- Any issues arising that require actions to be taken by Members,
- Performance information relating to the Internal Audit Service,
- Developments being undertaken to improve the effectiveness of the Internal Audit Service.

The information contained within this report is for the period 1st June to 31st August 2016.

3.2. Items of Note

3.2.a Pension Fund - Contact Procedures

Following an audit undertaken during 2015/16 into the procurement of infrastructure advisory services to the Merseyside Pension Fund (MPF), that was reported to this Committee in February 2016, further assurance work was completed across all MPF contracts to ensure compliance with the Contract Procedure Rules and MPF and the outcomes from this was reported to this Committee in June 2016.

Internal Audit have continued to monitor the progress made by MPF in implementing the agreed recommendations emanating from the work completed and can report the following:

- The identified failure to comply with the CPRs for the procurement of infrastructure advisory services was independently investigated and dealt with under the corporate disciplinary process. The officers at the Fund involved in procurement have undergone training on the new CPRs introduced from April 2016.
- The MPF Compliance Manual is in the process of being updated with; clearer signposting, enhanced detail and guidance around CPRs; and a formal terms of reference for the Investment Committee. The revised Compliance Manual will be presented to the Pension Committee in January 2017 for approval.
- The expected actions of the lead officers following discussions on services contracts are now clearly recorded in the minutes of the Fund Operating Group.
- Work is progressing in liaison with Corporate Procurement over the two long standing contractual arrangements to establish whether further action is required to ensure continued CPR compliance.

3.2.b Annual Governance Statement

A significant amount of work has been undertaken by the Internal Audit Service to support the production of the Annual Governance Statement which is presented as a separate report to this Committee elsewhere on the agenda. This work has involved independent targeted reviews of compliance with the CIPFA/SOLACE guidance and also includes the provision of support to senior management in the assessment of significant governance issues. The Internal Audit service is also represented on the Corporate Governance Group and supports the work undertaken to ensure that the organisation has strong governance arrangements in place that comply with evolving professional best practice and operate effectively and for the benefit of the Council.

3.3 Outstanding Audit Recommendations

- 3.3.a Attached at Appendix 1 is a table identifying information relating to those audits where recommended actions included in audit reports for 2015/16 and the current year to date have not yet been fully implemented.
- 3.3.b Where items are addressed by officers those entries are removed from the report on a rolling basis.
- 3.3.c All of the reports identifying outstanding actions are currently RAG rated as 'amber' indicating that progress is being made to address identified issues. A number of these relate to audits undertaken within ITS and were the subject of a previous report to this Committee by the Chief Information Officer outlining actions being taken and providing Members with necessary assurances that risks in these areas were being managed effectively. These actions are currently being overseen by the Information Governance Board chaired by the Strategic Director for Transformation and Resources.
- 3.3.d Since the previous report to this Committee a significant number of assurances have been received from senior managers regarding the

implementation of agreed actions following audits undertaken. Those items have subsequently been removed from the attached report for the moment and will be subject to scheduled follow up audit work in due course to verify the validity and effectiveness of those actions taken. The outcome of this work will be reported to Committee in the usual fashion and determine if any further action is required including the possible re-instatement to the list if actions are not deemed appropriate or effective.

3.3.e Outstanding actions relating to Organisational Culture, Corporate Procurement and Business Continuity/Disaster Recovery are included on a Governance Issues Action Plan agreed with senior management and it's implementation is currently being overseen and monitored by the Corporate Governance Group chaired by the Strategic Director for Transformation and Resources. Internal Audit has work scheduled during the remainder of the year to evaluate progress in this area, the outcome of which will be reported to this Committee upon completion.

3.4 Internal Audit Performance Indicators

3.4.a The Service constantly evaluates and measures the effectiveness of its performance in terms of both quality and productivity by means of a number of performance indicators in key areas as identified below. These include delivery of the annual Internal Audit Plan and ensuring that all of the audits identified in the plan are completed on schedule. This is particularly important at the present time as the requirement for Internal Audit involvement in a number of important corporate initiatives has increased dramatically.

IA Performance Indicator	Target	Actual
Percentage delivery of Internal Audit Plan 2016/17.	40	35
Percentage of High priority recommendations agreed with clients.	100	100
Percentage of returned client survey forms for the reporting period indicating satisfaction with the Internal Audit service. (Number of forms returned for period shown in brackets)	90	99 (25)
Percentage of internal audit reports issued within 10 days of the completion of fieldwork.	100	100

3.4.b There are currently no significant issues arising although it should be noted that achievement of the audit plan is slightly behind schedule for this time of year. This is primarily due to a number of vacant posts within the section that have proven difficult to fill. Work is currently ongoing to attempt to address this issue and I will continue to closely monitor and report on progress made, advising of any further impact on plan delivery.

3.5 Internal Audit Developments

3.5.a Continuous Improvement

This is important to the overall efficiency and effectiveness of the Internal Audit Service and as such a Continuous Internal Audit Improvement and Development Plan has been formulated that incorporates new and developing areas of best practice from across the profession, ensuring that the service continues to constantly challenge how efficient and effective it is at delivering its service to all of its stakeholders and making any relevant changes and improvements as required. Some of the actions currently ongoing include:

- Further development of the Quality Assurance and Improvement Programme (approved by ARMC – September 2015) in line with the Public Sector Internal Auditing Standards;
- Ongoing development and implementation of a more streamlined and dynamic AGS working to allow for further changes made to the CIPFA/SOLACE best practice guidance;
- More collaborative counter fraud exercises across the Mersey region;
- Ongoing regional Counter Fraud Publicity Campaign scheduled for November 2016;
- Ongoing improvement of corporate counter fraud awareness across the Council;
- Further developments in reporting arrangements for stakeholders;
- Further development of the Mersey region Counter Fraud group led by Wirral Internal Audit to include joint fraud exercises and training;
- Implementation of actions arising from the new Public Sector Internal Audit Standards (PSIAS) self-assessment exercise;
- Development of the use of computer assisted auditing techniques in the evaluation and testing of system controls for more effective and efficient auditing;
- Ongoing development and implementation of a new automated planning and management system for the service;
- Implementation of paperless working papers operation.

4.0 FINANCIAL

4.1 There are none arising from this report.

5.0 LEGAL IMPLICATIONS

5.1 There are none arising from this report.

6.0 RESOURCE IMPLICATIONS

6.1 There is none arising from this report.

7.0 RELEVANT RISKS

7.1 Appropriate actions are not taken by officers and Members in response to the identification of risks to the achievement of the Council's objectives.

7.2 Potential failure of the Audit and Risk Management Committee to comply with best professional practice and thereby not function in an efficient and effective manner.

8.0 ENGAGEMENT/CONSULTATION

8.1 Members of this Committee are consulted throughout the process of delivering the Internal Audit Plan and the content of this regular routine report.

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising from this report.

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APPENDICES

Appendix 1: Audit Recommendations Status Report

REFERENCE MATERIAL

Internal Audit Plan 2016/17

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	Routine report presented to all meetings of this Committee.

**INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS
PERIOD: 01 APRIL 2015 TO 31 AUGUST 2016**

<u>Summary</u>	Total	R	A
1. Completed Audits	9	0	9
2. Follow Up Audits Completed	10	0	10
3. Advice And Guidance / Consultancy	0	0	0

INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS
PERIOD: 01 APRIL 2015 TO 31 AUGUST 2016
1. Completed Audits - RED or AMBER flag

Audit	Date	Directorate [Service]	Organisational Risk	Areas for Development / Improvement and comments	Total Recs (H)	Timescale / Strategic Director	Outcome	RAG Status
MPF Pensions Payroll	16/10/2015	T&R [Merseyside Pension Fund]	Minor	Two recommendations were made which do not present a significant risk to the organisation.	2 (0)	May 2016 Strategic Director Transformation and Resources	Follow Up is currently underway with the auditee, verbal assurance provided that recommendations are in process of being implemented.	A
Wirral Evolutions Day Services	18/11/2015	Families & Well-being (F&W) [Wirral Evolutions]	Moderate	Six recommendations regarding enhanced financial control and consistency of financial practice, high level issue regarding consistency of approach and dealings with voluntary funds.	6 (1)	March 2016 Senior Manager - Delivery	The recommendations have been accepted.	A
Capital Investment Programme	23/12/2015	T&R [Financial Services]	Minor	Three recommendations were made which do not present a significant risk to the organisation.	3 (0)	April 2016 Strategic Director Transformation and Resources	The recommendations have been accepted. Follow Up is currently underway with the auditee, verbal assurance provided that recommendations are in process of being implemented.	A
Treasury Management	24/02/2016	T&R [Resources]	Minor	Four low priority recommendations have been made which do not present a significant risk to the organisation.	4 (0)	TBC Strategic Director Transformation and Resources	All recommendations have been agreed. Follow Up is currently underway with the auditee, verbal assurance provide that recommendations are in process of being implemented.	A
Supporting People	07/03/2016	Regeneration & Environment (R&E) [Supported Housing]	Minor	Two recommendations were made which do not present a significant risk to the organisation.	2 (0)	August 2016 Assistant Chief Executive	Follow Up is currently underway with the auditee, verbal assurance provided that recommendations are in process of being implemented.	A
Liquidlogic	13/05/2016	F&W [DASS] & [CYPD]	Moderate	<ul style="list-style-type: none"> • Review current users as soon as possible to confirm access is appropriate. • Document an Access Control Policy (ACP), and ensure regular, evidenced, review of users in line with ACP. • Failed login attempt report to be activated. • Report of unknown user IDs to be produced and reviewed. • Improve password rules in line with the Corporate password policy, confirm password rules have been applied to all users and ensure security questions are changed by users. 	6 (5)	September 2016 Strategic Director Families and Wellbeing	Recommendations agreed. Follow up scheduled for w/c 26th September.	A
Wirral Family Forum	13/05/2016	F&W [CYPD]	Moderate	<ul style="list-style-type: none"> • Review the General Service Agreement and undertake a programme of checks for each grant paid. • Ensure that the Service Provider is fully aware of the requirements to submit supporting evidence in relation to all grants issued . • Future grants paid only to organisations that hold a bank account in their own right. 	4 (3)	September 2016 Strategic Director Families and Wellbeing	Recommendations agreed. Verbal assurance provided that recommendations are in process of being implemented, with follow up scheduled for 29th September.	A

Audit	Date	Directorate [Service]	Organisational Risk	Areas for Development / Improvement and comments	Total Recs (H)	Timescale / Strategic Director	Outcome	RAG Status
Direct Payments - Children	07/07/2016	F&W [CYPD]	Minor	Seven recommendations were made which do not present a significant risk to the organisation.	7 (0)	November 2016 Strategic Director Families and Wellbeing	Final Report issued and recommendation agreed with actions and timescales confirmed. Follow up scheduled for November.	A
Information Governance and Security - Intranet Policies and Guidance	12/07/2016	Authority Wide	Minor	Ten recommendations were made which do not present a significant risk to the organisation.	10 (0)	November 2016 Strategic Director Transformation and Resources	Final Report issued and recommendation agreed with actions and timescales confirmed. Follow up scheduled for November.	A

INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS

PERIOD: 01 APRIL 2015 TO 31 AUGUST 2016

2. Follow Up Audits Completed - RED or AMBER flag

Audit / Follow-Up Date / Original Report date	Directorate [Service]	Organisational Risk	Areas for Development / Improvement and comments	Original Total Recs (H)	Timescale / Strategic Director	Outcome	RAG Status
Procurement of Commissioned Care (Domiciliary Care and Reablement Services) 26/08/2015 Aug 2014	Families & Wellbeing (F&W) [DASS]	Moderate	The audit resulted in 2 High, 3 Medium and 2 Low recommendations. Arrangements must be put in place by the department to ensure that for all future procurement exercises it conducts, it is satisfied that the 'signing' element of the procurement process will be in accordance with Contract Procedure Rules. A final list of Tier 3 providers must be compiled ensuring a contract is in place for each organisation (liaising with Legal in the process). This list should then be disseminated and utilised by the Contracts Team and the Care Arranging Team. Procurement and Legal should be notified to ensure the Contracts Register is updated accordingly. The contract arrangements for those organisations who are not a Tier 1, 2 or 3 provider, but who are providing a service to Adult Social Services funded clients, must be clarified and resolved with Legal and Member Services.	7 (2)	October 2014 Strategic Director Families and Wellbeing	A follow-up audit review was conducted during 2015/16. It was found that significant progress has been made. The two high priority recommendations have been assessed as being implemented. Two other recommendations have been assessed as implemented and the remaining three (1 x Medium Priority and 2 x Low Priority) have been assessed as partly implemented. It is expected that full implementation will be achieved following the final roll-out of functions within Liquidlogic. Where applicable, assurances have been provided to confirm that lessons have been learned that will benefit future procurement exercises. The outstanding recommendations will be reviewed as part of audit work to be conducted during 2016/17.	A
ResourceLink – Access Controls 04/09/2015 Oct 2014	Transformation & Resources (T&R) [Human Resources and OD]	Moderate	The Information Asset Owner can improve controls to prevent inappropriate access to information through the production of an Access Control Policy, to be assured that user access to information is in line with business need, and by ensuring that the measures stated in the ACP are applied to the system and user settings, e.g. by enforcing password rules, switching on the audit trail for System Administration activity, and regularly reviewing user access.	14 (7)	December 2015 Strategic Director Transformation and Resources	Officer responsible for implementing the recommendations was due to commence work wef 01/08/16. However, problems with Resourcelink system have resulted in the officer being used reactively to solve issues, delaying the implementation of the recommendations.	A
ICT Business Continuity 04/09/2015 Dec 2014	Universal & Infrastructure / Authority-Wide	Moderate	Ensure that all Directorates include ICT business continuity requirements in their risk registers and CESG to approve the critical services list so that business continuity plans can be put in place using the new template.	4 (4)	December 2015 Strategic Directors	ICT Business Continuity and Resilience Plans featured as a Significant Governance Issue in the Annual Governance Statement 2014/15. Progress is being made to address the identified key risks in this area. Outstanding issues are included on the Governance Issues Action Plan, and are being overseen/managed by the Corporate Governance Group.	A
Data Loss Prevention 04/09/2015 Oct 2014	Authority-Wide	Major	A DLP policy for the management of information assets should be produced, agreed by the Information Governance Board, and made available to all staff. This will ensure the correct management of information via the delivery of a technical solution by IT Services and the development and enforcement of appropriate working practices by Information Asset Owners.	3 (3)	December 2015 Information Governance Board	The Head of IT Services attended ARMC with an update in September 2015. Action is being taken to document a policy which will then allow a suitable Data Loss Prevention solution to be enabled by IT. The recommendations will continue to be monitored on an ongoing basis with the relevant IT Officer.	A

Audit / Follow-Up Date / Original Report date	Directorate [Service]	Organisational Risk	Areas for Development / Improvement and comments	Original Total Recs (H)	Timescale / Strategic Director	Outcome	RAG Status
IT Services Disaster Recovery 04/09/2015 Jan 2015	T&R [Resources]	Major	IT Services' Disaster Recovery Plan should be documented, where the prioritisation of recovery tasks stated in the plan should reflect the documented requirements of business critical services.	4 (4)	May 2015 Strategic Director Transformation and Resources	The Head of IT Services attended ARMC with an update in September 2015. A number of initiatives are underway to deliver an effective Disaster Recovery solution. The recommendations will continue to be monitored on an ongoing basis with the relevant IT Officer. <u>Update 07/09/2016</u> Discussed with IT Infrastructure Manager, who confirmed that the DR plan that was in use was out of date for the Authority's requirements. There is a plan to develop and document a new DR plan, but no timescale has been given. Outstanding issues are included on the Governance Issues Action Plan, and are being overseen/managed by the Corporate Governance Group.	A
Transport Unit 25/02/2016 Aug 2015	T&R [Design Consultancy - Maintenance function] F&W [CYPD Transport - Taxi and Home to school transport functions]	Moderate	Policies and procedures should be added to so as to ensure responsibilities are fully detailed. Policies should be finalised, approved by the appropriate person(s) and circulated to all relevant staff.	7 (1)	February 2016 Strategic Director Transformation and Resources Head of Branch - Planning and Resources	The majority of the building works and improvements have now been completed, the relocation of staff to the site is also now complete (subject to any possible changes re - NOM'S & ADM's). Asst Director responsible for Transport Unit is satisfied all services are operating within their own specific operational health & safety plans, method statements, and risk assessments. Issues with uneven and broken road surfaces have been addressed, road markings and parking areas provided. Access and egress has been made safer and site security/CCTV has been improved and upgraded. The finishing touches to an audit programme covering multiple sites are currently being put together and this should be available to you shortly in respect of a specific H&S audit date for the depot.	A
Community Patrol 01/04/2016 Feb 2015	Regeneration & Environment (R&E) [Housing and Community Safety]	Minor	Five recommendations were made which do not present a significant risk to the organisation.	5 (0)	May 2015 Strategic Director Regeneration and Environment	Verbal assurance provided that implementation of the recommendations remains in progress. This follow up work is to be incorporated into the audit job on Wirral Community Safety Partnership planned for Q3.	A
Direct Payments 18/04/2016 June 2015	F&W [DASS]	Major	Ensure clear policies and procedures are in place, up-to-date and adhered to in practice, specifically regarding - when and who is responsible for conducting, reporting and acting upon the reviews/assessments required as part of the direct payments process; - the robustness of contract monitoring. - ensuring individual Direct Payment contracts are signed appropriately. - the robustness information is entered in the Liquidlogic system.	5 (1)	October 2015 Strategic Director Families and Wellbeing	Each recommendation was assessed as being partially implemented. Further steps are required to be taken to ensure full implementation. This was fully acknowledged by the responsible senior manager who appreciated the follow-up review particularly following a period of changing roles and structures. Further internal audit work has been scheduled within the Internal Audit Plan 2016/17 to evidence full implementation of the outstanding recommendations.	A

Audit / Follow-Up Date / Original Report date	Directorate [Service]	Organisational Risk	Areas for Development / Improvement and comments	Original Total Recs (H)	Timescale / Strategic Director	Outcome	RAG Status
Organisational Culture 10/05/2016 June 2015	T&R [Human Resources & OD]	Major	<ul style="list-style-type: none"> - Ensure commitment and compliance to Performance Appraisal and Development. - Put in place a clear, effective and efficient mandatory training programme that is delivering the expected benefits to staff and to the organisation. - Report upon and address the staff Survey Action Plan, and consider a future staff Survey as part of an indicator of organisational culture. 	4 (3)	October 2016 Strategic Director Transformation and Resources	The three high priority recommendations were each assessed as being partially implemented and the one medium priority recommendation was assessed as not implemented. Further steps/actions are being taken during 2016/17 in relation to Performance Appraisal and Development; Mandatory training; and a staff survey. A Culture action plan is also in place. Further internal audit work will be undertaken later in the year (c.October), at which point evidence should be available to highlight the progress made in implementing the recommendations. Outstanding issues are included on the Governance Issues Action Plan, and are being overseen/managed by the Corporate Governance Group.	A
Corporate Procurement 15/06/2016 Feb 2014	T&R [Corporate Procurement]	Major	Ensure: <ul style="list-style-type: none"> - Completion of the No PO No Pay process - Regular updating of Contracts Register - Finalisation of formal contracts 	6 (4)	November 2016 Strategic Director Transformation and Resources	This is the third follow-up review conducted. Progress continues to be made with implementing the recommendations in line with the new operating model. Outstanding issues relating to corporate procurement are included on the Governance Issues Action Plan, and are being overseen/managed by the Corporate Governance Group.	A

KEY:

Organisational Risk

MAJOR	The likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to major risk.
MODERATE	The likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to moderate risk.
MINOR	The likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to minor risk.
NEGLIGIBLE	There were no weaknesses identified during the review.

RAG status

G	Audits	Actions agreed and implemented.
	Follow Ups	Actions implemented.
A	Audits	Actions agreed and officers committed to implement within agreed timescale.
	Follow Ups	Actions in process of being implemented within agreed timescale with some implemented.
R	Audits	Actions agreed
	Follow Ups	Little or no progress made to implement actions within agreed timescale.

Recommendation Priority Rating

HIGH	A matter that is fundamental to the control environment for the specific area under review. The matter may cause a system objective not to be met. This needs to be addressed as a matter of urgency (suggested timescale: within one month).
MEDIUM	A matter that is significant to the control environment for the specific area under review. The matter may threaten the achievement of a system objective.
LOW	A matter that requires attention and would improve the control environment for the specific area under review. The matter may impact on the achievement of a system objective.

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**Audit and Risk Management Committee
Monday, 26 September 2016**

REPORT TITLE:	ARMC SELF-ASSESSMENT
REPORT OF:	CHIEF INTERNAL AUDITOR

REPORT SUMMARY

To comply with best professional practice the Audit and Risk Management Committee is required to complete an annual evaluation of its role and effectiveness as part of the systems of internal audit.

The CIPFA publication 'A Toolkit for Local Authority Audit Committees' recommends the use of a self-assessment checklist to achieve this task. The Chair has completed the checklist which is attached at Appendix 1.

RECOMMENDATION/S

That the self-assessment checklist be considered and approved.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 To comply with best practice identified in the CIPFA publication 'A Toolkit for Local Authority Audit Committees'.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3.0 BACKGROUND INFORMATION

- 3.1 The Department for Communities and Local Government (DCLG) issued amended regulations in 2006, to the 2003 Accounts and Audit Regulations – 'The Accounts and Audit (Amendment) (England) Regulations 2006.
- 3.2 One of the amended regulations impacts on the process for preparing the Statement of Internal Control (SIC) which is subsumed within the Annual Governance Statement (AGS) and relates specifically to the the systems of internal audit in operation. This is:-
- Regulations require bodies to regularly review their systems of internal audit, and for the findings to be considered by a committee of the body, or by the body as a whole.
- 3.3 Advice from CIPFA includes the assertion that the "systems of internal audit" can be considered to include the role and effectiveness of the Audit Committee.
- 3.4 To assist Councils in this evaluation exercise CIPFA has provided a Self-assessment checklist and recommends that this be completed annually.

4.0 FINANCIAL IMPLICATIONS

- 4.1 There are none arising from this report.

5.0 LEGAL IMPLICATIONS

- 5.1 There are none arising from this report.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

- 6.1 There are none arising from this report.

7.0 RELEVANT RISKS

- 7.1 Appropriate actions are not taken by officers and Members in response to the identification of risks to the achievement of the Council's objectives.
- 7.2 Potential failure of the Audit and Risk Management Committee to comply with best professional practice and thereby not function in an efficient and effective manner.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 Members of this Committee are consulted throughout the process of delivering the Internal Audit Plan and the content of this regular routine report.

9.0 EQUALITY IMPLICATIONS

- 9.1 There are none arising from this report.

REPORT AUTHOR: Mark P Niblock
Chief Internal Auditor
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APPENDICES

Draft Audit and Risk Management Self-Assessment Checklist

REFERENCE MATERIAL

CIPFA Publication 'A Toolkit for Local Authority Audit Committees'

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	Annual Report

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Audit and Risk Management Committee

Self-Assessment Checklist

ESTABLISHMENT OPERATION AND DUTIES					
Role and Remit					
Priority	Issue	Yes	No	N/a	Supporting Comments
1	Does the audit committee have written Terms of Reference?	X			Confirmed with Legal Services that ARMC Terms of Reference (TOR) are included within any induction for new members of this Committee
1	Do the terms of reference cover the core functions of the audit committee as identified in the CIPFA guidance?	X			
1	Are the terms of reference approved by the council and reviewed periodically?	X			
1	Has the audit committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	X			Complies with current requirements CIPFA Best Practice Guidance publication 2013.
1	Can the audit committee access other committees and full council as necessary?	X			Referrals and reporting to and from other Committees, Cabinet and Council.
1	Does the authority's statement on internal control include a description of the audit committee's establishment and activities?	X			Statement on Internal Control now subsumed into Annual Governance Statement (AGS). AGS reported regularly to ARMC during year.
2	Does the audit committee periodically assess its own effectiveness?	X			See Annual Report and Self-Assessment reports to ARMC.

Priority	Issue	Yes	No	N/a	Supporting Comments
2	Does the audit committee make a formal annual report on its work and performance during the year to full council?	X			See Annual Report to ARMC.
Membership, induction and training					
1	Has the membership of the audit committee been formally agreed and a quorum set?	X			Confirmed with Legal and Member Services.
1	Is the chair independent of the executive function?	X			Confirmed.
1	Has the audit committee chair either previous knowledge of, or received appropriate training on, financial and risks management, accounting concepts and standards, and the regulatory regime?	X			Annual Member training program. Annual CIPFA Better Governance Training (Chair and Deputy). IA to deliver specific training during 2016/17.
1	Are new audit committee members provided with an appropriate induction?	X			Confirmed with Legal and member Services
1	Have all members' skills and experiences been assessed and training given for identified gaps?	X			
1	Has each member declared his or her business interests?	X			
2	Are members sufficiently independent of the other key committees of the council?	X			Legal and Member Services determine in consultation with Leader.
Meetings					
1	Does the audit committee meet regularly?	X			5 times a year - complies with CIPFA Best Practice Guidance.
1	Do the terms of reference set out the frequency of meetings?	X			Yes - see TOR.

Priority	Issue	Yes	No	N/a	Supporting Comments
1	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	X			Complies with CIPFA best practice - 2 weeks prior to meetings.
1	Does the audit committee calendar meet the authority's business needs, governance needs and the financial calendar?	X			Programme of meetings designed to accommodate key Council reporting requirements eg: financial statements, AGS, Audit Plans.
1	Are members attending meetings on a regular basis and if not, is appropriate action taken?	X			See ARMC Annual report for analysis of attendance.
1	Are meetings free and open without political influences being displayed?	X			See minutes of meetings.
1	Does the authority's S151 officer or deputy attend all meetings?	X			Section 151 attends all meetings.
1	Does the audit committee have the benefit of attendance of appropriate officers at its meetings?	X			Complies with CIPFA best practice, Strategic Director, S151, Monitoring Officer, CIA and other officers as appropriate, see minutes of meetings
INTERNAL CONTROL					
1	Does the audit committee consider the findings of the annual review of the effectiveness of the system of internal control (as required by the Accounts & Audit Regulations) including the review of the effectiveness of the system of internal audit?	X			See Chief Internal Auditors Annual Report 2015/16.
1	Does the committee have responsibility for review and approval of the SIC and does it consider it separately from accounts?	X			See Annual Governance Statement 2015/16.

Priority	Issue	Yes	No	N/a	Supporting Comments
1	Does the audit committee consider how meaningful the SIC (AGS) is ?	X			See minutes of meetings where AGS presented (Mar/June/Sept pa).
1	Does the audit committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	X			See IA Update Reports, EA Update Reports, Risk Registers report to every meeting.
1	Has the audit committee considered how it integrates with other committees that may have responsibility for risk management?	X			ARMC responsible for RM, in addition, departmental and corporate risk registers presented to every meeting identifying actions being undertaken by other committees and bodies.
1	Has the audit committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption?"	X			See Annual Counter Fraud report to ARMC (Next due..Nov 2016)
1	Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?	X			See annual Internal Audit Plan report (March every year) – explicitly identified in reports and explained/discussed at meetings. See meeting minutes.
2	Does the audit committee review the authority's strategic risk register at least annually?	X			Corporate Risk Register presented to every meeting.
2	Does the audit committee monitor how the authority assesses its risk?	X			Risk Management report underlining process presented to every meeting and discussed including departmental registers
2	Do the audit committee's terms of reference include oversight of the risk management process?	X			See TOR.

Priority	Issue	Yes	No	N/a	Supporting Comments
FINANCIAL REPORTING AND REGULATORY MATTERS					
1	Is the audit committee's role in the consideration and/or approval of the annual accounts clear?	X			See TOR See Statement of Accounts reports. See Annual ARMC Report.
1	Does the audit committee consider specifically: <ul style="list-style-type: none"> the suitability of accounting policies and treatments major judgements made System for large write-offs changes in accounting treatment the reasonableness of accounting estimates the narrative aspects of reporting?	X			See analysis of reports presented to ARMC identified in Annual ARMC Report for breakdown of issues reported covering these categories. Reports on effectiveness of control of write off system included in Audit Plan and outcome of any work presented by IA. Actual write offs managed by other relevant Committee. Accounting – see S151 reports presented.
1	Is an audit committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from audit?	X			External Audit report to every Committee. Scheduled reports covering all key areas including accounts.
1	Does the audit committee review management's letter of representation?	X			Report to Committee pa
2	Does the audit committee annually review the accounting policies of the authority?	X			See annual Section 151 Officer reports.
2	Does the audit committee gain an understanding of management's procedures for preparing the authority's annual accounts?	X			As above. Annual Member training by Sect 151 Officer covers this.
2	Does the audit committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	X			Monitoring Officer who attends all ARMC meetings manages this through training/notifications.

Priority	Issue	Yes	No	N/a	Supporting Comments
INTERNAL AUDIT					
1	Does the audit committee approve, annually and in details, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	X			See Strategic and Annual Internal Audit Plan reports (every March).
1	Does internal audit have an appropriate reporting line to the audit committee?	X			See IA reports to every meeting. Monthly meets with Chair/Deputy.
1	Does the audit committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?	X			See Report/Meeting Minutes. See Bi-Monthly ARMC Summary reports emailed directly to members.
1	Are follow-up audits by internal audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?	X			See Appendix to IA Update Reports (O/S Recommendations). See Bi-Monthly reports.
1	Does the audit committee hold periodic private discussions with the Head of Internal Audit?	X			Monthly with Chair/Deputy. Regular conversations between Chair and CIA.
1	Is there appropriate cooperation between the internal and external auditors?	X			Co-ordinated approach, regular scheduled meets, joined up plans of work.
1	Does the audit committee review the adequacy of internal audit staffing and other resources?	X			See IA Plan, Annual CIA and IA Update reports for narrative and performance data relating to delivery of IA Service.
1	Has the audit committee evaluated whether its internal audit service complies with CIPFA's Code of Practice for Internal audit in Local Government in the United Kingdom?	X			See Annual CIA Report for confirmation of this and the new Public Sector Internal Audit Standards. See also separate updates during 2015/16 on new PSIAS Self- Assessment exercise to evaluate compliance.

Priority	Issue	Yes	No	N/a	Supporting Comments
2	Are internal audit performance measures monitored by the audit committee?	X			See regular IA Update reports that contain this data.
2	Has the audit committee considered the information it wishes to receive from internal audit?	X			Through regular meetings with Chair and discussions at meetings regarding reporting. See introduction of Bi-Monthly report and subsequent changes to content as examples.
EXTERNAL AUDIT					
1	Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognising the statutory duties of external audit)?	X			See minutes from meetings at which EA present report on this including plans for year.
1	Does the audit committee hold periodic private discussions with the external auditor?	X			Regular meetings with Chair.
1	Does the audit committee review the external auditor's annual report to those charged with governance?	X			See minutes of June meeting at which annual report presented.
1	Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?	X			Officers present reports updating Members on this. Included in IA reports.
1	Are reports on the work of external audit and other inspection agencies presented to the committee, including the Audit Commission's annual audit and inspection letter?	X			See minutes of meetings and breakdown of reports presented to ARMC in Annual ARMC report.
1	Does the audit committee assess the performance of external audit?	X			Through Annual Reports of work planned and undertaken...see minutes of meetings.
1	Does the audit committee consider and approve the external audit fee?	X			See annual report (June pa)

Priority	Issue	Yes	No	N/a	Supporting Comments
ADMINISTRATION					
Agenda Management					
1	Does the audit committee have a designated secretary from Committee/Member Services?	X			Patrick Sebastien (PS).
1	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	X			2 weeks prior to meetings.
2	Are outline agendas planned one year ahead to cover issues on cyclical basis?	X			See breakdown of scheduled reports agreed with Chair June 2016.
2	Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?	X			Legal Services (PS) co-ordinate.
Papers					
1	Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?	X			Meetings and reports pre-planned to ensure that key organisational targets and legislative requirements are accommodated. Legal Services facilitate.
2	Does the audit committee issue guidelines and/or a proforma concerning the format and content of the papers to be presented?	X			Pre-formatted reporting template in use.
Actions arising					
1	Are minutes prepared and circulated promptly to the appropriate people?	X			Within 5 days of meeting, Legal Services(PS) co-ordinate.
1	Is a report on matters arising made and minuted at the audit committee's next meeting?	X			Legal Service (PS) co-ordinate.

Priority	Issue	Yes	No	N/a	Supporting Comments
1	Do action points indicate who is to perform what any by when?	X			<p>On-line system records action points and target deadlines as well as notifying appropriate officers by email of any requirements pending.</p> <p>Legal Services facilitate this process.</p> <p>'ModGov' system currently in use.. has increased effectiveness in this area.</p>

Completed By: Councillor Adrian Jones
Assisted By: Mark P Niblock.
Date: Sept 2016

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**Audit and Risk Management Committee
Monday, 26 September 2016**

REPORT TITLE:	Arrangements for the Appointment of External Auditors
REPORT OF:	Strategic Director: Transformation and Resources

REPORT SUMMARY

This report summarises the changes to the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements, at the conclusion of the 2017/18 audits.

The Council will need to consider the options available and put in place new arrangements in time to make a first appointment by 31 December 2017.

RECOMMENDATION

Members are requested to consider this report evaluating the various options available and endorse the Council's proposed approach of supporting the Local Government Association (LGA) in setting up a national Sector Led Body for the appointment of external auditors.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

It is considered that the Sector Led Body option would present greater opportunities for the most economic and efficient approach to the procurement of external audit for both Wirral Council and the whole sector.

2.0 OPTIONS CONSIDERED

There are three broad options open to the Council under the Local Audit and Accountability Act 2014 (the Act):

2.1 Option 1 To make a stand-alone appointment

In order to make a stand-alone appointment the Council will need to set up an Auditor Panel. The members of the panel must be wholly or a majority independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit. A new independent auditor panel established by the Council will be responsible for selecting the auditor.

Advantages/benefit

Setting up an auditor panel allows the Council to take maximum advantage of the new local appointment regime and have local input to the decision.

Disadvantages/risks

Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus on going expenses and allowances

The Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.

The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected members.

2.2 Option 2 Set up a Joint Auditor Panel/local joint procurement

The Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees (members). Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council need to liaise with other local authorities to assess the appetite for such an arrangement.

Advantages/benefits

The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.

There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms.

Disadvantages/risks

The decision making body will be further removed from local input, with potentially no input from elected members where a wholly independent auditor panel is used or possibly only one elected member representing each Council, depending on the constitution agreed with the other bodies involved.

The choice of auditor could be complicated where individual Councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work such as consultancy or advisory work for the Council. Where this occurs some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel choose a firm that is conflicted for this Council then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.

2.3 Option 3 Opt-in to a sector led body

In response to the consultation on the new arrangement the LGA successfully lobbied for Councils to be able to 'opt-in' to a Sector Led Body (SLB) appointed by the Secretary of State under the Act. An SLB would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.

Advantages/benefits

The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities

By offering large contract values the firms would be able to offer better rates and lower fees than are likely to result from local negotiation

Any conflicts at individual authorities would be managed by the SLB who would have a number of contracted firms to call upon.

The appointment process would not be ceded to locally appointed independent members. Instead a separate body set up to act in the collective interests of the 'opt-in' authorities. The LGA are considering setting up such a body utilising the knowledge and experience acquired through the setting up of the transitional arrangements.

Disadvantages/risks

Individual elected members will have less opportunity for direct involvement in the appointment process other than through the LGA and/or stakeholder representative groups.

In order for the SLB to be viable and to be placed in the strongest possible negotiating position the SLB will need Councils to indicate their intention to opt-in before final contract prices are known.

3.0 BACKGROUND INFORMATION

- 3.1 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015 the Secretary of State Communities and Local Government (CLG) determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.
- 3.2 The Council's current external auditor is Grant Thornton, this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission the contract is currently managed by Public Sector Audit Appointments Limited (PSAA), the transitional body set up by the LGA with delegated authority from the Secretary of State CLG. Over recent years we have benefited from reduction in fees in the order of 50% compared with historic levels. This has been the result of a combination of factors including new contracts negotiated nationally with the firms of accountants and savings from closure of the Audit Commission.
- 3.3 When the current transitional arrangements come to an end on 31 March 2018 the Council will be able to move to local appointment of the auditor. There are a number of routes by which this can be achieved, each with varying risks and opportunities. Current fees are based on discounted rates offered by the firms in return for substantial market share. When the contracts were last negotiated nationally by the Audit Commission they covered NHS and local government bodies and offered maximum economies of scale.
- 3.4 The scope of the audit will still be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Not all accounting firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council. The registration process has not yet commenced and so the number of firms is not known but it is reasonable to expect that the list of eligible firms may include the top 10 or 12 firms in the country, including our current auditor. It is unlikely that small local independent firms will meet the eligibility criteria.

In response to the consultation on the new arrangement the LGA successfully lobbied for Councils to be able to 'opt-in' to a Sector Led Body (SLB) appointed by the Secretary of State under the Act. An SLB would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.

3.5 The way forward

The Council have until December 2017 to make an appointment. In practical terms this means one of the options outlined in this report will need to be in place by spring 2017 in order that the contract negotiation process can be carried out during 2017.

The LGA are currently working on developing a Sector Led Body. In a recent survey, 58% of respondents expressed an interest in this option. Greatest economies of scale will come from the maximum number of councils acting collectively and opting-in to a SLB. In order to the strengthen the LGA's negotiating position and enable it to more accurately evaluate the offering Councils are being asked to consider whether they are interested in the option of opting in to a SLB. A formal decision to opt-in will be required at a later stage.

4.0 FINANCIAL IMPLICATIONS

- 4.1 Current external fees levels are likely to increase when the current contracts end in 2018.
- 4.2 The cost of establishing a local or joint Auditor Panel outlined in options 1 and 2 above will need to be estimated and included in the Council's budget for 2016/17 and 2017/18. This will include the cost of recruiting independent appointees (members), servicing the Panel, running a bidding and tender evaluation process, letting a contract and paying members fees and allowances.
- 4.3 Opting-in to a national SLB provides maximum opportunity to limit the extent of any increases by entering in to a large scale collective procurement arrangement and would remove the costs of establishing an auditor panel.

5.0 LEGAL IMPLICATIONS

- 5.1 Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements;
- 5.2 Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.

5.3 Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

6.1 There are none for this report.

7.0 RELEVANT RISKS

7.1 There is no immediate risk to the Council, however, early consideration by the Council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.

7.2 Providing the LGA with a realistic assessment of our likely way forward will enable the LGA to invest in developing appropriate arrangements to support the Council.

8.0 ENGAGEMENT/CONSULTATION

Members of this Committee are being consulted regarding this process.

9.0 EQUALITY IMPLICATIONS

There are none for this report.

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APPENDICES

None

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
None	



AUDIT AND RISK MANAGEMENT

26TH SEPTEMBER 2016

REPORT TITLE	ANNUAL GOVERNANCE STATEMENT 2015-16
REPORT OF	STRATEGIC DIRECTOR – TRANSFORMATION & RESOURCES

REPORT SUMMARY

The preparation and publication of an Annual Governance Statement (AGS) is necessary to meet the statutory requirement set out in Regulation 6 of the Accounts and Audit (England) Regulations 2015.

This report presents Audit and Risk Management Committee with the final Annual Governance Statement and an action plan for consideration by committee members.

RECOMMENDATION/S

That the final draft of the Annual Governance Statement and action plan are considered by the Audit and Risk Management Committee and presented to Cabinet for approval in November 2016.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The preparation and publication of an Annual Governance Statement (AGS) is necessary to meet the statutory requirement set out in the Accounts and Audit (England) Regulations 2011, Regulation 4(3).

2.0 OTHER OPTIONS CONSIDERED

- 2.1. Not applicable due to the statutory requirement.

3.0 BACKGROUND INFORMATION

- 3.1 It is necessary for the Council: to have approved and adopted a Code of Corporate Governance that complies with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government; and to report publicly through the Annual Governance Statement the extent to which the governance processes outlined in the Code are operating effectively in practice.

- 3.2 The Framework identifies six core principles of good governance:

1. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
5. Developing the capacity and capability of Members and Officers to be effective.
6. Engaging with local people and other stakeholders to ensure robust public accountability.

4.0 ANNUAL GOVERNANCE STATEMENT 2015-16

4.1 The approach

The Annual Governance Statement 2015-16 covers the period from April 2015 to March 2016 and therefore the significant governance issues identified are those which have occurred during this period.

The statement highlights the Council has continued to improve during 2015-16 to strengthen its governance arrangements and build on previous improvements. The Council has identified one governance issue in 2015-16 which relates to compliance with certain Council processes and procedures, including performance appraisals,

absence management, contract procedure rules and essential training. This presents an improved position from four governance issues in 2014-15; however the organisation is committed to taking prompt action to address this remaining issue and has developed an action plan which is attached at appendix 2.

The production of the Council's Annual Governance Statement is based on relevant supporting evidence provided by Internal Audit, with the overall direction provided by the Strategic Leadership Team to ensure high level corporate engagement and ownership.

The Council's Internal Audit team has been responsible for undertaking the relevant assurance work; however, it is important to note that the Annual Governance Statement is not owned by the audit function and is a Council statement on the effectiveness of its governance processes.

The review of the Annual Governance Statement and the accompanying assurances are also important roles for the Audit and Risk Management Committee.

4.2. Evidence

Internal Audit has provided the following sources of evidence and documentation to support the production of the Annual Governance Statement:

- a) A review of the key governance processes in place.
- b) Collation and review of Chief Officers and Managers Assurance Statements (in which assurances are provided and weaknesses highlighted over a range of key governance processes within specific areas of responsibility).
- c) A review of reports by external review agencies has been completed.

4.3 Progress on significant governance issue: compliance

There has been positive progress made from April to September 2016 to address the issue of compliance. An overview of the current position is outlined within the action plan to provide Members of the Committee with assurance that action is being taken and is having a positive impact.

4.4 Highlights

4.4.1 Corporate Procurement

Adherence to the Corporate Procurement processes and procedures continues to be a high priority for the organisation. As of September 2016 to date, there have been no issues of non-compliance during 2016-17. The Corporate Procurement Team is ensuring there is consistent application of the rules on all occasions, and there are regular reports provided to the Corporate Governance Group to ensure there is a robust accountability and compliance across the organisation.

4.4.2 Absence Management

The management of employee absence remains a high priority for the organisation and robust action continues to be taken to reduce the level of sickness across the Council. The current position (2.53 days absence per FTE) at the end of June 2016 demonstrates an improvement of 0.27 days the previous year. The current forecast is projected at 10.62 days for 2016-17 which, if achieved, would be below the target set and an overall improvement of 0.88 days compared to 11.63 days in 2015-16.

4.4.3 Essential Training

There has been a review of the Council's approach to essential training for 2016-17 to ensure the training focuses on the key priorities for the Council and is fully aligned to the performance appraisal process. The target is for all managers and employees to complete relevant essential training modules by 31st March 2016. Monthly monitoring reports are provided to the Strategic Leadership Team on the completion rate of this training to ensure the target is achieved. Excellent completion levels were achieved across the organisation for the 'Responsibility for Information' training module with 96% of all managers and 88% of all employees having completed the training by August 2016. This demonstrates improved compliance with essential training across the Council.

4.4.4 Performance Appraisals

The completion of performance appraisals for all employees continues to be a high priority for the organisation. The approach has been reviewed for 2016-17 to align with the Council's priorities, reflect best practice from other areas and to provide clearer guidance to managers and employees. The current position demonstrates an improved position compared to previous years with 87% of managers having received performance appraisals at the end of July 2016, compared to 57% the previous year, a 30% improvement. All performance appraisals are scheduled to be completed by 30th September 2016 with current performance at 37%. This is an improvement on the previous year, however it is recognised that considerable progress will be required to achieve the target by the agreed deadline. It is anticipated that completion levels will increase following the summer period. Additionally, robust action will be taken by the Strategic Leadership Team to communicate the importance of completing the performance appraisal cycle within agreed timescales and to address areas of non-compliance.

4.4.5 Overall progress demonstrates an improved position on the areas of compliance identified as significant governance issues in the 2015-16 Annual Governance Statement. These issues will continue to be closely monitored by the Corporate Governance Group with areas of concern escalated to the Strategic Leadership Team and the Portfolio Holder for Transformation, Leisure and Culture. An updated position will also be presented to the Audit and Risk Management Committee in March 2017 prior to the preparation of the 2016-17 Annual Governance Statement

5.0 FINANCIAL IMPLICATIONS

5.1 There are none arising directly from this report. Any implications identified in the production of the Annual Governance Statement will be reported to the Council's Strategic Leadership Team, Cabinet and the Audit and Risk Management Committee to identify the appropriate action that will be taken.

6.0 LEGAL IMPLICATIONS

6.1 The preparation and publication of an Annual Governance Statement (AGS) is necessary to meet the statutory requirement set out in Regulation 6 of Accounts and Audit (England) Regulations 2015, Regulation 4(3).

7.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

7.1 There are none arising directly from this report. Any implications identified in the production of the Annual Governance Statement will be reported to the Council's Strategic Leadership Team, Cabinet and the Audit and Risk Management Committee to identify the appropriate action that will be taken.

8.0 RELEVANT RISKS

8.1 Potential failure of the Council to comply with the statutory requirement set out in Regulation 6 the Accounts and Audit (England) Regulations 2011, Regulation 4(3).

9.0 ENGAGEMENT/CONSULTATION

9.1 Consultation has taken place with the Portfolio Holder for Transformation, Leisure and Culture, Council Leader and External Audit to inform the draft of the Annual Governance Statement.

9.2 The production of the statement has been led by the Council's Strategic Leadership Team and supported by officers of the Corporate Governance Group.

9.3 Wirral's External Auditors have also had the opportunity to consider the draft Annual Governance Statement and comment accordingly.

10.0 EQUALITY IMPLICATIONS

None identified.

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APPENDICES

1. Annual Governance Statement 2015-16
2. Significant Governance Issues Action Plan

REFERENCE MATERIAL

- CIPFA/SOLACE Delivering Good Governance in Local Government: Guidance Note and Framework (2012).
- CIPFA Annual Governance Statement: A Rough Guide for Practitioners 2007/08.
- Accounts and Audit Regulations (England) 2011.
- CIPFA Code of Practice for Internal Audit in Local Government 2006.
- CIPFA The Role of the Chief Financial Officer in Local Government 2010.
- CIPFA The Role of the Head of Internal Audit in Public Service Organisations 2010.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee - Annual Governance Statement 2015-16	15 th March 2016
Audit and Risk Management Committee – Annual Governance Statement 2015-16	13 th June 2016

ANNUAL GOVERNANCE STATEMENT 2015-16**1. Scope of Responsibility**

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

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

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

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

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

2. The Purpose of the Governance Framework

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

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

efficiently, effectively and economically.

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

3. Overview of Council Progress

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

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

ICT Business Continuity and Resilience Plans

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

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

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

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

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

Corporate Procurement Arrangements

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

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

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

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

Absence Management

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

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

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

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

specific issue will continue to be monitored through the Corporate Governance Group.

Compliance

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

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

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

4. The Governance Framework

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

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

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

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

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

to address it.

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

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

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

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

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

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

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

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

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

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

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

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

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

In 2015-16, the Leader of the Council appointed Elected Members as Pledge Champions to ensure the Wirral Plan has strong member engagement and involvement. Pledge Champions take responsibility for driving the delivery and profile of their pledges, ensuring high levels of

engagement and community stakeholders, partners and residents are able to contribute towards achieving our shared priorities.

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

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

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

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

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

The Council also complies with the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations 2010. The Chief Internal Auditor provides reports to the Council's Strategic Leadership Team and Audit and Risk Management Committee on a monthly basis. The Council's Chief Information Officer has been appointed as the Authority's Senior Information Risk Owner and is a member of the officer Information Governance Board which is chaired by the Strategic Director for Transformation and Resources.

In order to ensure the Council has the skills, capacity and capability in the right places to deliver the Wirral Plan and associated pledges, the Council, during 2015-16, has been developing a new operating model which will implement a new approach to how the organisation operates and

ensure its arrangements continue to be effective. The new operating model will ensure the Council is structured based on delivering better outcomes with our partners for Wirral residents. The Peer Review team reviewed the proposed model as part of the Council's peer challenge and considered it was an appropriate model and advised the Council to progress implementation promptly. The implementation of the new operating model is an organisational priority for 2016-17.

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

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

The Council has an agreed set of organisational values and behaviours which inform and shape how staff across the Council provide services to Wirral residents, businesses and other stakeholders. The values are for staff to deliver with integrity, ambition, confidence and efficiency. Engagement sessions with staff to embed these values across the Council's workforce took place during 2015-16, however it recognised there is further work required to ensure these values are visible and fully promoted within the organisation. This will be a priority for 2016-17 and the production of a new Organisational Development Plan will put in place the clear actions required to further embed the Council's values and behaviours

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

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

Work is underway to produce a new Organisational Development Plan which will be in place for 2016-17. A short term culture action plan was delivered in 2015-16 to focus on the actions that

needed to be taken promptly in response to the peer challenge findings and the detailed cultural diagnostic completed by the senior leadership team. The action plan focuses on communication and engagement with employees and managers, compliance and accountability and also the steps which need to be taken to develop the Council's capacity and capability to achieve the long term ambitions set out in the Wirral Plan.

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

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

'Dignity at Work' training is essential for all Senior Managers and a programme of training for managers which covers dignity at work, grievance and whistleblowing policies has been delivered during 2015-16. The dignity at work policy provides a process to follow when dealing with allegations of bullying and harassment. Since the implementation of the dignity at work policy, the Council has appointed and trained over 30 dignity at work advisors to support employees through these processes.

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

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

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

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

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

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

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

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

The Council again participated in a national CIPFA benchmarking exercise with other authorities during 2015-16 to further develop its approach to managing risks and incorporating best practice from others. The exercise highlighted the Council had made progress since the previous year's assessment.

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

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

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

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

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

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

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

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

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

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

The Council has a 'Skills for Wirral' training and development programme for managers and employees. The 'Wirral Management Development Programme' provides essential training for managers to ensure that they have the support to meet the expectations framework. The

Framework has nine essential modules which contain a mixture of workshops and e-learning modules. An online training needs analysis has assisted in identifying priorities for managers, alongside specific targeted programmes. The Council's online training needs analysis for managers went live on 1 April 2015, in line with the Performance Appraisal process for 2015-16.

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

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

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

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

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

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

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

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

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

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

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

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

In Autumn 2015, the Council opened up access to social media sites to all staff. Opening up social media is contributing to an open and effective relationship between the authority and local residents by showing trust and a new, modern, risk aware but not risk averse approach. In November 2015, the Council took part in the LGA's national social media campaign #OurDay. For one day, the Council's main Twitter account shared stories, facts, photos and videos, tagged with #OurDay. The day was a success in terms of reaching the public and showcasing some of the services the Council delivers.

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

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

5. Review of Effectiveness

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

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

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

Corporate Management Assurance

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

An officer Corporate Governance Group is chaired by the Strategic Director for Transformation and Resources. The group includes strategic leads for Performance, Risk, Internal Audit, Improvement and Strategy to ensure it has an appropriate profile within the organisation and significant governance issues are monitored and responded to in a timely manner.

Council

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

Cabinet

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

Audit and Risk Management Committee

The Audit and Risk Management Committee has an important role in maintaining the Council's system of internal control. It provides an independent assurance and scrutiny of the Council's

financial and non-financial performance, including an assessment of the adequacy of the Council’s risk management arrangements.

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

External Audit

Grant Thornton is the Council’s independently appointed External Auditor with a broad remit covering the Council’s finance and governance matters. The annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the National Audit Office and includes nationally prescribed and locally determined work. The Auditors work considers the Council's key risks when reaching its conclusions under the Code.

Standards and Constitutional Oversight Committee

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

Merseyside Pension Fund

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

6. Significant Governance Issues

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

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7. Conclusion

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

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

Signed: _____ Date: _____

Chief Executive

Signed: _____ Date: _____

Leader of the Council

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

Significant Governance Issue (SGI) – Compliance - Action Plan			
Outcome required and how achievement in addressing the SGI will be monitored and measured	Responsible Officer	Expected Delivery Date	Action to be taken to ensure the outcome is achieved
<p>A. Contract Procedure Rules:</p> <p>Outcome required:</p> <p>Compliance with Council processes and procedures in relation to Contract Procedure Rules.</p> <p>How this will be monitored and measured:</p> <p>Monitoring compliance with Contracts Procedure Rules (CPR's) is undertaken by Corporate Procurement. All Procedure Rules Approval Document activity is recorded; this includes exceptions to the rules, variation and extensions to contracts, and Contract awards.</p> <p>Audit and Risk Management Committee and the Corporate Governance Group will receive a half yearly report which will include any contract awarded over £500,000; any variation or extension to a contract; or a waiver of breach of the rules which exceeds £50,000.</p>	<p>Head of Procurement – Ray Williams</p>	<p>31 March 2017</p>	<p>Since the 1st April 2016 the revised Contract Procedure Rules (CPR's) have been in operation with training in both the application and understanding of the new Rules to over 200 plus officers who are involved within procurement processes for the Council. The majority of Senior Officers have commented upon the new Rules leading to a better understanding of CPR's since April 2016, which has contributed to their successful application. Future actions include:</p> <ul style="list-style-type: none"> • In October 2016 a new e-learning module 'Understanding Procurement Process' will be mandatory for all managers to complete by the end of March 2017. • Regular reporting to the Corporate Governance Group to ensure there is a robust accountability and compliance across the organisation. • A fit for purpose structure for the Procurement Team is being implemented with recruitment expected to take place during Autumn 2016.
<p>B. Absence Management:</p> <p>Outcome required:</p> <p>Compliance with Council processes and procedures in relation to absence management, including ensuring absence is reported and managed effectively.</p> <p>How this will be monitored and measured:</p> <p>Number of working days/shifts lost due to sickness absence. (Wirral data is compared against performance in other Local Authorities and Regionally)</p>	<p>Head of HR/OD – Chris Hyams</p>	<p>31 March 2017</p>	<p>Management of absence remains a high priority and action continues to be taken to reduce the level of sickness absence across the Council. This includes:</p> <ul style="list-style-type: none"> • Absence is reported monthly at Senior Leadership Team. • HR continues to offer proactive support with reports to Departmental Management Teams which includes undertaking serious case reviews with Chief Officers, training for specific services and absence surgeries which commence in September 2016. • Development of a Health and Wellbeing Strategy focusing on improving the health and wellbeing of the workforce and improving prevention and intervention strategies

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

Significant Governance Issue (SGI) – Compliance - Action Plan			
Outcome required and how achievement in addressing the SGI will be monitored and measured	Responsible Officer	Expected Delivery Date	Action to be taken to ensure the outcome is achieved
<p>C. Essential Training:</p> <p>Outcome required:</p> <p>Compliance with Council processes and procedures in relation to essential training.</p> <p>How this will be monitored and measured:</p> <p>100% of management staff completing 2016-17 corporate essential management training by 31 March 2017; and 100% of employees completing 2016-17 corporate essential training by 31 March 2017.</p>	<p>Head of HR/OD – Chris Hyams</p>	<p>31 March 2017</p>	<p>A number of actions are in place to ensure the Council’s new approach to essential training is embedded across the organisation:</p> <ul style="list-style-type: none"> • Communication with all staff through a number of relevant channels to raise awareness of the training modules and completion dates. • Production of training materials in different formats to ensure all staff can access training effectively. • Monthly monitoring reports to Senior Leadership Team.
<p>D. Performance Appraisals:</p> <p>Outcome required:</p> <p>Compliance with Council processes and procedures in relation to Performance Appraisal and Development.</p> <p>How this will be monitored and measured:</p> <p>Percentage of Performance Appraisals (PAs) completed and registered in reporting year.</p>	<p>Head of HR/OD – Chris Hyams</p>	<p>30 September 2016</p>	<p>Ensuring all staff receive PAs remains a high priority for the Council and a number of steps have been put in place to ensure they are carried out:</p> <ul style="list-style-type: none"> • Performance appraisal figures are reported monthly at Senior Leadership Team. • Senior Managers have received a breakdown of which managers within their service area have not received their PA, so these can be addressed. • Full guidance is available for group appraisal. These are being scheduled and are monitored by HR staff. • The requirement to complete PAs by the end of September 2016 has been included in issues of ExecView and ManagerView communications. <p>In addition, new arrangements for PA will be put in place following the implementation of the organisation’s ‘New Operating Model’.</p>

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

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**Audit and Risk Management Committee
Monday, 26 September 2016**

REPORT TITLE:	CORPORATE RISK REGISTER: Q1 2016/17 UPDATE
REPORT OF:	Chief Executive

REPORT SUMMARY

This report provides an update on the implementation of key additional actions to control the corporate risks. It also highlights emerging risk topics. Arrangements for the development of risk registers for Pledge Strategies, new Delivery Units and the revised Transformation Programme are also summarised.

RECOMMENDATION/S

1. That Members consider the report on progress in managing the corporate risks.
2. That further reports on the Corporate Risk Register be brought to future meetings of this Committee.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 Having an understanding of the Council's principal risks and their controls supports the Committee's responsibility in relation to the adequacy of the Council's risk management framework.
- 1.2 The provision of regular reports to this Committee on the Corporate Risk Register is a requirement of the Council's Corporate Risk Management Policy.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 None.

3.0 BACKGROUND INFORMATION

- 3.1 Following adoption of the Wirral Plan the Strategic Leadership Team conducted an exercise in late 2015/16 to identify the most significant risks to its delivery. This resulted in the production of a revised Corporate Risk Register which was reported to this committee on 14 June 2016.
- 3.2 In accordance with the Corporate Risk Management Policy a review of the Register is conducted by the Strategic Leadership Team at the end of each quarter.
- 3.3 The 2016/17 quarter 1 review was undertaken on 16 August. To support that review information on progress with key mitigating actions was collated. A copy of this is shown in the appendix.
- 3.4 All mitigating actions appear to be progressing as planned with the exception of:
 - The development of extra care housing (Risk 5: Integration of Health and Social Care)
 - The sale of surplus assets (Risk 10: Resources and Infrastructure)
- 3.5 Progress was noted by the Team. No changes to the scores for any of the existing corporate risks were considered necessary at this time.

EMERGING RISK AREAS

- 3.6 Since the new corporate risk register was finalised by the Team on 31 May there have been some significant changes both within the Council and in the wider environment that could create uncertainty for delivery of the Council's objectives.
 - 3.6.1 On 23 June the UK voted to leave the European Union. The uncertainty created by this decision the formation of a new government and how it may respond to the vote has the potential to create additional challenges to

delivery of the Wirral Plan in the longer term. As regards the existing corporate risks the following could be particularly affected:

Financial Resilience (risk 1)
Devolution (risk 4)
Economic Activity (risk 9)

3.6.2 In July Ofsted undertook an investigation of the Council's Children's Services. The outcome of that investigation is expected in the near future and will require a response from the Council. It could have implications for the following existing corporate risks:

Financial Resilience (risk 1)
Safeguarding (risk 7)

3.6.3 The introduction of the new operating model will take the Council forward and is key to the delivery of its strategies. There will be a period of transition whilst it is being introduced.

FUTURE DEVELOPMENTS

3.7 Responsibilities for individual corporate risks and for mitigating actions will be updated to take account of the new operating model.

3.8 To ensure that the Council and the wider Wirral Partnership develops a comprehensive understanding of the risks to delivery of the Wirral Plan three further sets of risk registers will be developed over the coming months:

- Individual Wirral Plan pledge strategies
- Plans for the new Business Services function and Delivery Units
- Programmes within the revised Transformation Programme

3.9 There has been consultation with the Policy, Performance & Scrutiny Team and the Change Team over arrangements for the development of the registers and guidance and support will be available to those responsible for producing them.

3.10 Analysis of critical risks affecting these areas will inform future reports to the Strategic Leadership Team and to this committee.

4.0 FINANCIAL IMPLICATIONS

There are no direct implications arising from this report.

5.0 LEGAL IMPLICATIONS

There are no direct implications arising from this report

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

There are no direct implications arising from this report.

7.0 RELEVANT RISKS

Potential emerging risk areas are indicated in paragraph 3.6

8.0 ENGAGEMENT/CONSULTATION

As indicated in paragraph 3.9 there has been consultation with the Policy, Performance & Scrutiny and Change teams in relation to the development of further risk registers.

9.0 EQUALITY IMPLICATIONS

There are none arising directly from this report.

REPORT AUTHOR: *(Mike Lane)*
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email: mikelane@wirral.gov.uk

APPENDICES

2016/17 CRR Controls 300616

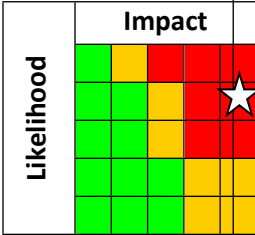
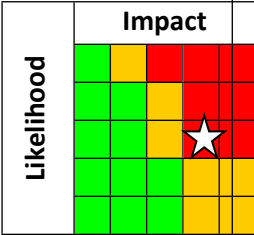
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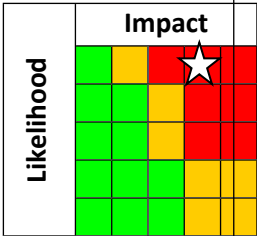
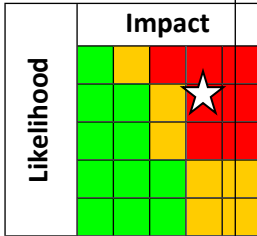
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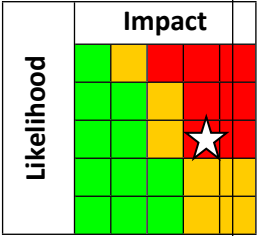
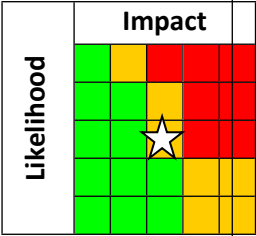
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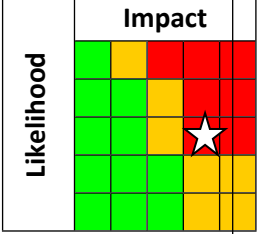
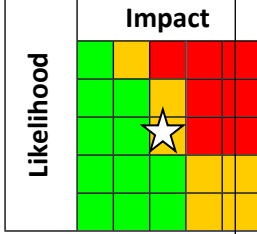
Council Meeting	Date
Audit & Risk Management Committee	13th June 2016
Audit & Risk Management Committee	17th February 2016
Audit & Risk Management Committee	24th November 2016
Audit & Risk Management Committee	22nd September 2015

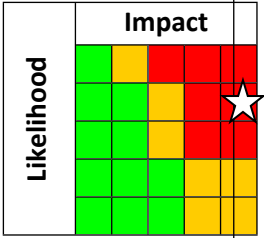
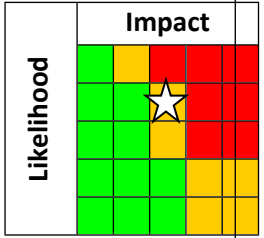
2016/17 Corporate Risk Register – Q1 Update Report

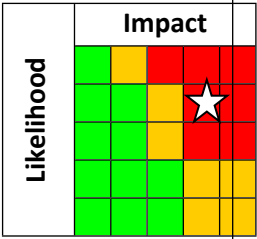
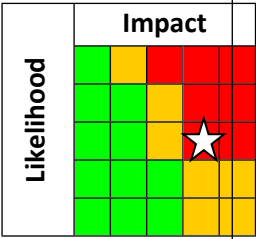
Risk Number and Description	Unmanaged Risk Rating	Original Risk Score	Key Existing Controls	Current Risk Rating	Current Risk Score
1.Financial Resilience		20	<ul style="list-style-type: none"> Financial planning, management and reporting Management of demand Programmes to reduce costs Programmes to increase revenue 		12
Lead Responsibility	Director of Finance / S151 Officer				
Additional Controls – Quarter 1 update	<p>Improving financial management - Accountability statements issued to all Chief Officers and Senior Managers with budget responsibility. All were signed and returned. Progress against delivery of the budget and savings is being monitored and reported.</p> <p>Reducing costs <u>Integration with Health</u> – Work has continued towards implementation of Integrated Community Hubs for Adults and Older People Services and the development of an integrated commissioning hub which will see the implementation of a single pooled budget. <u>Enhanced Transformation Programme</u> - programme is developing, with two sub programmes which align activity from the Medium Term Financial Strategy themes to support the delivery of the Strategy. Further activity to deliver savings for 2017/18 is underway. <u>Working across the Liverpool City Region (LCR)</u> - Partners are developing a number of approaches to improve financial resilience and generate efficiencies whilst also delivering improved outcomes. This includes a shared services initiative. Outline business cases for a number of services have been developed and a full business case for a joint LCR Procurement service will be produced later in the Summer.</p> <p>Increasing revenue <u>Business Rates Retention Pilot</u> - The LCR's submission to be a pilot was sent to the government in June. A response is awaited. <u>Commercialisation</u> - On 27 June Cabinet approved a report to develop our approach to be more commercial. Work is underway to identify specific areas of the Council which could benefit from a more commercial approach and where it may be possible to yield some financial benefits, both in-year and in future years. <u>Implementation of Growth Plan</u> - Market engagement has taken place as a first stage for implementing the Wirral Health Related Worklessness programme. Key Wirral projects have been included in the LCR's Land and Property Development pipeline. The International Festival for Business which took place in the City region in June showcased Wirral's key investment assets and businesses. There has been a refresh of the Council's collaboration agreement with the Chamber of Commerce which aims to ensure that the number of businesses operating within the Borough continues to increase.</p>				

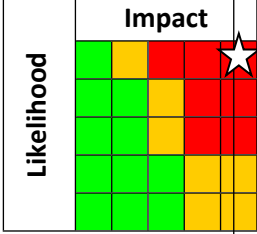
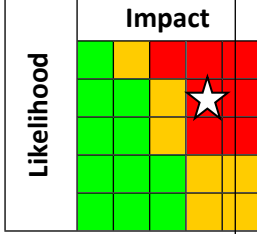
Risk Number and Description	Unmanaged Risk Rating	Original Risk Score	Key Existing Controls	Current Risk Rating	Current Risk Score
2.Organisation Development and Pace of Transformational Change		20	<ul style="list-style-type: none"> • Performance appraisals • Accountability statements • Ad-hoc initiatives -e.g. Children’s Social Work • HR involvement in development of business cases for Alternative Delivery Models 		16
Lead Responsibility	Strategic Director – Transformation & Resources				
Additional Controls – Quarter 1 update	<p>Capacity and Expertise - Work to develop a culture action programme and action plan for the organisation is progressing. The establishment, initial structure and resources for the development of a Transformation Office have been agreed. Internal recruitment has been completed and additional recruitment initiated. A procurement exercise has been completed for interim support from a partner to develop and resource transformational change.</p> <p>Transformation – A Transformation Office to support organisational change has been established as part of a new operating model. Work has commenced to review resources required. Revised programme governance has been developed and agreed by SLT. Work on a programme for a review of services including exploration of the benefits of possible Alternative Delivery Models is ongoing. Development and configuration of ‘Concerto’ has progressed. An initial workshop to align performance reporting was under taken and discussions are continuing.</p>				

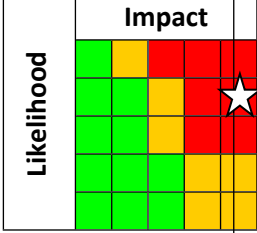
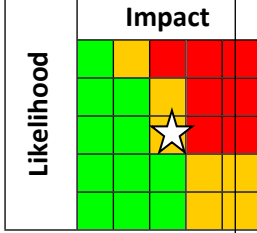
Risk Number and Description	Unmanaged Risk Rating	Original Risk Score	Key Existing Controls	Current Risk Rating	Current Risk Score
3.Partnerships		12	<ul style="list-style-type: none"> The Wirral Partnership agreed a single Wirral Plan with joint priorities, and committed to a partnership approach with collective actions to deliver it Partners have lead responsibility for a number of the Pledges and are involved in delivery of all of them To ensure a single approach, the Partnership Delivery Group (PDG) meets regularly, bringing together Chief Executives of partner organisations to co-design implementation of the Plan and emerging strategies 		9
Lead Responsibility	Chief Executive				
Additional Controls – Quarter 1 update	<p>Implementation of new governance arrangements - New governance and reporting processes for the Wirral Plan and strategies have been agreed by Cabinet, SLT and the Wirral Partnership Delivery Group. Q1 performance/implementation reports are currently being developed and will be reported to Cabinet in September. A comprehensive Wirral Plan Progress Report has been considered and agreed by Cabinet/SLT and the Wirral Partnership. The new approach is also being cascaded through the network of sub-partnerships and delivery boards to ensure widespread awareness and support.</p> <p>Activity to strengthen links between the PDG and other groups/boards - The Partnership is setting out additional activity required to ensure the new approach is embedded across the Partnership Delivery Group and the sub-partnerships and boards to deliver the Wirral Plan and 20 pledges. Partners acknowledge that this requires a different way of working, development of skills and capacity to develop the new approach, and ensure it is embedded across all of our individual organisations. Proposals for a Wirral Leadership Academy are being agreed to take this forward, identify new opportunities and address challenges and barriers to delivery.</p>				

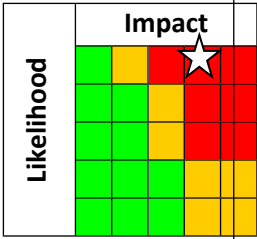
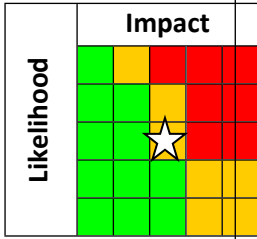
Risk Number and Description	Unmanaged Risk Rating	Original Risk Score	Key Existing Controls	Current Risk Rating	Current Risk Score
4.Devolution		12	<ul style="list-style-type: none"> To ensure up to date knowledge and communication of developments: Regular updates and briefings with elected members and Strategic Leadership Team (SLT) i.e. through Leader’s Portfolio reports; Policy & Performance progress reports; Scrutiny Review; SLT discussions To optimise Wirral’s influence: Wirral’s Chief Executive and Leader part of regular LCR meetings to develop new LCR arrangements and devolution deal Wirral elected members appointed to LCR Scrutiny and other thematic Boards Wirral officers represent Wirral’s interests and priorities at relevant LCR boards and networks Ongoing activity to develop Wirral projects and ensure that they are represented within LCR strategic priorities SLT ongoing discussions to ensure a strategic and comprehensive knowledge of developments; to agree Corporate approach; and identify Wirral’s priority focus and projects for the short, medium and long term 		9
Lead Responsibility	Chief Executive				
Additional Controls – Quarter 1 update	<p>Review arrangements for City Region governance and implementation - On 18th June, the Liverpool City Region (LCR) Combined Authority agreed a draft Governance Review and Scheme with detailed proposals for future governance and delivery of LCR activity and the devolution deal. These proposals are currently out for public consultation and, if agreed, will be finalised and endorsed in October 2016.</p> <p>Consultation to enable Wirral and partners to play an effective role in the new arrangements - To increase Wirral awareness and understanding of the new proposals, there are ongoing updates and briefings through Council; Cabinet/SLT; Leadership; Wirral partnership. A dedicated Wirral workshop for elected members will be held 26th July.</p>				

Risk Number and Description	Unmanaged Risk Rating	Original Risk Score	Key Existing Controls	Current Risk Rating	Current Risk Score
5.Integration of health and social care		20	<ul style="list-style-type: none"> • Integration of community and older people’s services • Integrated commissioning hub • Integration project for all age mental health services • Integration of all age disability services • Initiative to reduce long term care admissions • Initiatives around review of activity and replacement with alternatives (e.g. assistive technology) • Wirral Independence Service • Short term crisis support, to avoid admission • STAR Re-ablement service • Integrated single gateway into services • Rapid Community Response Service – with Wirral Community NHS Trust 		12
Lead Responsibility	Director of Adult Social Services				
Additional Controls – Quarter 1 update	<p>Introduction of on-line self-assessment - New portals linked to ‘Liquidlogic’ have been implemented. We are also actively working with partner agencies who are offering services to support individuals to complete self-assessments, for example in hospital settings. Online Financial Assessments which provide an indication of the potential amount to be charged ahead of care being received have also gone live.</p> <p>Development of extra care housing - Several schemes have been approved. However recent proposed changes to housing rent levels have resulted in schemes stalling on the basis that exempt level rents will no longer be payable. Those changes include the capping of social housing rents and a required 1% reduction per year in social housing rents.</p> <p>Review of the supported living service model – This is being developed on an outcomes basis, with an initial workshop held in July.</p> <p>Support regional work around specialist services and fees - Work has continued with colleagues from the Liverpool City Region on the new models of care, linked to the NHS England Transforming Care Partnership programme. Workshops have been held in July aimed at delivering the new model.</p>				

Risk Number and Description	Unmanaged Risk Rating	Original Risk Score	Key Existing Controls	Current Risk Rating	Current Risk Score
6.Effect of demographic changes on demand for services		16	<ul style="list-style-type: none"> • Integrated Care programme • Joint Commissioning arrangements with the Clinical Commissioning Group • Delivery of commissioned lifestyle services - Head of Public Health • Vision 2018 work stream on early intervention and prevention 		12
Lead Responsibility	Strategic Director – Families & Wellbeing				
Additional Controls – Quarter 1 update	<p>Develop a more comprehensive programme of education and advice – Collaboration has continued with colleagues in Public Health and the Clinical Commissioning Group on a revised advice and information offer, to include community connectors.</p> <p>Integration agenda (Healthy Wirral) - The Healthy Wirral programme continues, with a number of workstreams being implemented to support the transformation of health and social care. Work is approaching completion on the review of reablement and intermediate care provision in Wirral. This will inform the future work for impact assessment on demographic growth. Online self-assessment have been introduced as tools for practitioners and the public to use to make informed decisions about future service provisions and to reduce demand on commissioned service provision.</p> <p>Programmes of early intervention and prevention - A further early intervention and prevention commission will go out in September, which will include a carer’s commission.</p> <p>Implement health and social care integration - Full business cases are currently in development to scope the development of Integrated Community Hubs. CAPITA are supporting with the development of the business cases. A demand model has been developed alongside partner organisations, with information from this model being used to inform the business cases and to ensure that the services will have the necessary capacity to be able to meet future demand.</p>				

Risk Number and Description	Unmanaged Risk Rating	Original Risk Score	Key Existing Controls	Current Risk Rating	Current Risk Score
7.Safeguarding		25	<ul style="list-style-type: none"> • Strong leaders and managers with a relentless focus on outcomes for vulnerable people • Social workers work directly with children and families at an early stage to prevent the need for further intervention • Managers and social workers have a discernible 'grip' on cases at all times • Strong oversight of caseloads, vacancies and a high quality of training and supervision • Safeguarding Reference Group provides full briefing to the political leadership • A review of the relationship between the key strategic groups • One Independent chair across Safeguarding Boards 		16
Lead Responsibility Additional Controls – Quarter 1 update	<p data-bbox="427 754 963 786">Strategic Director – Families & Wellbeing</p> <p data-bbox="427 794 1937 930">Implement service improvement plan resulting from the recent diagnostic and self-assessments – The service plan is being progressed. A detailed and robust plan is in development to strengthen our approach towards Safeguarding, which has been developed through discussions with Ofsted during July. Further work and development on the plans will be delivered following receipt of the report from Ofsted.</p> <p data-bbox="427 975 1910 1038">Implement programme in relation to children in care and on the edge of care – As above: as part of the Ofsted inspection a detailed and robust plan is in development to improve and strengthen our approach.</p> <p data-bbox="427 1083 1977 1147">Deliver the priorities of the Local Children’s Safeguarding Board and the Safeguarding Adults Partnership Board – This action is progressing as expected.</p> <p data-bbox="427 1192 1834 1224">Implement ‘Making Safeguarding Personal’ (MSP) and evaluate its impact – This initiative is progressing as expected.</p>				

Risk Number and Description	Unmanaged Risk Rating	Original Risk Score	Key Existing Controls	Current Risk Rating	Current Risk Score
8.Governance (including information governance)		20	<ul style="list-style-type: none"> • Council Constitution • Code of Corporate Governance • Member / Officer Protocol • Staff Policies (e.g. Dignity at Work) • Corporate Policies (e.g. Whistleblowing) • Operational policies (e.g. Information Governance, Gifts and Hospitality) • Ethical Framework for Members • Regulatory policies - Planning and Licensing 		9
Lead Responsibility	Head of Legal & Member Services / Monitoring Officer				
Additional Controls – Quarter 1 update	<p>Review the Constitution, Code of Corporate Governance and Members Code of Conduct - The Constitution / Member’s Code of Conduct is to be reviewed within the municipal year with a view to being presented to the Standards and Constitutional Oversight Committee. The Code of Corporate Governance is presently under review, with a view to being presented to the Audit and Risk management Committee on 22/11/16.</p> <p>Introduce the webcasting of Council Committee and Cabinet meetings – A timetable for the webcasting project has been signed off by SLT. The soft market testing documentation is being sent out by procurement on 01/08/16.</p> <p>Review and enhance information governance arrangements – An improved structure for Information Governance has been developed and approved by SLT. Initial meetings of the new Information Governance Board have taken place. A high percentage of employees have undertaken the ‘Responsibility for Information’ E-Learning module with the quarter.</p>				

Risk Number and Description	Unmanaged Risk Rating	Original Risk Score	Key Existing Controls	Current Risk Rating	Current Risk Score
9.Economic Activity		20	<ul style="list-style-type: none"> Implementation of the Growth Plan 		9
Lead Responsibility	Head of Business and Investment				
Additional Controls – Quarter 1 update	<p>Implementation of place marketing activities - Work has taken place to define city region place marketing activity to ensure that work is aligned across the Combined Authority and supply chain growth maximised. In addition branding and place marketing activity for Wirral has been commissioned and workshops held with Members, officers and stakeholders.</p> <p>Delivery of programmes to drive key growth sectors, such as the Maritime Knowledge Hub - Phase 1 of the Maritime Knowledge Hub has opened. Work is on-going with partners to establish Phase 2 of the Hub at Wirral Waters.</p> <p>Implementation of the Wirral Waters Investment Fund - Following the setup of the Fund, a collaboration agreement is being put in place to guide activity.</p> <p>Delivery of the Ways to Work programme - Funding has been secured, the programme developed and delivery organisations procured.</p>				

Risk Number and Description	Unmanaged Risk Rating	Original Risk Score	Key Existing Controls	Current Risk Rating	Current Risk Score
10.Resources and Infrastructure		16	<ul style="list-style-type: none"> • Implementation of current asset management strategy. • Business continuity policy. • Additional backup /security at Cheshire Lines. • Standardised, refreshed IT hardware. 		9
Lead Responsibility	Strategic Director – Transformation & Resources				
Additional Controls – Quarter 1 update	<p>Establishment of data centres – A contract has been signed a contract with Merseytravel. They are due commence the capital works to prepare for the Council’s equipment and the planning phase for the transfer project has started. The second data centre is to remain in the Treasury building, which will be refurbished.</p> <p>Implementation of new Digital Strategy (including Rationalisation and standardisation of systems and applications) – The digital strategy has been developed and is due to be considered by Cabinet in the near future.</p> <p>Implementation of new Asset strategy – The strategy was approved by Cabinet on 27 June 2016 and performance indicators have been identified. Negotiations for the sales of surplus assets have continued. However Setbacks have been incurred in the expected land values at 2 sites and the slow authorisation of school playing fields by the Department of Education.</p> <p>Roll out of testing programme for business continuity plans – Initial walkthrough / desk top exercises are scheduled to test Business Continuity plans for the Call Centre (4th August) and HR, Payroll & OD (9th August).</p>				



**Audit and Risk Management Committee
Monday, 26 September 2016**

REPORT TITLE:	MANAGEMENT OF INSURANCE AND CORPORATE RISK
REPORT OF:	Section 151 Officer/ Head of Financial Services

REPORT SUMMARY

This report sets progress made since my previous report in June 2016 in relation to key actions planned for 2016/17.

RECOMMENDATION/S

1. That the content of this report be noted.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 Regular update reports are presented to this Committee on the work around risk management and insurance which seek to support the Risk Management framework and maintain the successful management of the Insurance Fund.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Not applicable to this report.

3.0 BACKGROUND INFORMATION

- 3.1 Risk and insurance management comprises two significant areas of activity:

- The provision of advice and support to Members and officers in developing the corporate risk management framework and processes.
- Risk financing which incorporates insurance procurement, management of the Council's Insurance Fund and claims management.

- 3.2 In addition to day-to-day operations the insurance service is responsible for major procurement exercises and improvement activities. This report focuses on the latter. The key actions to be implemented during 2016/17 were included in the report to this Committee on 15 March 2016. Progress made since my last report in respect of those actions is summarised in the paragraphs below.

3.2.1 Crime Insurance

Insurers did not provide terms for the wider Crime Insurance policy by 30 June. So to protect the Council's position my officers extended the existing Fidelity Guarantee insurance policy. Insurers subsequently confirmed that the premium required would be lower than originally indicated. These terms were agreed and the Crime insurance was therefore effected and the cover backdated to 30 June the original inception date.

3.2.2 Corporate Risk Management Policy

A refreshed Corporate Risk Management Policy is the subject of a separate report to this meeting.

3.2.3 Corporate Risk Register

A review of the Corporate Risk Register was undertaken by the Strategic Leadership Team on 16 August. The register is the subject of a separate report to this meeting.

3.2.4 Alignment of Risk Management and Performance Management

Risk management arrangements have been developed for Wirral Plan Pledge strategies and will be communicated to Strategy Delivery Groups in meetings over the coming weeks. Arrangements for the management of risks to service plans and to the Transformation Programme have been updated. These changes are reflected in the draft Risk Management Policy.

3.2.5 Traded Service for Schools and Academies

Risk and Insurance services remain a key element of traded services for schools and my officers are participating in corporate plans for the development of services for 2017/18 and beyond. All potential conversions continue to be monitored closely and my officers make early contact with schools make them aware of the tailored service that that the Council can offer in this area. Ahead of the expiry of the existing Long Term Agreements with academies there has been significant work in devising new tailored insurance programmes for each establishment and negotiating optimum covers and premiums with insurers. With effect from 1 September 2016 new Long Term Agreements are in place with academy clients.

3.2.6 Policy Renewals – June 2016

Terms for the renewal of the Council's Property, Terrorism, Business Interruption, Computer, Museums and Personal Accident insurance policies were received in mid-June. No changes to premium rates or cover were proposed by insurers and their terms were agreed prior to the expiry of the existing contracts to ensure continuity of cover. The actual premiums for these contracts will be approximately £6,800 (2.3%) lower than had been estimated.

3.2.7 Tender for Casualty and Computer Insurance

The existing Long Term Agreements with insurers in respect of both of the above contracts expire on 31 March 2017. As such a procurement exercise will be held to select providers for 2017/18 onwards. The tender for Casualty insurance and associated claims handling is the largest and most complex of all the Council's insurance procurement exercises and the procurement project will therefore utilise a large proportion of team capacity over the next 6 months. The quality of both policy wording and claims handling services can have a significant impact on the total cost of liability risk to which the Council is exposed. The Risk and Insurance team has met with both the Council's brokers and the Corporate Procurement team to begin to plan the exercise and develop the Invitation to Tender (ITT) pack. Pre tender meetings have also been held with all likely bidders for this contract to establish interest and competition for the contract in what is a difficult market. It is anticipated that the ITT will be issued in at the end of October for return in mid-December. This will allow the Council to make awards in January 2017 to allow sufficient time to implement the new contracts from 1 April 2017.

3.2.8 Request for Quotations – Broking Service

The submission from the existing provider JLT Speciality Limited received the highest scores for both price and quality. The experience with this supplier has also been positive over the previous contract period. As such the company was re-appointed for a further minimum 3 year period but at a lower annual cost than applied under the previous contract.

3.2.9 Claims Handling Changes

The number of new Liability claims reported remains at a historic low level. This has meant that the additional work resulting from the in-sourcing of claims for property damage can be managed within the existing capacity of the team.

4.0 FINANCIAL IMPLICATIONS

4.1 As indicated in paragraph 3.2.6 premiums for policies renewed in June 2016 are £6,800 lower than had been estimated.

5.0 LEGAL IMPLICATIONS

5.1 There are none arising directly from this report.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

6.1 The adoption of limited self-handling of Liability claims is resulting in some additional work for the Risk and Insurance team.

7.0 RELEVANT RISKS

7.1 The continuing improvement of the risk management framework and the implementation of more effective processes will help to improve the ability to handle risk across the organisation.

7.2. If a large number of schools were to convert to academies the pool of contributors to the Insurance Fund would decrease. Over time this could reduce the authority's buying power and the degree to which it could self-insure. This in turn could increase the cost of financing insurable risk. As indicated in paragraph 3.2.5 my officers remain vigilant to potential conversions and will make changes to the authority's arrangements to ensure that potential negative impacts are gradual and limited wherever possible.

7.3 Risks associated with the capacity of key personnel will be higher during the crucial period of remarketing the Casualty contracts.

8.0 ENGAGEMENT/CONSULTATION

8.1 No specific consultation has been undertaken with regard to this report.

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising directly from this report.

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APPENDICES

None

REFERENCE MATERIAL

N/A

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee	
Corporate Risk & Insurance Management	13 June 2016
Corporate Risk & Insurance Management	15 March 2016
Corporate Risk & Insurance Management	17 February 2016
Corporate Risk & Insurance Management	24 November 2015
Corporate Risk & Insurance Management	22 September 2015

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Audit and Risk Management Committee Monday, 26 September 2016

REPORT TITLE:	CORPORATE RISK MANAGEMENT POLICY
REPORT OF:	Chief Executive

REPORT SUMMARY

This report confirms the process behind the development of a revised Corporate Risk Management Policy. It sets out the factors that have influenced its development, describes the main proposed changes from the current document and confirms a series of actions needed for its implementation. Committee are asked to endorse the Policy and refer it to Cabinet for approval.

RECOMMENDATION/S

1. That the draft Risk Management Policy be approved and referred to Cabinet for formal adoption on behalf of the Council.
2. That regular reports on progress towards implementation of the risk management action plan be brought to this Committee

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The adoption of a revised Risk Management Policy is a key element of the Council's improved approach to managing risk.
- 1.2 In line with the governance arrangements for risk management this committee needs to maintain an oversight of developments in the Council's risk management framework.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Changes within the Council and in good risk management practice make it appropriate to update the risk management policy.

3.0 BACKGROUND INFORMATION

- 3.1 Like all organisations the Council has to deliver its objectives in the face of a complex and increasingly dynamic environment. The uncertainty created by that environment presents it with both opportunities and threats. So having a robust and effective framework for addressing risk and uncertainty is vital to the authority's success.
- 3.2 A key value for the Council is to be 'risk aware, not risk averse'. This makes the need for an effective approach to handling risk even more important.
- 3.3 The purpose of a risk management policy is to set out an organisation's overall attitude to risk and uncertainty to confirm its commitment to managing risk to provide a high level view of the risk management process itself and to set out corporate requirements around how risk is to be handled. It is a key element of any organisation's overall risk management framework.
- 3.4 Governance arrangements for the policy require it to be refreshed annually.

THE PROCESS

- 3.5 Under the governance structure for risk management any update to the Policy is considered by the Strategic Leadership Team (SLT) then by this Committee, before being put to Cabinet for formal adoption. The Corporate Governance Group also has a specific responsibility for considering improvements to the Council's risk management framework.
- 3.6 Several significant developments with implications for the Council's approach to managing risk have taken place in the past year. Chief amongst these are the adoption of the Wirral Plan, a new Operating Model, a revised Transformation Programme with improved governance arrangements and a move towards integrated reporting. These have been taken into account in the revised Policy document following discussions with the relevant teams.

- 3.7 Participation in the 2015 CIPFA/Alarm risk management benchmarking exercise confirmed further progress in the Council's risk management framework but highlighted areas where improvement was still needed. Other areas for improvement were identified in the annual Internal Audit investigation into the Council's risk management framework. These too have influenced the content of the revised Policy.
- 3.8 The revised document was considered by SLT on 13 September and the attached document incorporates any comments and suggestions from the Team.

PROPOSED CHANGES

- 3.9 All amendments are highlighted in shaded text within the body of the document. The principle changes are:
- Narrative and diagram for the governance of risk management revised (page 6)
 - Narrative concerning application of the policy updated to include development of Alternative Delivery Mechanisms and Pledge Strategies (page 7)
 - Table confirming when formal risk identification should be undertaken updated (page 9)
 - Confirmation that different definitions of impact and likelihood will be used for programmes and projects (page 10)
 - Table confirming responsibilities for risk review updated (pages 13 and 14)
 - Narrative on determining the acceptability of risks updated and new table included (page 15)
 - Graphic showing risk escalation process updated (page 16)
 - Table confirming risk reporting arrangements updated (pages 18 to 21)
 - Table confirming roles and responsibilities updated (pages 22 to 25)
 - Action plan updated (page 29)

ACTION PLAN

- 3.10 To respond effectively to changes within the Council and the Wirral Partnership and to address the areas for improvement highlighted by the benchmarking exercise and the Internal Audit report will require the implementation of a number of actions. These are set out in page 29 of the draft policy.

NEXT STEPS

- 3.11 If endorsed by this Committee the Policy would be submitted to Cabinet for formal adoption on behalf of the Council. It would be signed by both the Leader of the Council and the Chief Executive in order to demonstrate commitment from the top of the organisation.
- 3.12 The Policy would be disseminated through presentations to Pledge Strategy Delivery Groups and to management teams for the Business Support and Delivery Units. It would also be published on the Council Intranet and communicated through the continued roll out of the risk management E-learning courses for managers and employees.
- 3.13 The Policy will be reviewed in 2017. The review process will draw upon any future changes in the governance of the Council and the Wirral Partnership further Internal Audit reports and wider developments in good risk management practice.

4.0 FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from this report.

5.0 LEGAL IMPLICATIONS

- 5.1 Adoption of the Policy will support compliance with Regulation 3 (c) of the Accounts and Audit Regulations 2015.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

- 6.1 Improvements to the Concerto system will require some input from IT services.

7.0 RELEVANT RISKS

- 7.1 Implementation of the policy could be frustrated by the limited capacity within the Risk & Insurance team. This risk will be mitigated in part by the use of Risk Champions and through support from officers in other teams (for example Policy Performance & Scrutiny, Internal Audit and Organisational Development) in the delivery of key components of the policy.
- 7.2 If the management of risk is not considered as a standard part of the planning and delivery of strategies services and programmes it would limit the benefits envisaged in the Policy. Commitment from the Council's political and executive leadership will help to avoid this. Compliance with the policy will be verified through regular audits. In the longer term the cultural change needed would be achieved at least in part through training for officers and Members.
- 7.3 The incorporation of risk management practice into all areas of Council business will inevitably place some additional demand on the capacity of officers and Members. But this impact should be limited by incorporating risk management into existing Council processes wherever possible.

8.0 ENGAGEMENT/CONSULTATION

8.1 There has been consultation with Policy Performance & Scrutiny and Change teams.

9.0 EQUALITY IMPLICATIONS

There are none arising directly from this report.

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APPENDICES

Draft Risk Management Policy 2016

REFERENCE MATERIAL

Not applicable

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee	18 March 2015
Corporate Risk Management Policy	28 January 2014
Corporate Risk Management Policy	
Cabinet	
Corporate Risk Management Policy	4 June 2015
Corporate Risk Management Policy	13 March 2014

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RISK MANAGEMENT POLICY

Performing, Improving



Current Document Status					
Version		Approving Body	Cabinet		
Date		Date of formal approval			
Responsible officer(s)	Mike Lane	Review date	February 2016		
Document Location					
Version History					
Date	Version	Author/Editor	Comments		
08/06/2016	0.1	Mike Lane			
22/08/2016	0.2	Mike Lane	Takes account of comments from Policy & Performance team		
31/08/2016	0.3	Mike Lane	Takes account of comments from Transformation team		
13/09/2016	0.4	Mike Lane	Takes account of comments from Strategic Leadership Team		
Equality Impact Assessment Record					
Date	Type of assessment conducted	Stage/level (where applicable)	Summary of actions taken/decisions made	Completed by	Impact Assessment review date
Corporate Quality Assessment Record					
Date	Insert date				
Completed by	Insert name(s)				
Document Retention					
Document retention period			Five years in hard and electronic copies		

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1. Policy Statement

We accept that uncertainty and risk are inevitable features of the environment in which the Council and its partners seek to deliver its ambitious vision for the area set out in the Wirral Plan. We believe that how successful we are at dealing with the risks we face can significantly impact on the achievement of our priorities and the trust placed in us by the community and we will work to manage these risks down to an acceptable level.

However, we appreciate that uncertainty also presents opportunities and that we must innovate if the Council is to meet the challenges that it faces. We believe that risk management should not stifle innovation, but rather should support the taking of risks, provided that they are understood, actively managed and justified.

We also recognise that the increasing pace and complexity of the environment in which the Council operates could create combinations of events that cannot reasonably be envisaged. So we will also act to improve agility and organisational resilience.

Our goal is to become a risk aware organisation, in which risk management is fully embedded in all aspects of the Council's business.

We plan to achieve this goal by:

- Establishing clear roles, responsibilities and reporting lines within the Council and the wider partnership for risk management;
- Encouraging maturity and candour in discussions between officers and members about the uncertainties associated with our objectives
- Incorporating risk management into the Council's decision making and operational management processes;
- Reinforcing the importance of effective management of risk through training and provision of opportunities for shared learning;
- Incorporating risk management considerations into Strategy and Business Planning, Commissioning, Shared Services, Project Management, Partnerships, Alternative Delivery Mechanisms and Procurement Processes;
- Monitoring our risk management arrangements on a regular basis;

LEADER OF THE COUNCIL

CHIEF EXECUTIVE

CLlr Phil Davies

Eric Robinson

Risk Management Policy

2. Background

The Wirral Plan: A 2020 Vision sets out an ambitious vision for the borough in the years ahead.

Everything we do is focused on achieving this vision and ensuring that we deliver the best possible outcomes for the community, whilst ensuring that we provide good value for our stakeholders.

Effective governance arrangements are essential to help us achieve that vision and risk management is a key element of those arrangements. How successful we are at dealing with the risks that we face has a major impact on our ability to deliver our Plan.

We recognise that our plans and objectives have to be delivered within a complex and increasingly dynamic environment. The interplay of social, political, economic and technological change creates uncertainty which poses threats to the delivery of the Council's vision, but also presents us with opportunities. Effective risk management will help ensure that we are resilient and able to withstand any threats that emerge and exploit opportunities for improvement.

3 Drivers for Change and Improvement

Over recent years, the authority has made significant progress with improving the incorporation of risk management into the governance of the Council. This point was evidenced in a 2015 CIPFA Risk Management benchmarking exercise, which concluded that risk management was “*working*” across the organisation. However, further improvements are needed to ensure that the Council keeps pace with developments in good practice and derives the maximum benefit from the time, energy and resource invested in managing risk.

In a local authority context, good risk management is largely concerned with helping Members and officers to make better strategic and tactical choices. The scale of the decisions which need to be taken in the coming years, about the very nature of our organisation, its role and how it relates to the community, make it more critical than ever for the Council to have a robust approach to addressing risk and uncertainty.

This corporate policy will ensure that there is clarity on what we are trying to achieve with, and through, risk management and an agreed corporate process by which risk management is carried out.

In revising this policy we have drawn on the guidance contained in the current British Standard for risk management, as well as output from Internal Audit reports and the 2015 CIPFA Risk Management benchmarking exercise.

4. Why we need a risk management policy

It is important that we have a clear policy so that -

- Everyone has a good understanding of the terminology we use in relation to risk and risk management
- Everyone has a common understanding about the purpose, structure and approach to risk management
- Everyone is clear about their responsibilities in relation to risk management
- There is a consistent methodology to identify and assess the key risks and opportunities associated with our aims and objectives
- There is clarity around the arrangements for reporting information on risks
- Risk management is embedded into all our business processes.

5. What are the aims of our policy?

- To embed risk management into the culture of the Council.
- To support the Council's value of being 'risk aware, not risk averse'
- To integrate risk management with other management practices to ensure that risks are managed effectively at strategic and operational level and for all key programmes and strategies.
- To identify and effectively manage the key risks facing the Council.
- To maximise the opportunities for the achievement of objectives and minimise the risk of service failure.
- To ensure that we learn from risk failures to improve risk management awareness, systems and processes.
- To support Members and officers in carrying out their responsibilities.
- To support the decision making process at all levels within the Council.
- To ensure that effective risk management arrangements are in place to support the Annual Governance Statement and corporate governance arrangements.
- To support compliance with the requirements of the Account & Audit Regulations 2011.

6. What are the principles that underpin our policy?

- **Risk management should be systematic and structured:** The approach should be consistently applied within the Council. To help ensure that outputs are both reliable and comparable and to give managers increased confidence to make effective decisions.
- **Risk management should be based on the best available information:** The inputs should be based on available information sources such as experience, subject knowledge, expert judgement and projected forecasts. Managers should be aware of any limitations to the data or divergence of opinion among specialists.

- **Risk management should explicitly address uncertainty:** It should be used to help clarify the nature of uncertainty affecting decisions and how it might be treated.
- **Risk management should be part of decision making:** To help Members and officers choose the option that is most appropriate for the Council in terms of its risk appetite and ability to manage risks effectively.
- **Risk management should take into account organisational culture, human factors and behaviour:** It should recognise the capabilities, perceptions and intentions of external and internal people that might hinder attainment of Council objectives.
- **Risk management should create and protect value:** It should contribute to the demonstrable achievement of objectives and maximize overall business and commercial benefits. It should support corporate governance, be integrated with management processes, provide assurance to stakeholders and reflect legislative and compliance requirements.
- **Risk management should be tailored:** It should be proportionate and scaled to address the internal and external circumstances.
- **Risk management should be transparent and inclusive:** Management and stakeholders should be actively involved so that risk management remains relevant and up to date.
- **Risk management should be dynamic, iterative and responsive to change:** It should continually identify and respond to changes effecting the operating environment by having an open, positive culture that encourages managers to disclose, discuss and respond to risk.

7. What benefits can we expect to see?

Improved business planning: through the use of risk-based decision making processes for establishing priorities and objectives

Enhanced corporate performance: by identifying and addressing threats to achievement there is an increased likelihood of achieving objectives, both across the Partnership and within the Council itself. More informed decision-making, added value across service areas and improved service delivery that matches organisational priorities, an increased number of targets achieved and improved internal controls

Improved financial performance: improved forecasting and support for a balanced approach to the setting of balances and reserves, more effective allocation and use of resources for risk treatment, providing value for money, assets safeguarded, reduced level of fraud and increased capacity through a reduction in decisions that need reviewing or revising

A more balanced approach to risk: as well as understanding and tackling the most significant threats to the Council's objectives, there would be a greater awareness of the opportunities which are available and an increased willingness and ability to exploit them fully

Better outcomes for the community: as risk management focuses us to consider potential impacts if the risk were to occur for the council and the wider community. So, if risks are successfully managed, this could lead to improved customer relations and increased public satisfaction, confidence and trust

Improved corporate governance and compliance: greater adherence to legal and regulatory requirements, fewer regulatory visits, reduction in legal challenges and an improved corporate governance statement

Improved insurance management: reduction in the number and costs of claims and uninsured losses, containing the cost of insurance premiums.

Improved organisational resilience: fewer disasters and surprises and an enhanced ability to recover quickly from those that might occur

More effective partnership arrangements: maximising the benefits from our relationships with public, private and voluntary sector partners

8. How Risk Management is Governed

Ultimate responsibility for the effective management of risk rests with Cabinet and the Leader of the Council as part of their wider responsibilities for effective corporate governance. The Cabinet Member for Transformation, Leisure and Culture is responsible for oversight of improvements to the risk management framework.

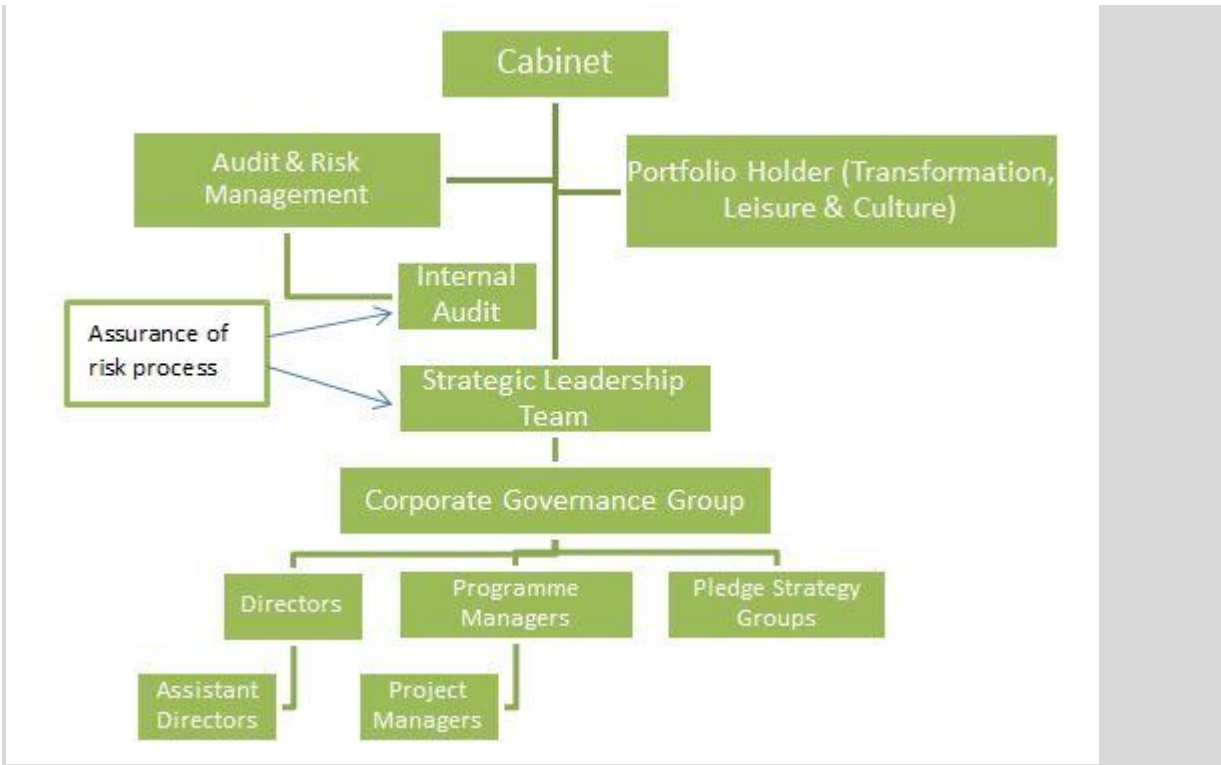
The Risk Management Policy and action plan are approved by the Strategic Leadership Team and by Audit & Risk Management Committee and are adopted by Cabinet on behalf of the Council. They are subject to review on an annual basis and will be communicated to all those with a responsibility for managing risk.

The Council’s Annual Governance Statement is informed by a review of the governance framework undertaken by Internal Audit, which includes a review of the effectiveness of the risk management framework. The Chief Executive and Leader of the Council endorse the statement and this is presented to the Audit and Risk Management Committee for approval.

Internal Audit undertakes an annual assessment of the Council’s risk management maturity using a CIPFA framework. The audit programme is directly informed by the Council’s key risks.

Individual managers are responsible for managing the risks associated with their service, strategy or project objectives, but will escalate specific risks in accordance with the risk escalation criteria.

The Strategic Leadership Team maintains an overview of the Council’s risk profile.



9. Application of the Policy

This policy applies to Council Members and to Officers at all levels.

The management of risk applies to all of the Council's business processes and should inform all areas of activity, including, but not limited to:

- Setting strategic objectives → Wirral Plan
- Setting business objectives → Strategies and business plans
- Budget setting process → investment and savings decisions, establishing levels of balances, evaluating bids for capital funding
- Developing policies and strategies
- Programme and project management
- Establishing and managing Alternative Delivery Mechanisms
- Workforce planning
- Procurement exercises

10. The Risk Management Process

The risk management process is intended to ensure that the key risks to achieving our objectives are identified and managed. Too little awareness and management of these key risks can adversely affect our performance. But attempting to mitigate all possible risk could divert too many of our limited resources away from providing services. Between these two extremes is a turning point, a balanced area of high performance through the sensible management of risk. This is the status the Council aims to achieve through implementation of its Risk Management Policy.

Communication and Consultation

The risk management process cannot be effective without an appropriate level of communication between all internal and external stakeholders. This will require engagement with all those who have an interest in the risks to our objectives, at whatever level we are assessing. This may include the public, our partners, programme and project boards, sponsors, management teams and other specialists, whose assistance may be beneficial when identifying and evaluating risks.

Communication and consultation should occur at all stages of the risk management process.

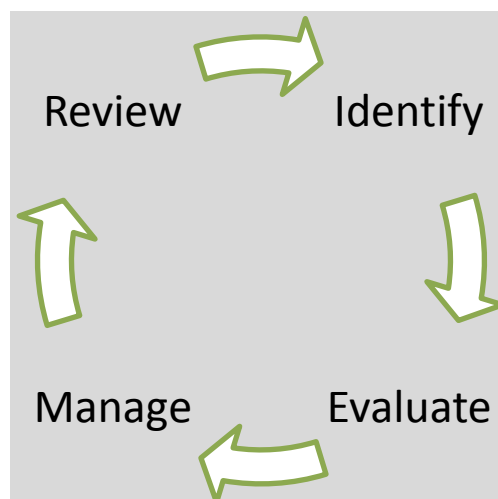
Establishing the Context

Establishing the context defines the basic parameters for managing risk and sets the scope and criteria for the rest of the process. This first stage is an essential precursor to core process. It should involve consideration of:

- The external and internal operating environment
- What we are looking at, strategic or service objectives, programme/project or partnership objectives, budgets or policies, procurement or commissioning, options for decisions.
- Who will be involved, be they internal or external stakeholders. They should all be considered as they may have an interest in or a valuable contribution to add to the rest of the process
- Who will be responsible for the process: define responsibilities for review, monitoring and reporting
- The risk criteria and appetite, whether it is political, economic, legal, environmental, etc. The impact criteria to be included and how they will be measured
- If looking at partnership risk, which partner's processes will be adopted

The Core Risk Management Process

The Council has a four-stage process for managing risks, shown in the graphic below.



This process provides Officers and Members with an improved understanding of the risks that could affect the achievement of their objectives and the adequacy and effectiveness of existing controls. It also provides the basis for decisions about the most appropriate approach to be used to tackle risks.

The process will be applied to all key business processes, including:

- Setting strategic and service objectives and priorities
- Creating business cases for programmes and projects
- **Managing Wirral Plan pledge strategies**
- Procuring and/or commissioning goods or services
- Setting of short and medium term budgets
- Establishing or refreshing policies and strategies

The core process should be dynamic and applied continuously.

Stage 1: Identification

The Council defines a risk as:

“An uncertainty that could have adverse or beneficial effects on the achievement of objectives”

This initial stage of the process sets out to identify the exposure to these uncertainties. Risks will be identified in relation to the objectives for the service area, project, strategy or activity. So it is important that those objectives are clear and meaningful.

Risk identification should be a continuous process. However, there are times when formal identification exercises should be undertaken. The table below indicates when they should be carried out, why they are necessary and who should undertake this task.

Activity	When	By Whom
Wirral Plan	A strategic risk analysis will be undertaken as part of a strategic options appraisal, to inform decisions about priorities and objectives.	Strategic Leadership Team
Wirral Plan Pledge Strategies	Initial high level risk identification will be undertaken as part of the development of the strategy, to inform the action plan. After action plans have been set more detailed identification of the key threats to their delivery will be undertaken.	Pledge Sponsor and Strategy Delivery Groups
Service Plans for Business Support and Delivery Units	After operational objectives have been set, to establish the key threats to their delivery.	Assistant Directors
Establishment of programmes and projects	During the development of business cases the key risks to delivery of the programme/project will be identified, to inform the decision as to whether to proceed. Additionally during Programme Definition and Project Initiation full risk management will be applied	Programme Manager and Project manager
Development of alternative delivery mechanisms	During the development of business cases, to inform the decision as to whether to proceed.	Officer(s) responsible for development

Activity	When	By Whom
Procurement or commissioning exercises	During the development of business cases, to inform the decision as to whether to proceed and how the exercise will be conducted.	Officer(s) responsible for the exercise
Development/updating of policies or strategies	During the drafting of the document, to give decision-makers an understanding of the threats to its delivery	Officer responsible for producing the document
Resource allocation	During the development of options for investment or reducing resources, to inform decisions around which to select	Officer responsible for developing the options
Producing Committee reports on key decisions	Prior to drafting of the report, to give Members an understanding of the risks and benefits associated with different options.	Report author

A variety of tools are available to complete the identification stage of the process, including brainstorming workshops, one-to-one interviews and reviewing 'lessons learnt' logs. Reference to standard risk categories can also be helpful and a list of categories relevant to strategies and business plans is shown in **Appendix B**.

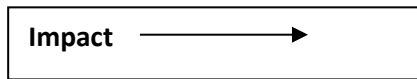
Each risk identified will be allocated to a risk owner who is accountable for its management. In respect of Corporate risks, the risk owner will be a member of the Strategic Leadership Team.

Stage 2: Evaluation

In order for us to make informed decisions about how best to use our limited resources to tackle risks, we need to understand their relative significance. This will be done by evaluating risks in relation to their likelihood and their impact.

The significance of all risks will be evaluated using the 5 by 5 likelihood and impact matrix adopted by the Council shown below. Evaluation of risks to the delivery of programmes and projects will use different definitions of impact and likelihood to those for used for risks to Pledge strategies and business plans.

Wherever possible, evaluation will be undertaken by a range of stakeholders with an interest in the strategy, service, project, partnership or other initiative and a consensus reached. This will help to avoid the assessment being skewed by the views any one individual.



	Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
Very High (5)	5 Very low impact but very high likelihood	10 Low impact but very high likelihood	15 Medium impact but very high likelihood	20 High impact and very high likelihood	25 Very high impact and very high likelihood
High (4)	4 Very low impact but high likelihood	8 Low impact but high likelihood	12 Medium impact but high likelihood	16 High impact and high likelihood	20 Very high impact and high likelihood
Medium (3)	3 Very low impact and medium likelihood	6 Low impact and medium likelihood	9 Medium impact and medium likelihood	12 High impact but medium likelihood	15 Very high impact and medium likelihood
Low (2)	2 Very low impact and low likelihood	4 Low impact and low likelihood	6 Medium impact and low likelihood	8 High impact but low likelihood	10 Very high impact but low likelihood
Very Low (1)	1 Very low impact and very low likelihood	2 Low impact and very low likelihood	3 Medium impact and very low likelihood	4 High impact but very low likelihood	5 Very high impact but very low likelihood

Step 1 – Current Risk

Once the risk has been identified and defined, the current (also called *residual*) risk score will be calculated. This score is a measure of the risk as it is today, taking account of what is currently in place to manage (i.e. mitigate) it. Understanding what controls are already in place and their effectiveness is a vital part of the evaluation and these will be considered before judgements are made on impact and likelihood.

The potential impact of a risk will be judged in relation to its consequences (effects) and the current controls, action or management arrangements in place. The likelihood of a risk occurring will be judged by considering the risk description and the current controls, action and management arrangements that are in place.

The results of the evaluation of impact and likelihood will be recorded in the risk register.

Step 2 - Unmanaged Risk

Once the current risk score has been calculated, the risk will be re-evaluated to consider the position if there were no controls, actions or management arrangements in place. This is done to establish the unmanaged (also called ***inherent***) risk rating. The difference between the Unmanaged and the Current risk scores helps to demonstrate the value of the existing controls, but should prompt consideration of whether all of the controls are required. It may be possible to identify risks which are over-controlled and where resources presently used for control could be freed up.

Stage 3: Management

Under the management stage, responses (controls) are selected for risks and plans are developed to implement those controls.

The broad nature of the possible responses to a given risk is shown in the following table:

Risk Management Response Strategies
Mitigate – Reducing the scale of the risk in order to make it more acceptable, by reducing the likelihood and/or impact.
Accept – Recognizing that some risks must be taken and responding either actively by developing appropriate contingency arrangements or passively doing nothing except for monitoring the status of the risk.
Transfer – Identifying another stakeholder better able to manage the risk, to which the responsibility can be passed.
Avoid – Eliminate the uncertainty by making it impossible for the risk to occur (e.g. discontinue activity), or by executing a different approach to eliminate the risk.

Resource and Cost / Benefit Analysis

The responses to the risks identified need to be appropriate, achievable and affordable. There will be some occasions when the cost of the response will outweigh the benefits to be gained from the proposed course of action. So an assessment of the cost / benefit of implementing the response will be carried out as part of the management stage. In determining the most appropriate response to a risk, care should be exercised to ensure that the response selected does not create other risks. The resourcing of risk controls should be considered as part of business and financial planning.

Any control selected for implementation will be made the responsibility of a given individual (the control 'owner'). The owner and the planned implementation (target) date will be recorded in the relevant risk register.

Target Risk

When the management response and implementation plans have been determined the risk will then be re-evaluated to determine the Target Risk Rating. This evaluation will take into account all of the controls (existing and additional) that were identified earlier in the management stage.

This provides an estimate of the future rating that will be achieved when all the controls (both existing and planned) have been implemented. This information will also be recorded in the risk register.

Stage 4: Review

The environment in which the Council operates is dynamic and the management of risk needs to be also. To support the risk management process strategy, service, project and other risk registers will be kept up to date.

The reviews of risk registers will involve;

- Identifying potential new risks and the controls already in place to help mitigate them. Considering whether additional controls are needed.
- Reviewing the effectiveness of the existing controls for risks already on the register.
- Reviewing control actions that were scheduled to be carried out and considering whether any additional actions should be implemented.
- Re-evaluating the current and target scores for likelihood and impact in relation to existing risks, by reference to the effectiveness of the existing controls and progress in implementing additional controls.
- Reviewing contingency arrangements in response to changing internal and/or external events
- Considering whether any risks on the register no longer present a threat and should be removed
- Considering whether any risks on the register should be escalated (or de-escalated) in accordance with the criteria shown below.

Responsibilities for Review

The following table highlights how the Council’s review process will operate:

What	By Whom	When
Corporate Risk Register	Strategic Leadership Team	Quarterly
Risk Registers for Service Plans for Business Support and Delivery Units	Directors and Assistant Directors	No less than once a quarter.

What	By Whom	When
Programme Risk Registers	Programme Boards	As indicated in the relevant governance arrangements. But no less than once every 4 weeks.
Project Risk Registers	Project Boards	As indicated in the relevant governance arrangements. But no less than once every 4 weeks.
Wirral Plan Pledge Strategy risk registers	Pledge Sponsor and Strategy Delivery Groups	No less than once a quarter

In undertaking reviews, those responsible will take account of the results of internal and external audit reports.

Following each review, the relevant risk register will be updated. A copy of each updated Business Plan and Pledge Strategy risk register will be provided to the Risk & Insurance Officer and the Performance Management team.

In addition to the continuous review process outlined above, risk registers for service plans and pledge strategies will be reviewed annually as part of the corporate planning process.

11. How We Will Record Risks

Information on risks will be recorded in risk registers. The different levels of risk register that we will maintain are shown below -

Corporate risk register

This register is the responsibility of the Strategic Leadership Team and will be maintained by the Risk & Insurance team.

Business Plan risk register

These registers are the responsibility of each management team and will be maintained by the relevant Director or Assistant Director.

Programme

These registers are the responsibility of the relevant Programme Sponsor and will be maintained by the Programme Manager

Project

These registers are the responsibility of the Project Sponsor and will be maintained by the project manager

Wirral Plan Pledge Strategies

These registers are the responsibility of the Pledge Sponsor and Strategy Delivery Groups.

To help ensure that risk information is captured in a consistent format, a standard risk register template will be used. A copy of the template is shown at **Appendix C**.

Programme and project risk registers will be maintained in the Council's 'Concerto' system.

12. How We Will Determine Whether Risks Are Acceptable

It is vital that we have a consistent approach to evaluating the significance of risks and that those responsible for managing them understand the boundaries of acceptability and the thresholds for escalation and for reporting to senior managers and to Members.

Political and executive leaders have undertaken an exercise to consider the acceptability of many of the most critical risk areas faced by the Council. This work confirmed that overall the leadership is prepared to confront a significant degree of risk to pursue delivery of the Wirral Plan. However, there is less willingness to accept risks involving significant potential adverse effects on people (whether employees or the public) or interruption to service delivery.

At an operational level, the significance of a risk will be determined by two factors – its likelihood and its impact. Each of these factors has a value of between 1 and 5. When mapped onto the Council’s risk matrix shown on page 11, the values indicate which of 3 categories the risk falls into – red, amber or green.

In broad terms, the response to risks in each category will be as shown in the table below:

Risk Colour	Risk Level	Descriptor	Action Required
Green	Low	Minor risks that are well controlled and/or which have a modest impact.	Additional control actions are unlikely to be needed. But the risk needs to be kept under periodic review.
Amber	Medium	Important risks that may potentially affect the achievement of operational or strategic objectives and/or the delivery of key services	The introduction of additional control actions should be considered. For risks with a high or very high impact, a contingency plan may be necessary.
Red	High	Critical risks which are likely to significantly affect the achievement of operational or strategic objectives and/or the delivery of key services.	Immediate action to address the risk should be considered. The risk should be kept under regular review.

13. Escalation of Risks

Critical to the effective management of risks is the reporting of information to the appropriate level of management. To ensure that risks are considered at the appropriate level, the following criteria have been established:

Corporate Risks

Risks at this level will be managed by the Strategic Leadership Team (SLT) and will have the following characteristics:

- Risks identified by the SLT and/or Members which impact directly on the Wirral Plan outcomes or objectives.
- Corporate or cross cutting issues that are likely to impact upon more than one service.
- Strategic issues that are likely to have an impact on the medium to long term goals and tend to link to the priorities and objectives in the Wirral Plan.
- Risks at business plan, programme/project or pledge strategy level that if realised would impact on the Wirral Plan priorities and objectives and/or which need intervention by SLT or Cabinet.
- Risks with significant financial, service or reputation impact that require SLT overview and management.

Programme Risks

Risks at this level tend to be identified and managed by Programme Boards. Risks assigned to this level will have the following characteristics:

- Risks that have a wide-ranging impact on the objectives of the programme as a whole, but which can be managed by the Programme Board
- Risks with a significant impact on the objectives for a particular project but which require Programme Board intervention.

Business Plan Risks

Risks at this level tend to be identified and managed by the relevant management team. Risks assigned to this level will have the following characteristic:

- Risks that impact solely on the objectives for an individual business plan
- Risks of potentially wider impact but which can be managed effectively by the management team.

Pledge Strategy Risks

Risks at this level tend to be identified and managed by the service management team. Risks assigned to this level will have the following characteristic:

- Risks that impact solely on the outcomes for the individual strategy
- Risks of potentially wider impact but which can be managed effectively within the strategy.

Project Risks

Risks at this level tend to be identified and managed by project boards or teams. Risks at this level will have the following characteristic:

- Risks that impact on individual project objectives and which can be managed by the project board, manager or team.

The escalation of risks to the Corporate Risk Register is considered by the Strategic Leadership Team in a quarterly review. The Team will review the issue against the escalation criteria and take appropriate action. This may include:

- Escalating the risk and adding it to the Corporate Risk Register for monitoring and reporting to Members.
- Incorporating the risk into an existing entry on the Corporate Risk Register if the risk is related to it, for ongoing management and review.
- De-escalating the risk to business plan, pledge or programme level for ongoing management and review.

14. How Risks will be reported

It is important that we are clear about what information on risks and opportunities is to be reported, the format for this and to whom and when it should be reported. The following table summarises our reporting arrangements:

Stakeholder(s)	What information do they need?	How will this be provided?	When will this be provided?
Cabinet	<ul style="list-style-type: none"> • A detailed, current knowledge of the principal risks and opportunities facing the Council, the principal controls and their effectiveness 	Inclusion of key risks in integrated performance reports Inclusion of a risk assessment in the Medium Term Financial Strategy	Quarterly (in line with the Performance Management Framework) Annually
	<ul style="list-style-type: none"> • A working knowledge of the corporate risk management framework and its effectiveness 	Publication of the Corporate Risk Management Policy document. Publication of the Annual Governance Statement	Annually Annually (in September)

Stakeholder(s)	What information do they need?	How will this be provided?	When will this be provided?
Audit & Risk Management Committee	<ul style="list-style-type: none"> A detailed, current knowledge of the principal risks and opportunities facing the Council, the principal controls and their effectiveness 	Presentation of the full Corporate Risk register Updates on management of the Corporate risks	At least annually Each meeting of the committee.
	<ul style="list-style-type: none"> A detailed knowledge of the corporate risk management framework and its effectiveness 	Publication of the Corporate Risk Management Policy document Regular updates of progress towards implementation of the risk management action plan An assessment of the Council's risk management maturity from Internal Audit	Annually Each meeting of the committee Annually
	<ul style="list-style-type: none"> An understanding of compliance with the corporate risk management policy by services, strategy groups and programmes 	Publication of the Annual Governance Statement Publication of Internal Audit reports on individual service areas	Annually As determined by the Internal Audit programme
Overview & Scrutiny committees	<ul style="list-style-type: none"> A good, current knowledge of the principal risks associated with the areas for which they are responsible for providing scrutiny, the principal controls and their effectiveness 	Inclusion of key risks in integrated performance reports	Quarterly (in line with the Performance Management Framework)

Stakeholder(s)	What information do they need?	How will this be provided?	When will this be provided?
Portfolio Holder (Transformation, Leisure & Culture)	<ul style="list-style-type: none"> A detailed knowledge of the corporate risk management framework and its effectiveness 	Publication of the Corporate Risk Management Policy document Updates of progress towards implementation of the Risk Management Strategy Publication of the Annual Governance Statement Reports to Portfolio Holder briefings	Annually Each meeting of Audit & Risk Management Committee Annually (in September) As required
	<ul style="list-style-type: none"> An understanding of individual service areas compliance with the corporate risk management policy 	Publication of Internal Audit reports on individual service areas	As determined by the Internal Audit Plan
Strategic Leadership Team	<ul style="list-style-type: none"> A detailed, current knowledge of the principal risks facing the Council the principal controls and their effectiveness 	Updates on progress in managing existing Corporate risks (as part of the quarterly review)	At the end of each quarter
	<ul style="list-style-type: none"> An understanding of significant emerging risks 	A summary of significant new risks (as part of the quarterly review)	At the end of each quarter
	<ul style="list-style-type: none"> A good knowledge of the corporate risk management framework and its effectiveness 	Publication of the Annual Governance Statement An assessment of the Council's risk management maturity from Internal Audit	Annually (in September) Annually (in September)

Stakeholder(s)	What information do they need?	How will this be provided?	When will this be provided?
Directors	<ul style="list-style-type: none"> • A detailed, current knowledge of the principal risks and opportunities associated with the areas for which they are responsible, the principal controls and their effectiveness • An understanding of significant emerging risks and opportunities • A good understanding of adherence to the corporate risk management policy by those the areas for which they are responsible 	<p>Summaries of risks from Assistant Directors.</p> <p>Risks highlighted within Internal Audit reports</p> <p>Publication of Internal Audit reports on individual service areas</p>	<p>No less than once a quarter.</p> <p>As determined by the Internal Audit Plan.</p> <p>As determined by the Internal Audit Plan.</p>
Assistant Directors	<ul style="list-style-type: none"> • A detailed, current knowledge of the principal risks and opportunities associated with the areas for which they are responsible, the principal controls and their effectiveness • An understanding of significant emerging risks and opportunities • A good understanding of adherence to the corporate risk management policy by those the areas for which they are responsible 	<p>Summaries of risks and opportunities from managers and, where relevant, Internal Audit reports.</p> <p>Publication of Internal Audit reports on individual service areas</p>	<p>No less than once a quarter</p> <p>As determined by the Internal Audit Plan</p>

Stakeholder(s)	What information do they need?	How will this be provided?	When will this be provided?
Programme Boards	<ul style="list-style-type: none"> A good understanding of the principal risks and opportunities presented by the programme 	An assessment of risks and benefits	As part of developing the business case for the programme
	<ul style="list-style-type: none"> A detailed, current knowledge of the principal risks to delivery of the programme 	Presentation of the programme risk register	As determined by the Programme governance arrangements, but not less than once every 4 weeks
	<ul style="list-style-type: none"> A good understanding of the risk management arrangements 	Inclusion of risk management arrangements in the Outline Business Case	As part of the business case.

15. Roles and Responsibilities

The Council is a large and complex organisation. So it is important that we are clear about what should be done and who it should be done by. The table below details the roles and responsibilities in relation to risk management for all stakeholders.

We will communicate these through the distribution of this policy, the provision of training and the issue of guidance.

Stakeholder	Role and Responsibilities
Leader of the Council and Cabinet Members	<p>Role: To oversee the effective management of risk as part of good corporate governance.</p> <p>Responsibilities</p> <ul style="list-style-type: none"> • Adopt the Council’s risk management Policy and ensure that risk management is delivered on behalf of the Cabinet by the Chief Executive and the Strategic Leadership Team. • Drive the effective management of risk and a positive risk culture from the top of the organisation • To work with SLT to define the Council’s risk appetite and risk criteria • Ensure that a corporate risk register is established and that this is regularly monitored. • Consider risk management implications when taking decisions.
Portfolio Holder– Transformation, Leisure and Culture	<p>Role: To provide leadership and efficient, co-ordinated and commissioned management of risk management.</p> <p>Responsibilities</p> <ul style="list-style-type: none"> • Oversee the development, implementation and review of the Council’s risk management arrangements
Audit & Risk Management Committee	<p>Role: To provide independent assurance of the Council’s risk management framework and associated control environment. To act as the Member champion for risk management (Chair).</p> <p>Responsibilities</p> <ul style="list-style-type: none"> • Consider the risk management policy, strategy and associated action plan • Monitor, review and scrutinise the effectiveness of the Council’s risk management framework and its implementation. • Consider the effectiveness of risk management arrangements and any improvements required as indicated in the Annual Governance Statement • Consider the adequacy of the authority’s insurance and risk financing arrangements • Receive and challenge quarterly reports on the Corporate Risk Register from the Strategic Leadership Team • Approve the Internal Audit Plan • Receive and consider Internal Audit reports on risk management • Receive assurances that action is being taken to mitigate key risks identified by internal and external auditors

Stakeholder	Role and Responsibilities
Corporate Governance Group	<p>Role: To support the embedding of strong governance arrangements across the Council</p> <p>Responsibilities</p> <ul style="list-style-type: none"> • Review and challenge corporate performance and risk management arrangements, and support SLT in ensuring that performance and risk management are aligned with the aims, priorities and objectives contained in the Council’s policy framework, strategies and plans • Consider areas of good practice and propose improvements to the Council’s risk management framework • Challenge senior management on how Directorate risks are identified, defined, evaluated and managed, including the plausibility of mitigating actions. • Support SLT in refreshing the Corporate Risk Register and recommend potential changes to SLT. • Propose the escalation of risks from Business Plans, Strategies and Programmes to the Corporate Risk Register.
Overview and Scrutiny Committees	<p>Role: To oversee the effective management of risk in those areas of service for which they provide scrutiny.</p> <p>Responsibilities</p> <ul style="list-style-type: none"> • Receive and challenge reports on risk management, including relevant risk registers • Gain an understanding of the key risks affecting the areas for which they provide scrutiny and ensuring that sufficient action is being taken to control them. • Consider risk management implications when making recommendations to Cabinet
Strategic Leadership Team	<p>Role: To ensure that the Council manages risk effectively.</p> <p>Responsibilities</p> <ul style="list-style-type: none"> • Agree the risk management framework and the arrangements for the management of strategic/corporate risks • Lead and co-ordinate the delivery of the risk management framework, including the nomination of a SLT lead on risk management. • To work with Cabinet to define the Council’s risk appetite and risk criteria. • Identify, monitor and take ownership of strategic / corporate risks • Establish a culture and working practices which promote openness and learning in relation to the management of risk • Review the effectiveness of the risk management framework and make arrangements to address any improvements needed • Advise Members on effective risk management and ensuring that members receive regular monitoring reports.

Stakeholder	Role and Responsibilities
<p>Directors</p>	<p>Role: To manage risk within their area of the organisation in line with the Council's risk management policy.</p> <p>Responsibilities</p> <ul style="list-style-type: none"> • Ensure that risks to the objectives for their areas of responsibility are identified and evaluated and that action on them is prioritised and implemented. • Scrutinise and sign off the risk register for their area. • Ensure that the key risks for their area and the effectiveness of associated controls are reviewed on a regular basis • Report significant risks to the Risk & Insurance Officer to be considered by the Strategic Leadership Team for possible escalation to the Corporate Risk Register • Provide regular reports on significant risks to the relevant Overview & Scrutiny Committee. • Take responsibility for the production, testing and maintenance of Business Continuity plans and allocation of resources. • Ensure that a culture of risk awareness is embedded across their area of the organisation.
<p>Risk & Insurance Officer / team</p>	<p>Role: To support the effective management of risk throughout the Council.</p> <p>Responsibilities</p> <ul style="list-style-type: none"> • Design and drive the implementation of the Council's risk management framework, policy, strategy and process. • Provide the Council with consultancy and advice on risk management. • Lead, co-ordinate and develop risk management activity across the Council with the support of the Risk Champions. • Ensure that officers and Members are adequately trained in risk management tools and techniques. • Facilitate risk identification and evaluation workshops. • Assist management teams to identify evaluate and record key risks to service, project and partnership objectives. • Provide quality assurance and challenge of risk information provided by directorates and services. • Ensure that the corporate risk register is regularly reviewed by the Strategic Leadership Team. • Collate and manage the Council's Corporate Risk Register. • Undertake an annual review and update of the Risk Management Policy and Strategy for consideration by the Strategic Leadership Team and Audit & Risk Management Committee. • Ensure that the Council's approach to risk management fits within the Council's overall policy, strategy and performance ethos.

Stakeholder	Role and Responsibilities
Risk Champions	Role: To provide a focus for and co-ordinate risk management activity across their area of the organisation.
	Responsibilities <ul style="list-style-type: none"> • Provide support on risk management. • Encourage staff to embed risk management principles into their daily work • Identify training needs in relation to risk management and reporting these to the Risk & Insurance team • Co-ordinate information on risks and opportunities • Maintain risk registers • Share examples of good risk control practice and lessons learned
Assistant Directors	Role: To effectively manage risk in their service area in line with the Council's risk management policy.
	Responsibilities <ul style="list-style-type: none"> • Ensure that risks to the objectives for their area of responsibility are identified, evaluated and addressed. • Produce and regularly review a register of those risks, including the implementation of control measures. • Report significant risks to the relevant director in line with the Council's escalation criteria. • Guide their staff in risk assessing their priorities at the beginning of the year and ensuring they identify risks that may affect their ability to deliver their objectives. • Communicate the corporate approach to risk management to managers. • Support the Risk Champion with identifying the training needs of staff. • Ensure that managers and employees are aware of the corporate requirements and seek clarification from the Risk Champion, when required.
Pledge Sponsors and Strategy Delivery Groups	Role: To oversee the effective management of risks to the delivery of individual pledge strategies.
	Responsibilities <ul style="list-style-type: none"> • Ensure that risks to the delivery of the strategy are identified, evaluated and addressed. • Produce and regularly review a register of those risks, including the implementation of control measures. • Report significant risks to the Risk and Insurance team in line with the Council's escalation criteria

Programme and Project Boards	<p>Role: To oversee the effective management of risk within programmes and projects.</p> <p>Responsibilities</p> <ul style="list-style-type: none"> • Set and confirm the programme/project’s risk appetite • Understand the key risks to delivery of the programme/project objectives and ensure that sufficient action is being taken to manage them • Make decisions as regards risk response options proposed by project managers • Maintain oversight of the continued viability of the programme or project’s business case. • Propose the escalation of risks in line with the Council’s risk escalation criteria.
Programme and Project Managers	<p>Role: To effectively manage risks to the programme and project in line with the Council’s risk management policy.</p> <p>Responsibilities</p> <ul style="list-style-type: none"> • Identify and evaluate risks of and to any proposed project as part of the development of the business case. • Ensure that key risks to project objectives are identified, evaluated and managed • Undertake regular reviews of the project risk register throughout the lifecycle of the project. • Report key risks and potential responses to the Project Board on a regular basis • Identify and propose the escalation of risks to the programme level in line with the Council’s risk escalation criteria.
Internal Audit	<p>Role: To provide independent and objective assurance in relation to the Council’s risk management arrangements.</p> <p>Responsibilities</p> <ul style="list-style-type: none"> • Conduct reviews into the effectiveness of the risk management framework and its application. • Undertake an annual evaluation of the Council’s risk management maturity. • Produce a risk based audit plan that takes into account key strategic, operational and project risks across the Council • Ensure robust risk management techniques in their audit work.
Employees	<p>Role: To contribute to the effective management of risk.</p> <p>Responsibilities</p> <ul style="list-style-type: none"> • Contribute to the identification and evaluation of key risks for their area. • Contribute to risk control measures, where appropriate. • Report promptly to management potential new risks or failures in existing control measures. • Supporting continuous service delivery and any response to business disruption.

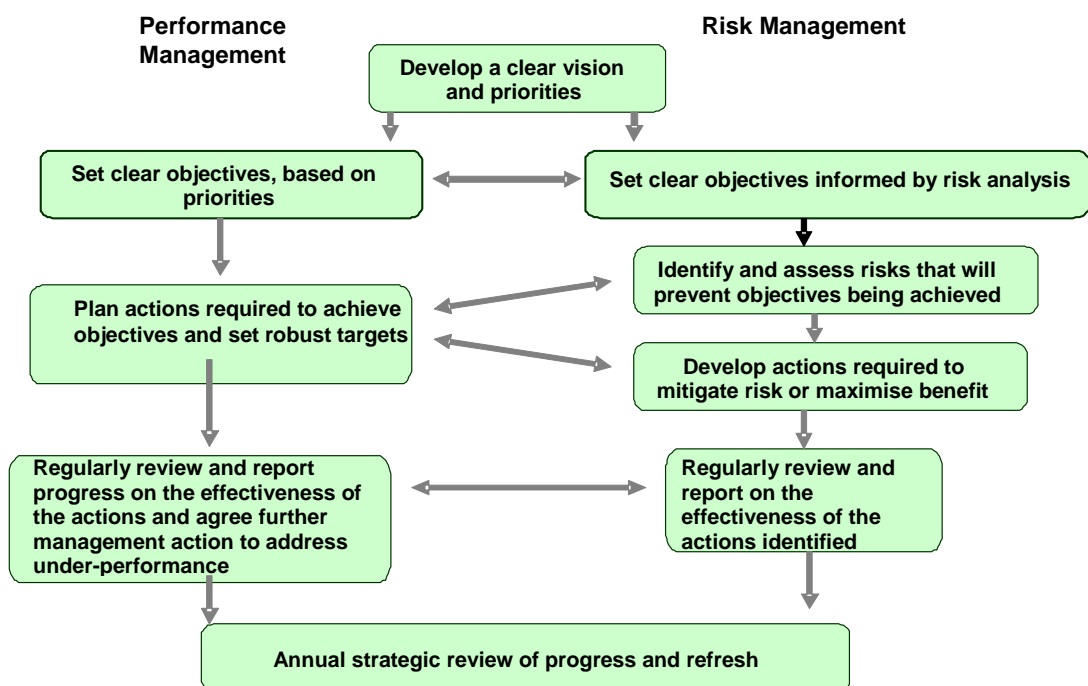
16. Performance Management and Risk Management

Performance Management is “...a process and set of behaviours to support the partnership in delivering outcomes that improve the lives of Wirral residents”. (Wirral Plan Performance Management Framework)

By contrast, risk management is the process of identifying and managing matters that could impact on the delivery of outcomes. Although, both processes are different in emphasis, they share the same goal - the achievement of organisational objectives. Risks cannot be identified without an understanding of priorities, objectives and targets. Equally, the setting of performance targets needs to be informed by an understanding of the risks which may threaten performance.

So it is important, that the risk management framework is developed to take account of and to support the Council’s performance management framework.

The links between the performance management process and risk management are detailed in the following diagram:



17. How does this policy relate to other Council policies?

Corporate Health & Safety Policy: sets out the Council's broad approach to the management of risks to health and safety

Business Continuity Policy: defines the approach to and requirements for managing risks to the continuity of Council services

ICT Security Policy: indicates the Council's broad approach to the management of information security and sets out the key control actions to be undertaken to manage risks to information security and ICT equipment.

Financial Regulations: cross reference the corporate Risk Management Policy and set out the requirements for managing resource-related risks

Council Constitution:

Contract Procedure Rules: – confirm the rules around procurement which act as controls in relation to procurement risk

Financial management: – confirms the key controls adopted to ensure effective financial planning and management

Risk Management and Control of Resources: – confirms the need for effective risk management and the controls intended to achieve this.

External Arrangements: - requires an agreement to be in place for each partnership, the development of which is to be subject to a risk management process to establish and manage all known risks

Code of Corporate Governance: summarises how the Council will deliver the six principles of effective governance and how the risk management framework contributes to this.

Performance Management Framework: sets out the Council's approach to performance management and its links with risk management.

18. What Level of Capability Do We Want to Achieve?

Our current ambition is to increase the number of key areas of our framework evaluated as 'Risk Managed' (Level 4 of the CIPFA document - "It's a Risky Business: A Practical Guide to Risk Based Auditing").

19. What Additional Actions Are We Going to Take to Achieve This?

The following have been informed by the output from the 2015 ALARM/CIPFA Benchmarking exercise and the March 2016 Internal Audit report on risk management.

Action	Target Date
Embed the Wirral Plan performance management framework	Quarter 3 2016/17
Implement enhanced risk management arrangements for the Transformation Programme.	December 2016
Introduce risk management arrangements for Wirral Plan pledge strategies	Quarter 3 2016/17
Implement revised risk management arrangements to support the new Operating Model	Quarter 3 2016/17
Identify risk champions	October 2016
Provide training to risk champions	December 2016
Revise e-Learning modules for managers and employees	March 2017
Review functionality of Concerto in relation to the capture, analysis and reporting of information on risks to business plans and pledge strategies.	March 2017

20. What Resources Will We Need?

We recognise that, particularly in the current financial environment, our Policy will need to be delivered within existing resources. Key officer resources will be the Risk & Insurance team and the Risk Champions. However, implementation of the Policy will also require input from functions across the Council, including Internal Audit, Policy, Performance & Scrutiny, Health, Safety & Resilience and the Change Team.

21. How Will We Evaluate Our Progress?

Progress reports on the above actions will be provided to each meeting of the Council's Audit & Risk Management Committee.

Internal Audit will undertake an annual assessment of the Council's risk management maturity, using the framework contained in the CIPFA document - "It's a Risky Business: A Practical Guide to Risk Based Auditing". This will be reported to the Strategic Leadership Team and to Audit & Risk Management Committee.

Appendix A - Glossary

Control

A measure that mitigates a risk, including any process, policy, device, practice, or other action

Control Owner

Individual responsible for the maintenance of an existing control or the implementation of a additional control

Corporate Governance

The systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities

Current risk score

Assessment of the combined scores, for the likelihood and impact of the risk happening, **after** taking into account any controls in place to manage the risk.

Impact

The evaluated effect or result of a particular risk happening

Likelihood

A qualitative description of the probability or frequency of the risk happening

Risk

An uncertainty that could have adverse or beneficial effects on the achievement of the Council's objectives

Risk Appetite

The amount and type of risk that the Council is prepared to seek, accept or tolerate in pursuing its objectives

Risk Management

Co-ordinated activities to direct and control an organization with regard to risk

Risk Management Policy

A statement of the overall intentions and direction of the Council relating to the management of risk

Risk Matrix

A graphical table which facilitates the risk analysis process, showing the scales of likelihood and impact and plot risk scores

Risk Owner

The person responsible for the objective which would be affected by the risk

Risk Register

A summary of information relating to the risks to the achievement of an objective or set of objectives

Unmanaged risk score

Assessment of the combined scores, for the likelihood and impact of the risk happening, **before** taking into account any controls in place to manage the risk.

Appendix B – Risk Categories

Categories are widely used to identify sources of risk. Some will be of greater concern at the corporate/strategic level and some at the directorate/service level. However there is no clear distinction and all levels of management should be concerned, to varying degrees, with the majority of categories.

The categories below will assist at the risk identification stage in order to provide prompts to help identify risks. Risks can, of course, fall into one or more categories.

External

Category	Definition	Examples
Political	Associated with the political environment in which the Council operates	<ul style="list-style-type: none"> • New political arrangements • Member support / approval • Electorate dissatisfaction • Impact of electoral changes
Economic	Associated with changes in the economic environment, their impact on the community and Council's own financial position.	<ul style="list-style-type: none"> • National and regional economic situation • HM Treasury – investments, reforms, budget cuts • Key employment sectors (current and future) • Borrowing, lending situations, investments and interest rates • Inflation
Social	Relating to the effects of changes in demographic, residential or socio-economic trends.	<ul style="list-style-type: none"> • Residential patterns / profile (state of housing stock, public / private mix) • Health trends / inequalities • Demographic profile (age, race etc.) • Lifelong learning • Crime statistics / trends
Legal / Regulatory	Associated with current or potential changes to legislation and the regulatory environment at national and international level.	<ul style="list-style-type: none"> • Government policy • Inspection / regulation (e.g. Ofsted) • European Directives (e.g. procurement) • Legal challenges • Statutory duties / deadlines (e.g. FoI)
Technological	Associated with the impact of the pace/scale of technological change on the community and the Council, or our ability to use technology to address changing demands.	<ul style="list-style-type: none"> • Technology driving demand – customer needs and expectations • Digital exclusion • Increasing reliance on technology • Resilience of key IT systems • Capacity to deal with change

Environmental	Relating to the environmental consequences of realising our objectives and the impact of environmental change on the Council and the community.	<ul style="list-style-type: none"> • Impact of planning and transport policies • Nature of environment (urban / rural) • Land use – green belt, brown field sites • Contamination, pollution • Storage / disposal of waste • Climate change and impact of severe weather
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Internal

Financial	Arising from the financial planning and control framework	<ul style="list-style-type: none"> • Quality of financial forecasting, profiling and cost/benefit analysis • Effectiveness of financial controls • Lack of investment • Failure to prioritise budgets • Level of financial skills and knowledge • Adequacy of financial reporting • Management of budgetary pressures
Customer / Citizen	Arising from the need to meet the changing needs, choices and expectations of customers and citizens	<ul style="list-style-type: none"> • Effectiveness of safeguarding • Relations with community leaders and groups • Extent and nature of consultation • Managing expectations • Reputation management • Management of complaints and compliments • Visibility of services (e.g. refuse collection)
Partnership / Contractual	Arising from the ability of contractors and partnership arrangements to deliver services or outcomes to the agreed cost and specification	<ul style="list-style-type: none"> • Resilience of partners / supply chains • Accountability frameworks and partnership boundaries • Managing performance • Experience and expertise in commissioning • Governance arrangements
People	Arising from the capability, competency and capacity of those who work for the Council and their welfare and safety.	<ul style="list-style-type: none"> • HR / employment policies • Quality of industrial relations • Reliance on key staff • Recruitment and retention • Health and safety duties • Level of staff morale • Adequacy of skill set

Tangible Assets (Physical)	Relating to the availability, security, safety and adequacy of land, buildings, plant and equipment	<ul style="list-style-type: none"> • Nature and state of asset base • Resilience and service continuity arrangements • Maintenance practices and policies • Security arrangements
Processes & Professional Judgements	Arising from internal protocols management processes and the nature of individual professions	<ul style="list-style-type: none"> • Quality of professional judgements • Effectiveness of project management and performance management processes
Managerial / Leadership	Arising from managerial ability and the quality of leadership	<ul style="list-style-type: none"> • Stability of officer structure • Quality of internal communications • Professional standing of key officers • Management culture • Workforce planning • Authority
Data and Information	Arising from data or information which the Council uses or manages. Access to, the management of and effectiveness of, information generated or required by the organisation.	<ul style="list-style-type: none"> • Data security • Data processing arrangements • Data reliability / quality • Effective use and interpretation of information • E-government
Governance	Relating to the adequacy of the Council's governance arrangements and adherence to them	<ul style="list-style-type: none"> • Speed / effectiveness of decision-making processes • Clarity of purpose • Level of accountability and openness • Limits of authority • Standards of conduct and behaviour • Enforcement of corporate policies / standards

Appendix C – Risk Register Template (Strategies and Business Plans)

Priority / Objective	Risk Ref.	Risk Description	Unmanaged Scores			Risk Category	Risk Owner	Existing Controls	Current Scores			Risk Review Frequency	Planned Additional Controls	Control Owner	Target Date	Target Scores			Current Risk Status (▲ ▼ ◀ ▶)	Risk Action Update
			Likelihood	Impact	Total (LxI)				Likelihood	Impact	Total (LxI)					Likelihood	Impact	Total (LxI)		
					0				1	2	2	HY						0		
					0				1	2	2	HY						0		
					0				4	5	20	M						0		
					0				3	4	12	Q						0		

The Audit Findings for Merseyside Pension Fund

Year ended 31 March 2016

5 September 2016

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Agenda Item 11

Audit and Risk Management Committee
Wirral Council
Wallasey Town Hall
Brighton Street
Wallasey
CH44 8ED

5 September 2016

Dear Members

Audit Findings for Merseyside Pension Fund for the year ending 31 March 2016

This 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), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with management of the Pension Fund and the Pensions Committee.

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
Engagement Lead

Chartered Accountants

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Appendices

- A Action plan
- B Audit opinion
- C Audit opinion on the annual report

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Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

Purpose of this report

This report highlights the key issues affecting the results of Merseyside Pension Fund ('the Fund') and the preparation of the fund's financial statements for the year ended 31 March 2016. 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 (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Fund's financial statements give a true and fair view of the financial position of the fund and its income and expenditure 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 consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance. This includes the Pension Fund Annual Report.

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Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated March 2016.

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

- review of the final version of the financial statements and annual report;
- obtaining and reviewing the management letter of representation; and
- updating our post balance sheet events review, to the date of signing the opinion.

We received draft financial statements and accompanying working papers at the commencement of our work. Additional working papers were provided where requested during the course of the audit.

We anticipate providing an unqualified audit opinion in respect of the financial statements (see Appendix B). We have also included our anticipated opinion on the Annual Report at Appendix C.

Key audit and financial reporting issues

Financial statements opinion

We have not identified any adjustments affecting the Fund's reported financial position. The audited financial statements for the year ended 31 March 2016 show net assets available for benefits during the year of £6,849,756k. We have agreed a small number of amendments to improve the overall presentation of the financial statements and to ensure consistency within the Pension Fund Annual Report.

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

- the draft accounts were prepared to a good standard and were available for audit in accordance with agreed timescales and the national deadlines
- Working papers were made available at the commencement of the audit and officers responded to requests for additional information during the audit on a timely basis.

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

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

Controls

Roles and responsibilities

The Fund'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 Fund.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention.

The way forward

Matters arising from the financial statements audit have been discussed with the Director of Pensions and Group Accountant.

As the national deadlines for the preparation and audit of Local Government Accounts are coming forward, the fund should look to agree earlier reporting deadlines for 2016/17, including changes to the committee timetables which will be required to support this.

The fund made significant progress in preparing accounts to an earlier timetable in 2016, in anticipation of earlier audit and reporting deadlines in future years. We will continue to work with the fund to agree earlier audit and reporting timescales for 2017.

We have made one recommendation, which is set out in the action plan at Appendix A. The recommendation has been discussed and agreed with the Group Accountant and the finance team.

Acknowledgement

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 2016

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

This section summarises the findings of the audit, we report on the final level of materiality used and the work undertaken against the risks we identified in our initial audit plan. We also conclude on the accounting policies, estimates and judgements used and highlight any weaknesses found as part of the audit in internal controls. As required by auditing standards we detail both adjusted and unadjusted misstatements to the accounts and their impact on the financial statements.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £66,000k (being 1% of net assets). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £3,300k. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

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Balance/transaction/disclosure	Explanation
Management Remuneration	Due to public interest in these disclosures and the statutory requirement for them to be made.
Audit Fees	This is a statutory requirement and a requirement of ethical and auditing standards.
Related party transactions	Due to public interest in these disclosures.

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
Page 147	<p>1. The revenue cycle includes fraudulent transactions Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Merseyside Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • 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 as the administering authority, mean that all forms of fraud are seen as unacceptable. 	<p>Our audit work has not identified any material issues in respect of revenue recognition.</p>
	<p>2. Management over-ride of controls Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>Summary of work performed:</p> <ul style="list-style-type: none"> • review of entity controls • testing of journal entries • review of accounting estimates, judgements and decisions made by management 	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
Page 148	<p>3. Level 3 Investments – Valuation is incorrect</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 Investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p>	<ul style="list-style-type: none"> We gained an understanding of the transaction processes including a review of supporting documentation. We carried out walkthrough tests of the controls identified in the processes. We tested a sample of investments by obtaining and reviewing the audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. We then reconciled those values to the values at 31st March with reference to known movements in the intervening period. We reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments. 	<p>Our audit work has not identified any material issues in respect of the valuation of Level 3 Investments.</p> <p>Our testing identified one Level 3 Investment (value £6.6m in the Net Assets Statement) where the audit opinion on the financial statements included a qualification of the audit opinion due to two matters and an emphasis of matter paragraph. The nature of the issues resulting in the qualification do not directly impact on the valuation of this investment.</p> <p>Management have considered the nature of the qualification and emphasis of matter in terms of their risk assessment for this investment, and concluded that the matters raised do not have a significant impact on this investment.</p>

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
<p>Investment Income</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 149</p>	<p>Investment activity not valid. (Occurrence)</p> <p>Investment income not accurate. (Accuracy)</p>	<ul style="list-style-type: none"> • We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. • We have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances. • Tested a sample of investment income to ensure it is appropriate • Completed a predictive analytical review for different types of investments • For direct property investments rationalised income against a list of properties for expected rental income. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p>Investment purchases and sales</p>	<p>Investment activity not valid. (Occurrence)</p> <p>Investment valuation not correct. (Valuation gross or net)</p>	<ul style="list-style-type: none"> • We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. • We have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances. • Tested a sample of purchases and sales to ensure they are appropriate. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>Our testing did identify one new investment (value £25m) which had not been recorded on the Openair Internal Investment Ledger.</p>

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Contributions	Recorded contributions not correct (Occurrence)	<ul style="list-style-type: none"> • We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. • We have tested controls over occurrence, completeness and accuracy of contributions. • Rationalised contributions received with reference to changes in member body payrolls and numbers of contributing pensioners and ensured that any unexpected trends were satisfactorily explained. • Tested a sample of year end aggregate contributions income balances at employer level to year end employer certificates. 	Our audit work has not identified any significant issues in relation to the risk identified





Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Benefits payable	Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)	<ul style="list-style-type: none"> • We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. • Controls testing over, completeness, accuracy and occurrence of benefit payments. • Tested a sample of individual lump sums and pensions in payment by reference to member files. • Rationalised pensions paid with reference to changes in pensioner numbers and increases applied in the year and ensured that any unusual trends were satisfactorily explained. 	Our audit work has not identified any significant issues in relation to the risk identified.
Member Data	Member data not correct. (Rights and Obligations)	<ul style="list-style-type: none"> • We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. • Controls testing over annual/monthly reconciliations and verifications with individual members. • Sample tested changes to member data made during the year to source documentation. 	Our audit work has not identified any significant issues in relation to the risk identified.

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Accounting policies, estimates and 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 Fund's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition Page 192	<ul style="list-style-type: none"> 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 ex 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. 	<ul style="list-style-type: none"> The revenue recognition policies are appropriate to the accounting framework and are adequately disclosed in the accounting policies. 	 (Green)
Judgements and estimates	Key estimates and judgements include: <ul style="list-style-type: none"> Valuation of unquoted investments within private equity, infrastructure property and other alternative investments. 	<ul style="list-style-type: none"> 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)
Going concern	Officers have a reasonable expectation that the services provided by the Fund will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.	 (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. The Fund's accounting policies are appropriate and consistent with previous years.	 (Green)

Assessment

● Marginal accounting policy which could potentially attract attention from regulators (Red)

● Accounting policy appropriate but scope for improved disclosure (Amber)

● Accounting policy appropriate and disclosures sufficient (Green)

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit and Risk Management Committee and Pensions Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to related parties	<ul style="list-style-type: none"> From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	Written representations	<ul style="list-style-type: none"> We have requested a letter of representation from the Fund. We have requested management representation to confirm ownership of The Fort.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> 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.
6.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.
7.	Matters on which we report by exception	<ul style="list-style-type: none"> We are required to report by exception where the Pension Fund Annual Report is inconsistent with the financial statements. We have not identified any issues we wish to report.

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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 Investment Income, Contributions, Benefits Payable, and Member Data as set out on pages 9 – 13 above.

The controls were found to be operating effectively and we have no matters to report to the Audit and Risk Management Committee.

Misclassifications 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 Disclosure	Various	Notes to the accounts	We have agreed a number of small amendments to the notes to the accounts to correct minor errors and improve the overall disclosure within the financial statements. In particular, we requested that management improve the clarity of the narrative explanation for the reanalysis of investment management expenses in note 11b.
2 Misclassification	24,757	Note 13a	A new investment had been incorrectly classified in note 13a. The description for £24,757k new investment has been amended from 'Overseas Managed Funds - Corporate Bonds' to 'Overseas Managed Funds – Equities' to provide a more accurate description of the holding.

Section 3: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Proposed fee per Audit Plan £	Actual fees £
Pension fund scale fee	36,882	36,882
Agreed fee variation – IAS 19	2,180	2,180
Total audit fees (excluding VAT)	39,062	39,062

The proposed fee variation for IAS 19 above takes account of the work we are required to undertake for admitted bodies with the PSAA regime and is consistent with that requested in prior years.

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Limited (PSAA)

Fees for other services

Service	Fees £
Audit related services:	Nil
• None	
Non-audit services	Nil

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 Auditing Practices Board'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

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- 01. Executive summary
- 02. Audit findings
- 03. Fees, non audit services and independence
- 04. Communication of audit matters**

Communication to those charged with governance

International Standards on Auditing ISA (UK&I) 260, as well as other 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 Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. 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 NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Fund's key risks when reaching our conclusions under the Code.

It is the responsibility of the Fund 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 Fund 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		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

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Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1 Page 161	The fund should ensure that it has processes in place to review the audited financial statements and auditor reports on level three investments, and to consider the implications of any qualifications or emphasis of matter paragraphs on the fund's investment.	High	Fund Officers continue to work with our pooling partners and are agreeing enhanced monitoring procedures which include the review of the financial statements and audit reports.	Investment Managers March 2017

Appendix B: Audit opinion

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

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

We have audited the pension fund financial statements of Wirral Metropolitan Borough Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

Respective responsibilities of the Head of Financial Services (Section 151 Officer) and auditor

As explained more fully in the Statement of the Head of Financial Services (Section 151 Officer)'s Responsibilities, the Head of Financial Services (Section 151 Officer) is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Financial Services (Section 151 Officer); and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion the pension fund financial statements:

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

Opinion on other matters

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

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

4 Hardman Square
Spinningfields
Manchester
M3 3EB

X September 2016

Appendix C: Proposed audit opinion on the annual report

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

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

The accompanying Merseyside Pension Fund financial statements of Wirral Metropolitan Borough Council (the "Authority") for the year ended 31 March 2016 which comprise the fund account, the net assets statement and the related notes are derived from the audited pension fund financial statements for the year ended 31 March 2016 included in the Authority's Statement of Accounts. We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated X September 2016. The pension fund annual report, and the pension fund financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements is not a substitute for reading the audited Statement of Accounts of the Authority.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our 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 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.

Head of Financial Services (Section 151 Officer)'s responsibilities for the pension fund financial statements in the pension fund annual report

Under the Local Government Pension Scheme Regulations 2013 the Chief Financial Officer is responsible for the preparation of the pension fund financial statements, which must include the fund account, the net asset statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Authority Statement of Accounts and the pension fund annual report are set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Auditor's responsibility

Our responsibility is to state to you whether the pension fund financial statements in the pension fund annual report are consistent with the pension fund financial statements in the Authority's Statement of Accounts in accordance with International Standard on Auditing 810, Engagements to Report on Summary Financial Statements.

In addition we read the other information contained in the Merseyside Pension Fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Merseyside Pension Fund financial statements. The other information consists of Management Structure; Chair's Introduction; Management Report; Pension Board Report; Membership Statistics; Scheme Administration Report; Investment Report; and Financial Performance.

Opinion

In our opinion, the Merseyside Pension Fund financial statements in the pension fund annual report derived from the audited pension fund financial statements in the Authority Statement of Accounts for the year ended 31 March 2016 are consistent, in all material respects, with those financial statements in accordance with proper practices as defined in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

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

4 Hardman Square
Spinningfields
Manchester
M3 3EB

X September 2016



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WIRRAL COUNCIL

PENSIONS COMMITTEE

19 SEPTEMBER 2016

SUBJECT:	STATEMENT OF ACCOUNTS 2015/16 – MERSEYSIDE PENSION FUND
WARD/S AFFECTED:	ALL
REPORT OF:	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 2015/16 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 and there are no material adjustments and one recommendation.
- 1.3 Grant Thornton's report expresses a positive outcome from their audit of the accounts and refers to the accounts being prepared to a good standard.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The purpose of the Statement of Audited Accounts is to present the overall financial position of the Pension Fund as at 31 March 2016 in accordance with prescribed guidance.
- 2.2 Grant Thornton is close to completion of its audit of the accounts and the Audit Findings Report is on this agenda. They may provide a verbal update at the meeting on the report and officers will respond if necessary.
- 2.3 Officers have agreed to all of the suggested adjustments to the accounts and disclosures.
- 2.4 There was one mis-classification of £24.8 million, which was categorised as a pooled investment vehicle with the underlying asset class as a corporate bond instead of a pooled investment vehicle with the underlying asset class as equities. This has no effect on the net assets of the Fund as at 31 March 2016.
- 2.5 All suggested disclosure changes have been amended.

- 2.6 Within the audit findings against significant risks section all issues arising have been resolved.
- 2.7 The recommendation contained within the Appendix of the Grant Thornton report has been agreed by Fund Officers; MPF continues to work with our pooling partners and is agreeing enhanced monitoring procedures which include the review of the financial statements and audit reports.
- 2.8 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.
- 2.9 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 2016. Subject to this, the accounts as now shown will form the basis of the Annual Report for the year ended 31 March 2016.

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 2015/16, considers the amendments to the draft accounts and the draft Audit Findings Report and the Letter of Representation.

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

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. The statement of accounts forms part of the draft annual report which is a separate item on the agenda at this Committee meeting.

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	28 SEPTEMBER 2015
AUDIT AND RISK MANAGEMENT COMMITTEE	28 SEPTEMBER 2015
PENSIONS COMMITTEE	15 SEPTEMBER 2014
AUDIT AND RISK MANAGEMENT COMMITTEE	17 SEPTEMBER 2014
PENSIONS COMMITTEE	16 SEPTEMBER 2013
AUDIT AND RISK MANAGEMENT COMMITTEE	18 SEPTEMBER 2013
PENSIONS COMMITTEE	
AUDIT AND RISK MANAGEMENT COMMITTEE	

to Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS

date 1 September 2016

Dear Sirs

Merseyside Pension Fund – Financial Statements for the year ended 31 March 2016

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 2016 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 2016, 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 2015/16 ('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. We confirm that we hold the rights and obligations to a share of the property holding 'The Fort' and that the value of this share within the Net Assets Statement accurately reflects our share of the valuation of this property.

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 Pensions Committee at its meeting on 19 September 2016 and by the Audit and Risk Management Committee at its meeting on 26 September 2016.

Yours faithfully

Signed
Name...Tom Sault.....
Position.....Section 151 Officer.....
Date.....26 September 2016.....

Signed
Name.....
Position.....Chair of Audit and Risk Management Committee.....
Date.....26 September 2016

Signed on behalf of **Wirral Metropolitan Borough Council** as administering body of the **Merseyside Pension Fund**.



**Audit and Risk Management Committee
Monday, 26 September 2016**

REPORT TITLE:	STATEMENT OF ACCOUNTS 2015/16
REPORT OF:	Section 151 Officer/ Head of Financial Services

REPORT SUMMARY

The Council Constitution allocates responsibility for the approval of the Statement of Accounts to the Audit & Risk Management Committee. The Statement for 2015/16 was published on 30 June 2016 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.

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 2015/16. This is in order for them to be published by the statutory deadline of 30 September 2016.

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.

RECOMMENDATION/S

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 3 of this report).

That the Head of Financial Services, as Acting Section 151 Officer, being authorised to sign off the Councils' 2015/16 Statement of Accounts in consultation with the Chair of the Committee.

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

That subject to the above, Committee approve the Statement of Accounts for 2015/16 and the arrangements for further amendments.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 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 2015.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 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.

3.0 BACKGROUND INFORMATION

- 3.1 The purpose of the Statement of Accounts is to present the overall financial position of the Council at 31 March 2016 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.
- 3.2 The Accounts and Audit Regulations 2015 require that the Council produces a statement of accounts for each year which meets set requirements. The Regulations 2015 state that the 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 2016. It is confirmed that the Section 151 Officer/ Head of Financial Services, as the councils S.151 officer, certified the accounts by the statutory deadline. At that date, the Accounts were issued and made publicly available.
- 3.3 The Accounts published at 30 June 2016 have been subject to audit. Under National Audit Commission audit arrangements for Local Government, Grant Thornton, as the Council's appointed external auditor, reports on the financial statements. The Section 151 Officer/ Head of Financial Services has re-certified the presentation of the annual accounts. As stipulated by the Regulations, these are then considered and approved by resolution of members prior to final publication. The accounts must also be signed and dated by the Chair of this committee. Following this publication takes place (which must include publication on the Council's website) of the statement of accounts together with any certificate, opinion, or report issued, by Grant Thornton.
- 3.4 Grant Thornton are also to present their findings on Value for Money for 2015/16 to the Committee. The details are presented in a separate report.

AMENDMENTS TO THE STATEMENT OF ACCOUNTS

- 3.5 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 and revision to the note on creditors (note 21), which the Council has agreed to make.
- 3.6 The latest Statement of Accounts 2015/16 is appended and reflects the comments made by the Auditors up to Thursday 15 September, the Annual Governance Statement to be considered by this Committee and the MPF Accounts which have been considered by Pensions Committee.
- 3.7 The Committee will be updated with 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

- 3.8 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).
- 3.9 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 2016. An unqualified opinion on the Accounts for 2015/16 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 18 July 2016.
- 3.10 The closure of accounts 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.
- 3.11 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.

LETTER OF REPRESENTATION

- 3.12 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.

ANNUAL GOVERNANCE STATEMENT (AGS)

- 3.13 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.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The amendments to the Statement of Accounts 2015/16 have not changed the level of General Fund balance or reserves and provisions at 31 March 2016 which remain as reported to Cabinet on 18 July 2016.

5.0 LEGAL IMPLICATIONS

- 5.1 It is a legal requirement to publish the Statement of Accounts by 30 September 2016.

6.0 RESOURCE IMPLICATIONS

- 6.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

- 7.1 If any concerns identified by Grant Thornton are not addressed by the Council then there are 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 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

- 9.1 There are none arising directly from this report.

REPORT AUTHOR: Tom Sault
 Designation Head of Financial Services and Acting Section 151 Officer
 Telephone 0151 666 3407
 Email tomsault@wirral.gov.uk

APPENDICES

Letter of Representation.
 Statement of Accounts 2015/16 (please note this is 188 pages)

BACKGROUND PAPERS

N/A

SUBJECT HISTORY

Council Meeting	Date
Audit & Risk Management Committee Grant Thornton Audit Findings Report – - Merseyside Pension Fund - Merseyside Pension Fund Accounts 2014/15 Grant Thornton Audit Findings Report – - Wirral Council - Statement of Accounts 2014/15	28 September 2015
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 2015/16 Grant Thornton Audit Findings Report – - Merseyside Pension Fund	19 September 2016
Grant Thornton Audit Findings Report – - Merseyside Pension Fund - Merseyside Pension Fund Accounts 2014/15	14 September 2015 & 28 September 2015

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Statement of Accounts 2015/16

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NARRATIVE REPORT

1. INTRODUCTION

- 1.1 The Council is required to produce an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These require the Accounts to be prepared in accordance with proper accounting practices, which primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice for Local Authorities 2015/16 (SeRCOP), supported by International Financial Reporting Standards (IFRS).
- 1.2 The Statement of Accounts sets out the financial performance of the Council for the 2015/16 financial year and shows the year-end financial position at 31 March 2016.
- 1.3 This narrative report provides an explanation of the Council's overall financial and non- financial achievements for the year, including the main influences on the accounts, and is set out to assist with the understanding of the accounting statements. Whilst plain language has been used wherever possible, technical language is required in some areas. To assist with understanding of the accounts a glossary of financial terms has been included at the end of the Statement of Accounts.

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

- 2.1 Wirral is a borough of contrast and diversity in both its physical characteristics and social demographics. There are both rural areas and townships and urban and industrialised areas in a compact peninsula of 60 square miles. The borough has a wealth of parks and countryside and over 20 miles of coastline. It brings together beautiful, rural countryside with new industrial developments and it has a strong cultural and economic history.
- 2.2 The population of Wirral (2013) is 320,295. Wirral has a relatively high older population and a relatively low proportion of people in their twenties and thirties compared to England and Wales as a whole. The older population (aged 65 years and above) are expected to increase at the fastest rate (than any other age group) over the next decade.
- 2.3 The Wirral Plan, agreed in July 2015 has an ambitious agenda. It sets out 20 Pledges to transform Wirral, and the lives of its residents, over the next five years, during a time of unprecedented change and uncertainty within the public sector. The Wirral Plan, and the 20 Pledges that have been committed to, are about Wirral's future. They are about delivering on the promises which have been made to Wirral residents. The Plan has been agreed with partners who are leading on the delivery of 8 of the 20 pledges.

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

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

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

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

3. REVIEW OF THE FINANCIAL YEAR

3.1 REVENUE EXPENDITURE AND INCOME

- 3.1.1 Revenue expenditure and income generally relates to those items that are used within the year on the provision of services to the people of Wirral. Before the start of the financial year, the Council prepares its annual Budget, which sets out the income and expenditure required during the year to provide services. In February 2015 the Council agreed a net budget of £259.2 million for 2015/16. The Budget is regularly reviewed and was revised upwards by £9.6 million during the year to reflect planned savings not being achieved. The revised budget for 2015/16 was £268.8 million.

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

3.2 Comparison of the Budget with the Out-turn

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

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

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

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

3.3 Financing the Revenue Budget

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

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

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

3.4 Balances and Reserves

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

3.4.2 The Council held Usable Reserves of £114.5 million at 31 March 2016 (2014/15 £124.4 million), consisting of Earmarked Reserves of £73.9 million (2014/15 £87.4 million), General Fund Balances of £22.2 million (2014/15 £18.8 million), Capital Receipts of £8.1 million (2014/15 £8.3 million) and unapplied Capital Grants of £10.3 million (2014/15 £9.9 million). A breakdown of the Usable Reserves can be found in the Movement in Reserves Statement with more details on the Earmarked Reserves found in note 9 to the accounts.

3.4.3 The Council also held a net credit balance in Unusable Reserves of £43.4 million at 31 March 2016 (2014/15 credit £118.8 million). These are kept to manage statutory accounting processes and do not provide any usable resources to the Council. Further information on the Unusable Reserves can be found in note 24 to the accounts.

3.5 Reconciliation with Comprehensive Income and Expenditure Statement

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

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

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

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

3.6 CAPITAL EXPENDITURE AND INCOME

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

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

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

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

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

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

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

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

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

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

3.7 INCOME COLLECTION

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

3.7.2 Council Tax

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

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

3.7.3 Business Rates

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

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

3.7.4 Sundry Debtors

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

4. BALANCE SHEET

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

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

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

4.3 Summary of the Balance Sheet

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

4.4 Property and Other Assets

The revaluation of property, plant and equipment must now take place with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the end of the financial year. In total the Council had an asset portfolio valued at £689.8 million at 31 March 2016 (2014/15 £663.1 million). A breakdown of the value of the asset portfolio is provided in notes 13 to 16 to the accounts and note 20 to the accounts.

4.5 Investments

Total investments at 31 March 2016 were £34.3 million (2014/15 £27.2 million). In 2015/16 all investments have been placed on a short-term basis with financial institutions. Throughout 2015/16, as in previous years, the over-riding approach was one of security and liquidity with reduced investment returns being the acceptable consequence of this approach. The investment income during the year totalled £0.55 million with an average rate of return of 0.6% (2014/15 £0.53 million at an average rate of 0.5%).

4.6 Debtors

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

4.7 **Creditors**

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

4.8 **Borrowing**

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

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

At 31 March 2016 long-term borrowing totalled £188.2 million (2014/15 £193.9 million). This debt was with financial institutions and the Public Works Loans Board with repayments being spread over a range of maturity dates. This also includes the debt of the former Merseyside County Council which Wirral manages on behalf of the other local authorities and agencies within the former Merseyside County Council area.

4.9 **Retirement Benefits**

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

The majority of non-teaching staff who work for the Council are members of the Merseyside Pension Fund. This Fund is administered by Wirral Council on behalf of the Merseyside Councils as well as over 170 other employing organisations. The figures included in the Statement of Accounts are based on the latest full valuation of the scheme as at 31 March 2013 and the IAS 19 actuarial report as at 31 March 2016, presented by Mercers, the independent firm of actuaries who value the Fund.

The actuaries have estimated the Council's underlying long-term commitment to pay retirement benefits to be £461.6million at 31 March 2016 (2014/15 £502.5 million), which is a decrease of £40.9 million from 31 March 2015. This change has primarily resulted from an improvement in the present value of pensions benefit obligations and is expanded upon in the Merseyside Pension Fund Accounts contained within this Statement and the Merseyside Pension Fund Annual Report.

The recognition of this Pension Liability in the Council accounts has a substantial effect on the net worth of the Council and it is important to note that this change reflects the actuarial valuations and is not an immediate demand upon the Council's resources. The statutory arrangements for funding the deficit will see the deficit made good by increased contributions over the remaining life of working employees as assessed by the scheme actuary. The contributions are

reviewed every three years as part of the triennial revaluation of the Pension Fund and an investment strategy is then determined, which aims to recover the deficit over a stated period (presently 25 years). Funding from the Council is only required to cover discretionary benefits when the pensions are actually paid.

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

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

4.10 **Net Assets**

The Net Assets of the Council are held in the Usable or Unusable Reserve balances within the Balance Sheet (see also paragraphs 4.1 and 4.2 above). Usable Reserves can be applied, subject to any statutory limitations on their use, to fund revenue or capital spending. Unusable reserves are not available to fund services and include the Pensions Reserve, which reflects the changes to the net defined benefit liability and the Capital Adjustment Account, which includes both the value of assets written-off on disposal or sale and the value of school assets transferring to Academies.

The Usable Reserves are regularly reviewed to assess whether they are adequate for the purpose intended and whether the sums involved are still required. At 31 March 2016 the major usable reserves were in respect of the cost of Transforming Council Services £11.0 million (2014/15 £12.8 million), School balances £11.7 million (2014/15 £10.7 million), which are ring-fenced for use by schools only, Business Rates Equalisation £10.3 million (2014/15 £7.8 million), Housing Benefit £5.2 million (2014/15 £5.9 million), Waste Development Fund £6.0 million (2014/15 £6.5 million) and the Insurance Fund £10.9 million (2014/15 £10.2 million).

5. **CASH FLOW STATEMENT**

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

6. **COLLECTION FUND**

- 6.1 This Fund is maintained separately from the Council's General Fund to specifically record income and expenditure associated with Council Tax and National Non Domestic Rates (Business Rates).
- 6.2 Under the Business Rates Retention Scheme, rates income is collected and apportioned between Wirral Council (49%), Merseyside Fire and Rescue Service

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

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

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

7. MERSEYSIDE PENSION FUND

- 7.1 The Fund is administered by Wirral Council and reported and audited separately but forms part of the Council's Statement of Accounts. Further information can be found within the Additional Statements, and also in the Merseyside Pension Fund Report and Accounts 2015/16.

8 FUTURE DEVELOPMENTS

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

Budget Gap

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

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

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

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

9. ABOUT THE STATEMENT OF ACCOUNTS

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

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

9.2 The Core Financial Statements comprise four key statements:-

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

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

9.4 There are Supplementary Financial Statements for -

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

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

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

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

10. SUMMARY

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

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

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

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

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

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

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

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:-

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

The Chief Financial Officer's Responsibilities

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

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice.

The Chief Financial Officer has also:-

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

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

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

Approval of the Accounts

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

Councillor Adrian Jones
Chair of the Audit & Risk
Management Committee

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WIRRAL COUNCIL

Audit report to follow

ANNUAL GOVERNANCE STATEMENT 2015-16

1. Scope of Responsibility

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

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

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

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

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

2. The Purpose of the Governance Framework

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

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

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

3. Overview of Council Progress

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

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

ICT Business Continuity and Resilience Plans

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

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

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

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

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

Corporate Procurement Arrangements

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

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

ensure a robust corporate approach.

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

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

Absence Management

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

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

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

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

Compliance

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

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

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

4. The Governance Framework

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Scrutiny findings were fed into Cabinet's considerations and informed its final budget recommendations to Council in March 2016. The impact of Council scrutiny embedded within the budget-setting process has led to proposals being either supported, rejected

or re-shaped as a result of the feedback received. This ensures decisions taken through the annual budget setting process are informed by constructive challenge as well as the priorities articulated by local residents.

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

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

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

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

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

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

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

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

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

is further work required to ensure these values are visible and fully promoted within the organisation. This will be a priority for 2016-17 and the production of a new Organisational Development Plan will put in place the clear actions required to further embed the Council's values and behaviours

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

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

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

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

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

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

when dealing with allegations of bullying and harassment. Since the implementation of the dignity at work policy, the Council has appointed and trained over 30 dignity at work advisors to support employees through these processes.

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

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

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

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

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

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

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

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

The Council again participated in a national CIPFA benchmarking exercise with other

authorities during 2015-16 to further develop its approach to managing risks and incorporating best practice from others. The exercise highlighted the Council had made progress since the previous year's assessment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A series of staff roadshows have been led by the Chief Executive and supported by the Senior Leadership Team. The roadshows have been well attended by staff from

across the authority and are the first of a regular six monthly plan for chief officers to meet with staff face to face and discuss the future direction of the Council.

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

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

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

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

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

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

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

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

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

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

5. Review of Effectiveness

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

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

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

Corporate Management Assurance

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

An officer Corporate Governance Group is chaired by the Strategic Director for Transformation and Resources. The group includes strategic leads for Performance, Risk, Internal Audit, Improvement and Strategy to ensure it has an appropriate profile within the organisation and significant governance issues are monitored and responded to in a timely manner.

Council

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

Cabinet

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

Audit and Risk Management Committee

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

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

External Audit

Grant Thornton is the Council's independently appointed External Auditor with a broad remit covering the Council's finance and governance matters. The annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the National Audit Office and includes nationally prescribed and locally determined work. The Auditors work considers the Council's key risks when reaching its conclusions under the Code.

Standards and Constitutional Oversight Committee

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

Merseyside Pension Fund

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

6. Significant Governance Issues

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

7. Conclusion

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

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

Signed: _____ Date: _____

Chief Executive

Signed: _____ Date: _____

Leader of the Council

Core Financial Statements

MOVEMENT IN RESERVES STATEMENT

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

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

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

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

BALANCE SHEET

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

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

The Audited accounts were issued on 26 September 2016.

Tom Sault
Acting Section 151 Officer

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in Cash and Cash Equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or by raising income from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

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

Notes to the Core Financial Statements

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to produce an Annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice for Local Authorities 2015/16 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

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

In accordance with the Code, the Council has adopted a number of principles to be followed in selecting accounting policies to be used and the corresponding disclosures needed to help users to understand those selected policies and how they have been implemented. In doing so, the Council tries to ensure that the policies selected are the most suitable to its particular circumstances for the purpose of providing a true and fair view of the financial position and transactions of the Council. Policies are reviewed regularly to ensure their appropriateness and are changed as necessary to maintain this position. In such cases a full disclosure will be provided.

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

<p>Qualitative characteristics of financial information</p> <ul style="list-style-type: none"> • Understandability. • Relevance. • Reliability. • Comparability 	<p>Revenue accounting concepts</p> <ul style="list-style-type: none"> • Accruals. • Going concern. • Primacy of legislative requirements.
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Accounting policies can be defined as the principles, bases, conventions, rules and practices applied that specify how the transactions and other events are to be reflected in the financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves.

Changes to Accounting Policies

There are no new accounting policies adopted in 2015/16. However there are changes to accounting policies and disclosures following the introduction of IFRS 13 Fair Value Measurement and these are included in the accounts.

Accruals of Income and Expenditure (Debtors and Creditors)

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

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

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

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

Capital Receipts

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

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

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

Carbon Reduction Commitment Scheme

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

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

Expenditure Statement being apportioned to services on the basis of energy consumption.

Cash and Cash Equivalents

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

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

Contingent Assets and Liabilities

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

Debt Redemption through the Minimum Revenue Provision (MRP)

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

The Council approved the following MRP policy for the 2015/16 financial year:

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

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

Employee Benefits

Benefits payable during employment

Short-term employee benefits (other than termination benefits) are those that are due to be settled within 12 months of the year end. They include benefits such as salaries and paid annual leave and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of outstanding

annual leave that staff have earned but not taken before the year end. The accrual is charged to the service lines within the Comprehensive Income and Expenditure Accounts but then reversed out through the Movement in Reserves Statement so that annual leave benefits are charged to revenue in the financial year in which the annual leave absence occurs.

Termination benefits

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

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

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

Post-employment benefits

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

- The Teachers' Pension Scheme, administered by Capita on behalf of the Department for Education. The arrangements for this scheme mean that liabilities for these benefits cannot be identified by the Council. The scheme is therefore accounted for as if it were a defined contributions scheme and therefore no liability for future payments of benefits is recognised in the Balance Sheet, and the Children's Services and Education line within the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pensions Scheme in the year. The pension cost charged to the accounts is the contribution rate set on the basis of a notional fund.
- The NHS Pension Scheme, which is an unfunded defined benefit scheme that covers NHS employers, general practices and other bodies allowed under the direction of the Secretary of State for England and Wales. This scheme covers staff transferred to the employment of the Council following the transfer of public health services to the Council on 1 April 2013. It is not possible for the Council to identify its share of the underlying scheme liabilities. The scheme therefore accounted for as if it were a defined contributions scheme, and therefore no liability for future payments of benefits is recognised in the Balance Sheet. In 2015/16 the employers contributions payable to the NHS Pensions Scheme in the year have been charged to the Public Health service line within the Comprehensive Income and Expenditure Statement.
- The Local Government Pension Scheme, administered by the Merseyside Pension Fund for all other employees. From 1 October 1987 the Council has administered this Fund on behalf of all scheduled and admitted bodies. This operates as a defined benefit scheme and the liabilities of the Merseyside Pension Fund attributable to the

Council are included in the Balance Sheet on an actuarial basis using the projected unit credit method - i.e. an assessment of the future payments that will be made in relation to future retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees costs.

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

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

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

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

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

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

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

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

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

Events after the Balance Sheet date

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

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

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

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Fair Value

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

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

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

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

Level 1 – Quoted prices.

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

Level 3 – Unobservable inputs for the assets or liability.

Financial Instruments

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

- **Initial Recognition**

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

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

- **Initial Measurement**

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

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. Liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument.

Financial Assets

Financial Assets are classified into two types:-

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. Assets are initially measured at fair value and carried at their amortised cost. Annual credits are made to the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement for interest receivable, based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most loans the Council has made, this means that the amount shown in the Balance Sheet is the outstanding principal receivable, and the interest credited to Financing and

Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement is the amount receivable for the year. Where assets are identified as being impaired because of a likelihood arising from a past event that payment due under the contract will not be made, the asset is written down and a charge is made to Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement.

Available for Sale Assets

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

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

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

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

Instruments entered into before 1 April 2006

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

Disclosure of the nature and risk arising from Financial Instruments

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

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

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

Government Grants and Other Contributions

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

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

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

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

Group Accounts

Group Accounts are covered by IFRS Standard 10 – Consolidated Financial Statements, IFRS Standard 11 – Joint Arrangements, IFRS 12 - Disclosure of Interests in Other Entities, IAS 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures. An assessment of the criteria for the completion of Group Accounts has been undertaken and the conclusion reached that there was no requirement to produce such accounts. The Council has a number of interests in other entities that fall within the group boundary of the Council on the grounds of control and significant influence in line with the Code. However as interests in total are not significantly material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information. In order to ensure compliance with the Code further details are covered in note 36 Related Parties. Only the Council's share of Joint Operations has been included in the Statement of Accounts.

Joint Operations

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

Heritage Assets

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

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

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

Intangible Assets

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

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

When expenditure on intangible assets qualifies under statutory definition as capital expenditure, amortisation, impairment losses and gains / losses on disposal are not permitted to have an impact on the General Fund balance. Gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve for receipts over £10,000.

Investment Properties

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

An investment property is measured initially at cost. After initial recognition, investment property is measured at fair value. A gain or loss arising from a change in the fair value of investment property is recognised in Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement for the

period in which it arises. The fair value of investment property reflects the market conditions at the Balance Sheet date and, as held at fair value, is not depreciated.

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

Leasing

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

The Council as Lessor

Finance Lease

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

Arrangements containing a lease

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

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

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

Non-Current Assets Held for Sale

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

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

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

Non-Distributed Costs

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

Overheads

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

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

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

Prior Year Adjustments

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

Private Finance Initiatives (PFI) and Similar Contracts

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

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

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

Property, Plant and Equipment

Recognition

Expenditure over £10,000, the Council's de-minimis level for the recognition of capital spending on the acquisition, creation or enhancement of property, plant and equipment, is capitalised on an accruals basis in the accounts provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost can be measured reliably.

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

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

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

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

Measurement

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

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

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

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

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

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

Impairment

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

Impairment losses are accounted for by either

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

Disposals

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

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

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

Charges to Revenue for Property, Plant and Equipment

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

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

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

Provisions

The Council sets aside provisions for specific future expenses that are likely or certain to be incurred but the amount and timing of which cannot yet be determined accurately.

They are only made where there is a present obligation based on a past event, it is probable that a transfer of economic benefit will occur and a reliable estimate can be made of the obligation.

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

The principal provisions relate to Business Rates appeals, bad debts and insurance.

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

The bad debts provision is deducted from debtors in the Balance Sheet, rather than being shown in provisions. As part of compliance with IFRS 7, "Financial Instruments: Disclosure", amounts shown as due from debtors are individually or collectively (for debts that are not significant) reviewed for impairment annually and the level of the bad debt provision is adjusted accordingly. Debts due to the Council that become uncollectable are charged to the provision when the debt is approved for write-off. Debts which are found to have been raised in error, rather than being uncollectable, are charged back directly to services that raised the initial debt.

The insurance provision relates to outstanding liability claims. The figure is the sum indicated by actuaries, updated by an internal assessment, as being required to fund claims for years up to and including 2015/16.

Repurchase of Borrowing

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

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

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

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

Reserves

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

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

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

Schools

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 states the way that schools are recognised within the Council’s accounts. Where the balance of control for local authority maintained schools lies with the Council – i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended, then the assets, liabilities, reserves and cash flows of those schools are recognised in the Council’s financial statements, rather than within Group Accounts. Non-current assets are recognised in the Balance Sheet where the Council directly owns the assets or where the school own the assets or have had rights to use the assets transferred to them.

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

Type of School	Nursery	Primary	Secondary	Special	Total
Community	3	58	3	12	76
Voluntary Aided	-	26	-	-	26
Voluntary Controlled	-	4	-	-	4
Foundation	-	-	3	-	3
Total	3	88	6	12	109

Value Added Tax (VAT)

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

2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

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

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

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

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

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

Telling a Story

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

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

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

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council will make a provision where a future event is uncertain but there is a legal or constructive obligation.
- In order to deliver Education Services to Wirral residents, the Council provides funding through the Dedicated School Grant to 106 schools. Of these, a total of 33 schools are either Voluntary Aided, Voluntary Controlled or Foundation Schools. The Council has made a judgement, based on information provided by the Roman Catholic Church and the Church of England that it does not exercise a balance of control over 29 of these schools, which therefore fall outside the revised accounting requirements of IFRS10 Consolidated Financial Statements and IFRS12 Disclosure of Interests in Other Entities. The Council does however include within its balance sheet the value of the land and buildings for 3 Foundation Schools and 1 Voluntary Aided School, where control through ownership remains.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Council's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £23.655 million. However, the assumptions interact in complex ways. During 2015/16, the Council's actuaries advised that the net pensions liability had decreased by £38.22 million. This change includes: <ul style="list-style-type: none"> • An increase in the year of £50.461 million in the actuarial valuation of scheme assets; • An increase in the year of £29.631 million in the pensions costs recognised within the scheme; • Employer contributions actually paid in the year of £32.835 million.
Property, Plant and Equipment	Land and buildings are revalued using a 5-year rolling programme ensuring that the current value of the assets is reflected in the Balance Sheet. New guidance states that assets should be revalued with sufficient regularity to ensure that their carrying value does not differ materially from fair value at the year-end. The uncertainty surrounds the potential difference between current value and fair value as assets with a high value are currently only revalued once every 5 years.	If the carrying value of the land and buildings is under-stated by 1% then the carrying value within the Balance Sheet would change by +/- £5.0 million and would be matched by a corresponding change to the balance in the Revaluation Reserve.

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

5. MATERIAL ITEMS OF INCOME AND EXPENSE

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

6. EXCEPTIONAL ITEMS

There were no exceptional items in 2015/16.

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

7. EVENTS AFTER THE BALANCE SHEET DATE

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

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

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

(Table continued on following page)

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	3	-	-	3	(3)
Adjustments primarily involving the Financial Instruments Adjustment Account					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year with statutory requirements	(43)	-	-	(43)	43
Adjustments primarily involving the Pensions Reserve					
Pension cost (transferred to (or from) the pensions reserve)	6,372	-	-	6,372	(6,372)
Adjustments primarily involving the Collection Fund Adjustment Account					
Amount by which council tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from council tax and NNDR income calculated for the year in accordance with statutory requirements	(2,486)	-	-	(2,486)	2,486
Adjustments primarily involving the Accumulated Absences Account					
Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	543	-	-	543	(543)
Total adjustments	18,718	(511)	(3,878)	14,329	(14,329)

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

(Table continued from previous page)

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

9. TRANSFERS TO/FROM EARMARKED RESERVES

The Council keeps a number of reserves in the Balance Sheet that have been set up to earmark funding for future spending plans. These are held for costs which are likely to be incurred but their timing is not certain and they cannot be met from annual budgets. A review of reserves was carried out as part of the 2016/17 budget setting process. The following table discloses each earmarked reserve where the balance is in excess of £0.25 million on either 31 March 2015 or 31 March 2016. Overall movement in the reserves is £13.5 million (made up of £18.9 million additions to reserve and £32.4 million contributions from reserve).

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

The purposes for the individual earmarked reserves

Schools Balances

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

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

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

Transformation Fund

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

Insurance Fund

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

Business Rates Equalisation

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

Waste Development Fund

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

Housing Benefit

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

One Stop Shop / Libraries IT Network

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

Dedicated Schools Grant

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

Community Asset Transfer

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

Support and Assistance to the Public in Need

The reserve was set up from the balance of the grant received from the Government in 2013/14 and 2014/15 to provide Local Welfare Assistance to Wirral residents in cases of disaster or emergency, where financial support is needed to meet one-off costs as opposed to ongoing expenses. The balance on the reserve represents the balance of the grant which was not distributed in 2015/16 and will be used in future years.

Property Development Framework

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

IT Development

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

Stay, Work, Learn Wise

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

Schools Harmonisation

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

Major Infrastructure Project Development

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

Flood Prevention

This funding was provided to cater for the LA's new responsibilities and burdens under the Flood and Water Management Act. This reserve is also earmarked as the partnership contribution to the West Kirby Flood Alleviation Scheme total cost of £2.2 million with the works which commenced in 2015/16.

Intensive Family Intervention Project

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

Selective Licensing

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

Early Years – 2 Year Olds Funding

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

HR Reserve

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

Champs Innovation Fund

This is collective funding from the 9 Local Authorities for the Champs-Public Health team whom Wirral host. The objective is to pool funding for collective Public Health investments. At present the reserve is in place awaiting funding agreement from the Cheshire and Merseyside Directors of Public Health.

Future School Redundancy Costs

Reserve to help support any redundancy costs incurred within Schools.

Schools Capital Schemes

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

Public Health 2015/16 Allocations

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

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

Parks and Countryside – Planned Preventative Maintenance

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

Home Improvements

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

Discretionary Housing Payments

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

Home Adaptations

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

Public Health Outcomes

To meet future commitments in relation to Public Health in accordance with the terms of the Public Health Grant provided by the Department of Health.

Children's Workforce Development Council

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

Public Health – Information and Performance

This reserve is to meet future commitments within Public Health.

Families and Well Being – Budget Stabilisation

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

Efficiency Investment Rolling Fund

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

Business Rates Appeals

Following the introduction of the Business Rates Retention Scheme from 1 April 2013, billing authorities are required to make an estimate of the impact of successful appeals covering not only 2015/16 but also any backdated amount relating to earlier years. This sum has been provided, in addition to the provision relating to the liability in respect of likely known levels of appeals, to meet unforeseen liabilities in future years. This reserve has been fully utilised in 2015/16.

Supporting People

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

Waste Efficiencies Fund

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

Schools Contingency

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

Business Improvement Grant

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

Children's Centre Nurseries

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

Local Pay Review

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

Schools Service IT

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

Homeless Prevention

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

New Homes Bonus

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

Budget Equalisation

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

Schools PFI Affordability Gap

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

Child Poverty

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

Other

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

10. OTHER OPERATING EXPENDITURE

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

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

12. TAXATION AND NON SPECIFIC GRANT INCOME

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

Further details on grants are contained in note 35.

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

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

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

Comparative Movements in 2014/15:

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

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	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Depreciation written out on revaluation taken to the surplus/deficit on the Provision of Services	(3,979)	-	-	-	-	-	(3,979)
Impairment losses /(reversals) recognised in the Surplus/Deficit on the Provision of Services	(656)	-	-	-	-	-	(656)
Derecognition - disposals	(1,027)	-	-	-	-	-	(1,027)
Other movements in depreciation and impairment	(6)	-	-	-	-	-	(6)
At 31 March 2014	9,529	16,226	38,376	-	74	-	64,205
Net Book Value							
At 31 March 2014	480,360	6,812	110,130	25,777	6,694	8,661	638,434
At 31 March 2015	467,080	9,140	112,011	26,557	7,126	10,160	632,074

Depreciation

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

Land and Buildings - 1-60 years

Vehicles, Plant, Furniture & Equipment – 3-40 years

Infrastructure – 10-120 years

Surplus Assets – 5 years

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

Revaluations

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

In 2015/16, the Council based its revaluations on a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Current guidance is that all high value assets should be revalued more regularly to ensure that the Balance Sheet accurately reflects their up to date values. To achieve this, assets with a value greater than £1 million, last revalued in 2013/14 and £2m last valued in 2014/15, were revalued in 2015/16.

Carrying Value measured against fair value

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

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

14. HERITAGE ASSETS

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

Cost or Valuation	Decorative Art & Other Collections	Buildings	Civic Regalia	Transport	Fine Art	Total Assets
	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2014	3,130	937	408	436	7,775	12,686
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Revaluations	-	-	-	290	-	290
Impairment (Losses)/Reversals recognised in the Revaluation Reserve	-	-	-	-	-	-
Impairment (Losses)/Reversals recognised in Surplus or Deficit on the Provision of Services	-	-	-	4	-	4
Balance as at 31 March 2015	3,130	937	408	730	7,775	12,980
Cost or Valuation	Decorative Art & Other Collections	Buildings	Civic Regalia	Transport	Fine Art	Total Assets
	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2015	3,130	937	408	730	7,775	12,980
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Revaluations	-	-	-	(230)	-	(230)
Impairment (Losses)/Reversals recognised in the Revaluation Reserve	-	-	-	-	-	-
Impairment (Losses)/Reversals recognised in Surplus or Deficit on the Provision of Services	-	-	-	7	-	7
Balance as at 31 March 2016	3,130	937	408	507	7,775	12,757

Fine Art, Decorative Art and Other Collections

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

Fine Art

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

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

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

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

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

Decorative art and other collections

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

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

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

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

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

Acquisition policy

The Museum recognises its responsibility in acquiring additions to its collections, to ensure that care of collections, documentation arrangements and the use of collections are essential to meet the requirements of the Accreditation Standard. It will take into

account limitations on collections imposed by such factors as staffing, storage and care of collection arrangements.

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

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

Disposal procedure

The Museum does not undertake disposal motivated principally by financial reasons. The decision to dispose of material from the collections will be taken after full consideration of the reasons for disposal. This includes curatorial and financial reasons as well as the public benefit, the implication for the Museum's collections and collections held by museums and other organisations collecting the same material. External expert advice will be obtained and the views of stakeholders such as donors, researchers, local and source communities served by the Museum will also be sought.

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

There have been no disposals in 2015/16.

Conservation and storage

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

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

Exhibition and public services

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

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

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

The latest comprehensive valuation was undertaken during the 2008/09 financial year. The present Collection Management Plan suggests valuations to be reconsidered every ten years. This period is retained for the general overview, but consideration may be given to individual items in the interim, especially with regard to adjustments of attribution or identification. Valuations are based on the knowledge of the Curator of Museums.

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

Transport

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

Valuations are based on insurance quotes obtained during 2015/16.

Civic Regalia

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

Buildings

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

Valuations have been undertaken by the Council's own valuers and are based on their fair value. Valuations were undertaken between January 2008 and March 2012.

Heritage Assets not reported in the Balance Sheet

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

There are 12 SSIs which can be seen as the basic building block of site based nature/geological nature conservation legislation whereas SBIs (27 owned by the Council) are local non statutory sites. A number of these sites are already included in historic cost information within the Council's classification of Community Assets.

However, because of their specific nature they only form part of an overall community asset and as such it is considered that any attempt to separately identify specific costs associated with the SSI or SBI would produce unreliable information. The decision has been taken therefore not to separately identify such assets within the Balance Sheet under the category of heritage assets.

War memorials and other monuments

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

Archaeological sites

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

15. INVESTMENT PROPERTIES

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

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

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

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

Fair Value Hierarchy for Investment Properties

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

2015/16 Recurring Fair Value measurements using:	Quoted Prices in Active Markets for identical assets	Other significant observable inputs	Significant unobservable inputs	Fair Value as at 31 st March 2016
	(Level 1) £'000	(Level 2) £'000	(Level 3) £'000	£'000
Development Sites	0	2,860	0	2,860
General Income Buildings	0	930	0	930
General Income Sites	0	4,260	0	4,260
Industrial Land & Buildings	0	4,042	0	4,042
Total	0	12,092	0	12,092

Transfers between levels of the Fair Value Hierarchy

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

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

Development sites

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

General Income Buildings

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

General Income Sites

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

Industrial Land and Buildings

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

Highest and best use of investment properties

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

16. INTANGIBLE ASSETS

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation charged to revenue in 2015/16 was £0.279 million (2014/15 £0.062 million).

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

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

17. FINANCIAL INSTRUMENTS

Financial Instruments Balances

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

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

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

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

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

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

Gains and Losses on Financial Instruments

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

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

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

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

Fair Value of Assets Carried at Amortised Cost

For each class of financial assets and financial liability, the Council is required to disclose the fair value of that class of assets and liabilities in such a way that a comparison with the carrying amount is possible. For most assets, including money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of remaining contractual cash flows at 31st March 2016.

The Council's borrowings are carried in the Balance Sheet at amortised cost. Investments consist of loan and receivables and available for sale financial assets. Loans and receivables are carried on the Balance Sheet at amortised cost. The calculation of the net present values for these instruments has been carried out using the following methods and assumptions:

- Loans borrowed by the council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of 'Lender's Option Borrower's Option' (LOBO) loans have been increased by the value of the embedded options. Lender's options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- The fair value of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at appropriate AA rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

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

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

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

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

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

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

18. DEBTORS

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

19. CASH AND CASH EQUIVALENTS

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

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

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

20. ASSETS HELD FOR SALE

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

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

21. CREDITORS

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

22. PROVISIONS

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

Bad Debts

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

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

Others

The provisions figure shown in the Balance Sheet comprises:-

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

Insurance Fund

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

NNDR Appeals

Following the introduction of the Business Rates Retention Scheme from 1 April 2013, billing authorities are required to make an estimate of the impact of successful appeals covering not only 2015/16 but also any backdated amount relating to earlier years. This will include decisions made in future years regarding appeals which may affect the 2015/16 and earlier financial years' business rates charges. The provision calculation is based upon data supplied by the Valuation Office at 31 March 2016 regarding outstanding and settled appeals.

Severance

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

Carbon Reduction Commitment

To fund carbon reduction payments to the Government which are paid in arrears but which need to be reflected in the correct financial year. Payments relating to 2014/15 have been met from this provision in 2015/16.

Land Charges

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

Other Provisions

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

23. USABLE RESERVES

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

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

24. UNUSABLE RESERVES

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

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

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

Revaluation Reserve Adjustments

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

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

value, depreciation stops when the residual value has been reached. Writing off of the revaluation reserve stops at the same time.

Capital Adjustment Account

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

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

Pensions Reserve

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

2015/16		2014/15
£'000		£'000
(502,475)	Balance at 1 April	(369,197)
51,298	Re-measurement of pensions assets and liabilities	(126,906)
(46,116)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(42,910)
35,698	Employer's pensions contributions and direct payments to pensioners payable in the year	36,538
(461,595)	Balance at 31 March	(502,475)

Other Reserves

Financial Instrument Adjustment Account

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The balance in the Financial Instrument Adjustment Account at the end of the year represents the amount that should have been charged to the Comprehensive Income and Expenditure Statement in accordance with proper accounting practices under the Code of Practice, but which Statutory Provisions allow or require to be deferred over future years. At 31 March 2016 the account had a credit balance of £3.497 million (2014/15 credit £3.641 million)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and National Non-domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. At 31 March 2016, the account had a balance of £2.098 million (2014/15 £2.639 million).

Accumulated Absences Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the

General Fund Balance is neutralised by transfers to or from the Account. The account had a credit balance of £6.201million at 31 March 2016 (2014/15 credit £4.877 million).

Available for Sale Financial Instrument Reserve

The Available for Sale Financial Instrument Reserve contains gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. At 31 March 2016, the reserve had a credit balance of £0.007 million (2014/15 credit £0.01 million).

Deferred Capital Receipts

Deferred capital receipts relate to the principal element of loans provided by the Council, which are repaid over a number of years. The capital receipt is only recognised as and when the principal sum is repaid. At 31 March 2016 the reserve had a balance of £2.671 million (2014/15 £2.671 million).

25. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

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

26. CASH FLOW STATEMENT - INVESTING ACTIVITIES

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

27. CASH FLOW STATEMENT - FINANCING ACTIVITIES

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

28. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

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

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

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

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

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

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

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

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

29. TRADING ACCOUNTS

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

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

30. POOLED BUDGETS

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

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

Locally, the primary aims of the fund are:

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

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

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

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

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

31. MEMBERS' ALLOWANCES

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

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

32. OFFICERS' REMUNERATION

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

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

The Council made on bonus payments to senior employees.

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

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

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

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

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

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

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

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

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

(a) Exit Package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band		(e) Total cost of exit packages in each band	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16 £'000	2014/15 £'000
£ 0 - £ 20,000	13	3	145	213	158	216	1,122	1,952
£ 20,001 - £ 40,000	1	-	21	56	22	56	586	1,367
£ 40,001 - £ 60,000	-	-	4	4	4	4	193	211
£ 60,001 - £ 80,000	-	-	-	3	-	3	-	205
£ 80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	1	-	1	-	129
	14	3	170	277	184	280	1,901	3,864

Termination Benefits

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

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

33. EXTERNAL AUDIT COSTS

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

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

34. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2011.

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

Details of the deployment of DSG receivable for 2015/16 are as follows:

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

Comparative figures for 2014/15 are as follows:

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

35. GRANT INCOME

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

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

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

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them. These will require the monies to be returned to the giver, if not spent in accordance with the conditions. The balances at the year-end totalled £1.003 million:

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

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

36. RELATED PARTY TRANSACTIONS

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

Central Government

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

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 31. During 2015/16, works and services to the value of £8.2 million were commissioned from companies in which Members had an interest. Contracts were entered into in full compliance with the council's standing orders. During the year, payments to the value of £3.3 million were made to companies in which members had an interest, including payments to Magenta Living (£0.8 million in 2015/16, £0.7 million in 2014/15) and Wirral Evolutions (£2.1 million in 2015/16, £Nil in 2014/15) and to various voluntary organisations (£0.3 million in 2015/16, £0.2 million in 2014/15). In all instances, the payments were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the payments. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Town Hall during office hours.

Officers

During 2015/16, the Assistant Chief Executive declared an interest as a director of Edsential Community Interest Company which is a company significantly influenced by the council. The Head of Delivery, Families and Wellbeing, declared an interest as acting managing director of Wirral Evolutions, which is a company significantly influenced by the council. Neither officer took part in any discussion or decision relating to the awarding of contracts or making payments to the companies that they have declared an interest in.

Magenta Living (Wirral Partnership Homes) – Community Fund

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

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

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

Entities Controlled or Significantly Influenced by the Authority

The Council has significant influence over Wirral Evolutions Limited through its ownership of 100% of the shares in the company. 2015/16 was the first year of operation for Wirral Evolutions. The Council purchased adult social care services to the value of £2.1 million from the company in 2015/16 and has provided payroll services for Wirral Evolutions. Wirral Evolutions has a net pension deficit of £1m as at 31st March 2016.

The council has significant influence over Edsential Community Interest Company through its ownership of 50% of the shares in the company and having a senior officer on the Board. The council purchased Catering and Educational services to the value of £0.97 million from the company in 2015/16 and provided payroll services to Edsential CIC.

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

Other Public Bodies

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

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

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

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

37. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

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

38. LEASES**Council as Lessor**

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

Property	Lessor	Remaining Term
Birkenhead Market	Birkenhead Market Ltd	112 years
Wirral Country Park Caravan Site (Touring)	The Caravan Club Ltd	13 years
Wirral Country Park Caravan Site (Static)	The Caravan Club Ltd	33 years
New Brighton Marine Point	Neptune Developments	246 years

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

	31 March 2016	31 March 2015
	£'000	£'000
Finance lease debtor (net present value of minimum lease payments):		
• current	3	3
• non-current	2,664	2,667
Unearned finance income	25,823	26,107
Gross investment in the lease	28,490	28,777

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

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

39. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

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

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

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

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

Other than under these clearly defined circumstances, risk on the above services is transferred to WSSL. There are examples of "Shared Risk" such as that on Utility Consumption, "Limited Risk" such as that on the maintenance of loose furniture, fittings

and equipment and “No Risk” to WSSL whereby the costs of damage caused by an Act of Vandalism under specific conditions, rest with the Council.

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

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

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

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

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

Valuation information for PFI assets recognised in the Balance Sheet:

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

Payments

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

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

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

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

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

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

In calculating the future unitary payments to the end of the contract from 2015/16 onwards, the most up to date information available has been used. This gives a more accurate estimate of the total outstanding liability. However, substituting this information effectively reduced the calculation of the liability at 31 March 2016 by £170,000. The annual unitary payment is increased by the Retail Price Index less 10%. RPI is based on the most up to date information as opposed to the estimates in the operator's financial model.

40. LONG TERM DEBTORS

	Repay- ment of former MCC Debt	Regen- eration Property Loans	Repay- ment of Council Mortgages	Leases	Total
	£'000	£'000	£'000	£'000	£'000
Balance 1.4.2014	49,153	3,091	28	2,674	54,946
Advances	-	300	-	-	300
Repaid/reclassified	(4,468)	-	(9)	(7)	(4,484)
Balances 31.3.2015	44,685	3,391	19	2,667	50,762
Balance 1.4.2015	44,685	3,391	19	2,667	50,762
Advances	-	1,154	-	-	1,154
Repaid/reclassified	(4,468)	(723)	(7)	(3)	(5,201)
Balances 31.3.2016	40,217	3,822	12	2,664	46,715

41. OTHER LONG TERM LIABILITIES

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

42. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES**Teachers**

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

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

The Scheme has in excess of 3,700 participating employers and consequently the Authority is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2016, the Authority's own contributions are negligible.

In 2015/16, the council paid £9.768m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.5% of pensionable pay. The figures for 2014/15 were £9.57m and 14.5%. There were no contributions remaining payable at the year-end. The contributions due to be paid in the next financial year are estimated to be £9.5m.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 43.

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

Public Health

Under the new arrangements for Public Health, staff performing public health functions at Wirral primary care trust (PCT) were compulsorily transferred to the Authority on 1 April 2013 on the abolition of the PCTs nationally. The transferred staff retained access to the NHS Pension Scheme. The Scheme provides specified benefits upon retirement towards which the Authority makes contributions based on a percentage members' salaries. The Scheme is administered by the NHS Business Services Authority on behalf of the Department of Health in England and Wales.

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

The Scheme has over 1.3m active members employed in a wide variety of organisations. 41 staff transferred from the Wirral PCT and consequently the Authority is unable to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the NHS Pension Scheme during the year ending 31 March 2016, the Authority's own contributions are negligible.

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

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

43. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The Council participates in two post-employment schemes:

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

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

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

Discretionary Post-retirement Benefits

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

Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements		Unfunded Teachers Scheme	
	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000
Comprehensive Income and Expenditure Statement						
<i>Cost of Services:</i>						
• current service costs	28,006	24,302	-	-	-	-
• past service costs	- 537	-	-	-	-	-
• settlements and curtailments	2,162	2,295	-	-	-	-
<i>Other Operating Expenditure:</i>						
• Administration costs	566	587	-	-	-	-
<i>Financing and Investment Income and Expenditure</i>						
• Net interest cost	13,510	12,570	1,363	1,740	1,046	1,416
Total Post Employment Benefits charged to the Surplus or Deficit on the Provision of Services	43,707	39,754	1,363	1,740	1,046	1,416

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	Local Government Pension Scheme		Discretionary Benefits Arrangements		Unfunded Teachers Scheme	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>						
• remeasurement of the net defined benefit liability						
- return on plan assets	24,110	(62,253)	-	-	-	-
- actuarial gains and losses arising from changes to demographic assumptions	-	-	-	-	-	-
- actuarial gains and losses arising from changes to financial assumptions	(73,191)	183,152	(1,380)	3,703	(837)	2,304
• Total remeasurement of the net defined benefit liability	(49,081)	120,899	(1,380)	3,703	(837)	2,304
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	(5,374)	160,653	(17)	5,443	209	3,720
<i>Movement in Reserves Statement</i>						
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(43,707)	(39,754)	(1,363)	(1,740)	(1,046)	(1,416)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>						
· employers' contributions payable to scheme	30,048	30,736	-	-	2,863	2,981
· retirement benefits payable to pensioners	-	-	2,787	2,821	-	-

Pensions Assets and Liabilities recognised in the Balance Sheet

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

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

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

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

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

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

Local Government Pension Scheme Assets comprised:

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

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

Asset Breakdown

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

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

Discretionary benefits arrangements have no assets to cover its liabilities.

Basis for Estimating Assets and Liabilities

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

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

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

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2015/16	2014/15
Long-term expected rate of return on assets in the scheme:		
• Equity investments	6.5%	6.5%
• Government Bonds	2.2%	2.2%
• Other Bonds	2.9%	2.9%
• Property	5.9%	5.9%
• Cash/Liquidity	0.5%	0.5%
• Other	Variable	Variable
Mortality Assumptions:		
Longevity at 65 for current pensioners in years		
• Men	22.5	22.4
• Women	25.4	25.3
Longevity at 65 for future pensioners in years		
• Men	24.9	24.8
• Women	28.2	28.1
Rate of CPI inflation	2.0%	2.0%
Rate of increase in salaries	3.5%	3.5%
Rate of increase in pensions	2.0%	2.0%
Rate for discounting scheme liabilities	3.6%	3.3%
Rate for discounting scheme liabilities (Teachers unfunded)	3.4%	3.1%

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

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

Sensitivity Analysis

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

Asset and Liability Matching Strategy

The Pensions Committee of the Merseyside Pensions Fund has agreed to an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The fund has matched assets to the pensions' obligations by investing in long-term fixed interest securities and index linked gilt edged investment with maturities that match the benefits payments as they fall due. This is balanced with a need to maintain the liquidity of the fund to ensure that it is able to make current payments. As is required by the pensions and (where relevant) investment regulations the suitability of various types of investment have been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range. A large proportion of the assets relate to equities (52% of scheme assets) and bonds (15%).

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

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

Impact on the Authority's cashflows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 22 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

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

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

Qualitative Disclosures required under IAS19

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

Retirement benefit obligations

At 31 March 2016 the Council's principal pension arrangement for its employees was the Merseyside Pension Fund, which is part of the Local Government Pension Scheme (LGPS). The LGPS is a funded defined benefit pension arrangement for local authorities and related employers, and is governed by statute (principally now the Local Government Pension Scheme Regulations 2013).

The Merseyside Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees. Each employer's contributions to the Fund are calculated in accordance with the LGPS Regulations, which require an actuarial valuation to be carried out every three years. The latest actuarial valuation of the Fund was carried out at 31 March 2013, and at that date showed a funding level of 76% (assets of £5.82bn against accrued liabilities of about £7.69bn). The weighted average duration of the liabilities of the Fund as a whole is 18 years, measured on the IAS19 actuarial assumptions. The duration of the liabilities for the individual employers which participate in the scheme can be significantly different from this, reflecting the profile of its employees and former employees.

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

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

Governance and Risk Management

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

Nature of Fund

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

Governance

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

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

Funding the liabilities

Regulations governing the Fund require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to

targeting the Fund's solvency, and the detailed provisions are set out in the Fund's Funding Strategy Statement. The most recent valuation was carried out as at 31 March 2013, which showed a shortfall of assets against liabilities of £1.87bn as at that date, equivalent to a funding level of 76%. The fund's employers are paying additional contributions over a period of up to 22 years in order to meet the shortfall.

The weighted average duration of the authority's defined benefit obligation is 18 years, measured on the actuarial assumptions used for IAS19 purposes.

Risks and Investment strategy

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

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

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

Market Price / Interest rate / Currency risk

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

Credit risk

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

Liquidity risk

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

Other risks

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

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

Amendments, curtailments and settlements

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

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

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

Schemes for Teachers and Health Workers**Nature of Funds**

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

Governance

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

Funding the liabilities

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

Investment Risks

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

Other risks

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

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

44. TRUST FUNDS

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

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

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

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

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

National Non-Domestic Rates Appeals

The Council has made a provision for National Non-Domestic Rates appeals based upon its best estimate of the actual liability in known appeals at 31 March 2016. However, as appeals can be backdated for several years it is possible that additional costs could be incurred by the Council if any subsequent appeals are successful.

46. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Department for Communities and Local Government Investment Guidance for Local Authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

- **Credit Risk:** The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party;
- **Liquidity Risk:** The possibility that a party will be unable to raise funds to meet the commitments associated with Financial Instruments;
- **Market Risk:** The possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices etc.

Credit Risk

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of BBB+, and other local authorities without credit ratings. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial organisations for investment.

A limit is placed on the amount of money that can be invested with a single counterparty. The Council also sets a total group investment limit for institutions that are part of the same banking group. No more than £30 million in total can be invested for a period longer than one year.

The Council's maximum exposure to credit risk in relation to its investments cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk applies to all of the Council's deposits, whereby they may become irrecoverable but there was no evidence at the 31 March 2016 that this was likely to crystallise.

The table below summarises the nominal value of the Council's investment portfolio as at 31 March 2016 by the counterparty's country of origin and its credit rating. The table confirms that all investments were made in line with the Council's approved credit rating criteria at the time of placing the investment:

Financial Institution / Instrument and Country	Credit Rating *	Maturity of Investment					Balance Invested as at 31.03.16
	Long Term Rating	Cash Equivalent	0-3 Months	3-6 Months	6-12 Months	Over 12 Months	
		£'000	£'000	£'000	£'000	£'000	£'000
Loans & Receivables							
Banks							
UK	A	-	6,000	7,000	-	-	13,000
Non-UK	AA-	-	-	1,500	-	-	1,500
Building Societies							
UK	A	-	500	2,500	-	-	3,000
UK	Unrated	-	1,000	-	-	-	1,000
Corporate	Unrated	-	600	-	-	-	600
Other Local Authorities	n/a	-	13,000	-	-	-	13,000
Total Loans & Receivables		-	21,100	11,000	-	-	32,100
Available for sale financial assets							
Money Market Fund	AAA	16,595	-	-	-	-	16,595
Other Externally Managed Funds	AAA	-	2,000	-	-	-	2,000
Total Available for sale financial assets		16,595	2,000	-	-	-	18,595
Total Financial Instruments		16,595	23,100	11,000	-	-	50,695

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

Trade Receivables

Trade receivables are also subject to non-payment, a bad debt provision is calculated for these based on the historic experience of levels of default. By including these provisions within the accounts the credit risk is recognised in the accounts.

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

Liquidity Risk

The Council has access to borrowing facilities from the Public Works Loan Board. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council also has to manage the risk that it will be exposed to

replenishing a significant proportion of its borrowing at a time of unfavourable interest rates by aiming to have an even spread of maturities in each year.

The maturity analysis of the nominal value of the Council's debt at 31 March 2016 was as follows:

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

Market Risk

(a) Interest Rate Risk:

The Council is exposed to risks arising from movements in interest rates. To give the Authority maximum flexibility during the year's unsettled market conditions the Treasury Management Strategy did not place limits on the amount of debt that can be exposed to fixed or variable interest rates. At 31 March 2016 100% of the debt portfolio was held in fixed rate instruments.

Investments are also subject to movements in interest rates. As investments are made at fixed rates, but for shorter periods of time, there is greater exposure to interest rate movements. This risk has to be balanced against actions taken to mitigate credit risk.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect on investment income would have been an increase of approximately £0.82million. There would be no effect on interest payable on borrowings as all borrowings held are at fixed rates of interest.

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

(b) Price risk:

The Council only invests in AAA rated money market funds with a Constant Net Asset Value (CNAV) and, therefore, is only subject to very minimal price risk (i.e. the risk that the Council will suffer loss as a result of adverse movements in the price of financial instruments).

(c) Foreign exchange risk

The Council has no financial assets or liabilities denominated in a foreign currency. It, therefore, has no exposure to loss arising as a result of adverse movements in exchange rates.

Additional Financial Statements

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

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

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

In accordance with proper accounting practice, the Collection Fund balance has been allocated in 2015/16 to individual preceptors, which includes Wirral Council (see Note 6).

NOTES TO THE COLLECTION FUND

1. GENERAL

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

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

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

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

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

2. INCOME FROM COUNCIL TAX

The Council set a Council Tax in 2015/16 for each band of dwelling as shown below:

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

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

The 3.25% provision for non-collection remains unchanged from 2014/15. The properties making up the estimated tax base are shown below. A number of adjustments are made to reflect the estimated reductions, reliefs and exemptions that apply to properties in each band. This gives the number of effective properties in each band, which is converted to the Band D equivalent using the ratios given:

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

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

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

3. INCOME FROM NATIONAL NON DOMESTIC RATES (BUSINESS RATES)

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

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

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

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

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

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

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

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

The Collection Fund paid the following precepts during the year:

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

4. PROVISION FOR APPEALS AND BAD AND DOUBTFUL DEBTS

Appeals

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

Following the introduction of the Business Rates Retention Scheme billing authorities are required to make an estimate of the impact of successful appeals covering not only 2015/16, but also the backdated amounts relating to earlier years. 2013/14 was the first year the Collection Fund provided a provision against such appeals. The provision for appeals will be closely monitored in future years to ensure it is sufficient, whilst not being excessive. £5.368m was in the provision at the end of 2014/15, which has been increased by a further £0.56m in 2015/16 to reflect current potential business rates reductions. The provision is split between the Collection Fund preceptors based on their precept shares.

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

Bad and doubtful debts

Council Tax

A provision for Council Tax bad debts is made each year for uncollectable amounts. The Council assumed a general collection rate of 96.75% for 2015/16. The bad debts provision is assessed annually and amounts set aside adjusted on an age profile of outstanding debt and other factors.

In 2015/16 an additional £1.392 million has been placed in the provision which reflects increased billing arising from the charging for empty properties, potential future liabilities for non-payment as a result of the introduction of the localised Council Tax Support Scheme, and changes to discounts and exemptions.

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

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

NNDR

The Collection Fund also provides for bad debts on NNDR arrears which is assessed annually and amounts set aside adjusted on an age profile of outstanding debt. In 2015/16 an additional £1.274 million has been placed in the provision to reflect potential future liabilities for non-payment. The cost of bad and doubtful debts is split between the Collection Fund preceptors based upon their precept shares.

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

5. CONTRIBUTION FROM/TO THE COLLECTION FUND

Council Tax

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

At 31 March 2016, there was a surplus of £5.056 million (2014/15 £5.829 million) which has been allocated amongst the precepting authorities on the basis of the 2015/16 precept proportions.

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

NNDR

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

As at 31 March 2016 there was a deficit of £4.460 million (2014/15 £4.709 million), which has been allocated amongst the precepting authorities based on the relevant percentages set out in the Non-Domestic Rating (Rates Retention) Regulations 2013.

6. ALLOCATION OF YEAR END BALANCES

The year-end balance on the Collection Fund is in respect of Council Tax and NNDR and is shared in proportion to the precepts on the Collection Fund. The Council Tax surplus is allocated on two bases - the balance that was reported in January 2016 (for 2015/16 the estimated position was a £3.555 million surplus) is apportioned using the 2015/16 precept shares, whereas the additional surplus resulting from the final position as at 31 March 2016, is apportioned using the 2016/17 precept shares. The National Non-Domestic Rates deficit is allocated based on the relevant percentages set out in the Non-Domestic Rating (Rates Retention) Regulations 2013.

Payable to / (Received from):	Council Tax 31 Mar 16 £'000	NNDR 31 Mar 16 £'000	Total Allocation £'000
Wirral Council	(4,286)	2,184	(2,102)
Central Government	0	2,231	2,231
Police & Crime Commissioner	(532)	0	(532)
Merseyside Fire and Rescue Service	(238)	45	(193)
	(5,056)	4,460	(596)

The share of any Collection Fund surplus or deficit is reflected within the precepting organisation's 2015/16 accounts. Wirral Council's element is included within the Taxation and Non-Specific Grant Income line within the Comprehensive Income and Expenditure Statement.

Merseyside Pension Fund Accounts

MERSEYSIDE PENSION FUND ACCOUNTS

FINANCIAL STATEMENTS

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

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

NOTES TO THE ACCOUNTS

1. DESCRIPTION OF FUND

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

The overall responsibility for the management of the Fund rests with the Pensions Committee, which for 2015/16 included 10 councillors from Wirral Council, the Administering authority, plus one councillor from each of the 4 other Borough Councils, and one member representing the other employers in the scheme. Representatives of trade unions also attend. The more detailed consideration of investment strategy and asset allocation of the Fund's portfolios is considered by the Investment Monitoring Working Party, which includes two external advisers and a consultant. The more detailed consideration of governance and risk issues is considered by the Governance and Risk Working Party.

During 2015/16 a local Pensions Board has been introduced in accordance with the Public Service Pensions legislation and regulations. The Board's aim is to assist the Administering Authority with ensuring compliance and the effective governance and administration of the Fund.

The following description of the Fund is a summary only. For more detail, reference should be made to Merseyside Pension Fund Annual Report 2015/16 and the underlying statutory powers underpinning the Scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

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

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

The Fund is a contributory defined benefit pension scheme administered by Wirral Council to provide pensions and other benefits for pensionable employees of the Merseyside Local Authorities and a range of other scheduled and admitted bodies. Teachers, Police Officers and Fire Fighters are not included as they come within other national pension schemes.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the Scheme, remain in the Scheme or make their own personal arrangements outside the Scheme.

- Organisations participating in Merseyside Pension Fund include:
- Scheduled bodies, which are Local Authorities and similar bodies whose staff are automatically entitled to be members of the Fund.

- Admitted bodies, which are organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation.

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

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

c) Funding

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

d) Benefits

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

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth $1/80 \times$ final pensionable salary.	Each year worked is worth $1/60 \times$ final pensionable salary.
Lump sum	Automatic lump sum of $3 \times$ salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of $1/49$ th. Accrued pension is uprated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme, for more details please refer to the Fund's website.

2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2015/16 financial year and its position at year end as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, are shown within the statement by the Actuary, which is published as an addendum to the accounts.

3. ACCOUNTING POLICIES

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

Contributions and Benefits

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

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

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

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

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

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

Transfers to and from Other Schemes

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

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

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

Management Expenses

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

Administration Expenses

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

Investment Expenses

All investment expenses are accounted for on an accrual basis.

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

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

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

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

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

Oversight and Governance Expenses

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

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

Investment Income

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

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

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

Taxation

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

Valuation of Investments

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

- Listed securities are valued at quoted bid market prices on the final day of the accounting period. The bid price is the price which the Fund would have obtained should the securities have been sold at that date.
- For unlisted investments wherever possible valuations are obtained via the Independent Administrator. Valuations that are obtained direct from the Manager are verified against the latest available audited accounts adjusted for any cash flows up to the reporting date.
- Hedge Funds and Infrastructure are recorded at fair value based on net asset values provided by Fund Administrators or using latest financial statements published by respective Fund Managers adjusted for any cash flows.
- Private Equity valuations are in accordance with the guidelines and conventions of the British Venture Capital Association/International Private Equity guidelines or equivalent.
- Indirect Property is valued at net asset value or capital fair value basis provided by the Fund Manager. For listed Funds the net asset value per unit is obtained through data vendors.
- The freehold and leasehold interests in the properties held within the Fund were independently valued as at 31 March 2016 by Savills (UK) Limited, acting in the capacity of External Valuers as defined in the RICS Red Book (but not for the avoidance of doubt as an External Valuer of the Fund as defined by the Alternative Investment Fund Managers Regulations 2013). The valuations accord with the requirements of IFRS 13, SSAP 19 and the 9th Edition of the RICS Valuation – Professional Standards (incorporating the International Valuation Standards) (“the RICS Red Book”).

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

Translation of Foreign Currencies

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

Derivatives

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

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

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

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

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

Short Term Deposits

Short-term deposits only cover cash balances held by the Fund. Cash held by Investment Managers awaiting investment is shown under "Other Investment Balances".

Financial Liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

Additional Voluntary Contributions

The Committee holds assets invested separately from the main Fund. In accordance with regulation 4 (2) (b) of the Pensions Schemes (Management and Investment of Funds) Regulations 2009, these assets are excluded from the Pension Fund accounts.

The Scheme providers are Equitable Life, Standard Life and Prudential. Individual members participating in this arrangement each receive an annual statement confirming the amounts held on their account and the movements in the year.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Fund has not applied any critical judgements.

5. ESTIMATION

Unquoted Investments

The Fund has significant unquoted investments within Private Equity, Infrastructure, Property and other Alternative investments. These are valued within the financial statements using valuations from the Managers of the respective assets. There are clear accounting standards for these valuations and the Fund has in place procedures for ensuring that valuations applied by Managers comply with these standards and any other relevant best practice. The value of unquoted assets as at 31 March 2016 was £1,670 million (£1,540 million at 31 March 2015).

Private Equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

Hedge Funds are valued at the sum of the fair values provided by the Administrators of the underlying Funds plus adjustments that the Hedge Fund Directors or Independent Administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2016, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

7. CONTRIBUTIONS RECEIVABLE

	2015/16	2014/15
	£'000	£'000
Employers		
Normal	110,735	108,369
Pension Strain	13,492	15,334
Deficit Funding	45,843	187,858
Employees		
Normal	53,369	53,442
	223,439	365,003
Relating to:		
Administering Authority	36,338	38,375
Statutory Bodies	139,618	290,324
Admission Bodies	47,483	36,304
	223,439	365,003

Contributions are made by active members of the Fund in accordance with the LGPS and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2016. Employee contributions are matched by employers' contributions which are based on triennial actuarial valuations. The 2016 contributions above were calculated at the valuation dated 31 March 2013. The 2013 actuarial valuation calculated the average employer contribution of 22.5% (2010 18%).

"Pension Strain" represents the cost to employers when their employees retire early to compensate the Fund for the reduction in contribution income and the early payment of benefits. Payments to the Fund for such costs are made over agreed periods. An accrual has been made for agreed future payments to the Fund.

"Deficit Funding" includes payments by employers for past service deficit and additional payments by employers to reduce a deficit. During 2015/16 the fund received additional and upfront payments covering the period until the next actuarial valuation in 2016, totalling £1.6 million, (in 2014/15, a number of employers opted to pay their three years deficit as a lump sum payment in year 1 totalling £96.8 million).

The Fund does reserve the right to levy interest charges on late receipt of contributions from employers. In 2015/16 no such charges were levied.

8. TRANSFERS IN

	2015/16	2014/15
	£'000	£'000
Group transfers	0	39,832
Individual transfers	7,162	6,105
	7,162	45,937

There were no group transfers to the Fund during 2015/16.

On 1 April 2014 MPF became the appropriate LGPS Fund for all Scheme members who have accrued LGPS benefits as a result of employment with the Local Government Association, for which a transfer of assets was received during 2014/15 with a value of £39.8 million.

9. BENEFITS PAYABLE

	2015/16	2014/15
	£'000	£'000
Pensions	243,390	235,364
Lump sum retiring allowances	51,958	50,118
Lump sum death benefits	4,972	6,203
	300,320	291,685
Relating to:		
Administering Authority	42,817	40,478
Statutory Bodies	210,017	206,877
Admission Bodies	47,486	44,330
	300,320	291,685

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2015/16	2014/15
	£'000	£'000
Refunds to members leaving service	429	172
Payment for members joining State scheme	222	84
Income for members from State scheme	(14)	(1)
Group transfers to other schemes	1,411	116,523
Individual transfers to other schemes	12,398	7,742
	14,446	124,520

There were two group transfers out of the Fund during 2015/16.

As part of the transforming rehabilitation programme, MPF transferred the Probation Trust liabilities on 1 June 2014 to Greater Manchester Pension Fund and transferred assets with a value of £116.5 million during 2014/15.

11. MANAGEMENT EXPENSES

	2015/16	2014/15
	£'000	£'000
		Restated
Administration expenses	2,421	2,369
Investment expenses	28,697	22,079
Oversight and governance expenses	1,838	1,620
Other Income	(330)	(267)
	32,626	25,801

*Management expenses are analysed into three categories, in accordance with CIPFA "Accounting for local government management costs".

11a. ADMINISTRATION EXPENSES

	2015/16	2014/15
	£'000	£'000
Employee costs	1,643	1,576
IT costs	404	457
General costs	320	261
Other costs	54	75
	2,421	2,369

11b. INVESTMENT EXPENSES

	2015/16	2014/15
	£'000	£'000
		Restated
External Investment Management Fees	15,850	10,456
External Investment Management Performance Fees	3,111	1,845
External Services	640	718
Internal Investment Management Fees	483	500
Property Related Expenses	5,093	4,834
Transaction Costs	3,520	3,726
	28,697	22,079

In accordance with CIPFA "Accounting for Local Government Management Costs" guidance, transaction costs and property related expenses are now shown under investment expenses. Transaction costs was previously added to purchases and netted against sales proceeds in table 13. Property related expenses were previously netted against rental income in table 12. The 2014/15 figures have been restated to reflect these changes.

In 2015/16 external investment management fees includes management fees paid for unlisted assets where the Fund has paid them directly, this amounted to £6.3 million, comparable data has not been restated for 2014/15 in the above table as the data was not collected in a way that allows reclassification.

11c. OVERSIGHT AND GOVERNANCE EXPENSES

	2015/16	2014/15
	£'000	£'000
Employee Costs	449	418
External Services	733	495
Internal Audit	30	28
External Audit	40	39
Other Costs	586	640
	1,838	1,620

Actuarial fees included within External Services above (note 11c) are shown gross of any fees that have been recharged to employers. Included within Other Income for 2015/16 is £317,434 relating to recharged Actuarial fees (2014/15 £146,172).

External Audit fees also include £2,180 relating to additional services in respect of IAS19 assurances for admitted body auditors, which are recharged to those admitted bodies.

12. INVESTMENT INCOME

	2015/16	2014/15
	£'000	£'000
		Restated
Dividends from Equities	58,649	55,896
Income from Pooled Investment Vehicles	37,075	36,316
Rents from Properties	23,502	22,180
Interest on Short Term Cash Deposits	421	837
Income from Private Equity	19,385	9,840
Income from Derivatives	171	35
Other	1,087	1,138
	140,290	126,242
Irrecoverable Withholding Tax	(387)	(469)
	139,903	125,773

Rental income is shown gross of any property related expenses, with related expenses shown under investment expenses (note 11b), 2014/15 figures have been updated to reflect this change.

Investment income figures are shown gross of tax. Included in these figures is recoverable taxation of £4.1 million (2014/15 £2.7 million).

The Fund is seeking to recover tax withheld by UK and overseas tax regimes under the EU principle of free movement of capital within its borders, but is not accruing for future receipt of such income within these accounts. Repayments received in 2015/16 £75,522 (2014/15 £233,029).

12a. PROPERTY INCOME

	2015/16	2014/15
	£'000	£'000
Rental income	23,502	22,180
Direct operating expenses	(5,093)	(4,834)
Net rent from properties	18,409	17,346

No contingent rents have been recognised as income during the period.

12b. PROPERTY OPERATING LEASES

The Fund's property portfolio comprises a variety of units which are leased to organisations with the objective of generating appropriate investment returns.

These leases are all categorised as operating leases due to the relatively short length of the agreements i.e. relative to the overall life of the asset and proportion of the assets overall value. The leases do not meet the assessment criteria for finance leases, and the risks and rewards of ownership of the leased assets are retained by the Fund and reflected in the Net Assets Statement.

The properties comprise a mix of office, retail and industrial buildings. These leases vary in length from short term to over 25 years.

The future minimum lease payments receivable under non-cancellable leases in future years are:

Age profile of lease income	2015/16 £'000	2014/15 £'000
No later than one year	1,152	2,510
Between one and five years	8,335	4,821
Later than five years	10,187	13,313
Total	19,674	20,644

With regards to the properties owned and leased by the Fund, all are leased to the tenants under contracts that have been assessed as operating leases and which may include periodic rent reviews etc. The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease entered into, such as adjustments following rent reviews.

13. INVESTMENTS

2015/16	Market Value 31.3.2015 £'000	Purchases at cost & Derivative Payments £'000	Sale Proceeds & Derivative Receipts £'000	Change in Market Value * £'000	Market Value 31.3.2016 £'000
Equities	2,053,353	894,655	(852,802)	(74,788)	2,020,418
Pooled Investment Vehicles	4,275,613	288,302	(330,982)	31,693	4,264,626
Derivative Contracts	2,233	736,508	(737,780)	(707)	254
Direct Property	382,210	30,332	(42,916)	7,374	377,000
	6,713,409	1,949,797	(1,964,480)	(36,428)	6,662,298
Short term cash deposits	47,098			(326)	40,031
Other investment balances	92,169			693	114,660
	6,852,676			(36,061)	6,816,989

2014/15	Market Value 31.3.2014 £'000	Purchases at cost & Derivative Payments £'000 Restated	Sale Proceeds & Derivative Receipts £'000 Restated	Change in Market Value * £'000 Restated	Market Value 31.3.2015 £'000
Equities	1,838,855	933,352	(873,642)	154,788	2,053,353
Pooled Investment Vehicles	3,822,027	318,536	(295,485)	430,535	4,275,613
Derivative Contracts	4,131	2,893,922	(2,916,839)	21,019	2,233
Direct Property	310,650	57,326	(23,240)	37,474	382,210
	5,975,663	4,203,136	(4,109,206)	643,816	6,713,409
Short term cash deposits	31,780			380	47,098
Other investment balances	52,889			(492)	92,169
	6,060,332			643,704	6,852,676

*Note: The change in market value of investments during the year comprises all realised and unrealised appreciation and depreciation.

Transaction costs had previously been added to purchases and netted against sales proceeds; however, they are no longer shown in the above tables and instead are shown under investment expenses in accordance with CIPFA guidance.

Indirect costs are incurred through the bid-offer spread on investments in pooled vehicles. The amount of indirect costs is not provided directly to the Fund.

13a Analysis of investments

	2015/16 £'000	2014/15 £'000
Equities (segregated holdings)		
UK Quoted	865,482	863,066
Overseas Quoted	1,154,936	1,190,287
	2,020,418	2,053,353
Pooled Investment Vehicles		
UK Managed Funds:		
Property	8,180	3,000
Equities	249,694	260,501
Private Equity	246,283	218,173
Hedge Funds	51,440	52,724
Corporate Bonds	242,219	236,946
Infrastructure	118,184	78,304
Opportunities	269,768	237,918
Overseas Managed Funds:		
Equities	365,890	365,471
Private Equity	209,515	175,779
Hedge Funds	180,803	214,935
Infrastructure	136,449	108,225
Opportunities	104,647	105,452
UK Unit Trusts:		
Property	96,506	82,913
Overseas Unit Trusts:		
Property	94,901	82,954
Other Unitised Funds	1,890,147	2,052,318
	4,264,626	4,275,613
Derivative Contracts	254	2,233
UK Properties		
Freehold	338,200	344,560
Leasehold	38,800	37,650
	377,000	382,210
Balance at 1 April	382,210	310,650
Additions	30,332	57,326
Disposals	(42,916)	(23,240)
Net gain/(loss) of fair value	10,629	459
Transfers in/(out)	-	-
Other changes in fair value	(3,255)	37,015
Balance at 31 March	377,000	382,210

As at 31 March 2016 there were no amounts of restrictions on the realisability of investment property or of income and proceeds of disposal.

There were no obligations to purchase new properties.

As at 31 March 2016 the Fund had committed to a redevelopment project of an existing retail centre at Guildford, approved expenditure for the redevelopment is £20 million.

	2015/16	2014/15
	£'000	£'000
Short term cash deposits		
Sterling	38,946	46,067
Foreign currency	1,085	1,031
	40,031	47,098

The foreign currency deposit is an ISK deposit held in an escrow account following the distribution by the Glitnir Winding Up Board. Under the applicable currency controls operating in Iceland, the permission of the Central Bank of Iceland is required to release Icelandic Krona payments held within the Icelandic banking system. The deposit is earning market interest rates.

	2015/16	2014/15
	£'000	£'000
Other investment balances		
Amounts due from brokers	-	35
Outstanding trades	22,765	18,495
Outstanding dividends entitlements and recoverable withholding tax	13,373	12,005
Cash deposits	78,522	61,634
	114,660	92,169

13b Analysis of derivatives

Derivatives as at 31 March 2016		£'000	£'000
Futures			
Type of Contract	Expires	Economic Exposure	Market Value
Assets			
EURO STOXX 50 Index Futures	Jun-16	(810)	(81)
Total Assets			(81)
Liabilities			
Total Liabilities			-
Net futures			(81)
Derivatives as at 31 March 2015		£'000	£'000
Futures			
Type of Contract	Expires	Economic Exposure	Market Value
Assets			
EURO STOXX 50 Index Futures	Jun-15	350	35
Total Assets			35
Liabilities			
Total Liabilities			-
Net futures			35

A Futures contract is the obligation under a legal agreement to make or take delivery of a specified instrument at a fixed future date, at a price determined at the time of dealing. Merseyside Pension Fund's Index Futures Contracts are externally managed and their objective is to hedge overseas investment positions against adverse index movements. Futures dealing requires the posting of margin. Initial margin which must be posted before you can trade and variation margin, the mark-to-market value of the futures contracts you hold. Variation margin is exchanged daily and exists to reduce counterparty credit exposure. Collateral is held in EUR currency and the sterling equivalent is £626,265. DJ Euro STOXX 50 have a contract multiplier of x10 therefore the notional value underlying the futures contracts is £-0.81 million.

Forward currency contracts

The Fund's forward currency contracts are exchange traded and are used by a number of our external Investment Managers to hedge exposures to foreign currency back into sterling.

Settlement date	Currency bought 000	Currency sold 000	Asset £'000	Liability £'000
Up to one month	GBP 7,154	EUR 9,050	0	(23)
Up to three months	GBP 25,062	JPY 4,000,000	254	-
			254	(23)
Net forward currency contracts at 31 March 2016				231
Prior year comparative				
Open forward currency contracts at 31 March 2015			2,647	(449)
Net forward currency contracts at 31 March 2015				2,198

13c Summary of Managers' Portfolio Values at 31 March 2015

	2015/16		2014/15	
	£million	%	£million	%
Externally Managed				
JP Morgan (European equities)	213	3.1	220	3.2
Nomura (Japan)	311	4.6	317	4.6
Schroders (fixed income)	242	3.6	237	3.5
Legal & General (fixed income)	277	4.1	270	3.9
Unigestion (European equities and pooled Emerging Markets)	266	3.9	262	3.8
M&G (UK equities)	150	2.2	168	2.5
M&G (global emerging markets)	127	1.9	138	2.0
TT International (UK equities)	204	3.0	197	2.9
Blackrock (UK equities)	212	3.1	212	3.1
Blackrock (Pacific Rim)	118	1.7	133	1.9
Blackrock (QIF)	71	1.0	66	1.0
Newton (UK equities)	235	3.4	216	3.2
Amundi (global emerging markets)	125	1.8	137	2.0
Maple-Brown Abbot (Pacific Rim equities)	122	1.8	136	2.0
State Street Global Advisor (Passive Manager)	1,614	23.8	1,782	26.0
	4,287	63.0	4,491	65.6
Internally Managed				
UK equities	322	4.7	328	4.8
European equities	179	2.6	186	2.7
Property (direct)	377	5.5	382	5.6
Property (indirect)	214	3.1	176	2.6
Private equity	456	6.7	394	5.7
Hedge funds	232	3.4	268	3.9
Infrastructure	255	3.7	187	2.7
Opportunities	394	5.8	363	5.3
Global Emerging Markets	25	0.4	-	-
Short term deposits & other investments	76	1.1	78	1.1
	2,530	37.0	2,362	34.4
	6,817	100.0	6,853	100.0

The following holdings each represent more than 5% of the net assets of the Fund:

	2015/16		2014/15	
	£'million	%	£'million	%
SSGA Pooled UK Index Linked Gilts	603	8.8	637	9.3
SSGA USA Equity Tracker	548	8.0	544	7.9
SSGA Pooled UK Equities	381	5.6	445	6.5

13d Stock lending

As at 31 March 2016, £149.3 million of stock was on loan to market makers, which was covered by cash and non-cash collateral, totalling £161.7 million. Collateral is marked to market, and adjusted daily. Income from Stock Lending amounted to £1.0 million and is included within "Other" Investment Income. As the Fund retains its economic interest in stock on loan, their value remains within the Fund valuation. As the Fund has an obligation to return collateral to the borrowers, collateral is excluded from the Fund valuation. The Fund used its Custodian as agent lender, lending only to an agreed list of approved borrowers. An indemnity is in place which gives the Fund further protection against losses.

The risks associated with Stock Lending are set out in the Fund's "Statement of Investment Principles".

14. FINANCIAL INSTRUMENTS

14a Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net asset statement heading.

	31 March 2016		
	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit and loss
	£'000	£'000	£'000
Financial Assets			
Equities			2,020,418
Pooled Investment Vehicles			4,264,626
Derivatives			254
Cash deposits	40,031		
Other investment balances	114,660		
Long term and current assets	48,506		
Total financial assets	203,197	-	6,285,298
Financial Liabilities			
Other investment balances		(4,527)	
Current Liabilities		(11,212)	
Total financial liabilities	-	(15,739)	-
Net	203,197	(15,739)	6,285,298

	31 March 2015		
	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit and loss
	£'000	£000	£000
Financial Assets			
Equities			2,053,353
Pooled Investment Vehicles			4,275,613
Derivatives			2,233
Cash deposits	47,098		
Other investment balances	92,169		
Long term and current assets	51,290		
Total financial assets	190,557	-	6,331,199
Financial Liabilities			
Other investment balances		(24,868)	
Creditors		(16,393)	
Total financial liabilities	-	(41,261)	-
Net	190,557	(41,261)	6,331,199

To allow reconciliation to the Net Asset Statement and for ease to the reader all long term & current assets and current liabilities have been included in the above note, although not all are classified as financial instruments, the amounts that are not financial instruments are considered immaterial.

14b Net gains and losses on financial instruments

	2015/16 £'000	2014/15 £'000
Financial Assets		
Fair Value through profit and loss	(43,802)	602,616
Loans and receivables	(326)	380
Total financial assets	(44,128)	602,996
Financial Liabilities		
Financial liabilities at amortised cost	693	(492)
Loans and receivables	-	-
Total financial liabilities	693	(492)
Net	(43,435)	602,504

14c Fair value of financial instruments

There is no material difference between the carrying value and fair value of financial instruments. The majority of financial instruments are held at fair value and for those which aren't their amortised cost is considered to be equivalent to an approximation of fair value.

14d Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classed into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the market quotation of the relevant stock exchange.

Level 2

Financial instruments at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and Hedge Fund of Funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in Private Equity are based on valuations provided by the general partners to the Private Equity funds in which Merseyside Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of the investment in Hedge Funds are based on the net asset value provided by the Fund Manager. Assurances over the valuation are gained from the independent audit of the value.

The following table provides an analysis of the financial assets of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Financial assets at fair value through profit and loss	4,992,756	63,959	1,228,583	6,285,298
Total financial assets	4,992,756	63,959	1,228,583	6,285,298

Values at 31 March 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Financial assets at fair value through profit and loss	5,173,596	57,365	1,100,238	6,331,199
Total financial assets	5,173,596	57,365	1,100,238	6,331,199

A reconciliation of fair value measurements in Level 3 is set out below:

	2015/16 £'000	2014/15 £'000
Opening balance	1,100,238	902,823
Acquisitions	207,933	208,094
Disposal proceeds	(54,992)	(84,591)
Total gain/(losses) included in the fund account:		
On assets sold	3,440	1,890
On assets held at year end	(28,036)	72,022
Closing balance	1,228,583	1,100,238

15. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The Fund's objective is to achieve a funding level position of 100% whilst minimising the level and volatility of employer contributions. Investment strategy is decided with clear reference to this objective.

Over the long term, the Fund's objective is to set policies that will seek to ensure that investment returns achieved will at least match the assumptions underlying the actuarial valuation and therefore be appropriate to the liabilities of the Fund.

Having regard to its liability profile, the Fund has determined that adopting a bespoke benchmark should best enable it to implement an effective investment strategy. This strategic benchmark is reviewed every three years, at a minimum, at the time of the actuarial valuation but will be reviewed as required particularly if there have been significant changes in the underlying liability profile or the investment environment.

The Fund has carefully considered the expected returns from the various permitted asset classes and has concluded that in the longer term the return on equities will be greater than from other conventional assets. Consequently, the benchmark is biased towards equities and skewed towards active management, particularly in less developed markets.

The Fund is also cognisant of the risk that the shorter term returns may vary significantly from one period to another and between the benchmark and actual returns. Diversification of assets is seen as key to managing this risk and the risk/return characteristics of each asset and their relative correlations are reflected in the make up of the strategic benchmark.

The Fund believes that, over the long term, a willingness to take on volatility and illiquidity is likely to be rewarded with outperformance. The Fund considers that its strong employer covenant, maturity profile and cash flows enable it to adopt a long term investment perspective. A mix of short term assets such as bonds and cash is maintained to cover short term liabilities while equities (both passive and active), private equity and direct property are held to benefit from the potential rewards arising from volatility and illiquidity risks. The Fund recognises that risk is inherent in investment activity and seeks to manage the level of risk that it takes in an appropriate manner. The Fund manages investment risks through the following measures:

- Broad diversification of types of investment and Investment Managers.
- Explicit mandates governing the activity of Investment Managers.
- The use of a specific benchmark, related to liabilities of the Fund for investment asset allocation.
- The appointment of Independent Investment Advisors to the Investment Monitoring Working Party.
- Comprehensive monitoring procedures for Investment Managers including internal officers and scrutiny by elected Members.

15a Market Risk

The Fund is aware that its key risk is market risk i.e. the unpredictability of market performance in the future. The general practice to quantify these risks is to measure the volatility of historical performance. The tables below show the Fund's exposure to asset classes and their reasonable predicted variance (as provided by the Fund's

investment consultants) and the resulting potential changes in net assets available to pay pensions. The figures provided are a forward looking assumption of future volatility based on analysis of previous performance and probability.

	Value March 2016 £million	Potential Variance	Value on increase	Value on decrease
UK Equities (all equities include pooled vehicles)	1,496	19.0%	1,780	1,211
US Equities	566	17.0%	663	470
European Equities	626	19.0%	745	507
Japan Equities	328	20.0%	394	263
Emerging Markets Equities inc Pac Rim	638	30.0%	829	446
UK Fixed Income Pooled Vehicles	520	11.0%	577	462
UK Index Linked Pooled Vehicles	603	9.0%	657	549
Pooled Property	200	12.5%	225	175
Private Equity	456	25.0%	570	342
Hedge Funds	232	9.0%	253	211
Infrastructure	255	18.5%	302	208
Other Alternative Assets	365	14.0%	416	314
Short term deposits & other investment balances	188	0.0%	188	188
	6,473			

	Value March 2015 £million	Potential Variance	Value on increase £million	Value on decrease £million
UK Equities (all equities include pooled vehicles)	1,569	19.0%	1,867	1,271
US Equities	563	17.0%	659	467
European Equities	613	19.0%	729	496
Japan Equities	402	20.0%	482	321
Emerging Markets Equities inc Pac Rim	685	30.0%	891	480
UK Fixed Income Pooled Vehicles	507	11.0%	563	451
UK Index Linked Pooled Vehicles	637	9.0%	695	580
Pooled Property	169	12.5%	190	148
Private Equity	394	25.0%	492	295
Hedge Funds	268	9.0%	292	244
Infrastructure	187	18.5%	221	152
Other Alternative Assets	336	14.5%	384	287
Short term deposits & other investment balances	151	0.0%	151	151
	6,481			

The Fund does not hold any Fixed Interest Securities directly and the Managers of the Pooled Fixed Income Vehicles are responsible for managing credit risk, section 15a of this note covers the market risks of these holdings.

The Fund's arrangements for derivatives, securities lending and impaired items are dealt with in other notes to the accounts.

The short term cash deposits and other investment balances are diversified with investment grade financial institutions. The Fund has a treasury management policy that is compliant with current best practice.

The Fund's cash holding under its treasury management arrangements as at 31 March 2016 was £40.0 million (31 March 2015 £47.1 million). This was held in instant access accounts with the following institutions:

	Rating (S&P)	Balances as at 31 March 2016 £'000	Balances as at 31 March 2015 £'000
Royal Bank of Scotland	Long BBB+ Short A-2	0	1
Lloyds Bank	Long A Short A-1	38,945	45,686
Northern Trust	Long AA- Short A-1+	1	0
Iceland escrow account		1,085	1,411
Total		40,031	47,098

15c Liquidity risk

The Fund's key priority is to pay pensions in the long term and in the short term and the asset allocation is the key strategy in ensuring this. The earlier sections have dealt with the longer term risks associated with market volatility.

The Fund has a cash balance at 31 March of £40.0 million. The Fund also has £4,918 million in assets which could be realised in under 7 days notice, £721 million in assets which could be realised in under 90 days notice and £646 million in assets which could not be realised within a 90 day period.

The Fund has no borrowing or borrowing facilities.

The management of the Fund also prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. Whilst the Fund has a net withdrawal for 2015/16 in its dealing with members of £84 million and management expenses of £32 million, this is offset by investment income of £140 million.

15d Interest rate risk

Interest rates primarily affect the Fund's liabilities through the transmission mechanism from interest rates to government bond yields and ultimately the discount rate used by the actuary to discount the liabilities; the Fund's actuary has calculated that the Fund has sensitivity to this discount rate of 20%. The Fund considers both the liabilities and assets together and assesses the funding ratio and the implications for investment strategy on a quarterly basis at the IMWP.

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.

	2015/16	2014/15
	£'000	£'000
Derivative Contracts	104	-
Amounts due to stockbrokers	4,423	24,868
	4,527	24,868

18. LONG TERM ASSETS

	2015/16	2014/15
	£'000	£'000
Assets due in more than one year	9,236	11,655
	9,236	11,655
Relating to:		
Central Government Bodies	2,767	3,689
Other Local Authorities	5,548	6,733
Public Corporations and Trading Funds	441	548
Bodies External to General Government	480	685
	9,236	11,655

Payments are being received in respect of pensioner and deferred members of the Magistrates Courts, which was previously an active employer in the Fund. Year 1 is shown as a current asset, but years 2 onwards are included above. Also included are future payments of pension strain to be paid by employers in 2017/18 onwards.

19. CURRENT ASSETS AND LIABILITIES

	2015/16	2014/15
	£'000	£'000
Assets		
Contributions due	20,636	21,883
Amounts due from external managers	921	1,126
Accrued and outstanding investment income	367	543
Sundries	15,889	13,352
Provision for bad debts	(166)	(32)
Cash at bank	1,623	2,763
	39,270	39,635
Relating to:		
Central Government Bodies	1,856	1,893
Other Local Authorities	14,761	15,892
NHS	2	2
Public Corporations and Trading Funds	170	202
Bodies External to General Government	22,481	21,646
	39,270	39,635
Liabilities		
Retirement grants due	2,372	2,185
Provisions	247	369
Miscellaneous	8,593	13,839
	11,212	16,393
Relating to:		
Central Government Bodies	2,570	2,290
Other Local Authorities	1,920	4,129
Public Corporations and Trading Funds	171	23
Bodies External to General Government	6,551	9,951
	11,212	16,393
Total current assets and liabilities	28,058	23,242

"Sundries" mainly covers general debtors, property arrears due, agents' balances and recoverable taxation.

"Provision for Bad Debt" relates to property rental income, and is based on an assessment of all individual property debts as at 31 March 2016.

The main components of "Miscellaneous Liabilities" are the outstanding charges for Investment Management fees, payable quarterly in arrears, Custodian and Actuarial fees, plus income tax due, pre-paid rent and Administering Authority re-imbusement.

20. CONTRACTUAL COMMITMENTS

Commitments for investments amounted to £325.41 million as at 31st March 2016. (2014/15 £386.17 million). These commitments relate to Private Equity £164.69 million, Infrastructure £60.58 million, Opportunities £20.48 million, Indirect Property £79.66 million. As some of these funds are denominated in foreign currencies, the commitment in sterling is subject to change due to currency fluctuations.

21. CONTINGENT ASSETS

When determining the appropriate Fund policy for employers the different participating characteristics as either a contractor or community body or whether a guarantor of sufficient financial standing agrees to support the pension obligations is taken into consideration when setting the fiduciary strategy.

It is the policy to actively seek mechanisms to strengthen employer covenants by engaging "contingent assets" in the form of bonds/indemnity insurance, local authority guarantors, parent company guarantors or charge on assets to mitigate the risk of employers exiting the Fund leaving unrecoverable debt.

These financial undertakings are drawn in favour of Wirral Council, as the Administering Authority of Merseyside Pension Fund and payment will only be triggered in the event of employer default.

22. RELATED PARTY TRANSACTIONS

There are three groups of related parties: transactions between Wirral Council, as Administering Authority, and the Fund, between employers within the Fund and the Fund, and between Members and Senior Officers and the Fund.

Management expenses include charges by Wirral Council in providing services in its role as Administering Authority to the Fund, which amount to £3.3 million. (2015 £3.4 million). Such charges principally relate to staffing required to maintain the pension service. Central, Finance and IT costs are apportioned to the Fund on the basis of time spent on Fund work by Wirral Council. There was a debtor of £16.0 million (2015 £15.8 million) and a creditor of £259,834 as at 31 March 2016 (2015 £2 million).

Employers are related parties in so far as they pay contributions to the Fund in accordance with the appropriate Local Government Pension Scheme Regulations (LGPS). Contributions for the year are shown in note 7 and in respect of March 2016 payroll are included within the debtors figure in note 19.

A specific declaration has been received from Pension Committee Members, Pension Board Members and principal officers regarding membership of, and transactions with, such persons or their related parties. A number of Members act as Councillors or Board members of particular scheme employers, listed below, who maintain a conventional employer relationship with the Fund:

Liverpool City Council, Knowsley Council, Sefton Council and St Helens Borough Council, Wirral Council, Knowsley Youth Mutual, Knowsley Town Council, CDS Housing, Greater Hornby Homes and Wirral Partnership Homes (also known as Magenta Living). The value of the transactions with each of these related parties, namely the routine monthly payments to the Fund of employers' and employees' contributions, is determined by the LGPS Regulations, and as such no related party transactions have been declared.

Peter Wallach, Director of Pensions acts in an un-remunerated board advisory capacity on 3 investment bodies in which the Fund has an interest, Eclipse (£6.6 million), Standard Life (£15.5 million) and F&C (£21.9 million).

Susannah Friar, Property Manager acts in an un-remunerated board advisory capacity on one investment body in which the Fund has an interest, Partners Group Real Estate Asia Pacific 2011 (£7.5 million), by whom travel expenses and accommodation were paid.

Each member of the Pension Fund Committee and Pension Board Members formally considers conflicts of interest at each meeting.

Key management personnel

The remuneration paid to the Fund's senior employees is as follows:

Financial Year 2015/16	Employment Period	Salary	Pension Contributions	Total including Pension Contribution
		£	£	£
Director of Pensions	01/04/15 - 31/03/16	79,277	10,782	90,059
Senior Investment Manager	01/04/15 - 31/03/16	56,965	7,747	64,712
Financial Year 2014/15	Employment Period	Salary	Pension Contributions	Total including Pension Contributions
		£	£	£
Director of Pensions	01/04/14 - 31/03/15	73,474	9,992	83,466
Senior Investment Manager	01/04/14 - 31/03/15	56,046	7,622	63,668

23. ADDITIONAL VOLUNTARY CONTRIBUTION INVESTMENTS

	2015/16	2014/15
	£000	£000
The aggregate amount of AVC investments is as follows :		
Equitable Life	2,158	2,297
Standard Life	6,064	6,204
Prudential	5,525	5,417
	13,747	13,918
Changes during the year were as follows:		
Contributions	2,026	1,869
Repayments	2,241	2,493
Change in market values	44	901

SCHEME EMPLOYERS WITH ACTIVE MEMBERS AS AT 31 MARCH 2016**Scheduled Bodies**

Academy of St Francis
Arena & Convention Centre Liverpool
Bellerive FCJ Catholic College
Belvedere Academy
Billinge Chapel End Parish Council
Birkdale High School (Academy)
Birkenhead High School Academy
Birkenhead Sixth Form College
Blue Coat School (Academy)
Carmel College
Calday Grange 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)
Edsential SLE
Emslie Morgan Academy
Enterprise South Liverpool Academy
Everton Free School (Academy)
Finch Woods Academy
Formby High School (Academy)
Greenbank High School (Academy)
Halewood Centre for Learning (Academy)
Halewood Town Council
Harmonize (Academy)
Hawthornes Free School
Heygreen Community Primary (Academy)
Hilbre High School (Academy)
Hillside High School (Academy)
Hope Academy
Hugh Baird College
King George V College
Kings Leadership Academy (Liverpool)
Kirkby High School
Knowsley Community College
Knowsley Lane Primary School (Academy)
Knowsley M.B.C.
Knowsley Town Council
Litherland High School (Academy)
Liverpool City Council
Liverpool College (Academy)
Liverpool Community College

Liverpool John Moores University
Liverpool Life Science UTC (Academy)
Lord Derby Academy
Maghull High School (Academy)
Merseyside Fire & Rescue Authority
Merseyside Passenger Transport Executive (MPTE)
Merseyside Recycling and Waste Authority
North Liverpool Academy
Office of the Police and Crime Commissioner for
Merseyside (OPCCM)
Oldershaw Academy
Our Lady of Pity RC Primary School (Academy)
Park View Academy
Prenton High School for Girls (Academy)
Prescot Town Council
Rainford Parish Council
Rainhill Parish Council
Rainhill St Anns CE Primary School (Academy)
Range High School (Academy)
School Improvement Liverpool Ltd
Sefton M.B.C.
Shared Education Services Ltd
Southport College
St. Anselms College (Academy)
St. Edwards College (Academy)
St. Francis Xavier's College (Academy)
St. Helens College
St. Helens M.B.C.
St John Plessington Catholic College
St Margaret Church of England Academy
St Mary & St Thomas CE Primary School (Academy)
St Michael's C of E High School (Academy)
St Silas C of E Primary School (Academy)
Sutton Academy
The Birkenhead Park School
The Kingsway Academy
The Studio (Academy)
Townfield Primary School (Academy)
Upton Hall School (Academy)
Weatherhead High School (Academy)
West Derby School (Academy)
West Kirby Grammar School (Academy)
Whiston Town Council
Wirral Council
Wirral Evolutions
Wirral Grammar School for Boys (Academy)
Wirral Grammar School for Girls (Academy)

Wirral Metropolitan College
Woodchurch High School (Academy)

Admission Bodies

Addaction Ltd
Age UK - Liverpool
Agilisys Limited
Amey Services Ltd - Highways
Arriva North West
Arvato Public Sector Services Limited
Association of Police Authorities
Balfour Beatty PFI SEN School (Cofey)
Balfour Beatty Workplace (Cofey)
BAM Nuttall
Berrybridge Housing Ltd
Birkenhead Market Services Ltd
Birkenhead School (2002)
Bouygues E & S FM UK Ltd
Care Quality Commission
Catholic Children's Society
CDS Housing
City Health Care Partners
Cobalt Housing Ltd
Compass Contract Group
Compass (Scolarest) Liverpool Schools
Compass (Scolarest) Wirral Schools
Elite Cleaning & Environmental Services Ltd
Friends of Birkenhead Council Kennels
Geraud Markets Liverpool Ltd
Glendale (Liverpool Parks Services) Ltd
Glenvale Transport Ltd/Stagecoach.
Graysons Education
Greater Hornby Homes
Greater Merseyside Connexions
Hall Cleaning Services
Helena Partnerships Ltd.
Hochtief Liverpool Schools
Hochtief Wirral Schools
Interserve (Facilities Management) Ltd
KGB Cleaning & Support Services
Kingswood Colomendy Ltd.
Knowsley Youth Mutual
Lee Valley Housing Association Ltd
Lifeline Project Ltd
Liverpool Hope University
Liverpool Housing Trust

Liverpool Mutual Homes Ltd.
Liverpool Vision Limited
Local Government Association
Mack Trading
Mellors Catering – Birkdale
Mellors Catering – St Anns
Mellors Catering – St Mary & St Thomas
Mellors Catering - St Paul & St Timothy
Merseyside Lieutenancy
Merseyside Welfare Rights
Mosscroft Childcare Ltd
New Brighton Day Nursery Ltd
North Huyton Communities Future
North Liverpool Citizens Advice Bureau
Northgate Managed Services
One Vision Housing Ltd.
Partners Credit Union
Port Sunlight Village Trust
Sefton Education Business Partnership
Sefton New Directions Ltd.
Shap Ltd
South Liverpool Housing Ltd
Southern Electric Co Ltd
Southern Neighbourhood Council
Tarmac Trading Ltd
Taylor Shaw (Meols Cop)
Taylor Shaw (The Grange)
Taylor Shaw (Raeburn)
Taylor Shaw (Range)
Vauxhall Neighbourhood Council
Veolia ES Merseyside & Halton
Village Housing Association Ltd
Wavertree Citizens Advice Bureau
Welsh Local Government Association
Wirral Autistic Society
Wirral Partnership Homes (Magenta)

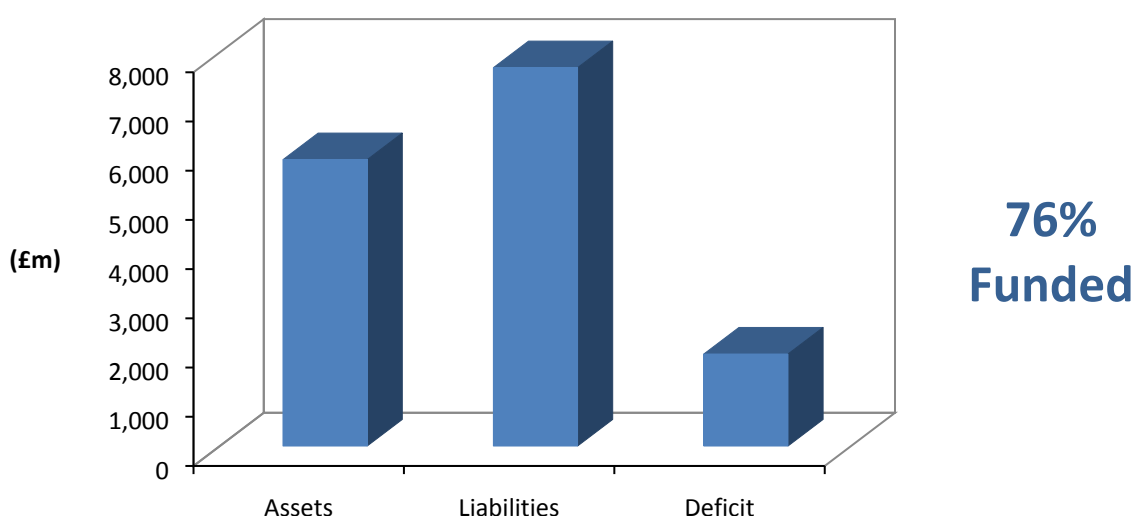
MERSEYSIDE PENSION FUND

Accounts for the year ended 31 March 2016 - Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Merseyside Pension Fund was carried out as at 31 March 2013 to determine the contribution rates for the period 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Fund's assets of £5,819 million represented 76% of the Fund's past service liabilities of £7,688 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £1,869 million.



The valuation also showed that a common rate of contribution of 13.3% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient in the long term, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allowed for the new LGPS benefit structure which became effective from 1 April 2014.

After the valuation date, there were significant changes in financial markets. In particular there was an increase in gilt yields, which underpin the liability assessment. This improved the funding position materially to 80% with a resulting deficit of £1,456 million. This improvement was taken into account when setting the deficit contribution requirements for employers where required to stabilise contribution rates. On average across the Fund, the updated deficit would be eliminated by a contribution addition of £76m per annum increasing at 4.1% per annum (equivalent to approximately 9.1% of projected Pensionable Pay at the valuation date) for 22 years if all assumptions are borne out in practice.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate)	4.6% per annum	5.6% per annum
Rate of pay increases*	4.1% per annum	4.1% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

* allowance was also made for short-term public sector pay restraint over a 3 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2016 (the 31 March 2015 assumptions are included for comparison):

	31 March 2016	31 March 2015
Rate of return on investments (discount rate)	3.6% per annum	3.3% per annum
Rate of pay increases	3.5% per annum*	3.5% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% per annum	2.0% per annum

* includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields rose, resulting in a higher discount rate being used for IAS26 purposes at the year end than at the beginning of the year (3.6% p.a. versus 3.3% p.a.). There was no change in the expected long-term rate of CPI inflation during the year, resulting in the same assumption for pension increases at the year end than at the beginning of the year (2.0% p.a.).

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2015 was estimated as £9,477 million.

The effect of the changes in actuarial assumptions between 31 March 2015 and 31 March 2016 as described above is to decrease the liabilities by c£462 million. Adding interest over the year increases the liabilities by c£312 million. The net effect of allowing for benefits accrued/paid over the period decreases the liabilities by c£35million (including any increase in liabilities arising as a result of early retirements/augmentations).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2016 is therefore £9,292 million.

Paul Middleman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2016

Glossary of Financial Terms

GLOSSARY OF FINANCIAL TERMS

Accruals

Income is recognised when it is earned rather than when it is received. Expenditure is recognised when goods or services are received rather than when the payment is made.

Actuarial Gains and Losses

Actuaries assess financial and non-financial information provided to project levels of future pension Fund requirements. Changes in actuarial deficits or surpluses that arise because:

- Events have not coincided with the actuarial assumptions made at the last valuation
- The actuarial assumptions have changed.

Appointed Auditors

The Audit Commission appoints external auditors to every local authority from one of the major firms of registered auditors. From 2014/15 the external audit function was transferred from District Audit to Grant Thornton UK LLP

Balances

The balances are to provide funding for unanticipated expenditure and / or expenditure that is of an unforeseen nature. The level is determined having regard to the strategic, operational and financial risks and uncertainties faced by the Council.

Budget

The Budget is a statement of the spending plans for the financial year.

Capital Expenditure

Expenditure on the acquisition of an asset or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

Capital Financing Charges

These are charges to the revenue account in respect of interest and principal repayments for borrowings together with any leasing rentals.

Capital Receipts

Income received from the disposal of land and other capital assets, and from the repayment of grants and loans to the Council.

Chartered Institute of Public Finance and Accountancy (CIPFA)

This Institute is the leading professional accountancy body for public services and produces the Accounting Standards and Code of Practice that must be followed in preparing the Council's financial statements.

Collection Fund

A Fund administered by the Council to record all income collected from local taxpayers and business ratepayers and show how this is passed on to other public authorities and Central Government.

Community Assets

These are fixed assets which the Council intends to hold in perpetuity which have no determinable finite useful life and may have restrictions on their disposal eg parks.

Council Tax

This is the main source of taxation for the Council. It is levied on households within the area and the proceeds are paid into the Collection Fund for distribution to precepting authorities and for use by the Council's General Fund.

Creditors

Amounts owed by the Council for works undertaken, goods received or services provided for which payment had not been made at the date of the Balance Sheet.

Current Service Costs

The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period ie the ultimate pension benefits earned by employees in the current year.

Curtailment

Curtailments show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

Debtors

Amounts owed to the Council that had not been received at the date of the Balance Sheet.

Defined Benefit Scheme

A pension, or other retirement benefit scheme, where the scheme's rules define the benefits payable independently of the contributions paid into the scheme. The benefits paid from the scheme are not directly related to the investments within the scheme. The scheme may be funded or unfunded.

Defined Contributions Scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions, as an amount or as a % of pay, and has no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation

A charge that represents the extent to which an asset has been worn-out or used or otherwise reduced the useful economic life of a fixed asset during the year.

Expected Rate of Return on Pensions Assets

For the Pension Fund the average rate of return, including both income and changes in fair value net of scheme expenses, expected over the remaining life of the asset.

Expenditure

Amounts paid by the Council for works undertaken, good received or services provided, which is deemed to have been spent when the works, goods or services have been received.

External Audit

The independent examination of the activities and accounts to ensure that the accounts have been prepared in accord with legislative requirements and proper practices and to ensure proper arrangements to secure value for money in the use of resources have been made.

Fixed Assets

Assets that yield benefits to the Council and the services provided for a period of more than one year e.g. buildings, land and vehicles.

General Fund

The main revenue fund of the Council and includes the net costs of all services financed by local taxpayers and Government grants. It is the day to day spending on services.

Government Grants

There are two types of grant. Specific grants are for particular services such as Schools. The Formula Grant is to fund Local Authority services generally. It is based on complex formulae which provide the Government assessment of how much an authority needs to spend in order to provide a standard level of service.

Group Accounts

Group Accounts are required to consolidate the financial results of the Council with those of any subsidiaries and associates.

Heritage Assets

These are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained for the contribution to knowledge and culture. This includes Bidston Windmill, Civic Regalia and the art and other important collections of porcelain and pottery.

Impairment

A reduction in the value of a fixed asset below the amount brought forward in the Balance Sheet. Reductions include items such as a significant decline in a fixed asset's market value.

Income

Amounts due to the Council for goods supplied or services provided with the income deemed to have been earned once the goods or services have been supplied.

Infrastructure Assets

These are assets which generally cannot be sold and from which benefit can be obtained only from the continued use of the asset eg highways and bridges.

Intangible Assets

These are assets which do not have physical substance but are identifiable and controlled by the Council and include items such as software and licenses.

International Financial Reporting Standards (IFRS)

The Standards dictate specific accounting treatments. They must be applied to all financial statements in order to provide a true and fair view of the financial position, and a standardised method of comparison with others. The Service Reporting Code of Practice interprets the Standards for local government.

Leases

Leasing costs are the rental for the use of an asset for a specified period of time. There are two different types of lease. Finance leases transfer substantially the risks and rewards of ownership of a fixed asset to the lessee. Operating leases are where the balance of risks and rewards remains with the lessor who retains the asset eg computer equipment.

Minimum Revenue Provision (MRP)

This is the minimum amount that the Council is required to charge to the revenue account each year to provide for the repayment of debt.

National Non-Domestic Rates (NNDR also known as Business Rates)

A levy on business property based on national rate in the £ applied to the rateable value of the premises. The Government determines the national rate and the Rates are collected by the Council and 50% of the amount collected is paid to Central Government. The remaining 50% is retained by the Council (49%) and the Merseyside Fire and Rescue Service (1%).

Net Book Value

The amount at which assets are included in the Balance Sheet i.e. their historical cost or current value less the cumulative amount provided for depreciation.

Net Expenditure

Gross expenditure less specific service income but before the deduction of non-ring fenced government grants and local taxation.

Precept

The amount the Council is required to raise from Council Tax on behalf of other authorities namely the Merseyside Recycling & Waste Authority and the Merseyside Integrated Transport Authority (Merseytravel).

Prior Year Adjustments

These are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

Provisions

Amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and / or timing of such costs is uncertain.

Public Works Loans Board (PWLB)

A Central Government body which is the main provider of loans to local authorities to fund capital expenditure.

Reporting Standards

The Code of Practice prescribes the accounting treatment and disclosures for all the normal transactions of the Council. It is based upon International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) and UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

Reserves

These are amounts held to meet specific, known or predicted future expenditure.

Revenue Expenditure

This is spending on the day-to-day running costs of providing services and is primarily employee costs, general running expenses and capital financing costs.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

This represents items of capital expenditure where no asset exists and the cost is allowed by statute to be charged as revenue expenditure to the Consolidated Income & Expenditure Statement.

Scheme Liabilities

These are the liabilities of the Pension Fund for outgoings in the future and reflect the benefits that the employer is committed to provide for service up to a set date.

Service Reporting Code of Practice (SeRCOP)

This Code is prepared and published annually by CIPFA. It is reviewed annually to ensure that it is developed in line with the needs of modern local government, transparency, best value and public services reform. SeRCOP establishes proper practices with regard to consistent financial reporting for services. In England and Wales it is given legislative support by regulations which identify the accounting practices it propounds as proper practices under the Local Government Act 2003.

Un-apportioned Central Overheads

Overheads for which no user receives any specific benefit and the costs are not apportioned to services.

Unfunded Defined Benefit Scheme

An employer managed retirement plan that uses the employer's current income to fund pension payments as they become necessary. This is in contrast to a funded pension scheme where an employer sets aside funds systematically and in advance to cover any pension plan expenses such as payment to retirees and their beneficiaries.

Unsupported (Prudential) Borrowing

This is borrowing for which no support is given by Central Government. The Council is permitted to undertake unsupported borrowing but has to ensure that the borrowing costs are affordable and be met from the revenue budget.

Useful Life

This is the period over which the Council will derive benefit from the use of an asset.



Transformation & Resources Directorate

Tom Sault
Head of Financial Services and
Acting Section 151 Officer,
Financial Services,
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Old Market House,
13 Hamilton Street
Wirral
CH41 5AL

to Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS

Date 26 September 2016

your ref
my ref ACCOUNTS 2015/16
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 2016

This representation letter is provided in connection with the audit of the financial statements of Wirral Council for the year ended 31 March 2016 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 26 September 2016.

Signed on behalf of the Council

Councillor Adrian Jones
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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